

nuvoton

Stock Code: 4919

Nuvoton Technology Corporation¹

2016

Annual Report

Published on March 31, 2017

Nuvoton Annual Report Website

■Market Observation Post System website:<http://mops.twse.com.tw>

■Nuvoton Annual Report Website:<http://www.nuvoton.com>

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

1. Company Spokesperson:

Name: Hsiang-Yun Fan

Title: Vice President of General Administration Center

Telephone:(03)577-0066

Email:HYFan@nuvoton.com

2. Deputy Spokesperson:

Name: Hung-Wen Huang

Title: Director of Administration of General Administration Center

Telephone:(03)577-0066

Email:HWHuang4@nuvoton.com

3. Nuvoton Address and Telephone Number:

Head Office: No. 4, Creation Rd. III, Hsinchu Science-Based Industrial Park

Telephone: (03)577-0066

4. Common Stock Transfer Agency:

Name: CTBC Bank Co., Ltd. Transfer Agency Department

Address: 5F, No. 83, Sec.1, Chungking S. Road, Taipei City

Telephone:(02) 6636-5566

Website:<http://www.chinatrust.com.tw>

5. Auditor:

Name of firm: Deloitte & Touche

Name of auditors: Ker-Chang Wu, Hung-Bin Yu

Address: 12F., No.156, Sec. 3, Minsheng E. Rd., Songshan Dist., Taipei City
10596

Telephone: (02)2545-9988

Website: <http://www.deloitte.com.tw>

6. Overseas Securities Listing Exchange and Information: N/A

7. Company website: <http://www.nuvoton.com>

Table of Contents

	Page No.
I. Letter to Shareholders.....	1
II. Company Overview.....	3
1. Company profile and history.....	3
2. Corporate governance report.....	4
3. Capital and shareholding.....	58
4. Issuance of corporate bonds.....	63
5. Issuance of preferred stocks.....	63
6. Issuance of global depository receipts (GDR).....	63
7. Exercise of employee stock option plan (ESOP).....	63
8. Restricted stock awards.....	63
9. Mergers, acquisitions or issuance of new shares for acquisition of shares of other companies.....	63
10. Implementation of capital allocation plan.....	63
III. Business Overview.....	64
1. Business activities.....	64
2. Market, production and sales.....	70
3. Employees.....	74
4. Spending on environmental protections.....	75
5. Employees-employer relations.....	76
6. Important contracts.....	79
IV. Financial Summary.....	81
1. Condensed balance sheets, statements of income, names of auditors, and audit opinions(2012-2016).....	81
2. Financial analysis of the last five year.....	89
3. Supervisors' or Audit Committee's review report of 2016.....	97
4. Financial statements of the most recent year.....	98
5. Individual financial statements of the most recent year.....	99
6. Financial difficulties and corporate events encountered by the company and affiliates in the past year and up to the date of report that have material impact on the financial status of the company.....	231
V. Financial position, financial performance and risk analysis.....	232
1. Analysis of financial status.....	232
2. Analysis of financial performance.....	233
3. Analysis of cash flow.....	233
4. Effect of major capital spending on financial position and business operation in the past year.....	234
5. Investment policy in the past year, profit/loss analysis, improvement plan, and	234

investment plan for the coming year.....	
6. Risk management and evaluation.....	234
7. Other important matters.....	240
VI. Special Disclosures.....	241
1. Profiles of affiliates and subsidiaries.....	241
2. Progress of private placement of securities during the latest year and up to the date of annual report publication.....	249
3. Holding or disposal of stocks of the company by subsidiaries in the past year and up to the date of report.....	249
4. Other supplemental information.....	249
5. Corporate events with material impact on shareholders' equity or stock prices set forth in Subparagraph 2, Paragraph 3, Article 36 of Securities and Exchange Act in the past year and up to the date of report.....	249

I. Letter to Shareholders

Dear Shareholders,

2016 has been a year full of challenges for global semiconductor industry. Under the impacts of a decline in end-user needs for PCs and minor increase in smartphones, the overall semiconductor industry has maintained a low-level development. Nuvoton Technology Corporation (the "Company"), however, has reached a new record in revenue contributed by the efforts of all employees which marked up an important milestone in the development process of the Company.

Financial Performance

For the overall financial performance, the Company's total consolidated revenue was about NT\$8,329 million in 2016, with 13.9% YOY increase from NT\$7,313 million in 2015. The net income after tax of 2016 was NT\$613 million, with 30.7% YOY increase from NT\$469 million in 2015. The earnings per share after taxes were NT\$2.95.

Products, Marketing and Technology Development

The Company's business mainly includes research, development and sales of integrated circuit products and provision of wafer foundry services. Following is a summary of significant achievements:

The Company has passed the certification of Federal Information Processing Standards ("FIPS") in 2016, and has all the certificates of FIPS, Common Criteria EAL4+ and Trusted Computing Group ("TCG"), making the Company is the first TPM 2.0 IC supplier with all certification mentioned above in the world. This indicates that the quality and reliability of the Company's security protection products have been unanimously recognized by international standards.

The year saw continuous shipments of ARM® Cortex® - M4 SIO, EC, TPM and power management IC for Intel Skylake. Besides, ARM® Cortex® - M0, ARM® Cortex® - M4 microcontrollers and ARM® 9 system-on-a-chip have significantly contributed to various new applications. The Company has also launched NuMaker development platform which is an Internet-of-Things total solution based on ARM® Cortex®-M processor and uses ARM mbed OS 5.1 as the main control platform for the communication gateway. This product is expected to contribute to our revenue in the future.

In July 2016, the Company officially launched its on-line store Nuvoton Direct, selling factory-supplied products with global deliveries supported. The on-line products include micro-controllers with 8051 and Cortex® M0/M4 as the core, and the development kits under

NuMicro® family. The NuMaker series development platform suitable for makers is also available to be sold to American, European and Asian countries. The sales are strong since its trial sale and which shows the widespread embrace in the world of the Company's complete products and innovative achievements.

In terms of wafer foundry services, the Company has developed new manufacturing processes, such as the 0.35um 600V/140V motor-driven high-pressure IC manufacturing process and the 0.35um 60V/80V BCD power management IC manufacturing process, as to provide wider varieties of services to our clients.

Honors and Awards

Besides the good performance in major business realms, where the Company has won many honors and awards, the Company has also well fulfilled the social responsibilities. In 2016, the Company won the "Good Executor of Occupational Security and Health" awarded by the Hsinchu Science Park Bureau, as an affirmation of the Company's commitment to workplace safety. In the Company's long-term target featuring environment-sustainable development, the compliance with basic environment laws and relevant international conventions, has also been awarded the ISO14046 Water Footprint (WFP) certificate for 6-inch wafer products and named an excellent water-saving entity by the Water Resources Agency of the Ministry of Economic Affairs. It shows the remarkable achievements of the Company in environment protection and sustainable operation.

Enterprise Business and Expectations

It is expected that the needs for various types of microcontrollers will be substantially increased by new markets such as drones, robots, virtual reality and augmented reality, Internet of Things, and cloud computing. As an innovative company, the Company will steadily strengthen capabilities to research and development and continue to develop more product applications and services, and market more innovative applications and services by cooperating with our clients. It is believed that the Company will explore further business opportunities to maximize values for our shareholders, clients, and employees.

Finally, on behalf of Nuvoton Technology Corp., we'd like to thank the shareholders for their supports and affirmation.

Chairman Arthur Yu-Cheng Chiao

II. Company Overview

1. Company profile and history

Nuvoton Technology Corporation was established on April 9, 2008. In July of 2008, the company was spun off from Winbond's Logic IC Business Group and went public offering on December 15, 2009. The company went listed on the Emerging Stock Market on January 29, 2010, and has been listed on the Taiwan Stock Exchange since September 27, 2010.

The company focus on the R&D, design and sales of integrated circuits, and has achieved leading positions in microcontrollers, microprocessor, audio, and cloud computing IC applications; in addition, the company owns a 6-inch IC plant that specializes in diverse processing technologies to provide professional IC foundry services and manufactures self-own IC products with its partial capacity.

The company provides customers high quality products at low costs through vigorous innovative technical capabilities, comprehensive product solutions and outstanding integration technologies. We provide customers services from existing foundations of cooperation. With the company vision "Joy of Innovation", we value the long-term relationship between customers and partners. Nuvoton has set up subsidiaries in the USA, Mainland China, Israel, and India to strengthen regional support and global management.

Apart from outstanding performance in main business, the company has won many honors and awards. It was named an excellent supplier of computer ICs by world class brand companies. The company also was awarded the highest green rating in the validated audit process (VAP) under the EICC Code of Conduct. The company was a winner at the MOEA 3rd National Industrial Innovation Award as well as the 3rd Potential Taiwan Mittelstand Award. It was also named excellent exporters/importers by the Bureau of Foreign Trade in 2014. Winning the Taiwan Corporate Sustainability Report Award and the Potential Taiwan Mittelstand Award in 2015 exemplified the national-level high regard bestowed upon the company.

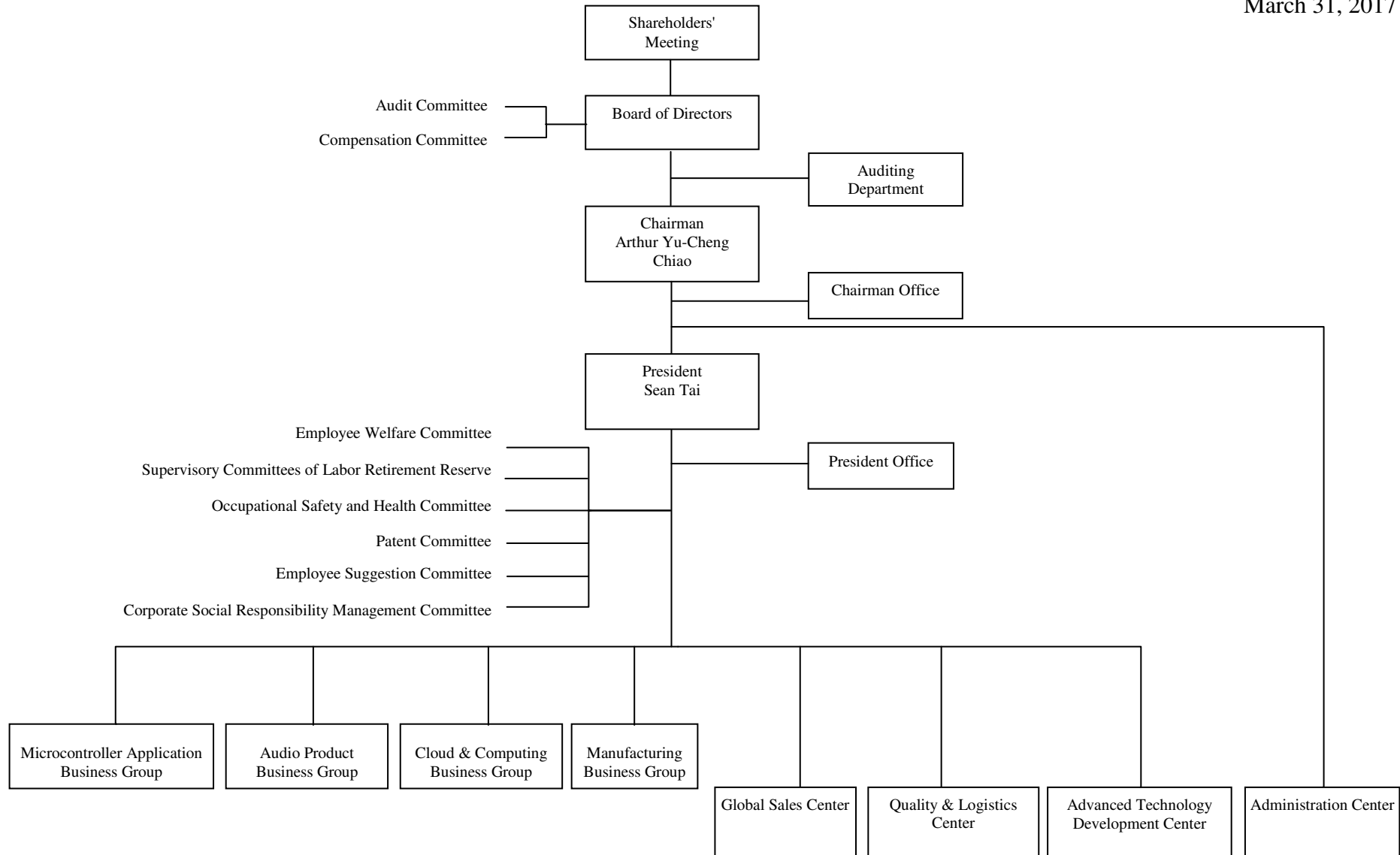
The company will continue to build up its strength in R&D and focus on the core businesses while establishing itself as a market leader. The company will aim to achieve sustainability by upholding corporate values, which are "accountability, synergy and innovation" and advance steadily to achieve a world-class IC designer and manufacturer.

2. Corporate governance report

2.1 Organizational structure and major business units

1. Organization structure

March 31, 2017



2. Major business units and their key businesses

Department	Key businesses
President Office	<ol style="list-style-type: none"> 1. Implement and analyze operation performance and provide improvement recommendations to help achieve the operation targets of the company. 2. Administer the planning and organization of the company's comprehensive business development strategies. 3. Oversee and execute the operation targets.
Auditing Department	<ol style="list-style-type: none"> 1. Planning and execution of internal audit operations. 2. Planning and execution of internal control self-assessment operations. 3. Review of company codes and rules. 4. Audit and evaluate the overall operation performance of the company.
Microcontroller Application Business Group	Develop general applications for microcontroller/microprocessor development tools and platforms.
Audio Product Business Group	Planning, R&D, promotion and operation of audio products.
Cloud & Computing Business Group	<ol style="list-style-type: none"> 1. Planning, promotion and operation of computer products. 2. Planning, promotion and operation of cloud-based platforms and devices. 3. Investigation, planning and preparation for future and strategic products.
Manufacturing Business Group	<ol style="list-style-type: none"> 1. Conduct IC manufacturing business to achieve profit goals. 2. Provide competitive manufacturing solutions. 3. Provide IC foundry services. 4. Integrate outsourced businesses and develop IC manufacturing strategies.
Global Sales Center	<ol style="list-style-type: none"> 1. Organize and manage the global sales team. 2. Plan and implement annual operation targets. 3. Sales management and analysis system. 4. Strategic management of major customers and market regions. 5. Develop new businesses in emerging markets.
Quality & Logistics Center	<ol style="list-style-type: none"> 1. Planning, control and management of production and logistics. 2. Cooperation, management and control of outsourced services. 3. Manage outsourced IC foundry services. 4. Define, establish and plan quality policies/systems/management in line with company targets and customer requirements. 5. Monitor and satisfy customers' requests on product quality. 6. Manage the company's intellectual property documents and information. 7. Material control/supply chain/logistics/storage management. 8. Provide solutions for costs and efficiency.
Advanced Technology Development Center	<ol style="list-style-type: none"> 1. Early development of the company's new technologies of the future and advanced research into new businesses. 2. Lead related industrial, academic and governmental collaboration plans with universities, government institutions.
Administration Center	<ol style="list-style-type: none"> 1. Providing a safe working environment in a most cost effective manner and assisting other business units to achieve the overall business goals of the company. 2. Satisfy the human resource demands for the company's operations and growth. 3. Planning and execution of accounting system and tax matters. 4. Planning and evaluation of budget and costs. 5. Planning company funds and investment management. 6. Review the company's contracts and process related legal patent matters. 7. Cultivate employee relations and public relations.

2.2 Profile of Directors, Supervisors and management

2.2.1 Directors and Supervisors (1)

March 31, 2017; Unit: share(s)

Title	Nationality or place of registration	Name	Gender	Appointment Date	Term (Year)	First elected date	Shares held at appointment		Shares held at present		Shares held by spouse, minor children at present		Shareholding by nominee arrangement		Main work (education) experiences	Other current positions within the company	Spouse or relatives of second degree or closer acting as Directors, Supervisors, or other department heads		
							No. of shares	Shareholding Percentage	No. of shares	Shareholding Percentage	No. of shares	Shareholding Percentage	No. of shares	Shareholding Percentage			Title	Name	Relationship
Director	ROC	Winbond Electronics Corporation	-	June 15, 2016	3 years	March 14, 2008	126,620,087	61.01%	126,620,087	61.01%	-	-	-	-	-	Note 1	N/A	N/A	N/A
Chairman	ROC	Winbond Electronics Corporation Representative: Arthur Yu-Cheng Chiao	Male	June 15, 2016	3 years	March 14, 2008	-	-	-	-	-	-	-	-	Master of Electrical Engineering from University of Washington, also studied in School of Management, University of Washington; Chairman of Walsin Lihwa Corporation, Chairman and Compensation Committee Member of Capella Microsystems Inc.	Note 2	Director	Yung Chin	Spouse
Vice chairman	ROC	Robert Hsu	Male	June 15, 2016	3 years	April 23, 2010	191,328	0.09%	191,328	0.09%	-	-	-	-	PhD in Electrical Engineering, University of Southern California; President, Winbond Electronics Corporation	Note 3	N/A	N/A	N/A
Director	ROC	Yung Chin	Female	June 15, 2016	3 years	March 14, 2008	-	-	-	-	-	-	-	-	Master's degree in Applied Mathematics, University of Washington; Chief Auditor, Walsin Lihwa Corporation Vice President of Winbond Electronics Corp.	Note 4	Chairman	Arthur Yu-Cheng Chiao	Spouse
Director	ROC	Ken-Shew Lu	Male	June 15, 2016	3 years	March 14, 2008	-	-	-	-	-	-	-	-	PhD from Texas Tech University; Senior Vice President of Memory Products, Senior Vice President of Global Mixed and Analog, Signal Logical Products of Texas Instruments Incorporated	Note 5	N/A	N/A	N/A
Director	ROC	Chi-Lin Wea	Male	June 15, 2016	3 years	April 23, 2010	-	-	-	-	-	-	-	-	Master of Management from Imperial College London, United Kingdom, PhD in Economics from University of Paris; Director of National Taiwan University College of Management, Secretary	Note 6	N/A	N/A	N/A

Title	Nationality or place of registration	Name	Gender	Appointment Date	Term (Year)	First elected date	Shares held at appointment		Shares held at present		Shares held by spouse, minor children at present		Shareholding by nominee arrangement		Main work (education) experiences	Other current positions within the company	Spouse or relatives of second degree or closer acting as Directors, Supervisors, or other department heads		
							No. of shares	Shareholding Percentage	No. of shares	Shareholding Percentage	No. of shares	Shareholding Percentage	No. of shares	Shareholding Percentage			Title	Name	Relationship
															general of Executive Yuan, Chairman of Land Bank of Taiwan				
Independent Director	ROC	Royce Yu-Chun Hong	Male	June 15, 2016	3 years	April 23, 2010	-	-	-	-	-	-	-	-	Department of Industrial Design Rhode Island School of Design, Graphic Design at Art Center College of Design	Note 7	N/A	N/A	N/A
Independent Director	ROC	Allen Hsu	Male	June 15, 2016	3 years	June 14, 2013	-	-	-	-	-	-	-	-	Master of Business Administration National Chengchi University; Vice Chairman of Taiwan Venture Capital Association, Vice CEO at Headquarters of Yulon Group, Chairman of Myson Century, Inc., Chairman of Taiwan Mask Corporation, Chairman of Chingis Technology Corporation	Note 8	N/A	N/A	N/A
Independent Director	ROC	David Shu-Chyuan Tu	Male	June 15, 2016	3 years	June 12, 2014	-	-	-	-	-	-	-	-	Master of Computer Engineering from California State University, Bachelor of Computer Engineering from National Chiao Tung University; President of Planning Department of Synnex Technology International Corp	Note 9	N/A	N/A	N/A
Independent Director	ROC	Jie-Li Hsu	Male	June 15, 2016	3 years	June 15, 2016	-	-	-	-	-	-	-	-	Bachelor of Commerce from University of Toronto, Canada, Waseda Business School, Japan, MBA, Peking University, China	Note 10	N/A	N/A	N/A

Note 1: Institutional Director Winbond Electronics serves concurrently as Director of Walton Advanced Engineering, Inc., Winbond Electronics (H.K.) Limited, Pine Capital Investment Limited, Landmark Group Holdings Ltd., Winbond International Corporation, Newfound Asian Corp., Winbond Technology Ltd.; Director and Supervisor of Mobile Magic Design Corporation and Techdesign Corporation; Supervisor of Walsin Technology Corporation, Chin Xin Investment Corporation, and Harbinger III Venture Capital Corporation.

Note 2: Mr. Arthur Yu-Cheng Chiao is the Chairman of the company serves concurrently Chairman and CEO of Winbond Electronics Corp., Chairman of Chin Xin Investment Corp., Director of Walsin Lihwa Corp., Walsin Lihwa Corp., Walsin Specialty Steel Corporation, Walsin Technology Corporation, United Industrial Gases Co., Ltd., Chin Cheng Construction Corp., Song Yong Investment Corporation, Winbond Electronics Corporation America, Landmark Group Holdings Ltd., Winbond International Corporation, Newfound Asian Corp., Peaceful River Corp., Baystar Holdings Ltd., Nuvoton Investment Holding Limited, Marketplace Management Limited, and Pigeon Creek Holding Co., Ltd.; Independent Director and Compensation

Committee Convener of Taiwan Cement Corp., Independent Director and Compensation Committee Member of Synnex Technology International Corporation; Managerial officer of Goldbond LLC; and Supervisor of MiTAC Holdings Corporation.

Note 3: Vice Chairman Mr. Robert Hsu serves concurrently as the company's CTO and Director of Winbond International Corporation, Landmark Group Holdings Ltd., Winbond Electronics Corporation Japan, Baystar Holdings Ltd., Nuvoton Electronics Technology (Shenzhen) Limited, Nuvoton Technology Corp. America, Nuvoton Technology Israel Ltd., Nuvoton Investment Holding Ltd., Marketplace Management Limited, and Pigeon Creek Holding Co., Ltd. Supervisor of Walsin Lihwa Corp.

Note 4: Director Ms. Yung Chin serves concurrently as the Director and Chief Administrative Officer of Winbond Electronics Corporation; Director of Winbond Electronics (H.K.) Limited, Newfound Asian Corp., Peaceful River Corp., and Nuvoton Electronics Technology (H.K.) Limited. She also serves concurrently as Supervisor of Qing An Investment Limited, Yau Cheung Investment Limited, Winbond Electronics Corporation Japan, Winbond Electronics (Suzhou) Ltd., and Nuvoton Electronics Technology (Shanghai) Limited.

Note 5: Director Mr. Ken-Shew Lu serves concurrently as the Chairman, CEO and Director of Diodes Incorporated; Chairman of LED Engin, Inc.; Director of Lorenz and Lite-On Technology Corporation.

Note 6: Director Chi-Lin Wea serves concurrently as Director of AcBel Polytech Inc.; Independent Director of Inventec Besta Co., Ltd., Sinbon Electronics Co., Ltd., and Formosa Plastics Corporation.

Note 7: Independent Director Mr. Royce Yu-Chun Hong serves concurrently as the Chairman and President of Ipevo Inc.; Chairman of Xrange Co., Ltd., XING Mobility Inc. and Panasonic Taiwan Co., Ltd.; Director of Long Jun Investment Co., Ltd.; and Supervisor of Yuchi Venture Investment Co., Ltd. and Panasonic Electronics Products Co. Ltd.

Note 8: Director Mr. Allen Hsu serves concurrently as the Chairman of Hestia Power Inc., AccelStor Co., Ltd., Yizhong Technology Inc., and Radar Management Consultants Co.; Director of Innodisk Corporation, Acme Electronics Corporation, Anderson Industrial Corp., and Pilot Electronics Corporation; and Independent Director of ANZ Bank (Taiwan) Limited, and Winbond Electronics Corporation.

Note 9: Independent Director Mr. David Shu-Chyuan Tu serves concurrently as Vice President Group Business Development & Strategy of Synnex Technology International Corp. and Director of BestCom Infotech Corp.

Note 10: Mr. Jie-Li Hsu serves concurrently as Director of Cal-Comp Biotech, Kun Ji Venture Capital Inc., Kinpo Electronics, Inc., Prudence Venture investment Corp., PCHome Store, Breeze Development Co. Ltd., PC Home Online, and Cal-Comp Big Data, Inc; Independent Director of Winbond Electronics Corporation and Sirtec International Co., Ltd.; Supervisor of Baotek Inc., Fu Bao Investment Inc., Teleport Access Services, and CastleNet Technology Inc.; Vice President of AcBel Polytech Inc.; and Assistant Manager of Compal Electronics.

Note 11: Re-election of the company's 5th-term directors was held on June 15, 2016. The Audit Committee was established to replace the role of the supervisors.

Directors and Supervisors who are representatives of institutional shareholder and the major shareholders of institutional shareholders

March 31, 2017

Name of institutional shareholder	Major shareholders of institutional shareholders
Winbond Electronics Corporation	Walsin Lihwa Corporation (22.66%), Chin Xin Investment Corp. (5.09%), Arthur Yu-Cheng Chiao (1.63%), Dimension Emerging Market Evaluation Fund under the trust of Citibank (Taiwan) (1.38%), LGT Bank (Singapore) Investment Fund under the custody of JPMorgan Chase Bank N.A. Taipei Branch (1.10%), UBS AG Account under the trust of HSBC Bank Taipei Branch (0.97%), Norges Bank Investment Account under the trust of Citibank (Taiwan) (0.90%), Hong Pai-Yung (0.90%), Vanguard Emerging Markets Stock Index Fund under the trust of Standard Charter (0.87%), and Profit Trends International Corp. Investment Fund under the custody of Deutsche Bank A. G. Taipei Branch (0.86%).

Major shareholders in the above table who are institutional investors and their major shareholders

March 31, 2017

Name of Institution	Major shareholders of institutional shareholders
Walsin Lihwa Corporation	LGT Bank (Singapore) Investment Fund under the custody of JPMorgan Chase Bank N.A. Taipei Branch (7.82%), Winbond Electronics Corporation (5.89%), Chin Xin Investment Corp. (5.24%), Chiao Yu-Hui (2.71%), Norges Bank Investment Account under the trust of Citibank (Taiwan) (1.89%), Chiao Yu-Heng (1.71%), Vanguard FTSE Emerging Markets Stock ETF Account under the trust of Standard Chartered Bank (1.63%), Chiao Yu-Chi (1.51%), Walsin Lihwa Employees' Welfare Committee (1.41%), and Hong Pai-Yung (1.40%).
Chin Xin Investment Corp.	Winbond Electronics (37.69%), Walsin Lihwa (37.00%), Oriental Consortium Investment Limited (4.43%), Arthur Chiao (3.14%), Chiao Yu-Lon (3.14%), Chiao Yu-Heng (3.14%), Chiao Yu-Chi (3.14%), Yau Cheung Investment (2.81%), Walsin Technology Co. (1.86%), HannStar Board Corporation (1.34%).

Directors and Supervisors (2)

Name	Has at least 5 years of work experience and meet one of the following professional qualifications			Meet the independence criteria (Note)										Number of other Taiwanese public companies concurrently serving as an independent Director	
	Criteria	A lecturer or higher position in a Department of Commerce, Law, Finance, Accounting, or other academic department related to the business needs of the company in a public or private junior college, college or university	A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the company	Have work experience in the area of commerce, law, finance, or accounting, or otherwise necessary for the business of the company	1	2	3	4	5	6	7	8	9		10
Winbond Electronics Corporation Representative: Arthur Yu-Cheng Chiao			V				V						V		2
Robert Hsu			V				V					V	V	V	-
Yung Chin			V			V							V		-
Ken-Shew Lu			V	V	V	V	V	V	V	V		V	V		-
Chi-Lin Wea	V		V	V	V	V	V	V	V	V	V	V	V	V	3
Royce Yu-Chun Hong			V	V	V	V	V	V	V	V	V	V	V	V	-
Allen Hsu			V	V	V	V	V	V	V	V	V	V	V	V	2
David Shu-Chyuan Tu			V	V	V	V	V	V	V	V	V	V	V	V	-
Jie-Li Hsu			V	V	V	V	V	V	V	V	V	V	V	V	2

Note 1: If the director or supervisor meets any of the following criteria in the two years before being elected or during the term of office, please check "✓" the corresponding boxes.

- (1) Not an employee of the company or any of its affiliates.
- (2) Not a Director or Supervisor of the company or any of its affiliates. The same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary established pursuant to the Securities and Exchange Act or local regulations.
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the company or ranks as one of its top ten shareholders.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the above persons in the preceding three subparagraphs;
- (5) Not a Director, Supervisor, or employee of a corporate/institutional shareholder that directly holds five percent or more of the total number of issued shares of the company or ranks as one of its top five shareholders;
- (6) Not a Director, Supervisor, officer, or shareholder holding five percent or more of the shares of a specified company

or institution that has a financial or business relationship with the company.

- (7) Not a professional individual who, or an owner, partner, Director, Supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the company or to any affiliate of the company, or a spouse thereof, excluding members of compensation committee who exercise power in accordance with Article 7 of the Regulations Governing the Appointment and Exercise of Powers by the Compensation Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter.
- (8) Not having a marital relationship, or a relative within the second degree of kinship to any other Director of the company.
- (9) Not having any of the situations set forth in Article 30 of the Company Act of the R.O.C.
- (10) Not a government agency, juristic person, or its representative set forth in Article 27 of the Company Act of the R.O.C.

2. Profile of President, Vice Presidents, Assistant Vice Presidents, and Department Directors

March 31, 2017; Unit: share(s)

Title	Nationality	Name	Gender	Appointment Date	Shares held		Shares held by spouse and underage children		Shareholding by nominee arrangement		Experience & Education	Current job position in other companies	Manager who is a spouse or a relative within second degree		
					No. of shares	Shareholding Percentage	No. of shares	Shareholding Percentage	No. of shares	Shareholding Percentage			Title	Name	Relationship
CTO	ROC	Robert Hsu	Male	February 5, 2014	191,328	0.09%	-	-	-	-	PhD in Electrical Engineering, University of Southern California President of Winbond Electronics Corp.	Director of Winbond International Corporation, Landmark Group Holdings Ltd., Winbond Electronics Corporation Japan, Baystar Holdings Ltd., Nuvoton Electronics Technology (Shenzhen) Limited, Nuvoton Technology Corp. America, Nuvoton Technology Israel Ltd., Nuvoton Investment Holding Ltd., Marketplace Management Limited, Pigeon Creek Holding Co., Ltd.; serves concurrently as Supervisor of Walsin Lihwa Corp.	N/A	N/A	N/A
President	ROC	Sean Tai	Male	February 5, 2014	40,000	0.00%	-	-	-	-	PhD of Electrical Engineering, Yale University Chief Business Development Officer, Realtek Semiconductor Corp.	Chairman of Nuvoton Electronics Technology (Shanghai) Limited, Nuvoton Electronics Technology (H.K.) Limited, and Nuvoton Electronics Technology (Shenzhen) Limited; Director of Nuvoton Technology Corporation America, Nuvoton Technology Israel Ltd., Song Yong Investment Corporation, Techdesign Corporation, and Winbond Technology (Nanjing) Co., Ltd.	N/A	N/A	N/A
VP	ROC	Hsi-Jun g Tsai	Male	August 20, 2008	127,686	0.06%	-	-	-	-	Master of Computer Science, National Chiao Tung University Vice President of Business Development and Sales, Cheertek Inc.	Chairman of Nuvoton Technology Corporation America; Director of Yuchi Venture Investment Co., Ltd.	N/A	N/A	N/A
VP	ROC	Hsiang-Yun	Male	July 1, 2008	444,979	0.21%	-	-	-	-	Master of Business Administration, National Chung Cheng University	Chairman of Song Yong Investment Corporation and	N/A	N/A	N/A

Title	Nationality	Name	Gender	Appointment Date	Shares held		Shares held by spouse and underage children		Shareholding by nominee arrangement		Experience & Education	Current job position in other companies	Manager who is a spouse or a relative within second degree		
					No. of shares	Shareholding Percentage	No. of shares	Shareholding Percentage	No. of shares	Shareholding Percentage			Title	Name	Relationship
		Fan									Assistant Vice President of Administration Service Center, Winbond Electronics Corp.	Nuvoton Technology India Private Limited; Director of Nuvoton Electronics Technology (Shanghai) Limited, Nuvoton Electronics Technology (H.K.) Limited, Nuvoton Electronics Technology (Shenzhen) Limited, Nuvoton Technology Corporation America, Nuvoton Technology Israel Ltd., HannStar Board Corporation, Winbond Electronics (H.K.) Limited, Techdesign Corporation, Nyquest Technology Co., Ltd. and Winbond Electronics Corporation Japan; Managerial officer of Goldbond LLC.			
VP	ROC	Jen-Lieh Lin	Male	July 1, 2008	152,973	0.07%	-	-	-	-	Master of Electrical Engineering, National Cheng Kung University Assistant Vice President of System Technology Center, Winbond Electronics Corp.	Director of Nuvoton Electronics Technology (Shanghai) Limited, Techdesign Corporation and Nuvoton Technology Corporation America; Supervisor of Nuvoton Electronics Technology (Shenzhen) Limited and Song Yong Investment Corporation; Chairman of Winbond Technology (Nanjing) Co., Ltd.	N/A	N/A	N/A
VP	ROC	Jiin-Shiarnng Wen	Male	January 1, 2011	6,200	0.00%	-	-	-	-	Master of Engineering Management (MEM), University of Technology, Sydney Director of Fabrication II Division, Winbond Electronics Corp.	N/A	N/A	N/A	N/A
Vice President (Note 2)	ROC	Hsin-Lung Yang	Male	January 24, 2011	-	-	-	-	-	-	Master of Computer Science, National Tsing Hua University Senior Director of Multimedia R&D Division of Cheertek Inc. Technical Manager of Product Design and Marketing, Novatek	Chairman of Nuvoton Technology Israel Ltd.	N/A	N/A	N/A

Title	Nationality	Name	Gender	Appointment Date	Shares held		Shares held by spouse and underage children		Shareholding by nominee arrangement		Experience & Education	Current job position in other companies	Manager who is a spouse or a relative within second degree		
					No. of shares	Shareholding Percentage	No. of shares	Shareholding Percentage	No. of shares	Shareholding Percentage			Title	Name	Relationship
											Microelectronics Corp.				
Vice President (Note 3)	ROC	Patrick Wang	Male	May 5, 2014	-	-	-	-	-	-	Mater of Business Administration, State University of New York, Buffalo Assistant Vice President of International Marketing, Realtek Semiconductor Corp.	President of Nuvoton Electronics Technology (Hong Kong) Limited	N/A	N/A	N/A
Assistant Vice President	ROC	Peng-Chou Peng	Male	December 1, 2009	129,000	0.06%	-	-	-	-	Master of Electrical Engineering, National Central University Executive Assistant of Sales & Marketing Unit of Generalplus Technology Inc.	N/A	N/A	N/A	N/A
Chief Accounting Officer	ROC	Hung-Wen Huang	Male	February 1, 2015	2,000	0.00%	-	-	-	-	PhD from the Department of Industrial Engineering and Management, National Chiao Tung University Director of Accounting Department of Winbond Electronics Corporation	N/A	N/A	N/A	N/A

Note 1: Management is defined the same as the interpretation provided in the Ministry of Finance letter Tai-Cai-Zheng-San-Zi-0920001301, including the President, Vice President, Assistant Vice President, Chief Financial Officer, and Chief Accounting Officer (or equivalent officers).

Note 2: Mr. Hsin-Lung Yang is promoted to Vice President starting February 4, 2017.

Note 3: Mr. Patrick Wang is promoted to Vice President starting February 4, 2017.

3. Remunerations to Directors (including Independent Directors), Supervisors, President, and Vice Presidents in recent years

3.1 Remuneration for Directors (including Independent Directors)

December 31, 2016; Unit: NT\$1,000

Title	Name	Director's remuneration								Ratio of total (A), (B), (C), and (D) to after-tax profit (Note 6)		Pay received as an employee								Ratio of total (A), (B), (C), (D), (E), (F) and (G) to after-tax profit (Note 6)		Remuneration received from investees other than subsidiaries (Note 7)
		Remuneration (A) (Note 1)		Severance pay and pension (B)		Director's remuneration (C) (Note 2)		Business expenses (D) (Note 3)				Salary, bonus and special allowance (E) (Note 4)		Severance pay and pension (F)		Remuneration of employees (G) (Note 2)						
		The company	All companies in consolidated statements (Note 5)	The company	All companies in consolidated statements (Note 5)	The company	All companies in consolidated statements (Note 5)	The company	All companies in consolidated statements (Note 5)	The company	All companies in consolidated statements (Note 5)	The company	All companies in consolidated statements (Note 5)	The company	All companies in consolidated statements (Note 5)	Cash Amount	Equities Amount	Cash Amount	Equities Amount	The company	All companies in consolidated statements (Note 5)	
Director	Representative of Winbond Electronics Corporation: Arthur Yu-Cheng Chiao																					
Director	Robert Hsu																					
Director	Yung Chin (Note 8)																					
Director	Ken-Shew Lu (Note 9)	665	665	-	-	6,591	6,591	866	866	1.32%	1.32%	862	5,602	-	816	500	-	500	-	1.55%	2.45%	96
Director	Chi-Lin Wea																					
Independent Director	Royce Yu-Chun Hong																					
Independent Director	Allen Hsu																					
Independent Director	David Shu-Chyuan Tu																					
Independent Director	Jie-Li Hsu (Note 10)																					

Except as disclosed above, remuneration received by directors in the latest year for on-balance sheet services (e.g. acting as an non-employee consultant) rendered to the company: None.

Range of remuneration table

Remuneration scale applicable to the company's Directors	Name of Director			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The company	All companies in the financial statements H	The company	All investees I
Below NT\$2,000,000	Representative of Winbond Electronics Corporation: Arthur Yu-Cheng Chiao, Yung Chin, Ken-Shew Lu, Robert Hsu, Chi-Lin Wea, Royce Yu-Chun Hong, Allen Hsu, David Shu-Chyuan Tu, and Jie-Li Hsu	Representative of Winbond Electronics Corporation: Arthur Yu-Cheng Chiao, Yung Chin, Ken-Shew Lu, Robert Hsu, Chi-Lin Wea, Royce Yu-Chun Hong, Allen Hsu, David Shu-Chyuan Tu, and Jie-Li Hsu	Representative of Winbond Electronics Corporation: Arthur Yu-Cheng Chiao, Yung Chin, Ken-Shew Lu, Robert Hsu, Chi-Lin Wea, Royce Yu-Chun Hong, Allen Hsu, David Shu-Chyuan Tu, and Jie-Li Hsu	Representative of Winbond Electronics Corporation: Arthur Yu-Cheng Chiao, Yung Chin, Ken-Shew Lu, Chi-Lin Wea, Royce Yu-Chun Hong, Allen Hsu, David Shu-Chyuan Tu, and Jie-Li Hsu
NT\$2,000,000 (inclusive) to NT\$5,000,000 (exclusive)	-	-	-	-
NT\$5,000,000 (inclusive) to NT\$10,000,000 (exclusive)	-	-	-	Robert Hsu
NT\$10,000,000 (inclusive) to NT\$15,000,000 (exclusive)	-	-	-	-
NT\$15,000,000 (inclusive) to NT\$30,000,000 (exclusive)	-	-	-	-
NT\$30,000,000 (inclusive) to NT\$50,000,000 (exclusive)	-	-	-	-
NT\$50,000,000 (inclusive) to NT\$100,000,000 (exclusive)	-	-	-	-
Greater than NT\$100,000,000	-	-	-	-
Total	9 persons	9 persons	9 persons	9 persons

Note 1: Remuneration to the director in the past year (including salary, additional pay, severance pay, bonuses and rewards).

Note 2: The company's Board of Directors passed the 2016 remuneration of directors, supervisors and employees on February 3, 2017. The figures in the table above are estimates, which will be distributed after they are reported to the shareholders' meeting.

Note 3: This is business expense of directors in the past year (including transportation allowance, special allowance, stipends, dormitory, and car).

Note 4: All pays to the director who is also employee of the company (including the position of president, vice president, other managerial officer and staff), including salary,

additional pay, severance pay, bonuses, rewards, transportation allowance, special allowance, stipends, dormitory, and car.

Note 5: The total pay to the director from all companies in the consolidated statements (including the company).

Note 6: Net profit after tax means the company's net profit after tax in 2016.

Note 7: Refers to the Directors' related remuneration amount from investment businesses outside subsidiary companies; Remuneration means salary and compensation (including employee, Director and Supervisor remuneration) and business expenses distributed to the company's Directors as Director, Supervisors or managerial officers of investment businesses outside subsidiary companies.

Note 8: Re-election of the company's 5th-term directors was held on June 15, 2016, in which, Ms. Yung Chin changed from being the representative of an institutional director to a director.

Note 9: Re-election of the company's 5th-term directors was held on June 15, 2016, in which, Mr. Ken-Shew Lu changed from being the representative of an institutional director to a director.

Note 10: Mr. Jie-Li Hsu was elected an independent director on June 15, 2016.

3.2 Remuneration of Supervisors

December 31, 2016; Unit: NT\$1,000

Title (Note 1)	Name	Remuneration to Supervisors						Ratio of total (A), (B), and (C) to after-tax income (Note 6)		Compen sation from investme nts other than subsidiar ies (Note 7)
		Remuneration (A) (Note 2)		Remuneration (B) (Note 3)		Business expenses (C) (Note 4)		The company	All companies in the financial statements (Note 5)	
		The company	All companies in the financial statements (Note 5)	The company	All companies in the financial statements (Note 5)	The company	All companies in the financial statements (Note 5)			
Supervisor	Chin Xin Investment Corp. Representative: Yang-Kun Lai	-	-	840	840	145	145	0.16%	0.16%	-
Supervisor	Chao-Ming Mong									
Supervisor	Lu-Pao Hsu									

Range of remuneration table

Range of remuneration paid to each Supervisor	Names of Supervisors	
	Total of (A+B+C)	
	The company	All companies in the financial statements (D)
Below NT\$2,000,000	Representative of Chin Xin Investment Corp.: Yang-Kun Lai, Chao-Ming Mong, Lu-Pao Hsu	Representative of Chin Xin Investment Corp.: Yang-Kun Lai, Chao-Ming Mong, Lu-Pao Hsu
NT\$2,000,000 (inclusive) to NT\$5,000,000 (exclusive)	-	-
NT\$5,000,000 (inclusive) to NT\$10,000,000 (exclusive)	-	-
NT\$10,000,000 (inclusive) to NT\$15,000,000 (exclusive)	-	-
NT\$15,000,000 (inclusive) to NT\$30,000,000 (exclusive)	-	-
NT\$30,000,000 (inclusive) to NT\$50,000,000 (exclusive)	-	-
NT\$50,000,000 (inclusive) to NT\$100,000,000	-	-

Range of remuneration paid to each Supervisor	Names of Supervisors	
	Total of (A+B+C)	
	The company	All companies in the financial statements (D)
(exclusive)		
Greater than NT\$100,000,000	-	-
Total	3 persons	3 persons

Note 1: Re-election of the company's 5th-term directors was held on June 15, 2016. The Audit Committee was established to replace the role of the supervisors. The above table discloses his information up to the date his service as a supervisor of the company ends.

Note 2: Remuneration to supervisors in the past year (including salary, additional pay, severance pay, bonuses and rewards).

Note 3: The company's Board of Directors passed the 2016 remuneration of directors, supervisors and employees on February 3, 2017. The figures in the table above are estimates, which will be distributed after they are reported to the shareholders' meeting.

Note 4: This is business expense of supervisors in the past year (including transportation allowance, special allowance, stipends, dormitory, and car).

Note 5: The total pay to supervisors from all companies in the consolidated statements (including the company).

Note 6: Net profit after tax means the company's net profit after tax in 2016.

Note 7: Refers to the Supervisors' related remuneration amount from investment businesses outside subsidiary companies; Remuneration means salary and compensation (including employee, Director and Supervisor remuneration) and business expenses distributed to the company's Supervisors as Director, Supervisors or managerial officers of investment businesses outside subsidiary companies.

3.3 Remunerations to President and Vice President

December 31, 2016; Unit: NT\$1,000

Title	Name	Salary (A) (Note 1)		Severance pay and pension (B)		Bonus and allowance (C) (Note 2)		Employee compensation (D) (Note 3)				Ratio of total (A), (B), (C), and (D) to after-tax income (%) (Note 5)		Compen sation from investm ents other than subsidi aries (Note 6)
		The company	All compani es in the financial stateme nts (Note 4)	The company	All compani es in the financial stateme nts (Note 4)	The company	All compani es in the financial stateme nts (Note 4)	The company		All companies in the financial statements (Note 4)		The company	All companies in the financial statements (Note 4)	
								Cash Amount	Equities Amount	Cash Amount	Equities Amount			
CTO	Robert Hsu	18,024	21,971	1,370	2,186	8,585	9,378	2,078	-	2,078	-	4.90%	5.81%	10
President	Sean Tai													
VP	Jen-Lieh Lin													
VP	Hsi-Jung Tsai													
VP	Hsiang-Yun													
VP	Jiin-Shiarng Wen													

Range of remuneration table

Range of remuneration paid to Presidents and Vice Presidents	Name of President and Vice Presidents	
	The company	All investees E
Below NT\$2,000,000	Robert Hsu	-
NT\$2,000,000 (inclusive) to NT\$5,000,000 (exclusive)	Hsi-Jung Tsai, Hsiang-Yun Fan, Jiin-Shiarng Wen	Hsi-Jung Tsai, Hsiang-Yun Fan, Jiin-Shiarng Wen
NT\$5,000,000 (inclusive) to NT\$10,000,000 (exclusive)	Sean Tai, Jen-Lieh Lin	Sean Tai, Robert Hsu, Jen-Lieh Lin
NT\$10,000,000 (inclusive) to NT\$15,000,000 (exclusive)	-	-
NT\$15,000,000 (inclusive) to NT\$30,000,000 (exclusive)	-	-
NT\$30,000,000 (inclusive) to NT\$50,000,000 (exclusive)	-	-
NT\$50,000,000 (inclusive) to NT\$100,000,000 (exclusive)	-	-
Greater than NT\$100,000,000	-	-
Total	6 persons	6 persons

Note 1: Salary, additional pay, and severance pay received by the president or vice president in the past year.

Note 2: Bonus, reward, transportation allowance, special allowance, stipends, dormitory, car and other pays received by the president or vice president in the past year.

Note 3: The company's Board of Directors passed the 2016 remuneration of directors, supervisors and employees on February 3, 2017. The figures in the table above are estimates, which will be distributed after they are reported to the shareholders' meeting.

Note 4: The total pay to the president or vice president from all companies in the consolidated statements (including the company).

Note 5: Net profit after tax means the company's net profit after tax in 2016.

Note 6: Refers to the President and Vice Presidents' related remuneration amount from investment businesses outside subsidiary companies; Remuneration means salary and compensation (including employee, Director and Supervisor remuneration) and business expenses distributed to the company's President and Vice Presidents as Director, Supervisors or managerial officers of investment businesses outside subsidiary companies.

3.4 Manager's name and the distribution of employee bonus (Note 1)

December 31, 2016; Unit: NT\$1,000

	Title	Name	Share value	Cash value	Total	Ratio (%) accounted compared to the total net income
M a n a g e r s	CTO	Robert Hsu	-	2,622	2,622	0.43%
	President	Sean Tai				
	VP	Hsi-Jung Tsai				
	Vice President and Chief Financial Officer	Hsiang-Yun Fan				
	VP	Jen-Lieh Lin				
	VP (Note 2)	Jiin-Shiarng Wen				
	VP (Note 2)	Hsin-Lung Yang				
	VP	Patrick Wang				
	Assistant Vice President	Peng-Chou Peng				
	Chief Accounting Officer	Hung-Wen Huang				

Note 1: The distribution of remuneration of employees has not been decided up to the date of the report. The figures in the table above are estimates, which will be distributed after they are reported to the shareholders' meeting.

Note 2: Mr. Hsin-Lung Yang and Mr. Patrick Wang are promoted to Vice President starting February 4, 2017.

3.5 Comparison and analysis of remunerations to Directors, Supervisors, President and Vice Presidents as a percentage of earnings in the last two years and description of the policy, standards and packages of remunerations, procedure for making such decision and relation to business performance:

(1) Analysis of remunerations of Directors, Supervisors, President and Vice Presidents as a percentage of the company's income after tax in the last two years

Title	2015		2016	
	Analysis of remunerations to Directors, Supervisors, President and Vice Presidents as a percentage of income after tax		Analysis of remunerations to Directors, Supervisors, President and Vice Presidents as a percentage of income after tax	
	The company	All companies included in the consolidated financial statements	The company	All companies included in the consolidated financial statements
Director	6.45%	7.70%	6.38%	7.29%
Supervisor				
President and Vice President				

(2) Analysis of remunerations to Directors, Supervisors, President and Vice Presidents description of the policy, standards and packages of remunerations, procedure for making such decision and relation to business performance and future risks:

A. Directors and Supervisors

The remuneration of Directors and Supervisors include transportation allowance, remuneration and business expenses. The remuneration of Directors and Supervisors are clearly established in the Articles of Incorporation and recommendations according to their participation in company's operations, the value of their contribution and related regulations are submitted to the Compensation Committee for review and to the Board of Directors for resolution.

B. President and Vice President

The remuneration of the President and Vice Presidents include salary, bonuses and employee remuneration shall be determined in accordance with their position, responsibilities, contribution to the company and industry norms. The recommendation shall be submitted to the Compensation Committee for review and to the Board of Directors for resolution.

2.3 Implementation of corporate governance

2.3.1 Board of Directors

(1) A total of 5 (A) meetings of the Board of Directors were held in the most recent year. The attendance was as follows:

Title	Name	Attendance in person (B)	Attendance by proxy	Attendance in person rate (%) [B/A] (Note 1)	Note
Chairman	Representative of Winbond Electronics Corporation: Arthur Yu-Cheng Chiao	5	0	100%	Re-elected
Vice Chairman	Robert Hsu	5	0	100%	Re-elected
Director	Yung Chin	3	2	60%	Note 2
Director	Ken-Shew Lu	4	1	80%	Note 2
Director	Chi-Lin Wea	4	1	80%	Re-elected
Independent Director	Royce Yu-Chun Hong	5	0	100%	Re-elected
Independent Director	Allen Hsu	5	0	100%	Re-elected
Independent Director	David Shu-Chyuan Tu	5	0	100%	Re-elected
Independent Director	Jie-Li Hsu	1	2	33%	Newly elected (Note 3)

Note 1: Attendance in person is calculated by attendance in person of the Director during the period of service.

Note 2: Re-election of the company's 5th-term directors was held on June 15, 2016, in which, the person changed from being the representative of an institutional director to a director.

Note 3: Elected as Independent Director on June 15, 2016, attended 3 Board of Directors Meeting.

(2) In the event of any of the circumstances occurring while the Board of Directors conducts its activities, details including the date, session, and agenda of the board meeting, all opinions of the independent directors, and the company's responses to the independent directors' opinions should be provided.

A. The following matters as listed under Article 14-3 of the Securities and Exchange Act. However, re-election of the company's 5th-term directors was held on June 15, 2016 and the Audit Committee was established, thereby exempting the company from Article 14-3 of the Securities and Exchange Act.

Term/Date	Agenda and follow-up	
14th Session of 4th Board of Directors January 28, 2016	1	Passed the amended clauses of the company's Articles of Incorporation. Opinions of independent directors: None. The company's responses to the independent directors' opinions: None.
	2	Passed the 2015 Statement on Internal Control. Opinions of independent directors: None. The company's responses to the independent directors' opinions: None.
	3	Passed the 2015 earnings appropriation. Opinions of independent directors: None. The company's responses to the independent directors' opinions: None.
	4	Passed the amended clauses of the company's the Procedures for Acquisition or Disposal of Assets. Opinions of independent directors: None. The company's responses to the independent directors' opinions: None.
	5	Passed the amended clauses of the company's the Procedures for Engaging in Derivatives Transactions. Opinions of independent directors: None. The company's responses to the independent directors' opinions: None.
	6	Passed the amended clauses of the company's the Regulations Governing Endorsements and Guarantees. Opinions of independent directors: None. The company's responses to the independent directors' opinions: None.
	7	Passed the amended clauses of the company's the Procedures for Lending Funds to Other Parties. Opinions of independent directors: None. The company's responses to the independent directors' opinions: None.
	8	Passed the annual remuneration paid to accounting firm Deloitte & Touche.

Term/Date	Agenda and follow-up	
		Opinions of independent directors: None. The company's responses to the independent directors' opinions: None.
15th Session of 4th Board of Directors April 22, 2016	1	Passed the amended clauses of the company's Articles of Incorporation. Opinions of independent directors: None. The company's responses to the independent directors' opinions: None.
	2	Passed the amended "Internal Control Systems", "Instruction for Self-Evaluation of Internal Control Systems", and "Internal Audit Rules." Opinions of independent directors: None. The company's responses to the independent directors' opinions: None.

B. In addition to matters above, other objections or qualified opinions from the independent directors to resolutions made by the Board of Directors on-record or in writing: This event did not occur at the company.

(3) Directors recused themselves from discussion or voting on an agenda item in which they have an interest:

Agenda item	Name of Director	Reason for recusal	Voting on the agenda item	Note
Modifications to the salary and variable pay of managerial officers	Robert Hsu	The Director has an interest in the matter	Did not participate in voting	2nd Session of 5th Board of Directors

(4) An evaluation of the goals set for strengthening the functions of the Board and implementation status during the current and immediately preceding fiscal years:

A. The company has established the Rules of Procedures for Board of Directors Meetings in accordance with the Regulations Governing Procedure for Board of Directors Meetings of Public Companies and would post information on the attendance by Directors and Supervisors on the Market Observation Post System after each Board meeting, and disclose important proposals on the Market Observation Post System.

B. The company holds strategic meetings before periodic Board of Directors Meetings each quarter, attended by Directors and Supervisors who participate to understand the financial and business status of the company and the execution of important operation plans; the company works hard to increase the transparency of company information and holds investor conferences immediately after Board of Directors Meetings every six months to disclose the financial and business status of the company. Related information are disclosed on the Market Observation Post System and the company website.

- C. The company has established regulations governing salary, remuneration and performance evaluation of Directors and Supervisors. To improve performance evaluations, the company is expected to establish a performance evaluation system for the Board's operation, personal participation and continuing education in December 2017. The results will be compiled by the unit in charge of Board Meetings and submitted to the Compensation Committee and the Board to measure the Board's operations in guiding the strategic direction of the company and overseeing the company's operations and management, which should help increase long-term shareholder value.
- D. The company attaches great importance to corporate governance. It held re-election of the company's 5th-term directors on June 15, 2016 and established the Audit Committee, which would, together with the Compensation Committee, assist the Board of Directors in performing its oversight role.

2. Operation of the Audit Committee or the status of Supervisors participating in the operation of the Board

2.1 State of operations of the audit committee

(1) A total of 2 (A) meetings of the Audit Committee were held in the most recent year. The attendance by independent directors was as follows:

Title	Name	Attendance in person (B)	Attendance by proxy	Attendance in person rate (%) (B/A) (Note 1)	Note
Independent Director	Allen Hsu	2	0	100%	Re-elected (Note 2)
Independent Director	Royce Yu-Chun Hong	2	0	100%	Re-elected (Note 2)
Independent Director	David Shu-Chyuan Tu	2	0	100%	Re-elected (Note 2)
Independent Director	Jie-Li Hsu	1	1	50%	Newly elected (Note 2)

Note 1: Attendance in person is calculated by attendance in person of the Independent Director during the period of service.

Note 2: Mr. Allen Hsu, Mr. Royce Yu-Chun Hong, Mr. David Shu-Chyuan Tu and Mr. Jie-Li Hsu were elected Independent Directors at the re-election of the company's 5th-term directors on June 15, 2016 and formed the Audit Committee.

(2) In the event of any of the circumstances occurring while the Audit Committee conducts its activities, details including the date, session, and agenda of the board meeting, all resolutions of the Audit Committee, and the company's responses to the Audit Committee's opinions should be provided:

A. Matters listed in Article 14-5 of the Securities and Exchange Act:

Term/Date	Agenda and follow-up	
1st Session of 1st Board of Directors July 27, 2016	1	Passed the 2016 Q2 financial statements. Opinions of the Audit Committee: None. The company's response to Audit Committee's opinions: None.
2nd Session of 1st Board of Directors October 21, 2016	1	Passed the company's Annual Audit Plan for 2017. Opinions of the Audit Committee: None. The company's response to Audit Committee's opinions: None.
3rd Session of 1st Board of Directors February 3, 2017	1	Passed the company's 2016 financial statements and business report. Opinions of the Audit Committee: None. The company's response to Audit Committee's opinions: None.
	2	Passed the 2016 earnings appropriation. Opinions of the Audit Committee: None. The company's response to Audit Committee's opinions: None.

Term/Date	Agenda and follow-up	
	3	Passed the 2016 Statement on Internal Control. Opinions of the Audit Committee: None. The company's response to Audit Committee's opinions: None.
	4	Passed the annual remuneration paid to accounting firm Deloitte & Touche. Opinions of the Audit Committee: None. The company's response to Audit Committee's opinions: None.

B. In addition to matters above, other resolutions that have not been approved by the Audit Committee but have been passed by a vote of two-thirds or more of the entire Board of Directors: This event did not occur at the company.

(3) Details, including names of independent directors, resolutions, reasons for conflict of interest, and voting results, of circumstances where independent directors absented themselves due to conflict of interest: This event did not occur at the company.

(4) Communication between independent directors and internal/external auditors:

A. The audit chief submitted the completed audit report (or follow-up report) to the Audit Committee for examination in the following month, attended the quarterly Audit Committee meetings to report to the Independent Directors on audit operations and annual internal control self-inspection operation.

B. The Audit Committee reviews regularly the selection of auditors and the independence and propriety of said auditors. The auditors presented audit reports on financial statements, newly released accounting standards and related regulations to Independent Directors as needed and discuss the details therein. The auditors and the Independent Directors discussed key items in the re-designed audit reports this year.

2.2. Attendance of Supervisors in Board Meetings

A total of 2 (A) meetings of the Board of Directors were held in the most recent year. The attendance was as follows:

Title	Name	Attendance in person Times (B)	Attendance in person rate (%) [B/A] (Note 1)	Note
Supervisor	Chao-Ming Mong	2	100%	Note 2
Supervisor	Lu-Pao Hsu	2	100%	Note 2
Supervisor	Chin Xin Investment Corp. Representative: Yang-Kun Lai	2	100%	Note 2

Other matters that require reporting:

1. Composition and responsibility of Supervisors:

(1) Communication between Supervisors and the company's employees and shareholders:

The Supervisors may, when they deem it necessary, communicate directly with employees, shareholders or interested parties.

(2) Communication between Supervisors and the company's internal/external auditors:

1. The audit chief submitted the completed audit report (or follow-up report) to Supervisors for examination in the following month, attended the Board of Directors meetings to report on audit operations, and periodically reported to the Supervisors the annual audit operation and annual internal control self-inspection operation, to which the Supervisors did not raise any objection.

2. The Supervisors communicated with the CPA from time to time as required to discuss matters including the content of financial statements and audit operations.

3. The company's audit, CPA, and Supervisors meet periodically once every six months for a communication meeting.

2. If a Supervisor voices an opinion in the Board of Directors meeting, describe the date of the Board meeting, term of the Board, agenda items, resolutions adopted by the Board, and actions taken by the company in response to the opinion of the Supervisor: This event did not occur at the company.

Note 1: The attendance in person rate is calculated by the number of board meetings and attendance in person of the Supervisor during the period of service.

Note 2: Re-election of the company's 5th-term directors was held on June 15, 2016. The Audit Committee was established to replace the role of the supervisors.

3. Corporate governance implementation status and departure from Corporate Governance Best-Practice Principles for TWSE/TPEX listed Companies and reasons

Assessed areas:	Implementation status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
1. Has the company set and disclosed principles for practicing corporate governance according to the "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies?"	V		The company has established corporate governance principles in accordance with the TWSE Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and disclosed it on Company website.	In line with Corporate Governance Best-Practice Principles
2. The company's shareholding structure and shareholders' rights and interests (1) Has the company set internal operations procedures for dealing with shareholder proposals, doubts, disputes, and litigation as well as implemented those procedures through the proper procedures? (2) Does the company have a list of major shareholders of companies over which the company has actual control and the list of ultimate owners of those major shareholders? (3) Has the company established and implemented risk control/management and firewall mechanisms between it and affiliated corporations? (4) Does the company have internal regulations in place to prevent its internal staff from trading securities based on information yet to be public on the market?	V V V V		(1) The company's Shareholders' Affairs Unit (under the Finance Department) is in charge of shareholder services, handling shareholder suggestions, questions, complaints and lawsuits in accordance with the Regulations Governing the Administration of Shareholder Services of Public Companies and the Standards for the Internal Control Systems of Shareholder Service Units, and establishing a complaint mechanism on the company website. (2) The company discloses the list of major shareholders and the ultimate controllers of major shareholders in accordance with regulations and maintains favorable communication channels with major shareholders. (3) The company has established related regulations on internal control mechanisms in accordance with regulations. Business and financial dealings between the company and an affiliate are treated as dealings with an independent third party, which are handled by the principles of fairness and reasonableness with documented rules established, and pricing and payment terms clearly defined to prevent non-arm's-length transactions. (4) The company has established Procedures for Handling Major Internal Information and educated the internal staff on the restriction of trading securities based on information yet to be public on the market.	In line with Corporate Governance Best-Practice Principles

Assessed areas:	Implementation status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
<p>3. The composition and duties of the Board of Directors</p> <p>(1) Has the Board of Directors devised and implemented a plan for a more diverse composition of the Board?</p> <p>(2) In addition to establishing a Compensation Committee and an Audit Committee, which are required by law, is the company willing to also voluntarily establish other types of functional committees?</p> <p>(3) Has the company established and implemented methods for assessing the performance of the Board of Directors and conducted performance evaluation annually?</p> <p>(4) Does the company periodically evaluate the level of independence of the CPA?</p>	V		<p>(1) The company's corporate governance principles specify that the structure of Board of Directors should take into account the company operations, development and business scale, shareholding of major shareholders and diversity of Board Members, for example, different professional backgrounds, gender or fields of work. The members of the Board of Directors should include female Directors and four Independent Directors who are financial or industrial professionals. The educational background and experience of Directors should provide considerable assistance to the operation of the company.</p> <p>(2) The company has established functional committees including the Employees' Welfare and Supervisory Committees of Labor Retirement Reserve, Occupational Health and Safety Committee, Patent Committee and the CSR Management Committee.</p> <p>(3) The company has established regulations governing salary, remuneration and performance evaluation of Directors and Supervisors. The company is expected to establish a performance evaluation system for directors regarding the Board operation, personal participation and continuing education in December 2017 to enhance performance evaluation.</p> <p>(4) The company's certifying CPA alternates between accountants. Previous accountants have not served as the company's Director or Supervisor nor were they remunerated by the company or interested parties. The Audit Committee conducts regular assessments on the independence and suitability of the auditors and submits the results to the Board of Directors for discussion. Evaluation items include the CPA firm's selection and compliance with regulations and supervision of competent authorities, therefore its independence and propriety should be absolute.</p>	In line with Corporate Governance Best-Practice Principles
<p>4. For companies that are exchange- or OTC-listed, does the company have a unit or staff that specializes (or is involved) in corporate governance (including but not limited to providing information necessary for directors and supervisors to perform their duties, organizing board meetings and general meetings, handling business registration and any change of registration, and compiling minutes of board meetings and general meetings)?</p>	V		<p>To manage sound corporate governance practices, the company appoints the Shareholders' Affairs Unit under the Finance Department as the enforcement unit that specializes in corporate governance.</p>	In line with Corporate Governance Best-Practice Principles

Assessed areas:	Implementation status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
5. Has the company established channels for communicating with stakeholders (including but not limited to shareholders, employees, customers and suppliers), set up a dedicated stakeholder area on the company website, as well as appropriately responded to important corporate and social responsibility issues that stakeholders are concerned about?	V		The company attaches great importance to stakeholder communication and has established diversified channels of communication. The company has also set up a designated area on the company website for stakeholders and designated related staff to maintain the area.	In line with Corporate Governance Best-Practice Principles
6. Has the company hired a professional agency to handle tasks and issues related to holding the shareholder's meeting?	V		The company has hired CTBC Bank Co., Ltd. Transfer Agency Department to handle tasks and issues related to holding the shareholder's meeting.	In line with Corporate Governance Best-Practice Principles
7. Information Disclosure (1) Has the company established a corporate website to disclose information regarding the company's financial, business and corporate governance statuses? (2) Has the company established other information disclosure channels (e.g., maintaining an English-language website, appointing responsible people to handle information collection and disclosure, appointing spokespersons, webcasting investor conferences on the company website)?	V V		(1) The company discloses financial and business as well as corporate governance information on its Chinese (http://www.nuvoton.com) and English websites. (2) The company maintains an English website and related departments including investor relations, shareholder affairs and public relations collect and disclose related information in accordance with regulations. The company has also established a Spokesperson system and the presentation files and videos of the investor conferences are available on the company website.	In line with Corporate Governance Best-Practice Principles

Assessed areas:	Implementation status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
8. Is there any other important information to facilitate a better understanding of the company's corporate governance practices (including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, continuing education of directors and supervisors, the implementation of risk management policies and risk evaluation standards, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?	V		<p>(1) Employee rights and employee wellbeing: The company has established comprehensive regulations governing the rights, obligations and benefits of employees; the company also established complaint filing protocols to safeguard employee rights and benefits. The company has established employee communication channels to encourage the employees to communicate directly with management.</p> <p>(2) Investor relations: The company holds periodic investor conferences to communicate with investors and has established a designated area for investors and periodically discloses financial information and information related to corporate governance.</p> <p>(3) Supplier relations: The company has established regulations governing supplier relations.</p> <p>(4) Stakeholder interests: The Directors of the company recused themselves from voting on agenda items in which they have an interest.</p> <p>(5) Continuing education of Directors and Supervisors: The company arranges continuing education courses for directors and supervisors every year, and provides from time to time information on professional courses offered by outside institutions to the directors and supervisors. The continuing education courses taken by directors and supervisors are disclosed on the Market Observation Post System.</p> <p>(6) Implementation of risk management policies and risk assessment standards: The company has established regulations on important managerial targets and implements them in accordance with regulations.</p> <p>(7) The implementation of customer relations policies: The company strictly adheres to the contracts signed with customers and their statutes to safeguard customers' rights and interests.</p> <p>(8) Purchase of liability insurance for Directors and Supervisors: The company has purchased liability insurance for its Directors and Supervisors as required in order to reduce and diversify the risk of any material damages to the company and its shareholders caused by any error or negligence of its Directors.</p>	In line with Corporate Governance Best-Practice Principles
<p>9. Please described improvements in terms of the results of the Corporate Governance Evaluation System in recent years and propose areas and measures to be given priority where improvement will be needed.</p> <p>Since 2014, the company has participated in the first to the third Corporate Governance Evaluation and completed self assessment based on the corporate governance benchmarks as required by the competent authority. The company was ranked in the top 20% at the third Corporate Governance Evaluation. The result required improvement in release of important information in English, establishment of an audit committee (with four independent directors), and electronic voting for shareholders' meetings. Areas and measures to be given priority where improvement would be needed were planning of board performance evaluation and continuing education for independent directors. The company expects to make improvement and continue to strengthen corporate governance practices in 2017.</p>				

4. Composition, duties, and operation of the Compensation Committee

(1) Members of the Compensation Committee

Identity	Name	Criteria	Has at least 5 years of work experience and meet one of the following professional qualifications			Meets the independence criteria (Note 1)								Number of other public companies in which the member also serves as a member of their compensation committee	Note
			An instructor or higher position in the department of commerce, law, finance, accounting or other department related to the business needs of the company in a public or private junior college or university	A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the company	Have work experience in commerce, law, finance, or accounting or a profession necessary for the business of the company	1	2	3	4	5	6	7	8		
Independent Director	David Shu-Chyuan Tu			V	V	V	V	V	V	V	V	V	V	-	
Independent Director	Royce Yu-Chun Hong			V	V	V	V	V	V	V	V	V	V	-	
Independent Director	Allen Hsu			V	V	V	V	V	V	V	V	V	V	2	
Independent Director	Jie-Li Hsu			V	V	V	V	V	V	V	V	V	V	2	Note 2

Note 1: If the committee member meets any of the following criteria in the two years before being appointed or during the term of office, please check "✓" the corresponding boxes.

- (1) Not an employee of the company or any of its affiliates.
- (2) Not a Director or Supervisor of the company or any of its affiliates. Exception shall apply to independent directors established pursuant to the Securities and Exchange Act or local regulations.
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the company or ranks as one of its top ten shareholders.
- (4) Not a spouse, second degree kin or closer, or a direct blood relative of third degree or closer to anyone listed in the three preceding clauses.
- (5) Not a Director, Supervisor, or employee of a corporate/institutional shareholder that directly holds five percent or more of the total number of issued shares of the company or ranks as one of its top five shareholders.
- (6) Not a Director, Supervisor, officer, or shareholder holding five percent or more of the shares of a specified company or institution that has a financial or business relationship with the company.
- (7) Not a professional person, business owner, partner, Director, Supervisor, or manager of any sole-proprietorship, partnership, company, or institution providing commercial, legal, financial, or accounting services or consultations to the company or any of its affiliated companies; nor a spouse of anyone listed herein.
- (8) Not been a person of any conditions defined in Article 30 of the Company Act.

Note 2: Mr. Jie-Li Hsu was elected an independent director on June 15, 2016.

(2) Roles and Responsibilities of the Compensation Committee

Committee members must exercise the care of a prudent administrator to fulfill the following duties, and offer recommendations for discussion by the Board of Directors: 1. Review the regulations periodically and put forward recommendations for corrections, 2. Establish and review the performance targets, and institutions, standards and structure of the remuneration policies of the company's Directors and managerial officers periodically, and 3. Periodically review the status of performance targets of the company's Directors and determine the content and amount of remuneration to each individual.

(3) State of operations of the compensation committee:

A. The company's Compensation Committee is comprised of 4 persons.

B. Current term of office: June 15, 2016 - June 14, 2019. A total of 2 (A) meetings of the Compensation Committee were held in the most recent year. The attendance was as follows:

Title	Name	Attendance in person (B)	Attendance by proxy	Attendance in person rate (%) (B/A) (Note 1)	Note
Convener	David Shu-Chyuan Tu	2	0	100%	Re-elected (Note 2)
Committee member	Royce Yu-Chun Hong	2	0	100%	Re-elected (Note 2)
Committee member	Allen Hsu	2	0	100%	Re-elected (Note 2)
Committee member	Jie-Li Hsu	1	0	100%	Newly elected, attended 1 meeting in 2016 (Note 2)
Other matters that require reporting:					
1. If the Board of Directors did not adopt or revise the recommendations of the compensation committee, it should describe the date of the Board meeting, term of the Board, agenda item, resolutions adopted by the Board, and actions taken by the company in response to the opinion of the compensation committee: This event did not occur at the company.					
2. If with respect to any resolution of the compensation committee, any member has a dissenting or qualified opinion that is on record or stated in a written statement, describe the date of committee meeting, term of the committee, agenda item, opinions of all members, and actions taken by the company in response to the opinion of members: This event did not occur at the company.					

Note 1: The attendance rate (%) shall be calculated by dividing the number of meetings a member of the Compensation Committee attended by the number of meetings held within his/her term.

Note 2: Mr. David Shu-Chyuan Tu, Mr. Royce Yu-Chun Hong, Mr. Allen Hsu, and Mr. Jie-Li Hsu were elected Independent Directors on June 15, 2016 and formed the Compensation Committee.

5. The company's systems and measures and implementation status with respect to corporate social responsibilities (e.g. environmental protection, community involvement, social contribution, social service, public interest, consumer interests, human rights, safety and health, and other social responsibility activities):

Assessed areas	Implementation status			Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies Difference and reasons
	Yes	No	Summary	
<p>1. Implementation of corporate governance</p> <p>(1) Has the company established a corporate social responsibility policy or system and examination of implementation results?</p> <p>(2) Does the company hold social responsibility educational trainings regularly?</p> <p>(3) Has the company established a dedicated department (or have another department be responsible for related efforts) for fulfilling corporate social responsibilities, with the Board of Directors authorizing high-level managers to handle such efforts, and having relevant progress be reported to the Board of Directors?</p> <p>(4) Has the company established reasonable salary and compensation policies, integrated employee performance evaluation policies with corporate social responsibility policies, and established clear and effective reward as well as disciplinary policies?</p>	<p>V</p> <p>V</p> <p>V</p> <p>V</p>		<p>(1) The company has established the regulations governing the implementation of corporate social responsibilities approved by the Board of Directors to ensure that the company provides a safe working environment, the employees receive respect and dignity from their work, and the company bears environmental protection responsibilities and follows moral principles in corporate governance to fully implement the company's CSR policy and statement. The company also follows the Electronic Industry Code of Conduct (EICC) and fully implements internal control mechanisms to institutionalize the company's focus on the environment, social and corporate governance issues while pursuing sustainable development and profits.</p> <p>The company has established "Ethical Corporate Management Best Practice Principles" to build a ethical corporate culture and to enhance the conduct, ethics and professional capabilities of the company and all employees as the foundation of the company's sustainable development. The company periodically reviews corporate social responsibility policies and their implementation in the Corporate Social Responsibility Committee.</p> <p>(2) The company periodically holds corporate ethics education on corporate social responsibility and ethical management and holds various training courses from time to time.</p> <p>(3) To fulfill corporate social responsibilities and implement related regulations and international norms, the company established the Corporate Social Responsibility Committee in July 2012 and the Chairman designated high-level Supervisors to serve as Chair of the Committee to promote affairs related to the company's corporate social responsibility, formulate and plan corporate social responsibility targets and related affairs. CSR results are reported to the Board of Directors every year, and the related information will be disclosed on the company website before the end of the year.</p> <p>(4) The company has established regulations on salary and compensation and conducts performance evaluations of employees annually with self-assessments and</p>	<p>In line with corporate social responsibility code of practice</p>

Assessed areas	Implementation status		Summary	Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies Difference and reasons
	Yes	No		
			performance evaluation by managers. In addition, the company has established work regulations and regulations on awards and disciplines governing employees' daily ethical behaviors. The company has established related regulations on performance management and Supervisors can include daily performance in the performance evaluation of employees.	
2.Fostering a sustainable environment (1) Is the company committed to achieving efficient use of resources, and using renewable materials that produce less impact on the environment?	√		The company follows environmental protection regulations and related international norms to protect the natural environment and strive for a balanced development of the economy, society and the environment in conducting business to achieve the goal of a sustainable environment. (1) To enhance the efficiency in the utilization of energy and resources, the company stated in the publicly disclosed policy on safety, sanitation and environmental protection to continue improvements for lowering water and electricity consumption and reduce the emission of key chemical materials and main pollutants in accordance with reduction targets that are prescribed each year and followed-up each quarter. The results of these reductions have attained approval	

Assessed areas	Implementation status			Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies Difference and reasons
	Yes	No	Summary	
			from the "Green Factory Label in Clean Production Evaluation System" of the Industrial Development Bureau of the Ministry of Economic Affairs in 2015. The company was also awarded Outstanding Achievement in Water Conservation by the Ministry of Economic Affairs in 2016.	
<p>(2) Has the company developed an appropriate environmental management system, given its distinctive characteristics?</p> <p>(3) Has the company taken note of any impacts climate change has had on its operations and engaged in measuring greenhouse gas emissions, establishing a corporate energy conservation and carbon reduction strategy, as well as establishing a greenhouse gas reduction strategy?</p>	<p>V</p> <p>V</p>		<p>(2) The company has established an environmental safety and sanitary management system and a hazardous material management system and passed ISO14001, OHSAS18001, and QC080000 certification in 2008. The company has established a designated department in charge of environmental management and the implementation and management of the environmental management system, and placed professional technical management personnel in accordance with related environmental protection regulations.</p> <p>(3) The company was certified in the carbon footprint investigation in 2010, which shed light on the distribution of carbon emissions throughout the life cycle of the product. The information is used on strategies for energy conservation and reduction of greenhouse gas. We continue to lower high carbon emission items such as electricity consumption and polyfluorinated chemicals and set reduction targets annually with quarterly follow-ups in accordance with policy requirements to effectively lower the emission of carbon dioxide. Faced with the impacts of climate change on the environment in recent years, the company established 2010 as the baseline year and started improving consumption of electricity, nitrogen, and water and equivalent carbon dioxide emissions every year. The target is to reduce the average annual electricity consumption by 12%, water consumption by 40%, nitrogen consumption by 45% and total greenhouse gas emissions (CO2 equivalent) by 10% by 2020, and the long term target is to reduce total emissions by 20% by 2030. The company passed the DNV ISO 14064-1 certification on greenhouse gas emissions in 2011; the company passed the Environmental Protection Administration's (EPA) advanced project review in 2013 and became the first semiconductor plant to achieve reduction in greenhouse gas in the project. The company was also awarded the Hsinchu Science Park and the EPA's Carbon Reduction Award for its performance on reducing carbon emissions, demonstrating our achievements in reducing greenhouse gas. The company's</p>	In line with corporate social responsibility code of practice

Assessed areas	Implementation status			Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies Difference and reasons
	Yes	No	Summary	
			total greenhouse emission in 2016 was 75,298 tons CO2e (audit to be completed by August 2017), 11% below the total emission in the baseline year.	
<p>3. Upholding public interests</p> <p>(1) Has the company developed its policies and procedures in accordance with laws and the International Bill of Human Rights?</p> <p>(2) Does the company have means through which employees may raise complaints? Are employee complaints being handled properly?</p> <p>(3) Does the company provide employees with a safe and healthy work environment? Are employees trained regularly on safety and health issues?</p> <p>(4) Does the company have channels to communicate with employees on a regular basis, and inform them of operational changes that may be of a significant</p>	<p>V</p> <p>V</p> <p>V</p> <p>V</p> <p>V</p>		<p>(1) The company strictly adheres to related labor regulations and respects basic labor rights as stipulated by international norms. The company establishes regulations on corporate social responsibilities and incorporate these regulations into internal management policies and procedures to safeguard the labor rights of the employees, including freely chosen employment, restriction on child labor, protection of youth labor, follow legal working hours, provide wages and benefits in accordance with laws, humane and non-discriminated treatment and respect for the freedom of association</p> <p>(2) The company has established clear procedures and multiple channels for filing complaints such as a complaint email address and employee opinion letterbox to ensure the protection of employees' legal rights and non-discrimination of remuneration in hiring policies.</p> <p>(3) The company has established a department in charge of safety and sanitation, the implementation and management of the safety and sanitation system, periodic</p>	

Assessed areas	Implementation status		Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies Difference and reasons	
	Yes	No		Summary
<p>impact?</p> <p>(5) Has the company established an effective career development and capability training program for employees?</p>			<p>safety and health education training to provide employees with a safe and healthy work environment.</p> <p>(4) The company has established mechanisms for communicating with the employees such as periodic Supervisor management meetings, internal communication meetings and the internal website. The company also communicates with employees through reasonable and effective methods including internal announcements and personal notifications on matters that could result in major changes to operations.</p> <p>(5) The company has established development plans in line with employees' needs in accordance with their job description and positions and requests unit Supervisors and senior employees to assist new employees in understanding the company's market position and future development.</p>	
<p>(6) Has the company established consumer protection policies as well as complaint procedures with regards to R&D, procurement, production, operations, and service flows?</p> <p>(7) In terms of the marketing and labeling of products and services, has the company followed relevant laws, regulations, and international norms?</p> <p>(8) Before doing business with suppliers, does the company assess whether or not the suppliers have had previous records of negatively affecting the environment or society?</p>	V	V	<p>(6) The company's products are components in consumer products. We have not established policies on consumer rights and interests but the company's quality control mechanisms cover each step in the manufacturing process. We ensure the quality of the products through continuous monitoring on the manufacturing process and rapid and efficient detection of problems. With regards to customer complaint channels, the company periodically implements customer satisfaction surveys to understand whether the company is providing satisfying products and services and to improve the quality of after-sales services.</p> <p>(7) 1. The company strives to design, procure, manufacture and market products that contain no hazardous materials in accordance with international regulations and to satisfy customers' requests. We also enforce measures to protect the environment and fulfill responsibilities as a social citizen. 2. The company follows EU restrictions on hazardous substances and safeguard users' health through the following policies: a. Cooperate with packaging plants and, except for special products specified by the customer, cease all production and sales of packaged products containing lead by January 1, 2010. b. Starting on August 9, 2009, new products begin using halogen-free materials from the development stage. c. The company converted all materials used for existing products to environmentally-friendly materials and halogen-free materials step by step and completed the conversion on July 30, 2011.</p> <p>(8) As stipulated in the company's internal regulations, we incorporated quality, price,</p>	In line with corporate social responsibility code of practice

Assessed areas	Implementation status			Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies Difference and reasons
	Yes	No	Summary	
(9) Does the company's contracts with major suppliers include a clause that states that if the supplier violates our corporate social responsibility policies, resulting in significant impacts to the environment and society, the company retains the right to terminate the contracts at any time?	V		<p>environmental protection and labor rights into the assessment for qualified suppliers.</p> <p>1. Environmental management system verification The company requests suppliers to acquire international certifications, e.g. ISO 14001 or OHSAS 18001 and safety and sanitation management systems. If the supplier is unable to acquire these credentials on time, they are asked to provide a time table for the certification.</p> <p>2. Social requirements To ensure the labor rights of the supplier, the company actively employs the Electronic Industry Code of Conduct (EICC) standards and request suppliers of the company's supply chain to follow EICC requirements on environmental protection, safety and sanitation, labor rights and labor conditions. In the semi-annual evaluation of suppliers, the company employs the power of procurement to request suppliers to fulfill environmental and social responsibilities.</p> <p>(9) The company requests all suppliers in its supply chain to sign mutual agreements on regulating industrial practices and confidentiality agreements that require suppliers to carry out various transactions in good faith and not to damage the company's interests and image.</p>	
<p>4. Improving Information Disclosure</p> <p>(1) Has the company disclosed relevant and reliable information regarding its corporate social responsibility on its website and the Market Observation Post System?</p>	V		<p>(1) The company has established a public webpage disclosing in detail information including the financial information, operation status and management team. The general public can access the company's website and understand related affairs and conditions.</p> <p>(2) The company has established a CSR Committee that monitors the development of domestic and international corporate social responsibility framework and the change of business environment at all times so as to examine and improve our implementation of corporate social responsibility plans and to obtain better results from the implementation of the corporate social responsibility policy.</p>	In line with corporate social responsibility code of practice
<p>5. If the company has established corporate social responsibility principles based on "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies", please describe any difference between the principles and their implementation:</p> <p>The company has established the regulations governing the daily implementation of corporate social responsibilities in line with regulations and international norms to ensure that the company provides a safe working environment, the employees receive respect and dignity from their work, and the company bears environmental protection responsibilities and follows moral principles in corporate governance to fully implement the company's CSR policy and statement. There is no significant difference from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies.</p>				

Assessed areas	Implementation status			Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies Difference and reasons
	Yes	No	Summary	
<p>6. Other key information useful for explaining status of corporate social responsibility practices:</p> <p>(1) The company has established and implemented comprehensive standards in labor rights, health and safety, environmental protection, and management systems to achieve CSR goals.</p> <p>(2) With regards to labor rights, the company follows international labor rights regulations and prohibits the hiring of workers under 15 years of age and involuntary workers (including coerced, collateral, in debt, bound by contracts, enslaved and human trade) and prohibits harassment, illegal discrimination, coercion and inhumane treatment of employees (including potential employees), and there has not been major labor-management disputes in 2016.</p> <p>(3) In health and security, the company pledges to provide employees with a safe, sanitary and healthy work environment, organize periodic employee health examinations and continue to hold activities that promote health to uncover employees' health problems as soon as possible. Excellence in the Occupational Safety and Health Promotion Performance Award from the Hsinchu Science Park Administration in 2016 was recognition for the company's commitment to workplace safety. The company also encourages employees to form clubs to promote their physical, psychological and spiritual health and help them find balance between work and leisure and cultivate habits for regular exercise. The company also established a massage area by the visually impaired in the office to provide employees with relaxation services and hosts various sports competitions and art exhibitions in hopes of cultivating good exercise habits and leisure interests of the employees and provide them with a networking channel after work. The current clubs and former classes include the basketball club, cycling club, badminton club and yoga club etc.</p> <p>(4) In environmental protection, the company strives to fulfill advanced safety and sanitary standards in line with international norms. As of 2016, the company achieved 46,198 tons carbon equivalent reduction in the preliminary reduction project of the Environmental Protection Administration, and has been awarded Outstanding Achievement in Water Conservation by the Water Resources Agency of the Ministry of Economic Affairs and the "2016 Hsinchu Science Park Water Conservation Excellent Performance" Award from the Hsinchu Science and Industrial Park of the Ministry of Science and Technology. The company also organize periodic education training programs as part of the effort to continue improvement on eradicating any foreseeable risks to employees' health, environmental pollutions and damages to properties. Potential disasters and losses can be prevented beforehand through sound management and active participation of all employees.</p> <p>(5) With regards to the management system, the company has established comprehensive internal control mechanisms to monitor internal operations; in moral obligations, we prohibit behaviors such as bribery, corruption, blackmail and illegal use of company funds. We also do not participate in political activities. The company is focused on corporate governance and the Audit Committee monitors the operations of the company, the company's compliance of regulations, financial transparency, instant disclosure of important information and makes sure that there is no internal corruption.</p>				
<p>7. If the corporate social responsibility reports have been certified by external institutions, they should state so below: The company's 2014–2015 Corporate Social Responsibility Report was published in 2016. It was compiled in accordance with Global Reporting Initiative GRI G4.0 and was certified by an impartial third-party agent, SGS Taiwan.</p>				

6. Ethical corporate management and measures adopted:

Assessment areas	Implementation status			Departure from "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Summary	
<p>I. Establishment of integrity policies and solutions</p> <p>(1) Has the company stated in its Memorandum or external correspondence about the policies and practices it has to maintain business integrity? Are the Board of Directors and the management committed in fulfilling this commitment?</p> <p>(2) Does the company have any measures against dishonest conducts? Are these measures supported by proper procedures, behavioral guidelines, disciplinary actions and complaint systems?</p> <p>(3) Has the company taken steps to prevent occurrences listed in Paragraph 2, Article 7 of "Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies" or business conduct that are prone to integrity risks?</p>	<p>√</p> <p>√</p> <p>√</p>		<p>(1) The company conducts business activities on the principle of integrity. To implement integrity policy and actively prevent unethical behavior, the company has established Ethical Corporate Management Principles that has been approved by the Board of Directors and announced on the company's external webpage, outlining for the employees of the company in detail the important issues in conducting business.</p> <p>(2) The company has established "Regulations on Ethical Corporate Management" which clearly defined the content of unethical behavior. The employees of the company should not, in principle, accept gifts, except for the maintenance of business etiquette which stipulates direct or indirect exchanges, promise or request for money, gifts, services, discounts, entertainment, meals, investment stock options or other interests; it is only appropriate if a gift can be classified in the preceding conditions and the employee follows the "Regulations on Ethical Corporate Management" and files for approval through related procedures. The Regulations have been announced to all employees and have been incorporated into the company's training programs on corporate social responsibility. The company has also established "Regulations on Reporting Unethical Business Conducts" for the processing procedures in cases where the company's employees or others violate ethical business practices. The regulations also provide a legal report channel and process that keeps the identity of the reporter and the content of the report confidential to protect the reporter from reprisals.</p> <p>(3) The company's "Regulations on Ethical Corporate Management" clearly restricts the supply and acceptance of unlawful interests and the company has established "Procedures Governing the Processing of the Acceptance of Unlawful Interests" and "Procedures Governing the Restriction on Facilitating Payments" (including "Operating Rules for Political Donations," "Operating Rules for Charity Donations," and the requirement of "Conflict of Interest Recusal") for employees to follow.</p>	<p>In line with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies</p>
<p>2. Implementation of ethical corporate management</p> <p>(1) Does the company evaluate the integrity of all counterparties it has business relationships with? Are there any integrity</p>	<p>√</p>		<p>(1) The company has requested major suppliers to sign a letter of undertaking of integrity to state the company's ethical corporate management principles,</p>	<p>In line with the Ethical Corporate Management Best Practice Principles</p>

Assessment areas	Implementation status			Departure from "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Summary	
<p>clauses in the agreements it signs with business partners?</p> <p>(2) Does the company have a unit that specializes (or is involved) in business integrity? Does this unit report its progress to the Board of Directors on a regular basis?</p> <p>(3) Has the company established policies to prevent conflicts of interests, implemented such policies, and provided adequate channels of communications?</p>	V		<p>evaluate the integrity of suppliers before establishing business relationships and to explain to business counterparts the ethical corporate management policy to prevent the occurrence of unethical conduct. In addition, the company's purchase orders will include a clause stipulating compliance with the company's ethical corporate management policy.</p> <p>(2) The company has established the "Corporate Social Responsibility Committee" in July 2012 and the Chairman designated high-level Supervisors to serve as Chair of the Committee, responsible for overseeing the drafting, execution, interpretation, consulting services and notification registry of the company's ethical corporate management policy. The President reports to the Board of Directors annually on the execution.</p> <p>(3) The company has also established "Regulations on Reporting Unethical Business Conducts" which clearly regulates the policy of preventing conflicts of interests. When an employee, in the execution of company business, discovers that the employee or an institution he/she represents is in a conflict of interest, or if the employee, spouse, parents, children or other interested parties stands to benefit unlawfully from the conflict of interest, the employee should notify his/her Supervisor and the company's designated unit simultaneously. The employee's supervisor should provide adequate assistance in solving the issue. The company holds periodic education on the prevention of insider trading for Directors, Supervisors and managerial officers.</p>	for TWSE/TPEX Listed Companies
<p>(4) Has the company implemented effective accounting and internal control systems for the purpose of maintaining business integrity? Are these systems reviewed by internal or external auditors on a regular basis?</p> <p>(5) Does the company organize internal and external educational trainings periodically to help enforce honest operations?</p>	V		<p>(4) The company has established an effective accounting system and internal control institutions in accordance with regulations and established related procedures for internal auditing staff to conduct periodic auditing and ensure the design and implementation of various institutions remains effective.</p> <p>(5) The company periodically holds corporate ethics education on corporate social responsibility and ethical corporate management and holds various training courses from time to time.</p>	
<p>3. Operation of whistleblowing system</p> <p>(1) Does the company provide incentives and means for employees to report malpractices? Does the company assign dedicated personnel to investigate the reported malpractices?</p>	V		<p>(1) The company has established diversified reporting and complaint channels including the complaint email address and the employee opinion letterbox. The company has also established "Regulations on Reporting Unethical</p>	In line with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed

Assessment areas	Implementation status			Departure from "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Summary	
(2) Has the company implemented any standard procedures or confidentiality measures for handling reported malpractices?	V		Business Conducts" for related personnel to report on any malpractices through the system for the company's designated senior manager to process. If proved to be in violation of related laws or the company's related policies on ethical corporate management, the reported person must cease all related activities immediately and processed appropriately, in accordance with legal procedures for damage claims if necessary to maintain the reputation and interests of the company.	Companies
(3) Has the company provided proper whistleblower protection?	V		(2) The company has implemented standard procedures and confidentiality measures for handling reported malpractices. The company has included the principles of ethical corporate management as part of employees' performance appraisal and the company's human resource policy. There are clear and effective systems in place to enforce discipline and reporting of dishonest conduct. If any of the company's personnel seriously violates ethical conduct rules, the company shall dismiss the person in accordance with applicable laws and regulations or internal human resources guidelines. There are internal investigation procedures in place that requests confidentiality from all related personnel. All related documents are treated as confidential. (3) The company has established in the "Regulations on Reporting Unethical Business Conducts" and "Internal Complaint Procedures" the necessary protection measures for the reporter of malpractices and all Supervisors and employees is prohibited from discrimination, threat and other harmful behaviors against the employee filing the complaint.	
4. Improving Information Disclosure (1) Has the company disclosed the contents or its Principles for Honest Business Practices as well as relative implementation results on its website and on the Market Observation Post System?	V		(1) The company has announced the "Ethical Corporate Management Principles" approved by the Board of Directors on the company website to disclose related information on ethical corporate management. The company has also placed the Annual Report which includes related information on ethical corporate management on the M.O.P.S.	In line with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies
5. If the company has established Ethical Corporate Management Principles in accordance with "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies," describe the difference between the principles and implementation status: The company has established "Ethical Corporate Management Principles" and "Regulations on Ethical Corporate Management" in accordance with "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies."				
6. Other important information to facilitate better understanding of the company's implementation of ethical corporate management: (e.g. declare the company's commitment to practice and policy for ethical corporate management to its business counterparties, and invite them to join the company's training program, and review/revision of the company's ethical corporate				

Assessment areas	Implementation status		Summary	Departure from "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No		
management principles): The company constantly watches the development of ethical management related rules and regulations at home and abroad, and based on which, reviews and improves its own policies to enhance performance management.				

7. If the company has established corporate governance principles and related guidelines, disclose the means of accessing this information: The company has a section "Investor Services/Rules and Regulations" on its website for investors to inquiry corporate governance related rules.
8. Other significant information which may improve the understanding of corporate governance and operation: The company continues to improve corporate governance and discloses its corporate governance practices on the Market Observation Post System and the company website in a timely manner.

9. Implementation of internal control system

(1) Statement on Internal Control

Nuvoton Technology Co., Ltd.
Internal Control System Statement

Date: February 3, 2017

The company states the following with regard to its internal control system during fiscal year 2016, based on the findings of a self evaluation:

1. The company acknowledges and understands that the establishment, implementation and maintenance of the internal control system are the responsibility of the Board and managerial officers, and that the company has already established such a system aimed at providing reasonable assurance of the achievement of objectives in the effectiveness and efficiency of operations (including profits, performance, and safeguard of asset security), reliability of reporting, and compliance with applicable laws and regulations.
2. There are inherent limitations to even the most well designed internal control system. As such, an effective internal control system can only reasonably ensure the achievement of the aforementioned goals. Moreover, the operating environment and situation may change, impacting the effectiveness of the internal control system. However, self-supervision measures were implemented within the company's internal control policies to facilitate immediate rectification once procedural flaws have been identified.
3. The company judges the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (hereinbelow, the "Regulations"). The Regulations provides measures for judging the effectiveness of the internal control system. There are five components of an internal control system as specified in the Regulations which are broken down based on the management control process, namely: (1) Control Environment, (2) Risk Evaluation, (3) Control Operation, (4) Information and Communication, and (5) Monitoring. Each element further contains several items. Please refer to the Regulations for details.
4. The company has evaluated the design and operating effectiveness of its internal control system according to the aforesaid criteria.
5. Based on the findings of the evaluation mentioned in the preceding paragraph, the company believes that as of December 31, 2016 its internal control system (including its supervision and management of subsidiaries), encompassing internal controls for knowledge of the degree of achievement of operational effectiveness and efficiency objectives, reliability of reporting, and compliance with applicable laws and regulations, is effectively designed and operating, and reasonably assures the achievement of the above-stated objectives.
6. This Statement will become a major part of the content of the company's Annual Report and Prospectus, and will be made public. If any fraudulent information, concealment or unlawful practices are discovered in the content of the aforementioned information, the company shall be held liable under Article 20, Article 32, Article 171 and Article 174 of the Securities and Exchange Act.
7. This Statement has been passed by the Board of Directors Meeting of the company held on February 3, 2017, where 0 of the 9 attending directors expressed dissenting opinions, and the remainder all affirmed the content of this Statement.

Nuvoton Technology Co., Ltd.

Chairman: Arthur Chiao
(Signature)

President: Sean Tai
(Signature)

(2) If the company engages an accountant to examine its internal control system, disclose the CPA examination report: None.

10. Penalty on the company and its personnel or punishment imposed by the company on personnel in violation of internal control system regulations, major deficiencies and improvement in the past year and up to the date of report: None.

11. Important resolutions adopted in shareholders meeting, Board of Directors' meeting, and the Audit Committee in the past year and up to the date of report

(1) Important resolutions and implementation status from Shareholders' Meeting from 2016 up to the publication of the Annual Report (March 31, 2017)

Date	Important resolutions and implementation	
June 15, 2016	1	Passed the amended clauses of the company's Articles of Incorporation. Implementation status: Registration was completed on July 4, 2016.
	2	Acknowledged the company's 2016 business report and financial statements. Implementation status: Per resolution adopted.
	3	Acknowledged the company's 2015 earnings appropriation. Implementation status: The record date was set at August 30, 2016 and the payment date at September 9, 2016. (NT\$1.8 per share in cash)
	4	Passed amended internal rules. Implementation status: Per resolution adopted.
	5	Election: Re-election of the 5th-term directors (including four independent directors) Directors elected: Winbond Electronics Corporation representatives Arthur Yu-Cheng Chiao, Robert Hsu, Yung Chin, Ken-Shew Lu, and Chi-Lin Wea. Independent directors elected: Royce Yu-Chun Hong, Allen Hsu, David Shu-Chyuan Tu, and Jie-Li Hsu. Implementation status: Registration was completed on July 4, 2016.
	6	Passed the proposed removal of non-compete clause for the 5th-term directors. Implementation status: Per resolution adopted.

(2) Important resolutions adopted by the Board of Directors in 2016 and up to the publication of the Annual Report (March 31, 2017)

Date	Important resolutions:	
January 28, 2016	1	Passed the amended clauses of the company's Articles of Incorporation.
	2	Passed the company's 2015 financial statements and business report.
	3	Passed the 2015 Statement on Internal Control.
	4	Passed the amount of remuneration appropriated for Directors and Supervisors in 2015.
	5	Passed the amount of remuneration appropriated for employees in 2015.
	6	Passed the company's 2015 earnings appropriation.
	7	Passed the amended clauses of the company's "Rules Governing the Conduct of Shareholders Meeting."
	8	Passed the amended clauses of the company's the Procedures for Acquisition or Disposal of Assets.
	9	Passed the amended clauses of the company's the Procedures for Engaging in Derivatives Transactions.
	10	Passed the amended clauses of the company's the Regulations Governing Endorsements and Guarantees.
	11	Passed the amended clauses of the company's the Procedures for Lending Funds to Other Parties.

Date	Important resolutions:	
	12	Passed the amended clauses of the company's the Procedures for Election of Directors and Supervisors.
	13	Passed the amended clauses of the company's the Board of Directors Meeting Rules.
	14	Passed amendments to the company's the Compensation Committee Foundation Rules.
	15	Passed amendments to the company's Regulations Governing Salary, Remuneration and Performance Evaluation of Directors and Supervisors.
	16	Passed amendments to the company's Regulations Governing Salary, Remuneration and Performance Evaluation of Managerial Officers.
	17	Passed the establishment of the company's Auditing Committee and establish the Regulations Governing the Organization of the Auditing Committee.
	18	Passed the election of Directors in accordance with Article 15 of the company's Articles of Incorporation.
	19	Passed the proposed removal of non-compete clause for the newly elected 5th-term directors.
	20	Passed the proposed calling of 2016 general shareholders' meeting.
	21	Passed the continuation of liability insurance for the company's Directors, Supervisors and important staff.
	22	Passed the company's 2016 business plan and budget.
	23	Passed the annual remuneration paid to accounting firm Deloitte & Touche.
	April 22, 2016	1
2		Passed the review of candidate list for 5th-term directors (including independent directors) by the Board of Directors.
3		Passed the review of shareholder motions.
4		Passed the amended agenda of 2016 shareholders' meeting.
5		Passed the amended Management Regulations.
6		Passed the amended "Internal Control Systems", "Instruction for Self-Evaluation of Internal Control Systems", and "Internal Audit Rules."
7		Passed the financial derivative transactions undertaken by the company.
June 15, 2016	1	Elected Arthur Yu-Cheng Chiao as the 5th-term chairman of the board and Mr. Robert Hsu as the vice chairman.
	2	Passed the appointment of Mr. Allen Hsu, Mr. Royce Yu-Chun Hong, Mr. David Shu-Chyuan Tu and Mr. Jie-Li Hsu as the 3rd-term members of the Compensation Committee.
July 27, 2016	1	Passed the company's 2015 cash dividend appropriation.
	2	Passed the company's corporate social responsibility policy and system.
	3	Passed the financial derivative transactions undertaken by the company.
	4	Passed the individual amount of remuneration appropriated for the 4th-term Directors and Supervisors in 2015.
	5	Passed the modifications to the salary and variable pay of managerial officers.
October 21, 2016	1	Passed the company's Annual Audit Plan for 2017.
	2	Passed the financial derivative transactions undertaken by the company.
	3	Passed the renewal of short-term lines of credit obtained from financial institutions.
February 3, 2017	1	Passed the amount of remuneration appropriated for Directors and Supervisors in 2016.
	2	Passed the total amount of remuneration appropriated for employees in 2016.

Date	Important resolutions:	
	3	Passed the company's 2016 financial statements and business report.
	4	Passed the 2016 earnings appropriation.
	5	Passed the 2016 Statement on Internal Control.
	6	Passed the company's 2017 business plan and budget.
	7	Passed the annual remuneration paid to accounting firm Deloitte & Touche.
	8	Passed the proposed calling of 2017 general shareholders' meeting.
	9	Passed the continuation of liability insurance for the company's Directors and key persons.
	10	Passed the company's Rules for the Responsibility of Independent Directors.
	11	Passed the financial derivative transactions undertaken by the company.
	12	Passed the renewal of short-term lines of credit obtained from financial institutions.
	13	Passed amendments to the company's Regulations Governing Salary, Remuneration and Performance Evaluation of Managerial Officers.
	14	Passed the variable pay of managerial officers.
	15	Passed the promotion of managerial officers.

(3) Important resolutions adopted by the Audit Committee in 2016 and up to the publication of the Annual Report (March 31, 2017)

Date	Important resolutions:	
July 27, 2016	1	Passed the 2016 Q2 financial statements.
October 21, 2016	1	Passed the company's Annual Audit Plan for 2017.
February 3, 2017	1	Passed the company's 2016 financial statements and business report.
	2	Passed the 2016 earnings appropriation.
	3	Passed the 2016 Statement on Internal Control.
	4	Passed the annual remuneration paid to accounting firm Deloitte & Touche.

12. Dissenting or qualified opinion of Directors or Supervisors against an important resolution passed by the Board of Directors that is on record or stated in a written statement in the past year and up to the date of report: None.

13. Resignation and dismissal of managerial officers related to the financial report including chairman, president, chief accounting officer, chief financial officer, chief R&D officer and chief internal auditor, in the past year and up to the date of report: None.

14. Handling of material information:

The company has a rigorous internal operating process in place for the handling of material information, which is made public in accordance with the "Rules for Spokesperson and Deputy Spokesperson Operation." The company also publicizes its Procedure for Major Internal Information Disclosure among employees from time to time to prevent the violation of insider trading regulations.

(4) Information on fees to CPA:

1. Information on Fees to CPA

Name of accounting firm	Name of accountant		Duration of audit	Notes
Deloitte & Touche Joint CPA Firm	Ker-Chang Wu	Hung-Bin Yu	2016	

Unit: NT\$1,000

Name of accounting firm	Name of accountant	Audit fee	Non-audit fee					CPA Duration of audit	Notes
			System design	Business registration	Human resources	Other	Subtotal		
Deloitte & Touche	Ker-Chang Wu and Hung-Bin Yu etc.	4,850	-	-	-	-	-	2016	

2. The company did not pay non-audit remuneration to the accountants or the accounting firm and its affiliates in 2016.
3. If the company changes the accounting firm and the amount of audit fee paid in the year of change is less than that in the year before, the amount and percentage of decrease and reason: This event did not occur at the company.
4. If the audit fee is more than 15% less than the amount paid in the previous year, the amount and percentage of decrease and reason: The audit fee has not decreased more than 15% than the amount paid in the previous year. Therefore this is not applicable.

(5) The changes to the accountants before and after the two most recent years:

Due to internal changes in the CPA firm, the company's CPA Kuo-Tien Hung and Ker-Chang Wu have been changed to CPA Ker-Chang Wu and Hung-Bin Yu.

1. Regarding previous CPA

Date of change	January 30, 2015		
Reasons for change and remark	Internal adjustment of the certifying CPA firm		
Termination initiated by client or accountant declined to accept the appointment	Contracting parties		
	Scenario	CPA	Client
	Termination initiated by client CPA declined to accept (continue) the appointment	N/A	
Audit opinions other than unqualified opinions issued in the past two years and reasons	N/A		
Opinions different from those of issuer	N/A		
OTHER DISCLOSURES	N/A		

2. Regarding succeeding CPA

Name of firm	Deloitte & Touche
Name of accountant	Ker-Chang Wu and Hung-Bin Yu

Date of appointment	January 30, 2015
Consultation given on accounting treatment or accounting principle adopted for any specific transactions and on possible opinion issued on financial report prior to appointment and results	N/A
Succeeding CPAs' written opinions that are different from those of the previous CPAs	N/A

3. The former CPA's reply to Article 10 Subparagraph 6 Item 1 and Item 2 Point 3 of the Regulations Governing Information to be Published in Annual Reports of Public Companies: N/A.

(6) The Chairman, President and Financial or Accounting Manager of the company who had worked for the Independent CPA or the affiliate in the past year: None.

(7) Share transfer by Directors, Supervisors, managers and shareholders holding more than 10% interests and changes to share pledging by them in the past year and up to the date of report

(1) Share transfers:

Unit: shares

Title	Name	2016		2017 up to March 31	
		Increase (decrease) in shares held	Increase (decrease) in pledged shares	Increase (decrease) in shares held	Increase (decrease) in pledged shares
Director and Chairman	Winbond Electronics Corporation Representative: Arthur Yu-Cheng Chiao	-	-	-	-
Director, Vice Chairman and CTO	Robert Hsu	-	-	-	-
Director	Yung Chin	-	-	-	-
Director	Ken-Shew Lu	-	-	-	-
Director	Chi-Lin Wea	-	-	-	-
Independent Director	Royce Yu-Chun Hong	-	-	-	-
Independent Director	Allen Hsu	-	-	-	-
Independent Director	David Shu-Chyuan Tu	-	-	-	-
Independent Director	Jie-Li Hsu (Note 1)	-	-	-	-
Supervisor (Note 2)	Chin Xin Investment Corp. Representative: Yang-Kun Lai	-	-	-	-
Supervisor (Note 2)	Lu-Pao Hsu	-	-	-	-
Supervisor (Note 2)	Chao-Ming Mong	-	-	-	-
President	Sean Tai	30,000	-	-	-
VP	Hsi-Jung Tsai	-	-	-	-
VP and Chief Financial Officer	Hsiang-Yun Fan	-	-	-	-
VP	Jen-Lieh Lin	-	-	-	-
VP	Jiin-Shiarng Wen	-	-	-	-
VP	Hsin-Lung Yang	-	-	-	-
VP	Patrick Wang	-	-	-	-
Assistant Vice President	Peng-Chou Peng	-	-	-	-
Chief Accounting Officer	Hung-Wen Huang	-	-	-	-

Note 1: Mr. Jie-Li Hsu was elected an independent director on June 15, 2016.

Note 2: Re-election of the company's 5th-term directors was held on June 15, 2016. The Audit Committee was established to replace the role of the supervisors. The 4th-term Supervisors Lu-Pao Hsu and Chao-Ming Mong and Institutional Supervisor Chin Xin Investment Corp. and its representative Yang-Kun Lai were discharged when the new directors assumed office. The above table discloses their information up to the date their service as a supervisor of the company ends.

(2) Share transfer information: None.

(3) Share pledge information: None.

(8) Information on relationship between any of the top ten shareholders (related party, spouse, or kinship within the second degree)

August 20, 2016 (Ex-Dividend Date); Unit: shares

NAME	SHAREHOLDER SHARES HELD		SHARES HELD BY SPOUSE AND UNDERAGE CHILDREN		TOTAL SHAREHOLDING BY NOMINEE ARRANGEMENT		TITLES, NAMES AND RELATIONSHIPS BETWEEN TOP 10 SHAREHOLDERS (RELATED PARTY, SPOUSE, OR KINSHIP WITHIN THE SECOND DEGREE)		NOTE
	No. of shares	Shareholding Percentage	No. of shares	Shareholding Percentage	No. of shares	Shareholding Percentage	Name (or name)	Relationship	
Winbond Electronics Corporation Representative: Arthur Yu-Cheng Chiao	126,620,087 -	61.01% -	- -	- -	- -	- -	Chin Xin Investment Corp.	Chairman is the same person.	
UBS AG Account under the trust of HSBC Bank	8,523,000	4.11%	-	-	-	-	-	-	
Labor Pension Fund (New Scheme)	2,118,000	1.02%	-	-	-	-	-	-	
JP Morgan Securities Investment Account under the trust of JPMorgan Chase	1,898,000	0.91%	-	-	-	-	-	-	
Chin Xin Investment Corp. Representative: Arthur Yu-Cheng Chiao	1,853,185 -	0.89% -	- -	- -	- -	- -	Winbond Electronics Corporation	Chairman is the same person.	
Designated Account for Hua Nan IoT Fund	1,800,000	0.87%	-	-	-	-	-	-	

Guangda Venture Investment Co., Ltd. Representative: Barry Lam	1,373,000 -	0.66% -	- -	- -	- -	- -	- -	- -	- -
Deutsche Bank	1,330,484	0.64%	-	-	-	-	-	-	-
Designated Account for Allianz Global Investors Taiwan Technology Fund	1,300,000	0.63%	-	-	-	-	-	-	-
Hua-Jung Lien	1,290,000	0.62%	-	-	-	-	-	-	-

(9) The shareholding of the company, Director, Supervisor, management and an enterprise that is directly or indirectly controlled by the company in the invested company

December 31, 2016; Unit: shares

Reinvestment Entities (Note)	Investment by the company		Investments by Directors, Supervisors, managers and directly or indirectly controlled enterprises		Comprehensive investment	
	No. of shares	Shareholding ratio (%)	No. of shares	Shareholding ratio (%)	No. of shares	Shareholding ratio (%)
Nuvoton Electronics Technology (H.K.) Limited	107,400,000	100%	-	-	107,400,000	100%
Pigeon Creek Holding Co., Ltd.	13,867,925	100%	-	-	13,867,925	100%
Marketplace Management Limited	8,752,524	100%	-	-	8,752,524	100%
Nuvoton Investment Holding Ltd.	19,720,000	100%	-	-	19,720,000	100%
Song Yong Investment Corporation	3,850,000	100%	-	-	3,850,000	100%
Nuvoton Technology India Private Limited	600,000	100%	-	-	600,000	100%

Note: Equity method is employed.

3. Capital and Shareholding

(1) Sources of capital

Unit: shares; NT\$1,000

Year Month	Issue Price (NT \$)	Authorized capital		Paid-in capital		Notes		
		No. of shares	Amount	No. of shares	Amount	Share capital source	Shares acquired by non-cash assets	Other
9704	10	300,000,000	3,000,000	100,000	1,000	Cash capital NT\$1,000,000	N/A	Yuan-Shang No. 0970009659
9707	10	300,000,000	3,000,000	250,000,000	2,500,000	Accepts separation NT\$2,499,000,000	N/A	Yuan-Shang No. 0970019973
9809	-	300,000,000	3,000,000	190,000,000	1,900,000	Capital reduction by cash NT\$600,000,000	N/A	Yuan-Shang No.0980028478
9809	10	300,000,000	3,000,000	200,070,000	2,000,700	Capital increase shares by capital surplus NT\$100,700,000	N/A	Yuan-Shang No.0980028736
9906	10	300,000,000	3,000,000	207,554,400	2,075,544	2009 earning and employee bonuses recapitalization of NT\$74,844,000	N/A	Yuan-Shang No. 0990016508

December 31, 2016; Unit: shares

Share Category	Authorized capital			N o t e
	Outstanding shares	Unissued shares	Total	
Ordinary shares	207,554,400	92,445,600	300,000,000	Listed stock

Note: Information on shelf registration: None.

(2) Shareholder structure

August 20, 2016 (Ex-Dividend Date)

Shareholders Quantity	Government Institution	Financial Institution	Other corporations	Individuals	Foreign institutions and foreigners	Total
Number of persons	-	3	47	7,900	52	8,002
Shares held (shares)	-	812,000	140,416,327	45,162,548	21,163,525	207,554,400
Shareholding percentage (%)	-	0.39%	67.65%	21.76%	10.20%	100%

(3) Shareholding Distribution Status

1. Common stocks:

August 20, 2016 (Ex-Dividend Date)

Shareholding range	Number of shareholders	Shares	Shareholding ratio (%)
1 to 999	410	66,814	0.03%
1,000 to 5,000	5,950	12,191,541	5.87%
5,001 to 10,000	912	7,682,006	3.70%
10,001 to 15,000	194	2,544,687	1.23%
15,001 to 20,000	178	3,347,046	1.61%
20,001 to 30,000	106	2,847,797	1.37%
30,001 to 50,000	90	3,586,984	1.73%
50,001 to 100,000	80	5,903,980	2.84%
100,001 to 200,000	36	5,054,593	2.44%
200,001 to 400,000	19	5,516,217	2.66%
400,001 to 600,000	11	5,432,979	2.62%
600,001 to 800,000	2	1,297,000	0.62%
800,001 to 1,000,000	3	2,765,000	1.33%
Over 1,000,001	11	149,317,756	71.95%
Total	8,002	207,554,400	100%

2. Preferred stocks: N/A.

(4) Major shareholders

Names, shares and percentage of shareholding of top ten shareholders with more than 5% of equity:

August 20, 2016 (Ex-Dividend Date); Unit: shares

Shares	Number of shares held	Percentage (%)
Name of majority shareholders		
Winbond Electronics Corporation	126,620,087	61.01%
UBS AG Account under the trust of HSBC Bank	8,523,000	4.11%

Shares Name of majority shareholders	Number of shares held	Percentage (%)
Labor Pension Fund (New Scheme)	2,118,000	1.02%
JP Morgan Securities Investment Account under the trust of JPMorgan Chase	1,898,000	0.91%
Chin Xin Investment Corp.	1,853,185	0.89%
Designated Account for Hua Nan IoT Fund	1,800,000	0.87%
Guangda Venture Investment Co., Ltd.	1,373,000	0.66%
Deutsche Bank	1,330,484	0.64%
Designated Account for Allianz Global Investors Taiwan Technology Fund	1,300,000	0.63%
Hua-Jung Lien	1,290,000	0.62%

(5) Stock price, net worth, earnings, dividends and related information for the previous two years

Unit: shares; NT\$

Item		Year	2015	2016	2017 up to March 31
Stock price	Highest		40.40	42.00	50.50
	Lowest		17.70	25.45	37.70
	Average		27.50	34.17	44.84
Net worth per share	Before distribution		15.04	16.28	—
	After distribution		13.24	(Note 1)	—
Earnings per share	Weighted average shares		207,554,400	207,554,400	207,554,400
	Earnings per share		2.26	2.95	—
Dividends per share	Cash dividend		1.80	(Note 1)	—
	Stock dividend	Earnings	—	—	—
		Capital surplus	—	—	—
	Accumulated unpaid dividend		—	—	—
Return Analysis	Price-earnings ratio (Note 2)		12.17	11.58	—
	Price-dividend ratio (Note 3)		15.28	(Note 1)	—
	Cash dividend yield (Note 4)		6.55%	(Note 1)	—

Note 1: Pending final approval from Shareholders' Meeting.

Note 2: Price-earnings ratio = Year's average per share closing price / earnings per share.

Note 3: Price-dividend ratio = Year's average per share closing price / cash dividend per share.

Note 4: Cash dividend yield = Cash dividend per share / year's average per share closing price.

(6) Company Dividend Policy and Implementation

1. Company dividend policy:

Under the amended Company Act and the company's Articles of Incorporation, the company shall, after covering prior years' losses and paying all taxes and dues, set aside 10% of its earnings as legal reserve until such reserve equals the paid-in capital. Of the remainder plus undistributed earnings in prior years or of distributable earnings resulting

from this year's loss plus undistributed earnings in prior years, special reserve shall be set aside or reversed according to laws or the competent authority. The remainder surplus may be retained for business needs or otherwise distributed by the following principle: The Board of Directors may propose an earnings distribution plan for dividends for stockholders and submit the plan to the shareholders' meeting for approval. Not less than 10% of the total dividends distributed to stockholders shall be in the form of cash.

Our dividend policy is set up in accordance with the Company Act and the Articles of Incorporation of our company in consideration of factors including capital, financial structure, operating status, earnings, industry characteristics and cycle, etc. The dividends shall be distributed in a prudent manner where appropriate retained earnings, stock dividend or cash dividend, or both are taken into consideration so as to ensure sustained development of the company. The appropriation of dividends must take into consideration future operations and cash requirements, and appropriate dividends no less than 50% of earnings available for appropriation in that year. The current dividend policy for retained earnings and dividends with respect to their conditions, timing, amount and type would be adjusted from time to time in accordance with economic and industrial fluctuations, and in particular, in view of the company's future development needs and profitability.

2. Dividend distribution to be proposed to the Shareholders' Meeting:

The company's 2016 earning distribution was approved at the February 3, 2017 Meeting of the Board of Directors below. This plan will be carried out in accordance with related regulations after passage in resolution by the Shareholders' Meeting scheduled on June 14, 2017.

Statement of Earning distribution
2016

Item	Amount
Undistributed retained earning from previous years	\$ 207,153,606
Less: Remeasurement in defined benefit plans recognized in retained earnings	(37,209,100)
Plus: Retained earnings adjusted to equity method investments	3,164,147
Plus: Net Income of 2016	613,165,222
Less: 10% Legal Reserve Appropriated	(61,316,522)
Retained Earnings Available for Distribution as of December 31, 2016	724,957,353
Distribution Items:	
Cash Dividends to Common Shares (NT\$2.4 per share)	(498,130,560)
Undistributed Retained Earnings, End of Year	\$ 226,826,793

(7) Effect of free-gratis dividend proposed in the current shareholders' meeting on Company's

business performance and earnings per share:

(8) Remuneration of employees, Directors and Supervisors

1. Percentages and ranges of employee remuneration to Directors and Supervisors, as specified in the company's Articles of Incorporation

According to the amendment to the Company Act in May 2015 and the amendment to the Articles of Association proposed in the Meeting of the Board of Directors on January 28, 2016, if the Company has been profitable in the year, the remuneration for employees will be over 1% (inclusive) and the remuneration for Directors and Supervisors will be under 1% (inclusive) of the earnings before tax and before deducting remuneration for employees, Directors and Supervisors.

2. Basis for estimating the amount of remuneration of employees, Directors and Supervisors, basis for calculating the number of shares to be distributed as employee remuneration, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated amount, for the current period:

3. Remuneration proposals approved by the Board of Directors

(1) The difference, reasons and handling of discrepancies between the cash or stock appropriation of remuneration to employees, Directors and Supervisors and the annual recognized costs:

According to the amended Company Act and the amended Articles of Incorporation, if the company has been profitable in the year, the remuneration for employees will be over 1% (inclusive) and the remuneration for Directors and Supervisors will be under 1% (inclusive) of the earnings before tax and before deducting remuneration for employees, Directors and Supervisors. The company has approved the appropriation of NT\$7,431,000 in remuneration for Directors and Supervisors and remuneration of NT\$44,584,000 for employees in the Meeting of the Board of Directors on February 3, 2017. The preceding amounts are consistent with the estimated amount of the recognized costs.

(2) The amount of remuneration to employees to be paid in stocks out of the current company-level financial statement in terms of the sum of net profit after tax and employee bonus: N/A.

4. Actual distributed of remuneration for employees, Directors and Supervisors in 2015:

Unit: shares; NT\$

Item	Actual distributed amount (Note)	Amount	Difference
------	----------------------------------	--------	------------

	Amount	Equitable shares	Stock price	approved in the Board of Directors' resolution	
Remuneration to Directors and Supervisors	5,906,546	-	-	5,906,546	N/A
Remuneration to employees in cash	35,439,278	-	-	35,439,278	N/A

Note: The remuneration of Directors, Supervisors and employees above were approved by the shareholders' meeting on June 15, 2016. There is no difference between the actual amount distributed and the amount recognized in the 2015 financial statements.

(9) Stock buyback: None.

4. Issuance of corporate bonds: None.

5. Issuance of preferred stocks: None.

6. Issuance of global depositary receipts (GDR): None.

7. Exercise of employee stock option plan: The company has never implemented employee stock options.

8. Restricted stock awards: The company has never implemented restricted employee stock options.

9. Mergers, acquisitions or issuance of new shares for acquisition of shares of other companies:
The company has not had mergers, acquisitions or issuance of new shares due to acquisition of shares of other companies that have been completed in the past year and up to the date of report.

10. Implementation of capital allocation plan: Not applicable, for the company was free of the situation of having any securities issuance that was uncompleted or completed in the most recent three years but has not yet fully yielded the planned benefits.

III. Business Overview

1. Business Activities

(1) Business Scope

1. Business scope

(1) Primary business activities

The Company's primary business consists of the research and development, design and sales of integrated circuits and semiconductor foundry services, providing customers with customized total solutions from design, system integration, and manufacture to market.

(2) Revenue distribution

Unit: NT\$1,000

Core product types	2016	
	Operating revenue	Revenue Distribution (%)
IC Income	6,654,941	80%
Foundry Service Income	1,662,701	20%
Other	11,644	-
Total	8,329,286	100%

(3) Current products and services

The company's primary business consists of IC design and sales and IC foundry services. The main IC products are ICs with a wide range of applications. Products include microcontrollers (MCU), audio products and cloud computing products; the company also owns a 6-inch IC plant with a capacity of 45,000 wafers per month and equipped with diversified processing technologies to provide professional IC foundry services.

The Company's main products and services are described below:

A. IC Business

The company's regular IC products consist mainly of microcontrollers, audio products and cloud computing products.

The microcontroller (MCU) has a diversified application market and the Company's current products includes 32-bit and 8-bit MCUs. Target markets include applications in IoT, health care, industrial applications, consumer electronics, and communication products.

Audio products include audio CODEC, ARM[®] Cortex[®]-M0/M4 4/8-bit MCU and Class D Speaker Amplifiers. Target markets include portable consumer electronics, tablets, vehicle dashboard voice prompts and stereo amplifiers, audio output/input for security and surveillance systems, vehicle-mounted machine to machine (M2M) audio

output/input and industrial broadcast systems.

In cloud computing products, the Company provides diversified products in the "cloud" and "computing" markets. Regarding cloud computing, the company provides BMCs, voltage and signal converters, hardware monitoring chips, etc.; the company also provides Super I/O chips, highly integrated embedded controllers (ECs), temperature monitoring chips, Trusted Platform modules (TPM security chips) and power control chips for personal computers and smart devices.

B. Foundry service

The company owns an advanced 6-inch foundry plant and has over 25 years of experience in foundry manufacturing services. We are constantly trying to surpass ourselves through innovation. We provide stable, long-term capacity, the best OEM quality, and a precise delivery schedule. We follow the philosophy of "more than a foundry" and endeavor to create more added-value for our customers as an indispensable partner in market competition.

(4) New products under development

A. IC Business

The development of the company's new products focuses on providing high-grade manufacturing process of low power consumption MCU products to satisfy low power consuming applications in the IoT and healthcare sectors. The company will also continue to develop analog IC and security technologies. It also introduced the latest secure ARM[®] Cortex[®]-M23 MCU to enhance product performance and security and lower power consumption.

Current development in audio products in the smartphone, portable tablet, and digital headphone markets involves smart Class D speaker amplifiers and high quality highly integrated audio MCUs. The company provides cost-effective interactive smart ICs.

With regard to cloud computing products, experiences with commercial and consumer applications are combined to create innovative features and functions that will be essential to future products. Value by differentiation of end products is significantly boosted while external components are made highly integrated and simplified in order to develop control chips that customers can use on different platforms.

B. Foundry service

To continue enhancing customers' competitiveness, the company continues to advance power supply management and customized manufacturing processes. The company is currently investing in next generation power supply management

platforms, new generation high energy bandgap, high voltage discrete components, transducers, and smart medical grade sensors.

(2) Industry overview

1. Industry current trends and future outlook

(1) IC Business

The demand for MCU continues to climb. The 32-bit ARM[®] Cortex[®]-M MCU is the mainstream of the market and demand is increasing rapidly as the product offers low power consumption, high performance and a complete ecosystem with a vast number of users. The growing applications in the overall MCU market that attract the most attention are the IoT, industrial controls, consumer electronics, and vehicle-mounted systems.

Applications that enable hands free natural language interaction between human-machine interfaces (HMI) and the internet are leading a revolution and innovations in audio products and related industries. Features such as "Always On" integrated with voice recognition and voice search and the natural language user interface (NLUI) is now found in applications such as smart speakers, mobile phones, tablets, the IoT and wearable devices. The company's audio products are also heading into innovation in this diversified sector and has completed several projects with end users.

Furthermore, smart networks with cloud connections have become an essential part of the modern life. Integrated multi-screen and multi-cloud services are fueling commercial activities and generating demand for servers, data centers, and customized screen devices.

(2) Foundry service

According to the World Semiconductor Trade Statistics (WSTS), worldwide semiconductor sales have reached US\$335.0 billion in 2016, and can be expected to grow in 2017 and 2018. The momentum will be seen mainly in Asia Pacific. The company's policy is to promote integration with key supply chain partners in the semiconductor industry and expand new product applications and markets.

2. Relationships with suppliers in the industry's supply chain

The supply chain of the IC industry can be roughly divided into upstream IC design companies, midstream IC manufacturers and downstream IC packaging and testing plants.

From the perspective of the supply chain, MCUs are the control and computing core of end products. In cloud computing IC, the company's downstream customers consists mainly of servers, desktop workstations, personal computers, smart handheld devices,

network communications and industrial computer industries. The company has established long and close partnerships in these sectors and has also established stable, long-term cooperation models with upstream industries.

3. Product development trends

(1) IC Business

MCU products must incorporate low power consumption as well as high performance and cost effectiveness. Different application fields demand specific designs and one product cannot satisfy all requirements. Therefore the company's MCU product plan involves the development of an MCU platform for different applications to fulfill diverse demands from the market. The company also promotes the products to professional realms for the customers to obtain the best and most cost-effective solution.

Development of audio products will continue to focus on ultra-low power (ULP) audio CODEC and the DSP algorithm for application in IoT, wearable devices and security and surveillance systems. In addition, various audio MCUs and smart Class D speaker amplifiers are also a priority in the company's future development in audio products.

The demand for cloud service applications keeps growing and it has also led to the optimization of energy efficiency, security structure and interface integration in hardware and software development. On the other hand, the rise of the personal entertainment market in high-end gaming has advanced the demand for ASSP products as well as a new generation of industrial development in augmented reality and virtual reality.

(2) Foundry service

In response to global warming and a fast deteriorating environment, the company's foundry service team is concentrating on developing high-efficiency and low power consumption manufacturing processes for power supply management. The company strives to become the best provider of total power supply management solutions.

4. Product competition

(1) IC Business

The company has begun development of the new 32-bit universal ARM[®] Cortex[®]-M0 in 2010 and then the induction of the brand-new, high-end 32-bit ARM[®]Cortex[®]-M4 with floating-point operations and DSP functions in 2012. The company has also introduced the latest secure ARM[®] Cortex[®] -M23 MCU in 2016. We

challenge large international producers with our complete range of products, superior cost-performance ratio and a strong technical support team.

Regarding audio products, the company has set its goal on developing close ties with main customers in the market and actively provides comprehensive implementation and solutions for a variety of audio products in hopes of achieving coexistence and common prosperity with end customers. Besides offering cost-effective hardware solutions, the company also develops diversified algorithms for all kinds of applications on the market in order to satisfy different needs for applications.

In cloud computing IC, there are several other suppliers in the global market. Competition is severe but a certain degree of order is maintained. The company's innovative products tailored for key customers' systems and applications, superior quality and technical support remain our most important competitive edge.

(2) Foundry service

Faced with competition from a constantly growing production capacity in the global semiconductor industry, the company's foundry service is focused on the power supply management market and continues to advance OEM technological capabilities and optimization of production costs while offering superior foundry service quality.

(3) Overview of Technology and R&D

1. R&D expenditures

	Unit: NT\$1,000	
Item	2016	2017 up to March 31
R&D Expenditures (A)	2,215,524	552,833
Net operating revenues (B)	8,329,286	2,122,959
(A)/(B)	26%	26%

2. Successfully developed technologies and products in the past year

Year	Research and development achievements
2016	Launching 32-bit ARM [®] Cortex [®] -M0 NUC121/125 MCUs - suitable for high performance USB applications.
2016	Launching an innovative IoT development platform, which has been ARM mbed OS certified.
2016	As a responsible citizen committed to energy conservation, the company launched the high performance DC brushless motor, NuMicro [®] Motor Control microcontrollers -NM1500 series.
2016	N570F064/I91032: Audio MCU (low power consumption audio MCUs).

Year	Research and development achievements
2016	NCT3711D: used for multi-power control chips on AMD AM4 platform.
2016	NCT6116D: used for I/O control IC in industrial computers.
2016	NCT6796D: used for I/O control IC in desktop computers.

3. Short and Long Term Business Development Plans

(1) IC Business

A. Short-term business development plans

In MCU, the company enhances the advantages in cost-performance ratio and localized support and actively builds an ecosphere where we provide a complete development platform to provide customers with the best development experience. The company has joined the ARM® mbed™ Alliance to expedite the development of the IoT market. The common mbed™ Alliance platform will facilitate large-scale establishment and deployment of standardized commercial IoT solutions. With respect to audio products, we will provide customers with comprehensive and high-performance audio and voice solutions.

Regarding cloud computing products, the company will integrate designs from Taiwan and Israel with the advantages of local service teams to expand the development of competitive hardware and software solutions in standardized IC and ASSP that are suitable for the world's leading brand names.

B. Long-term business development plans

The Company will continue to advance MCU product research and development and focus on the three major technologies of low power consumption, analog IC and security. We hope to enter specific applications through product innovation and advancement in the technology of the production process.

In audio products, the high-performance Cortex-M0 and M4 32-bit MCU core will be integrated with the ultra-low power consumption audio processing controller (ULP Audio CODEC) to provide customers with high-quality integrated audio processing IC. We will invest more in developing low-power and high-performance platforms and overall designs as well as production solutions to help end customers enter the market in a timely manner.

For the increasing demand for servers and data centers and consistent sales of business PCs, the company has added more product development resources and plan for more new products in hopes of combining innovation with our existing sales channels advantage to launch unique and cost-effective products for long-term development.

(2) Foundry service

A. Short-term business development plans:

The company focuses on power management, analog, and transducer production development in order to meet the demand for energy efficient, high performance power management products and handheld transducers.

B. Long-term business development

The company develop customized processes to meet market demand in the long term. It also promotes integration with key supply chain partners in the semiconductor industry and provides customers with an indispensable competitive edge.

2. Market, production and sales

(1) Market Analysis

1. Main product (service) sales (providing) regions

Unit: NT\$1,000

Sales region	2016	
	Amount	Percentage (%)
Asia	7,895,516	95%
America	220,700	3%
Europe	117,521	1%
Other	95,549	1%
Total	8,329,286	100%

2. Market share

The company's 32-bit Cortex[®]-M0/M4 MCU, ARM[®] 7/9, and 8-bit MCUs are cost effective and well received by the market. We continue to increase our market share and enjoy stable growth. Our largest customers include well-known major manufacturers of consumer, industrial control, and communications products. Output of audio products in vehicle-mounted IoT and Audio CODEC has acquired a significant market share.

With regard to computer/cloud applications, market share of the Company's motherboard Super I/O, notebook EC and TPM still ranked in the top three worldwide in 2016. Our largest customers include well-known brand names in computers as well as OEMs.

3. Future market supply and demand and future growth

The development of MCUs is moving toward energy-efficiency, smart devices, small and light devices and multiple functions. The demand for IoT energy-conservation devices, healthcare management and smart products in the future will help MCU market growth. The 2016 PC market suffered an impact from smartphones. The company

maintained its lead in the market by intensifying relations with major computer brands as well as penetrating into more product applications.

Output of audio CODEC IC and amplifiers in consumer electronics continues to rise. Notably, the company's audio enhancement DSP IC has been installed in applications such as Bluetooth speakers, smart phone docking stations, and mid-range and high-range television audio amplifiers. The company also actively collaborates with manufacturers of different types of speakers (such as thin speakers) in hopes of creating value for customers' products in this new sector.

4. Competitive niches

The company provides diversified customized services with professional R&D and technical support teams. We establish strategic partnerships with customers and provide competitive total design and development solutions to lower customers' cost and increase their competitive edge. In addition, the company's experience in the voice and audio processing market involves IoT market application for the integration of MCU audio CODEC and third-party voice recognition in hopes of providing diversified product options and ideal economic solutions.

With regard to cloud computing products, the company and customers collaborated on developing customized IC for usage in non-computer product lines to lower cost for customers and enhance their competitive edge.

5. Advantages and unfavorable factors to long-term development and response measures

(1) Advantages

The company's MCUs retain advantages in the ease of development by users and environmental protection certifications. This core competitive edge raises the barrier to competition for rivals. The audio enhancement DSP chips and the audio amplifier integrated chip can provide audio optimization for customers' devices, and support thin speakers for a simpler and trendier outer design in end customers' application.

The company's cloud computing products retains a leading position in the market. The company also led the industry in becoming the first TPM (Trusted Platform Module) IC provider with Federal Information Processing Standards (FIPS), Common Criteria EAL4+ and Trusted Computing Group (TCG) certification, thereby enhancing our core competitiveness and increasing the market penetration in the PC market.

(2) Disadvantages and Response Measures

Competition in consumer electronics has intensified in recent years. The short life-cycles of the products and the quick replacement of tradition products by new product applications in the market mean relatively higher investment costs. We must

continue the research and development of products with high integration capabilities to lower cost and enhance R&D capabilities to maintain our leading position in the market.

The company will continue to strengthen optimization of our products and invest in global technical support teams in order to provide localized customer support services. We will also provide reference designs to reduce R&D costs and time required for customers to adopt our products. In addition, the company plans to establish applications sales teams for key customers, introduce vertically integrated application solutions and replicate our successful solutions in other emerging cities and markets.

Integration of international brands in the PC industry continues as the PC industry faces extended declines in the market. The company builds on the successful foundation of partnerships with PC ODM/OEM customers and continues to provide new products with innovative integration, low power consumption and high cost-performance ratio to obtain more cooperation opportunities with international brand firms.

The company continues the recruitment of teams to strengthen local sales services in order to build customer recognition in local markets, build long-term business partnerships and provide growth in the company revenue.

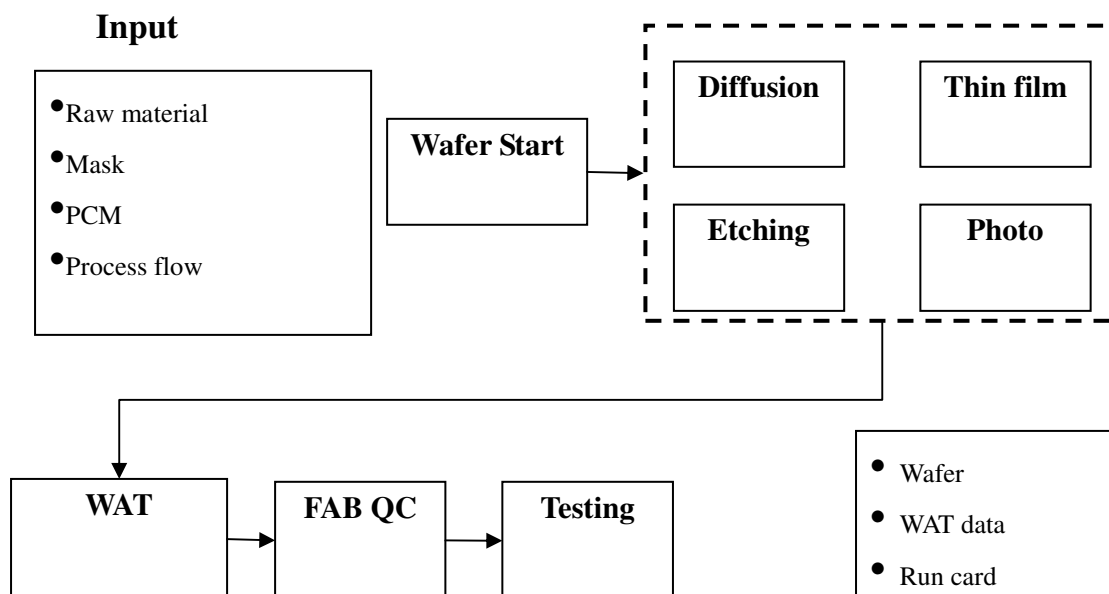
(2) Important applications and manufacturing processes of major products

1. Core applications of major products:

Product	Important Applications
IC Business	Provide customers with industrial controls, consumer electronics, computer equipment, vehicle-mounted equipment, and communication products.
Foundry service	Provide foundry service for customers' integrated circuits.

2. Manufacturing processes:

Wafer Fabrication:



(3) Supply status of primary raw materials

Name of primary raw material	Major supplier	Supply status
Wafer	Supplier A, Supplier B and Supplier I	Stable quality, high yield rate, long-term cooperation, good supply status.
Blank wafer	Supplier C, Supplier J and Supplier H	Stable quality and supply, long-term cooperation, good supply status.

(4) Names of suppliers who accounted for more than 10% of the purchase by the Company in the last two years, and the amount of purchase to total purchase

Unit: NT\$1,000

Item	2015				2016			
	Name	Amount	Percentage of total purchase %	Relationship with issuer	Name	Amount	Percentage of total purchase %	Relationship with issuer
1	Supplier A	612,610	28%	N/A	Supplier A	715,033	27%	N/A
2	Supplier I	535,452	25%	N/A	Supplier I	610,743	23%	N/A
3	Supplier B	272,121	12%	N/A	Supplier B	472,734	18%	N/A
	Other	758,564	35%		Other	836,970	32%	
	Net purchase	2,178,747	100%		Net purchase	2,635,480	100%	

Reasons for changes: No changes in major suppliers in the period.

(5) Names of customers who accounted for more than 10% of the sales in the last two years, and sales as a percentage of total sales

Unit: NT\$1,000

Item	2015				2016			
	Name	Amount	Percentage of net sales %	Relationship with issuer	Name	Amount	Percentage of net sales %	Relationship with issuer
1	Customer J	908,637	12%	N/A	Customer J	1,206,134	14%	N/A
	Other	6,404,750	88%		Other	7,123,152	86%	
	Net sales	7,313,387	100%		Net sales	8,329,286	100%	

Reasons for changes: No changes in major customers in the period.

(6) Output volume and value for the last two years

Unit: Capacity of a thousand pieces/a thousand wafers/a thousand dies; NT\$1,000

Main Product	Year	2015			2016			
		Production capacity (Note)	Quantity produced		Value	Production capacity (Note)	Quantity produced	
			Wafer	Die			Wafer	Die
IC Business	480	-	615,294	3,062,416	480	-	684,354	3,652,951
Foundry service		279	-	1,016,636		323	-	1,116,962
Other		-	-	5,748		-	-	9,263
Total		279	615,294	4,084,800		323	684,354	4,779,176

Note: Production capacity is indicated by self-manufactured 6-inch wafers.

(7) Sales volume and value for the last two years

Unit: thousand wafers / thousand dies; NT\$1,000

Main Product	Year	2015						2016					
		Domestic sales			Exports			Domestic sales			Exports		
		Volume		Value	Volume		Value	Volume		Value	Volume		Value
		Wafer	Die		Wafer	Die		Wafer	Die		Wafer	Die	
IC Business	-	163,939	1,197,282	-	447,468	4,561,355	-	168,133	1,568,832	-	509,711	5,086,109	
Foundry service	191	-	959,947	91	-	574,053	214	-	1,056,223	102	-	606,478	
Other	-	-	11,683	-	-	9,067	-	-	3,537	-	-	8,107	
Total	191	163,939	2,168,912	91	447,468	5,144,475	214	168,133	2,628,592	102	509,711	5,700,694	

3. Employees

Year		2015	2016	2017 up to March 31
Number of employees	Technical personnel (engineers)	905	996	1,008
	Administration and sales staff	276	260	264
	Assistant	384	363	375

Year		2015	2016	2017 up to March 31
	Total	1,565	1,619	1,647
Average age (year)		39.78	39.53	39.60
Average years of service		10.8	10.79	10.73
Education background (%)	PhD	1.34	1.55	1.64
	MA	31.95	34.34	34.61
	University/College	43.83	43.30	43.11
	High school	21.79	19.70	19.49
	Below high school	1.09	1.11	1.15
	Total	100	100	100

4. Spending on environmental protections

- (1) Losses due to environmental pollution (including compensation) and total fines during the most recent year and up to the annual report publication date: None.
- (2) Preventive measures taken to ensure a safe working environment and maintain employees' personal safety

The Company continues to invest preventative measures in safety and sanitary in our best efforts to maintain a safe and sanitary work environment. We hope to lower any risks of potential harm to employees in their work environments through continuous improvements. The Company's actual input includes:

1. Obtained the OHSAS 18001 Occupational Health and Safety and ISO 14001 Environmental Management certifications in 2008 for more systematical and more comprehensive protection in safety and sanitary protection management and environmental protection.
2. Enhance fire safety and personnel protection facilities in the work environment with domestic laws and regulations as the minimum standard while incorporating international standards into regulations governing plant construction. Continue investment in funds and personnel for improvement projects.
3. In environmental inspections, we conduct inspections on chemical factors, carbon dioxide, illumination, noise and ionizing radiation etc. and the results were all superior to regulatory standards.
4. In personal protection of the employees, we provide suitable personal protection equipment in accordance with the nature of the operation. The measure is incorporated in automatic inspection plans to maintain its validity.
5. Employees' professional training and certification in safety and sanitary management is a key aspect for protection plans. We organized 93 courses in 2016 to enhance employees' recognition beyond the scope of protection by facilities.

6. Emergency drills are conducted in accordance with possible operation hazards. We schedule periodical training for the employees every year to minimize damages in emergencies and we completed 62 different drills in 2016.
7. Continuous safety, sanitary and environmental protection improvement plans are advanced measures to ensure the safety of the work environment and employees and we completed 34 improvement plans in 2016.

5. Employees-employer relations

(1) Employee benefits, education and training, retirement system and implementation

1. Employee benefits:

The Company funds the Employee Welfare Fund in accordance with related regulations and we organized the Employees' Welfare Committee to plan, oversee and implement employees' benefits.

The Company requests all employees to enroll in labor insurance unless otherwise specified in the Labor Insurance Act. The Company also offers employees with group insurance paid for by the Company. Family members of the employees can also enroll in the group insurance by paying the insurance fee.

In addition, to enhance the Company's competitiveness, we offer a complete training program for employees' career plans and professional capabilities; to enhance employees' motivation, we provide bonuses and dividends and implement fair promotion institutions for employees.

2. Employee training

To help new recruits adapt to the Company culture, we offer training programs in accordance with the positions of new recruits and request the supervisor and employees of the department to help new recruits understand the Company's market position and future development. Employees can participate in training courses held by consulting firms, training institutes or government and business groups in accordance with their personal professional needs to enhance their knowledge.

To cultivate long-term talents and encourage employees to improve their knowledge in accordance with the organizational needs, the Company established regulations governing on-job training to allow employees to enhance professional or managerial skills.

3. Retirement system and its implementation status

To provide security to employees in retirement and enhance their service during employment, the Company has established a retirement system pursuant to Labor Standards Act requirements that clearly states retirement conditions, payment standards and application processes and we have also established the Supervisory Committees of Labor Retirement Reserve in accordance with regulations. In addition, for employees that fit the criteria in the Labor Pension Act, the Company injects an additional 6% of the

employee's monthly salary to his/her pension account at the Bureau of Labor Insurance.

(2) Licenses held by personnel involved in meaning the transparency of financial information
International certified internal auditor (CIA): Auditing Department 1 employee; CPA of
ROC: Accounting Department 1 employee.

(3) Labor-management harmony and employee rights maintenance measures

1. Labor-management negotiation status

The Company follows all labor laws and related regulations in all matters. Both labor and management follow rules stipulated in the work contract, work regulations and various management regulations; to facilitate friendly communication between labor and management, the Company holds labor-management meetings and the departments hold periodical monthly meetings etc. to help both sides come to a consensus and enhance cooperation to achieve maximum mutual benefits for both parties. The Company has enjoyed harmonious relations between labor and management since its founding and there have been no major labor-management disputes or losses.

2. Employee benefit protection status

The Company has established comprehensive regulations governing the rights, obligations and benefits of employees; the Company also established complaint filing protocols to safeguard employee rights and benefits.

(4) Losses arising as a result of employment disputes in the recent year up until the publishing date of this annual report; quantify the estimated losses and state any response actions, or state any reasons why losses cannot be reasonably estimated.

Since the founding of the company up until now, there have not been any labor-management disputes that resulted in losses. We shall continue to enhance communication between the two parties to achieve company prosperity and safeguard employees' benefits in hopes of reducing the occurrence of labor-management disputes with through peaceful and reasonable means.

(5) Employee code of conduct

The company established comprehensive regulations governing employees' work ethics, intellectual property rights/trade secret protection and work rules, as described below:

1. Work ethics and conduct

(1) Work rules: The company's regulations contain dedicated service rules and general principles for prevention of sexual harassment.

(2) Workplace sexual harassment prevention regulations: In accordance with relevant government laws and regulations, the company has explicitly drafted workplace sexual harassment prevention regulations, and has adopted appropriate prevention, correction, and punishment measures.

(3) Employment contracts: We have implemented rules including loyalty in the

- execution of job functions and restrictions on dual employment and non-competition.
2. Rules for protection of intellectual property rights and maintenance of business secrets
 - (1) Work rules: The company's regulations contain general principles for maintenance of the confidentiality of business secrets.
 - (2) Employment contracts: Employment contracts specify requirements concerning confidentiality duties, document ownership, secret information, ownership of intellectual or industrial property, and non-compete terms during the term of office.
 - (3) Legal software authorization statement and notice to employees: Agreements on legal software usage and respect for intellectual property rights are in place.
 3. Work orders
 - (1) Division of responsibilities: The "guidelines for responsibility stratification" specify the division of responsibilities, and serve to guide the performance of on-the-job duties.
 - (2) Duties of individual units: The mission of each unit is clearly defined.
 - (3) Restrictions on the hiring of relatives: The "restrictions on the hiring of relatives" specify that relatives should not be hired to fill certain positions. This is intended to ensure that the effectiveness and efficiency of the company's internal management is not compromised unnecessarily by family relationships between employees.
 - (4) Attendance management
 - A. "Request for leave regulations": These regulations explicitly state the company's leave request principles and regulations.
 - B. "Domestic travel regulations" and "foreign travel regulations": To facilitate personnel management and activate substitute mechanisms, the company has established operating procedures for travel applications; To ensure that personnel taking business trips accomplish their missions, such personnel shall be given appropriate travel subsidies.
 - C. "Overtime regulations": These regulations explicitly specify the company's overtime principles and standards.
 - D. "Regulations concerning work stoppages due to natural disasters and major accidents": These regulations explicitly state standards for work stoppages in the event of natural disasters and major accidents.
 - (5) Performance management
 - A. "Performance management and evaluation regulations": These regulations seek to provide an understanding of employees' strengths and weaknesses, and help them to develop their personal abilities, by assessing the degree to which employees have achieved their personal goals; Employees' contributions to the organization are determined on the basis of mutual comparisons between peers.
 - B. "Performance guidance operating regulations": Performance guidance work seeks to enhance the productivity of the company as a whole.
 - (6) Reward and penalty regulations

The "Reward and penalty handling regulations" prescribe appropriate rewards or punishments for those employees who display superior performance or violate regulations, and have the intent of encouraging and maintaining on-the-job morale and order.

(7) Manpower development

"In-service continuing education regulations": These regulations establish channels for continuing education, and have a goal of accumulating the human resources needed for the company's long-term operations.

(8) Communication channels

"Corporate internal appeal regulations": These regulations provide employees with channels expressing their views and making appeals directly to the company, maintain employees' rights and interests, and encourage communication of views.

6. Important contracts

Nature of Contract	Contracting parties	Commencement date/expiration date	Content	Restriction clauses
Authorization contract	Company A	July 1, 2008 – indefinite period	Technology licensing	The Company is prohibited from licensing third parties. The Company retains obligation of confidentiality.
Authorization contract	Company B	June 17, 2009 – indefinite period	Technology licensing	The Company is prohibited from licensing third parties. The Company retains obligation of confidentiality.
Authorization contract	Company C	November 12, 2009 – indefinite period	Technology licensing	The Company is prohibited from licensing third parties. The Company retains obligation of confidentiality.
Authorization contract	Company B	May 15, 2012 – indefinite period	Technology licensing	The Company is prohibited from licensing third parties. The Company retains obligation of confidentiality.
Authorization contract	Winbond Electronics Corporation	August 1, 2012 – December 31, 2021	Technology licensing	The Company is prohibited from licensing third parties. The Company retains obligation of confidentiality.

Nature of Contract	Contracting parties	Commencement date/expiration date	Content	Restriction clauses
Authorization contract	Company B	January 17, 2014 – January 16, 2017	Technology licensing	The Company is prohibited from licensing third parties. The Company retains obligation of confidentiality.
Authorization contract	Company B	March 29, 2015 – indefinite period	Technology licensing	The Company is prohibited from licensing third parties. The Company retains obligation of confidentiality.
OEM agreement	Company P	December 5, 2016 - December 31, 2018	OEM	Payment of fees in accordance with the contract.

IV. Financial Summary

1. Condensed balance sheets, statements of income, names of auditors, and audit opinions (2012-2016)

(1) Condensed balance sheet and statements of income

Condensed balance sheet

Unit: NT\$1,000

Year Item		Financial information for the most recent 5 years (Note 1, Note 2)				
		2012	2013	2014	2015	2016
Current assets		3,468,206	3,559,999	3,414,969	3,894,667	4,383,299
Property, plant and equipment		419,031	452,907	447,140	463,594	526,167
Intangible assets		116,770	185,164	309,790	242,622	257,940
Other assets		810,031	697,452	722,128	690,965	730,875
Total assets		4,814,038	4,895,522	4,894,027	5,291,848	5,898,281
Current liabilities	Before distribution	1,520,535	1,579,636	1,381,737	1,580,383	1,949,781
	After distribution	1,873,377	1,828,701	1,630,802	1,953,981	(Note 3)
Non-current liabilities		448,256	509,167	598,221	589,664	570,026
Total liabilities	Before distribution	1,968,791	2,088,803	1,979,958	2,170,047	2,519,807
	After distribution	2,321,633	2,337,868	2,229,023	2,543,645	(Note 3)
Equity attributable to owners of parent		2,845,247	2,806,719	2,914,069	3,121,801	3,378,474
Capital Stock		2,075,544	2,075,544	2,075,544	2,075,544	2,075,544
Capital surplus		63,498	63,911	63,498	63,498	63,498
Retained earnings	Before distribution	735,762	643,078	730,969	921,282	1,126,804
	After distribution	382,920	394,013	481,904	547,684	(Note 3)
Other interests		(29,557)	24,186	44,058	61,477	112,628
Treasury stock		-	-	-	-	-
Non-controlling interests		-	-	-	-	-
Equity Total	Before distribut	2,845,247	2,806,719	2,914,069	3,121,801	3,378,474

	ion					
	After distribut ion	2,492,405	2,557,654	2,665,004	2,748,203	(Note 3)

Note 1: The company adopts the FSC-recognized IFRSs in preparing consolidated financial statements starting in 2013.

Note 2: Consolidated financial statements inspected and certified by a CPA.

Note 3: Pending final approval from Shareholders' Meeting.

Condensed statement of comprehensive income

Unit: NT\$1,000

Year Item	Financial information for the most recent 5 years (Note 1, Note 2)				
	2012	2013	2014	2015	2016
Operating revenue	7,412,789	6,809,449	6,821,877	7,313,387	8,329,286
Gross profit	3,014,643	2,786,241	2,896,004	3,049,527	3,408,320
Operating income/loss	714,608	431,846	329,985	486,254	604,842
Non-operating income and expenses	62,064	66,439	90,574	85,731	104,108
Income before Income Tax	776,672	498,285	420,559	571,985	708,950
Continuing business units Current period net profit	629,814	259,215	343,090	469,022	613,165
Loss from discontinued operations	-	-	-	-	-
Net income (loss)	629,814	259,215	343,090	469,022	613,165
Other comprehensive income (Net income after tax)	(127,967)	54,757	13,738	(12,225)	17,106
Total comprehensive income	501,847	313,972	356,828	456,797	630,271
Net income belongs to Owners of parent	629,814	259,215	343,090	469,022	613,165
Net Income (Loss) Attributable to Non-controlling Interests	-	-	-	-	-
Total Comprehensive income attributable Shareholders of the Parent	501,847	313,972	356,828	456,797	630,271

Year Item	Financial information for the most recent 5 years (Note 1, Note 2)				
	2012	2013	2014	2015	2016
Total Comprehensive income attributable to Non-controlling Interests	-	-	-	-	-
Earnings per share	3.03	1.25	1.65	2.26	2.95

Note 1: The company adopts the FSC-recognized IFRSs in preparing consolidated financial statements starting in 2013.

Note 2: Consolidated financial statements inspected and certified by a CPA.

Individual condensed balance sheet

Unit: NT\$1,000

Year Item	Financial information for the most recent 5 years (Note 1, Note 2)					
	2012	2013	2014	2015	2016	
Current assets	2,769,517	2,757,808	2,593,916	2,975,327	3,478,482	
Property, plant and equipment	370,371	407,271	388,320	410,239	474,952	
Intangible assets	109,805	181,608	252,274	197,238	225,964	
Other assets	1,571,516	1,542,044	1,624,812	1,665,167	1,656,307	
Total assets	4,821,209	4,888,731	4,859,322	5,247,971	5,835,705	
Current liabilities	Before distribution	1,562,156	1,635,518	1,411,149	1,608,770	1,980,805
	After distribution	1,914,998	1,884,583	1,660,214	1,982,368	(Note 3)
Non-current liabilities	413,806	446,494	534,104	517,400	476,426	
Total liabilities	Before distribution	1,975,962	2,082,012	1,945,253	2,126,170	2,457,231
	After distribution	2,328,804	2,331,077	2,194,318	2,499,768	(Note 3)
Equity attributable to owners of parent	2,845,247	2,806,719	2,914,069	3,121,801	3,378,474	
Capital Stock	2,075,544	2,075,544	2,075,544	2,075,544	2,075,544	
Capital surplus	63,498	63,911	63,498	63,498	63,498	
Retained earnings	Before distribution	735,762	643,078	730,969	921,282	1,126,804
	After distribution	382,920	394,013	481,904	547,684	(Note 3)
Other interests	(29,557)	24,186	44,058	61,477	112,628	
Treasury stock	-	-	-	-	-	
Non-controlling interests	-	-	-	-	-	
Equity Total	Before distribution	2,845,247	2,806,719	2,914,069	3,121,801	3,378,474
	After distribution	2,492,405	2,557,654	2,665,004	2,748,203	(Note 3)

Note 1: The company adopts the Regulations Governing the Preparation of Financial Reports by Securities Issuers for

preparing individual financial statements starting in 2013.

Note 2: Financial statements inspected and certified by a CPA.

Note 3: Pending final approval from Shareholders' Meeting.

Individual condensed statement of comprehensive income

Unit: NT\$1,000

Year Item	Financial information for the most recent 5 years (Note 1, Note 2)				
	2012	2013	2014	2015	2016
Operating revenue	7,160,090	6,514,347	6,502,909	7,022,517	8,046,760
Gross profit	2,763,627	2,492,978	2,580,109	2,766,818	3,138,495
Operating income/loss	716,210	408,464	302,227	476,886	596,770
Non-operating income and expenses	46,801	79,047	107,501	72,423	94,288
Income before Income Tax	763,011	487,511	409,728	549,309	691,058
Continuing business units					
Current period net profit	629,814	259,215	343,090	469,022	613,165
Loss from discontinued operations	-	-	-	-	-
Net income (loss)	629,814	259,215	343,090	469,022	613,165
Other comprehensive income (Net income after tax)	(127,967)	54,757	13,738	(12,225)	17,106
Total comprehensive income	501,847	313,972	356,828	456,797	630,271
Net income belongs to Owners of parent	629,814	259,215	343,090	469,022	613,165
Net Income (Loss) Attributable to Non-controlling Interests	-	-	-	-	-
Total Comprehensive income attributable Shareholders of the Parent	501,847	313,972	356,828	456,797	630,271
Total Comprehensive income attributable to Non-controlling Interests	-	-	-	-	-

Year Item	Financial information for the most recent 5 years (Note 1, Note 2)				
	2012	2013	2014	2015	2016
Earnings per share	3.03	1.25	1.65	2.26	2.95

Note 1: The company adopts the Regulations Governing the Preparation of Financial Reports by Securities Issuers for preparing individual financial statements starting in 2013.

Note 2: Financial statements inspected and certified by a CPA.

Combined condensed balance sheet (Financial Accounting Standards in Taiwan)

Unit: NT\$1,000

Year Item	Financial information for the most recent 5 years (Note)				
	2012	2013	2014	2015	2016
Current assets	3,541,025	-	-	-	-
Funds and Investments	381,269	-	-	-	-
Fixed Assets	419,031	-	-	-	-
Intangible assets	116,770	-	-	-	-
Other assets	356,538	-	-	-	-
Total assets	4,814,633	-	-	-	-
Current liabilities	Before distribution	1,496,587	-	-	-
	After distribution	1,849,429	-	-	-
Long-term liabilities	-	-	-	-	-
Other liabilities	277,558	-	-	-	-
Total liabilities	Before distribution	1,774,145	-	-	-
	After distribution	2,126,987	-	-	-
Capital Stock	2,075,544	-	-	-	-
Capital surplus	64,027	-	-	-	-
Retained earnings	Before distribution	977,405	-	-	-
	After distribution	624,563	-	-	-
Unrealized gain or loss on financial instruments	-	-	-	-	-
Cumulative translation adjustment	(76,488)	-	-	-	-
Net loss not recognized as pension cost	-	-	-	-	-
Shareholders' equity	Before distribution	3,040,488	-	-	-
	After distribution	2,687,646	-	-	-
Total					

Note: Consolidated financial statements inspected and certified by a CPA.

Combined condensed income statement (Financial Accounting Standards in Taiwan)

Unit: NT\$1,000

Year Item	Financial information for the most recent 5 years (Note)				
	2012	2013	2014	2015	2016
Operating revenue	7,412,789	-	-	-	-
Gross profit	3,014,330	-	-	-	-
Operating income/loss	712,687	-	-	-	-
Non-operating revenue and gains	77,441	-	-	-	-
Non-operating expenses and losses	15,567	-	-	-	-
Continuing operations income before tax	774,561	-	-	-	-
Continuing operations profit and loss	627,703	-	-	-	-
Income from discontinued operations	-	-	-	-	-
Extraordinary Items	-	-	-	-	-
Changes in Accounting Principles Cumulative Effect	-	-	-	-	-
Profit or loss for the current period	627,703	-	-	-	-
Earnings per share	3.02	-	-	-	-

Note: Consolidated financial statements inspected and certified by a CPA.

Individual condensed balance sheet (Financial Accounting Standards in Taiwan)

Unit: NT\$1,000

Year Item	Financial information for the most recent 5 years (Note)				
	2012	2013	2014	2015	2016
Current assets	2,834,517	-	-	-	-
Funds and Investments	1,269,842	-	-	-	-
Fixed Assets	370,371	-	-	-	-
Intangible assets	109,805	-	-	-	-
Other assets	238,255	-	-	-	-
Total assets	4,822,790	-	-	-	-
Current liabilities	Before distribution	1,539,194	-	-	-
	After distribution	1,892,036	-	-	-
Long-term liabilities	-	-	-	-	-
Other liabilities	243,108	-	-	-	-
Total liabilities	Before distribution	1,782,302	-	-	-
	After distribution	2,135,144	-	-	-
Capital Stock	2,075,544	-	-	-	-

Year Item		Financial information for the most recent 5 years (Note)				
		2012	2013	2014	2015	2016
Capital surplus		64,027	-	-	-	-
Retained earnings	Before distribution	977,405	-	-	-	-
	After distribution	624,563	-	-	-	-
Unrealized gain or loss on financial instruments		-	-	-	-	-
Cumulative translation adjustment		(76,488)	-	-	-	-
Net loss not recognized as pension cost		-	-	-	-	-
Shareholders' equity	Before distribution	3,040,488	-	-	-	-
	After distribution	2,687,646	-	-	-	-
Total						

Note: Financial statements inspected and certified by a CPA.

Individual balance sheet (Financial Accounting Standards in Taiwan)

Unit: NT\$1,000

Year Item		Financial information for the most recent 5 years (Note)				
		2012	2013	2014	2015	2016
Operating revenue		7,160,090	-	-	-	-
Gross profit		2,763,314	-	-	-	-
Operating income/loss		714,289	-	-	-	-
Non-operating revenue and gains		61,166	-	-	-	-
Non-operating expenses and losses		14,555	-	-	-	-
Continuing operations income before tax		760,900	-	-	-	-
Continuing operations profit and loss		627,703	-	-	-	-
Income from discontinued operations		-	-	-	-	-
Extraordinary Items		-	-	-	-	-
Changes in Accounting Principles Cumulative Effect		-	-	-	-	-
Profit or loss for the current period		627,703	-	-	-	-
Earnings per share		3.02	-	-	-	-

Note: Financial statements inspected and certified by a CPA.

(3) Names of auditing CPAs of the most recent five years and their audit opinions

Year	Name of firm	Name of CPA:	Audit opinion
2012	Deloitte & Touche Accounting Firm	Kuo-Tien Hung, Accountant Ker-Chang Wu, Accountant	Unqualified opinion
2013	Deloitte & Touche Accounting Firm	Kuo-Tien Hung, Accountant Ker-Chang Wu, Accountant	Unqualified opinion
2014	Deloitte & Touche Accounting Firm	Kuo-Tien Hung, Accountant Ker-Chang Wu, Accountant	Unqualified opinion
2015	Deloitte & Touche Accounting Firm	Ker-Chang Wu, Accountant Hung-Bin Yu, Accountant	Unqualified opinion
2016	Deloitte & Touche Accounting Firm	Ker-Chang Wu, Accountant Hung-Bin Yu, Accountant	Unqualified opinion

2. Financial Analysis of the Last Five Years

Financial analysis

Year Analytical item		Financial analysis for the most recent 5 years (Note)				
		2012	2013	2014	2015	2016
Capital Structure Analysis (%)	Debts Ratio	40.90	42.67	40.46	41.01	42.72
	Long-term Fund to Property, Plant and Equipment	785.98	732.13	785.50	800.59	750.43
Solvency (%)	Current ratio	228.09	225.37	247.15	246.44	224.81
	Quick ratio	157.73	166.86	183.74	175.38	153.26
	Times Interest Earned	189,071.29	167,872.73	176,805.46	42,658.41	-
Operating ability	Average Collection Turnover (times)	8.11	7.74	8.69	9.97	10.67
	Days Sales Outstanding	45	47	42	37	34
	Average Inventory Turnover (times)	3.44	3.10	3.34	3.43	3.46
	Average Payment Turnover (times)	7.37	6.83	7.19	7.07	6.26
	Average Inventory Turnover Days	106	118	109	106	105
	Property, Plant and Equipment Turnover (Times)	15.59	15.62	15.16	16.06	16.83
	Total Assets Turnover (Times)	1.62	1.40	1.39	1.44	1.49
Profitability	Return on assets (%)	13.74	5.34	7.01	9.23	10.96
	ROE(%)	22.73	9.17	11.99	15.54	18.87
	Pre-tax income to paid-in capital ratio(%)	37.42	24.01	20.26	27.56	34.16
	Net Margin (%)	8.5	3.81	5.03	6.41	7.36
	Earnings per share (NT\$)	3.03	1.25	1.65	2.26	2.95
Cash flows	Cash flow ratio (%)	48.64	58.48	53.46	29.31	37.60
	Cash flow adequacy ratio (%)	121.05	146.56	158.10	132.78	126.31
	Cash flow reinvestment ratio (%)	2.10	3.11	2.66	1.15	1.91
Leverage	Operating leverage	4.16	6.30	8.46	6.06	5.50

Year		Financial analysis for the most recent 5 years (Note)				
		2012	2013	2014	2015	2016
Analytical item						
	Financial leverage	1.00	1.00	1.00	1.00	1.00

Reasons for changes in financial ratios in recent two years:

1. Times Interest Earned reduction: Mainly due to the absence of interest expenses in 2016.
2. Increase in return on equity, pre-tax income to paid-in capital ratio, and earnings per share: Mainly due to increased profits in 2016.
3. Increase in cash flow ratio and cash reinvestment ratio: Mainly due to increase in net cash inflow from operating activities.

Note: The company adopts the FSC-recognized IFRSs in preparing consolidated financial statements starting in 2013.

Individual financial analysis

Year Analytical item		Financial analysis for the most recent 5 years (Note)				
		2012	2013	2014	2015	2016
Capital Structure Analysis (%)	Debts Ratio	40.98	42.59	40.03	40.51	42.11
	Long-term Fund to Property, Plant and Equipment	879.94	798.78	887.97	887.09	811.64
Solvency (%)	Current ratio	177.29	168.62	183.82	184.94	175.61
	Quick ratio	109.41	112.70	123.20	116.36	106.06
	Times Interest Earned	185,747.45	164,245.12	172,254.62	40,971.21	-
Operating ability	Average Collection Turnover (times)	9.96	9.51	10.91	13.58	14.54
	Days Sales Outstanding	37	38	33	27	25
	Average Inventory Turnover (times)	3.44	3.11	3.37	3.46	3.49
	Average Payment Turnover (times)	7.37	6.83	7.20	7.08	6.26
	Average Inventory Turnover Days	106	117	108	105	105
	Property, Plant and Equipment Turnover (Times)	18.99	16.75	16.35	17.59	18.18
	Total Assets Turnover (Times)	1.55	1.34	1.33	1.39	1.45
Profitability	Return on assets (%)	13.68	5.34	7.04	9.3	11.06
	ROE(%)	22.73	9.17	11.99	15.54	18.87
	Pre-tax income to paid-in capital ratio(%)	36.76	23.49	19.74	26.47	33.30
	Net Margin (%)	8.80	3.98	5.28	6.68	7.62
	Earnings per share (NT\$)	3.03	1.25	1.65	2.26	2.95
Cash flows	Cash flow ratio (%)	44.70	45.03	47.39	39.81	33.24
	Cash flow adequacy ratio (%)	117.61	129.65	144.12	131.67	123.26
	Cash flow reinvestment ratio (%)	1.89	2.12	2.31	2.14	1.54
Leverage	Operating leverage	3.95	6.23	8.66	5.82	5.29
	Financial leverage	1.00	1.00	1.00	1.00	1.00

Analytical item \ Year	Financial analysis for the most recent 5 years (Note)				
	2012	2013	2014	2015	2016
Reasons for changes in financial ratios in recent two years:					
1. Times Interest Earned reduction: Mainly due to the absence of interest expenses in 2016.					
2. Increase in return on equity, pre-tax income to paid-in capital ratio, and earnings per share: Mainly due to increased profits in 2016.					
3. Decreases in cash reinvestment ratio: Mainly due to increase in cash dividend distribution in 2016.					

Note: The company adopts the Regulations Governing the Preparation of Financial Reports by Securities Issuers for preparing individual financial statements starting in 2013.

The calculation formula for the items of analysis is stated below:

1. Capital Structure Analysis

(1) Debt ratio = total liabilities / total assets.

(2) Long-term Fund to Property, Plant and Equipment ratio=(Total equity+Non-current liabilities)/net amount of real estate properties, factories and equipment.

2. Liquidity Analysis

(1) Current ratio = current assets / current liabilities.

(2) Quick ratio = (current assets – inventory – prepaid expense) / current liabilities.

(3) Times interest earned = net income before income tax and interest expense / current interest expense.

3. Operating ability

(1) Average Collection Turnover ratio = Net Sales / Average Trade Receivables.

(2) Days Sales Outstanding = 365 / Average Collection Turnover.

(3) Average Inventory Turnover = Cost of Sales / Average Inventory.

(4) Average Payment Turnover = Cost of Sales / Average Trade Payables.

(5) Average Inventory Turnover Days = 365 / Average Inventory Turnover.

(6) Fixed Assets Turnover = Net Sales / Average Net Fixed Assets.

(7) Total Assets Turnover = Net Sales / Average Total Assets.

4. Profitability

(1) Return on assets = [net income + interest expense (1– tax rate)] / average total assets.

(2) ROE = income after tax/net average equity.

(3) Net margin = net income / net sales.

(4) EPS = (income belonging to parent company - stock dividend of preferred stocks)/weighted average number of issued shares.

5. Cash flows

(1) Cash flow ratio = new cash flows from operating activities / current liabilities.

(2) Cash flow adequacy ratio = net cash flows from operating activities in the past five years / (capital expenditure + increase in inventory + cash dividend) in the past five years.

(3) Cash flow reinvestment ratio = (net cash flow of operating activities - cash dividend)/(gross amount of real estate properties, factories and equipment + long-term investment + other non-current assets + operating capital).

6. Leverage:

(1) Operating leverage = (net operating revenues - current operating cost and expense)/operating profit.

(2) Financial leverage = operating income / (operating income – interest expense).

Consolidated Financial Analysis (Financial Accounting Standards in Taiwan)

Analytical item		Year	Financial Analysis of the last five years.				
		2012	2013	2014	2015	2016	
Capital Structure Analysis (%)	Debts Ratio	36.85	-	-	-	-	
	Long-term fund to fixed assets ratio	725.60	-	-	-	-	
Solvency (%)	Current ratio	236.61	-	-	-	-	
	Quick ratio	165.12	-	-	-	-	
	Times Interest Earned	188,557.66	-	-	-	-	
Operating ability	Average Collection Turnover (times)	8.11	-	-	-	-	
	Days Sales Outstanding	45	-	-	-	-	
	Average Inventory Turnover (times)	3.44	-	-	-	-	
	Average Payment Turnover (times)	7.37	-	-	-	-	
	Average Inventory Turnover Days	106	-	-	-	-	
	Fixed assets turnover ratio (times)	15.59	-	-	-	-	
	Total Assets Turnover (Times)	1.62	-	-	-	-	
Profitability	Return on assets (%)	13.69	-	-	-	-	
	Return on shareholder's equity (%)	21.51	-	-	-	-	
	Paid-in capital ratio	Operating profits	34.34	-	-	-	-
		Income before income tax	37.32	-	-	-	-
	Net Margin (%)	8.47	-	-	-	-	
	Earnings per share (NT\$)	3.02	-	-	-	-	
Cash flows	Cash flow ratio (%)	49.22	-	-	-	-	
	Cash flow adequacy ratio (%)	153.86	-	-	-	-	
	Cash flow reinvestment ratio (%)	2.08	-	-	-	-	

Year Analytical item		Financial Analysis of the last five years.				
		2012	2013	2014	2015	2016
Leverage	Operating leverage	4.11	-	-	-	-
	Financial leverage	1.00	-	-	-	-
Reasons for changes in financial ratios in recent two years: N/A.						

Individual Financial Analysis (Financial Accounting Standards in Taiwan)

Year Analytical item		Financial Analysis of the last five years.					
		2012	2013	2014	2015	2016	
Capital Structure Analysis (%)	Debts Ratio	36.96	-	-	-	-	
	Long-term fund to fixed assets ratio	820.93	-	-	-	-	
Solvency (%)	Current ratio	184.16	-	-	-	-	
	Quick ratio	115.27	-	-	-	-	
	Times Interest Earned	185,233.82	-	-	-	-	
Operating ability	Average Collection Turnover (times)	9.96	-	-	-	-	
	Days Sales Outstanding	37	-	-	-	-	
	Average Inventory Turnover (times)	3.44	-	-	-	-	
	Average Payment Turnover (times)	7.37	-	-	-	-	
	Average Inventory Turnover Days	106	-	-	-	-	
	Fixed assets turnover ratio (times)	18.99	-	-	-	-	
	Total Assets Turnover (Times)	1.55	-	-	-	-	
Profitability	Return on assets (%)	13.63	-	-	-	-	
	Return on shareholder's equity (%)	21.51	-	-	-	-	
	Paid-in capital ratio	Operating profits	34.41	-	-	-	-
		Income before income tax	36.66	-	-	-	-
	Net Margin (%)	8.77	-	-	-	-	
Cash flows	Earnings per share (NT\$)	3.02	-	-	-	-	
	Cash flow ratio (%)	45.37	-	-	-	-	
	Cash flow adequacy ratio (%)	253.73	-	-	-	-	
Leverage	Cash flow reinvestment ratio (%)	1.90	-	-	-	-	
	Operating leverage	3.89	-	-	-	-	
	Financial leverage	1.00	-	-	-	-	
Reasons for changes in financial ratios in recent two years: N/A.							

The calculation formula for the items of analysis is stated below:

1. Capital Structure Analysis

(1) Debt ratio = total liabilities / total assets.

(2) Long-term fund to fixed assets ratio = (net shareholders' equity + long-term debt) / net fixed assets.

2. Liquidity Analysis

(1) Current ratio = current assets / current liabilities.

(2) Quick ratio = (current assets – inventory – prepaid expense) / current liabilities.

(3) Times interest earned = net income before income tax and interest expense / current interest expense.

3. Operating ability

(1) Average Collection Turnover ratio = Net Sales / Average Trade Receivables.

(2) Days Sales Outstanding = 365 / Average Collection Turnover.

(3) Average Inventory Turnover = Cost of Sales / Average Inventory.

(4) Average Payment Turnover = Cost of Sales / Average Trade Payables.

(5) Average Inventory Turnover Days = 365 / Average Inventory Turnover.

(6) Fixed assets turnover ratio = net sales / net average fixed assets.

(7) Total Assets Turnover = Net Sales / Average Total Assets.

4. Profitability

(1) Return on assets = [net income + interest expense (1– tax rate)] / average total assets.

(2) Return on shareholder's equity = net income / net average shareholders' equity.

(3) Net margin = net income / net sales.

(4) Earnings per share = (net income - dividend to preferred stock) / weighted average of shares issued.

5. Cash flows

(1) Cash flow ratio = new cash flows from operating activities / current liabilities.

(2) Cash flow adequacy ratio = net cash flows from operating activities in the past five years / (capital expenditure + increase in inventory + cash dividend) in the past five years.

(3) Cash reinvestment ratio = (net cash flows from operating activities – cash dividend) / (gross fixed assets + long-term investment + other assets + working capital).

6. Leverage:

(1) Operating leverage = (net operating revenues - current operating cost and expense) / operating profit.

(2) Financial leverage = operating income / (operating income – interest expense).

3. Supervisors' or Audit Committee's review report

Audit Committee Approval Report

The Audit Committee has agreed upon the Company's 2016 individual and consolidated financial statements, business report and proposal for distribution of earnings which have been resolved by the Board of Directors. The individual and consolidated financial statements have audited by accountants Ker-Chang Wu and Hung-Bin Yu from the CPA firm of Deloitte & Touche which was retained by the Board of Directors to audit the Company's financial statements. The certified public accountants (CPAs) issued an unqualified audit report on the Company's 2016 individual and consolidated financial statements.

The Audit Committee is responsible for supervising the financial reporting procedure of the Company.

The certified public accountants (CPAs) audited the Company's individual and consolidated financial statements of 2016, and the CPAs have communicated the following matters with this Audit Committee and made the following conclusions:

1. Among the planned scope and timing of the audit there is no significant audit finding.
2. The CPAs provide the Audit Committee with statements that the CPAs have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
3. From the matters communicated with those charged with the Audit Committee, the CPAs determine those matters that were of most significance in the audit of the individual and consolidated financial statements and are therefore the key audit matters. The CPAs describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, the CPAs determine that a matter should not be communicated in the audit report.

The Audit Committee has agreed upon the Company's 2016 individual and consolidated financial statements, business report and proposal for distribution of earnings which have been resolved by the Board of Directors in accordance with law or regulation. According to Article 219 of the Company Act this committee made the above report accordingly.

Please acknowledge and review.

For 2017 Annual General Shareholders Meeting of Nuvoton Technology Corporation

Chairman of the Audit Committee: Allen Hsu

Date: February 3, 2017

4. Financial statements of the most recent year

Consolidated Financial Statement of Affiliates:

For the 2016 year (from January 1 to December 31, 2016), companies that should be included in the consolidated financial statement of affiliates as provided by the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" are the same as what should be included in the consolidated financial statements of parent and subsidiary companies as provided in IFRS No. 10, and the relevant information that should be disclosed in the consolidated financial statements of affiliates has been disclosed in the consolidated financial statements of the parent and its subsidiaries. The Company shall not be required to prepare separate consolidated financial statements of affiliates.

Hereby declared that

Name of Company: Nuvoton Technology Corporation

Legal Representative: Arthur Yu-Cheng Chiao

Date: February 3, 2017

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Nuvoton Technology Corporation

Opinion

We have audited the accompanying consolidated financial statements of Nuvoton Technology Corporation and its subsidiaries (the "Group"), which comprise the consolidated balance sheets as of December 31, 2016 and 2015, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2016. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters of the Group's consolidated financial statements for the year ended December 31, 2016 are described below:

Impairment of Accounts Receivable

As of December 31, 2016, the carrying amount of the Group's notes and accounts receivable was \$769,488 thousand (net of the allowance for doubtful accounts of \$16,743 thousand); please refer to Notes 5 and 8. Since determining uncollectible amount of accounts receivable is subject to management's judgement, we focused on material and slow-collecting balances of accounts receivable to evaluate the rationale of impairment loss provisioned by management. Our audit procedures in response to impairment of accounts receivable consisted of the following:

1. Assessed the assumptions used by management in provisioning allowance for doubtful accounts,

checked the calculation of ageing report used to support the impairment provision, analyzed and compared the ageing distribution, provision rates and actual write-off of doubtful accounts of current year with those of prior year to evaluate the reasonableness of the provision. Assessed the collectability of accounts receivable by checking cash collecting after balance sheet date.

2. Inspected the authorization of customer credit line and reviewed quarterly the transaction records of ledger book to ensure the validity of internal control of accounts receivable.

Valuation of Inventory

As of December 31, 2016, the carrying amount of the Group's inventories was \$1,178,437 thousand (net of inventory write-down of \$301,837 thousand); please refer to Notes 5 and 10. The accounting policy of provisioning impairment loss included obsolescent loss by reviewing monthly the ageing information contained net realization value of slow-moving inventory items estimated by management based on actual selling records, technology development and the physical quality of inventory. In addition, according to the requirements of IAS 2, inventory other than obsolescent items should be stated at lower of cost or net realization value, and evaluated and recognized appropriate devaluation loss. Our audit procedures in response to valuation of inventory consisted of the following:

1. Performed test of details of inventory ledger to verify proper allocation of materials, labor cost and overheads to inventory items. Examined the subsequent selling prices to confirm the inventory been stated at lower of cost or net realization value.
2. Obtained and tested the ageing report of inventory, compared and analyzed the impairment loss of current year with prior year, selected samples of impairment sheet and inspected the latest selling prices with the sales ledger to assess the appropriateness of the inventory impairment provision policy of the Group.
3. Compared the year-end quantity of inventory items with the inventory count report to confirm the existence and completeness of inventory. Moreover by attending year-end inventory counting, we assessed the condition of inventory and evaluated the adequacy of inventory provision for obsolete and damaged goods.

Other Matter

We have also audited the parent company only financial statements of Nuvoton Technology Corporation as of and for the years ended December 31, 2016 and 2015 on which we have issued an unmodified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going

concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including members of the audit committee) are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2016 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Ker-Chang Wu and Hung-Bin Yu.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 3, 2017

Notice to Readers

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

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

NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2016 AND 2015

(In Thousands of New Taiwan Dollars)

ASSETS	2016		2015	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 1,898,827	32	\$ 1,825,672	34
Notes and accounts receivable, net (Notes 4 and 8)	769,488	13	643,816	12
Accounts receivable due from related parties, net (Notes 4 and 28)	57,063	1	56,392	1
Other receivables (Note 9)	256,603	4	240,227	5
Inventories (Notes 4 and 10)	1,178,437	20	1,037,432	20
Other current assets (Note 25)	<u>222,881</u>	<u>4</u>	<u>91,128</u>	<u>2</u>
Total current assets	<u>4,383,299</u>	<u>74</u>	<u>3,894,667</u>	<u>74</u>
NON-CURRENT ASSETS				
Available-for-sale financial assets, non-current (Notes 4 and 11)	146,913	3	-	-
Financial assets measured at cost, non-current (Notes 4 and 12)	305,493	5	378,564	7
Property, plant and equipment (Notes 4 and 13)	526,167	9	463,594	9
Investment properties (Notes 4 and 14)	61,673	1	71,866	1
Intangible assets (Notes 4 and 15)	257,940	4	242,622	5
Deferred income tax assets (Notes 4 and 21)	104,627	2	127,287	2
Refundable deposits (Note 6)	70,671	1	69,370	1
Other non-current assets (Note 25)	<u>41,498</u>	<u>1</u>	<u>43,878</u>	<u>1</u>
Total non-current assets	<u>1,514,982</u>	<u>26</u>	<u>1,397,181</u>	<u>26</u>
TOTAL	<u>\$ 5,898,281</u>	<u>100</u>	<u>\$ 5,291,848</u>	<u>100</u>
 LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Financial liabilities at fair value through profit or loss, current (Notes 4 and 7)	\$ 707	-	\$ 1,379	-
Accounts payable	906,542	15	666,073	13
Other payables (Notes 16 and 28)	917,461	16	816,083	15
Current tax liabilities (Notes 4 and 21)	16,558	-	53,834	1
Other current liabilities	<u>108,513</u>	<u>2</u>	<u>43,014</u>	<u>1</u>
Total current liabilities	<u>1,949,781</u>	<u>33</u>	<u>1,580,383</u>	<u>30</u>

NON-CURRENT LIABILITIES				
Products guarantee based on commitment (Notes 4 and 17)	101,891	2	101,891	2
Accrued pension liabilities (Notes 4 and 18)	352,038	6	378,733	7
Other non-current liabilities	<u>116,097</u>	<u>2</u>	<u>109,040</u>	<u>2</u>
Total non-current liabilities	<u>570,026</u>	<u>10</u>	<u>589,664</u>	<u>11</u>
Total liabilities	<u>2,519,807</u>	<u>43</u>	<u>2,170,047</u>	<u>41</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT				
Common stock (Note 19)	2,075,544	35	2,075,544	39
Capital surplus				
Additional paid-in capital	63,485	1	63,485	1
Employee share options	13	-	13	-
Retained earnings				
Legal reserve	340,530	6	293,628	6
Unappropriated earnings	786,274	13	627,654	12
Exchange differences on translation of foreign operations (Note 4)	29,280	1	61,477	1
Unrealized gains (losses) on available-for-sale financial assets	<u>83,348</u>	<u>1</u>	<u>-</u>	<u>-</u>
Total equity	<u>3,378,474</u>	<u>57</u>	<u>3,121,801</u>	<u>59</u>
TOTAL	<u>\$ 5,898,281</u>	<u>100</u>	<u>\$ 5,291,848</u>	<u>100</u>

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

NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2016		2015	
	Amount	%	Amount	%
OPERATING REVENUE (Note 20)	\$ 8,329,286	100	\$ 7,313,387	100
OPERATING COST	<u>4,920,966</u>	<u>59</u>	<u>4,263,860</u>	<u>58</u>
GROSS PROFIT	<u>3,408,320</u>	<u>41</u>	<u>3,049,527</u>	<u>42</u>
OPERATING EXPENSES				
Selling expenses	232,213	3	246,434	3
General and administrative expenses	355,741	4	346,482	5
Research and development expenses	<u>2,215,524</u>	<u>26</u>	<u>1,970,357</u>	<u>27</u>
Total operating expenses	<u>2,803,478</u>	<u>33</u>	<u>2,563,273</u>	<u>35</u>
PROFIT FROM OPERATIONS	<u>604,842</u>	<u>8</u>	<u>486,254</u>	<u>7</u>
NON-OPERATING INCOME AND LOSSES				
Interest income	16,135	-	16,656	-
Dividend income	57,354	1	52,284	1
Other gains and losses	9,926	-	6,568	-
(Losses) gains on disposal of property, plant and equipment	(34)	-	891	-
Gains on disposal of investments	18,874	-	-	-
Foreign exchange gains (losses)	6,583	-	21,852	-
Losses on financial instruments at fair value through profit or loss	(4,730)	-	(11,176)	-
Interest expense	<u>-</u>	<u>-</u>	<u>(1,344)</u>	<u>-</u>
Total non-operating income and losses	<u>104,108</u>	<u>1</u>	<u>85,731</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	708,950	9	571,985	8
INCOME TAX EXPENSE (Notes 4 and 21)	<u>(95,785)</u>	<u>(1)</u>	<u>(102,963)</u>	<u>(2)</u>
NET PROFIT	<u>613,165</u>	<u>8</u>	<u>469,022</u>	<u>6</u>

(Continued)

NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2016		2015	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit plans (Notes 4 and 18)	\$ (34,045)	(1)	\$ (29,644)	-
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translation of foreign operations	(32,197)	-	17,419	-
Unrealized gains (losses) on available-for-sale financial assets	<u>83,348</u>	<u>1</u>	<u>-</u>	<u>-</u>
Other comprehensive income (loss)	<u>17,106</u>	<u>-</u>	<u>(12,225)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 630,271</u>	<u>8</u>	<u>\$ 456,797</u>	<u>6</u>
EARNINGS PER SHARE (Notes 4 and 23)				
From continuing operations				
Basic	<u>\$ 2.95</u>		<u>\$ 2.26</u>	
Diluted	<u>\$ 2.94</u>		<u>\$ 2.24</u>	

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

(Concluded)

NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars)**

	Equity Attributable to Owners of the Parent					Other Equity		Total Equity
	Common Stock	Capital Surplus		Retained Earnings		Exchange Differences on Translation of Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	
		Additional Paid-in Capital	Employee Share Options	Legal Reserve	Unappropriated Earnings			
BALANCE, JANUARY 1, 2015	\$ 2,075,544	\$ 63,485	\$ 13	\$ 259,319	\$ 471,650	\$ 44,058	\$ -	\$ 2,914,069
Net profit in 2015	-	-	-	-	469,022	-	-	469,022
Other comprehensive income in 2015	-	-	-	-	(29,644)	17,419	-	(12,225)
Total comprehensive income in 2015	-	-	-	-	439,378	17,419	-	456,797
Appropriation of 2014 earnings (Note 19)								
Legal reserve	-	-	-	34,309	(34,309)	-	-	-
Cash dividends	-	-	-	-	(249,065)	-	-	(249,065)
BALANCE, DECEMBER 31, 2015	2,075,544	63,485	13	293,628	627,654	61,477	-	3,121,801
Net profit in 2016	-	-	-	-	613,165	-	-	613,165
Other comprehensive income in 2016	-	-	-	-	(34,045)	(32,197)	83,348	17,106
Total comprehensive income (loss) in 2016	-	-	-	-	579,120	(32,197)	83,348	630,271
Appropriation of 2015 earnings (Note 19)								
Legal reserve	-	-	-	46,902	(46,902)	-	-	-
Cash dividends	-	-	-	-	(373,598)	-	-	(373,598)
BALANCE, DECEMBER 31, 2016	<u>\$ 2,075,544</u>	<u>\$ 63,485</u>	<u>\$ 13</u>	<u>\$ 340,530</u>	<u>\$ 786,274</u>	<u>\$ 29,280</u>	<u>\$ 83,348</u>	<u>\$ 3,378,474</u>

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

NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 708,950	\$ 571,985
Adjustments for:		
Depreciation expenses	148,754	140,602
Amortization expenses	86,704	79,535
(Reversal of) provision for allowance for doubtful accounts	(1,174)	2,875
Interest expense	-	1,344
Interest income	(16,135)	(16,656)
Dividend income	(57,354)	(52,284)
Net (gain) loss on fair value change of financial assets and liabilities designated as at fair value through profit or loss	(672)	(4,262)
(Gain) loss on disposal of property, plant and equipment	34	(891)
(Gain) loss on disposal of investments	(18,874)	-
Changes in operating assets and liabilities		
(Increase) decrease in notes and accounts receivable	(124,408)	38,316
(Increase) decrease in accounts receivable due from related parties	(671)	(8,061)
(Increase) decrease in other receivables	(19,470)	(188,827)
(Increase) decrease in inventories	(141,005)	(243,503)
(Increase) decrease in other current assets	(132,003)	(4,515)
(Increase) decrease in other non-current assets	2,245	1,782
Increase (decrease) in accounts payable	240,469	126,029
Increase (decrease) in other payables	67,603	86,154
Increase (decrease) in other current liabilities	65,627	4,787
Increase (decrease) on products guarantee based on commitment	-	29,193
Increase (decrease) on accrued pension liabilities	(62,742)	(65,675)
Increase (decrease) in other non-current liabilities	21,105	8,253
Cash generated from (used in) operations	766,983	506,181
Income tax paid	(102,664)	(110,505)
Interest paid	-	(1,344)
Interest received	11,477	16,586
Dividend received	57,354	52,284
Net cash generated from operating activities	<u>733,150</u>	<u>463,202</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for intangible assets	(111,444)	(22,262)
Proceeds from sale of financial assets measured at cost	8,243	-
Proceeds from capital reduction of financial assets measured at cost	5,000	10,000
Net cash inflow from disposal of subsidiaries (Note 24)	14,702	-

Payments for property, plant and equipment	(176,189)	(146,071)
Proceeds from disposal of property, plant and equipment	539	936
(Increase) decrease in refundable deposits	<u>(1,452)</u>	<u>(1,158)</u>
Net cash used in investing activities	<u>(260,601)</u>	<u>(158,555)</u>

(Continued)

NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars)

	2016	2015
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash dividends	<u>\$ (373,598)</u>	<u>\$ (249,065)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(25,796)</u>	<u>16,972</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	73,155	72,554
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,825,672</u>	<u>1,753,118</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,898,827</u>	<u>\$ 1,825,672</u>

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

NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Nuvoton Technology Corporation (the “Company”) was incorporated in the Republic of China (“ROC”) in April 2008 and commenced business in July 2008. The Company is engaged mainly in the researching, designing, developing, manufacturing, selling of Logic integrated circuits (“ICs”) and the manufacturing, testing and OEM of 6-inch wafer.

For the specialization and division of labors and the reinforcement of core competitive ability, the Company’s parent company, Winbond Electronics Corporation (WEC), spun off its Logic IC business into the Company on July 1, 2008 in accordance with the Business Mergers and Acquisitions Act and the Company commenced its business in July 2008. WEC held approximately 61% ownership interest in the Company as of December 31, 2016 and 2015.

The Company’s shares have been listed on the Taiwan Stock Exchange since September 27, 2010.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors and authorized for issue on February 3, 2017.

3. APPLICATION OF NEW AND REVISED STANDARDS, AMENDMENTS AND INTERPRETATIONS

- a. Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) endorsed by the Financial Supervisory Commission (FSC) for application starting from 2017

Rule No. 1050050021 and Rule No. 1050026834 issued by the FSC stipulated that starting January 1, 2017, the Group should apply the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRS, IAS, IFRIC and SIC (collectively, the “IFRSs”) issued by the IASB and endorsed by the FSC for application starting from 2017.

New, Amended or Revised Standards and Interpretations (the “New IFRSs”)	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016 (Note 3)
Amendments to IFRS 10, IFRS 12 and IAS 28 “Investment Entities: Applying the Consolidation Exception”	January 1, 2016
Amendment to IFRS 11 “Accounting for Acquisitions of Interests in Joint Operations”	January 1, 2016
IFRS 14 “Regulatory Deferral Accounts”	January 1, 2016
Amendment to IAS 1 “Disclosure Initiative”	January 1, 2016

(Continued)

New, Amended or Revised Standards and Interpretations (the “New IFRSs”)	Effective Date Announced by IASB (Note 1)
Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”	January 1, 2016
Amendments to IAS 16 and IAS 41 “Agriculture: Bearer Plants”	January 1, 2016
Amendment to IAS 19 “Defined Benefit Plans: Employee Contributions”	July 1, 2014
Amendment to IAS 36 “Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets”	January 1, 2014
Amendment to IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting”	January 1, 2014
IFRIC 21 “Levies”	January 1, 2014

(Concluded)

Note 1: Unless stated otherwise, the above New or amended IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The amendment to IFRS 2 applies to share-based payment transactions with grant date on or after July 1, 2014; the amendment to IFRS 3 applies to business combinations with acquisition date on or after July 1, 2014; the amendment to IFRS 13 is effective immediately; the remaining amendments are effective for annual periods beginning on or after July 1, 2014.

Note 3: The amendment to IFRS 5 is applied prospectively to changes in a method of disposal that occur in annual periods beginning on or after January 1, 2016; the remaining amendments are effective for annual periods beginning on or after January 1, 2016.

The initial application in 2017 of the above IFRSs and related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers would not have any material impact on the Group’s accounting policies, except for the following:

1) Amendment to IAS 36 “Recoverable Amount Disclosures for Non-financial Assets”

The amendment clarifies that the recoverable amount of an asset or a cash-generating unit is disclosed only when an impairment loss on the asset has been recognized or reversed during the period. Furthermore, the discount rate used is disclosed if such fair value less costs of disposal is measured by using present value technique. The amendment will be applied retrospectively.

2) Annual Improvements to IFRSs: 2011-2013 Cycle

The scope in IFRS 13 of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis was amended to clarify that it includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even those contracts do not meet the definitions of financial assets or financial liabilities within IAS 32. When the amended IFRS 13 becomes effective in 2017, the Group will elect to measure the fair value of those contracts on a net basis retrospectively.

3) Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers

The amendments include additions of several accounting items and requirements for disclosures of impairment of non-financial assets as a consequence of the IFRSs endorsed by the FSC for application starting from 2017. In addition, as a result of the post implementation review of IFRSs in Taiwan, the amendments also include emphasis on certain recognition and measurement considerations and add requirements for disclosures of related party transactions and goodwill.

The amendments stipulate that other companies or institutions of which the chairman of the board of directors or president serves as the chairman of the board of directors or the president, or is the spouse or second immediate family of the chairman of the board of directors or president of the Group are deemed to have a substantive related party relationship, unless it can be demonstrated that no control, joint control, or significant influence exists. Furthermore, the amendments require the disclosure of the names of the related parties and the relationship with whom the Group has significant transaction. If the transaction or balance with a specific related party is 10% or more of the Group's respective total transaction or balance, such transaction should be separately disclosed by the name of each related party. The disclosures of related party transactions will be enhanced when the above amendments are retrospectively applied in 2017.

Except for the above impacts, as of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of the aforementioned amendments and the related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers will have on the Group's financial position and financial performance, and will disclose the relevant impacts when the assessment is completed.

b. New IFRSs in issue but not yet endorsed by the FSC

The Group has not applied the following IFRSs issued by the IASB but not yet endorsed by the FSC. The FSC announced that amendments to IFRS 4 (only the overlay approach can be applied), IFRS 9 and IFRS 15 will take effect starting January 1, 2018. As of the date the consolidated financial statements were authorized for issue, the FSC has not announced the effective dates of other new IFRSs.

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2014-2016 Cycle	Note 2
Amendment to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date of IFRS 9 and Transition Disclosures"	January 1, 2018
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB (Note 3)
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendments to IFRS 15 "Clarifications to IFRS 15 Revenue from Contracts with Customers"	January 1, 2018
IFRS 16 "Leases"	January 1, 2019
Amendment to IAS 7 "Disclosure Initiative"	January 1, 2017
Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017

Amendments to IAS 40 “Transfers of investment property”	January 1, 2018
IFRIC 22 “Foreign Currency Transactions and Advance Consideration”	January 1, 2018

- Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.
- Note 2: The amendment to IFRS 12 is retrospectively applied for annual periods beginning on or after January 1, 2017; the amendment to IAS 28 is retrospectively applied for annual periods beginning on or after January 1, 2018.
- Note 3: To avoid adoption of two amendments to IAS 28 in a short period, IASB decided to postpone the effective dates of the amendments to IFRS 10 and IAS 28 announced in September 2014. The effective dates of the amendments will be announced after the IASB has concluded its studies about the equity method.

1) IFRS 9 “Financial Instruments”

Recognition and measurement of financial assets

With regards to financial assets, all recognized financial assets that are within the scope of IAS 39 “Financial Instruments: Recognition and Measurement” are subsequently measured at amortized cost or fair value. Specifically, financial assets that are held within a business model whose objective is to collect contractual cash flows, and have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. All other financial assets are measured at their fair values at the end of reporting period.

Transition

Financial instruments that have been derecognized prior to the effective date of IFRS 9 cannot be reversed to apply IFRS 9 when it becomes effective. Under IFRS 9, the requirements for classification, measurement and impairment of financial assets are applied retrospectively with the difference between the previous carrying amount and the carrying amount at the date of initial application recognized in the current period and restatement of prior periods is not required.

2) IFRS 15 “Revenue from Contracts with Customers” and related amendment

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and will supersede IAS 18 “Revenue”, IAS 11 “Construction Contracts” and a number of revenue-related interpretations. When applying IFRS 15, the Group shall recognize revenue by applying the following steps:

- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract; and
- Recognize revenue when the entity satisfies a performance obligation.

When IFRS 15 and related amendments are effective, the Group may elect to apply this Standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying this Standard recognized at the date of initial application.

3) IFRS 16 “Leases”

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 and a number of related interpretations.

Under IFRS 16, if the Group is a lessee, it shall recognize right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for low-value and short-term leases. The Group may elect to apply the accounting method similar to the accounting for operating lease under IAS 17 to the low-value and short-term leases. On the consolidated statements of comprehensive income, the Group should present the depreciation expense charged on the right-of-use asset separately from interest expense accrued on the lease liability; interest is computed by using effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of the lease liability are classified within financing activities; cash payments for interest portion are classified within operating activities. The application of IFRS 16 is not expected to have a material impact on the accounting of the Group as lessor.

When IFRS 16 becomes effective, the Group may elect to apply this Standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of the initial application of this Standard recognized at the date of initial application.

4) IFRIC 22 “Foreign Currency Transactions and Advance Consideration”

IAS 21 stipulated that a foreign currency transaction shall be recorded on initial recognition in the functional currency by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction. IFRIC 22 further explains that the date of the transaction is the date on which an entity recognizes a non-monetary asset or non-monetary liability from payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the entity shall determine the date of the transaction for each payment or receipt of advance consideration.

The Group shall apply IFRIC 22 either retrospectively or prospectively to all assets, expenses and income in the scope of the Interpretation initially recognized on or after (a) the beginning of the reporting period in which the entity first applies IFRIC 22, or (b) the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies IFRIC 22.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group’s financial position and financial performance, and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed by the FSC.

Basis of Preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and the

entities controlled by the Company. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation.

Subsidiary included in consolidated financial statements:

Investor	Investee	Main Business	% of Ownership	
			2016	2015
The Company	Nuvoton Electronics Technology (H.K.) Limited (“NTHK”)	Sales of semiconductor	100	100
	Pigeon Creek Holding Co., Ltd. (“PCH”)	Investment holding	100	100
	Marketplace Management Limited (“MML”)	Investment holding	100	100
	Nuvoton Investment Holding Ltd. (“NIH”)	Investment holding	100	100
	Song Yong Investment Corporation (“SYI”)	Investment holding	100	100
	Nuvoton Technology India Private Limited (“NTIPL”)	Design, sales and after-sales service of semiconductor	100	100
	Techdesign Corporation (Note)	Electronic commerce and product marketing	-	100
NTHK	Nuvoton Electronics Technology (Shenzhen) Limited (“NTSZ”)	Computer software service (except I.C. design), wholesale business for computer, supplement and software	100	100
PCH	Nuvoton Technology Corporation America (“NTCA”)	Design, sales and after-sales service of semiconductor	100	100
MML	Goldbond LLC (“GLLC”)	Investment holding	100	100
GLLC	Nuvoton Electronics Technology (Shanghai) Limited (“NTSH”)	Provides projects for sale in China and repairing, testing and consulting of software	100	100
	Winbond Electronics (Nanjing) Ltd. (“WENJ”)	Computer software service (except I.C. design)	100	100
NIH	Nuvoton Technology Israel Ltd. (“NTIL”)	Design, sales and after-sales service of semiconductor	100	100

Note: On May 18, 2016, the Company sold 100% of the shares of Techdesign Corporation to related party, WEC and completed the disposal procedure; please refer to Note 24.

Classification of Current and Non-current Assets and Liabilities

Current assets include cash and cash equivalents and those assets held primarily for trading purposes or to be realized, sold or consumed within twelve months after the reporting period, unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. Current liabilities are obligations incurred for trading purposes or to be settled within twelve months after the reporting period and liabilities that the Group does not have an unconditional right to defer settlement for at least twelve months after the reporting period. Except as otherwise mentioned, assets and liabilities that are not classified as current are classified as non-current.

Foreign Currencies

The consolidated financial statements are presented in the Company’s functional currency, New Taiwan dollars.

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity’s foreign currency are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement are recognized in profit or loss in the period they arise.

Exchange differences arising on the retranslation of non-monetary items measured at fair value are

included in profit or loss for the period at the rates prevailing at the end of reporting period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, and exchange differences arising are recognized in other comprehensive income.

Cash Equivalents

Cash equivalents consist of highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value.

Financial Instruments

a. Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis, except derivative financial assets which are recognized and derecognized on settlement date basis.

The categories of financial assets held by the Group are summarized as below:

1) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables including cash and cash equivalent, notes and accounts receivable, account receivable due from related parties, other receivables and refundable deposits are measured at amortized cost using the effective interest method, less any impairment, except for short-term receivable when the effect of discounting is immaterial.

2) Financial assets at fair value through profit or loss

Financial assets are classified as at fair value through profit or loss when the financial assets are either held for trading or designated as at fair value through profit or loss. Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss.

3) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Available-for-sale financial assets are measured at fair value. Dividends on available-for-sale equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of or is determined to be impaired.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment loss at the end of each reporting period and are presented in a separate line item as financial assets carried at cost. If, in a subsequent period, the fair value of the financial assets can be reliably measured, the financial assets are remeasured at fair value. The difference between carrying amount and fair value is recognized in other comprehensive income on financial assets. Any impairment losses are recognized in profit and loss.

b. Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

The objective evidence of impairment for trade receivables could include the Group's past experience of collecting payments, the delayed payments in past period, the information which correlates with default on receivables, as well as the estimation of future cash flows. The amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be evidence of impairment. When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

In respect of available-for-sale equity securities, increase in fair value subsequent to an impairment loss previously recognized in profit or loss is recognized in other comprehensive income. In respect of available-for-sale debt securities, the impairment loss is subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When accounts receivable are considered uncollectible, the amount is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

c. Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

d. Financial liabilities

Financial liabilities are classified as at fair value through profit or loss when the financial liability is either held for trading or it is designated as at fair value through profit or loss. Financial liabilities at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss.

Financial liabilities are measured at amortized cost using the effective interest method, except financial liabilities at fair value through profit or loss.

e. Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

f. Derivative financial instruments

The Group enters into derivative financial instruments to manage its exposure to foreign exchange rate risks, including foreign exchange forward contracts.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. When the fair value of derivative financial instruments is positive, the derivative is recognized as a financial asset; when the fair value of derivative financial instruments is negative, the derivative is recognized as a financial liability.

Inventories

Inventories consist of raw materials, supplies, finished goods and work-in-process. The cost of raw materials and supplies are recognized using moving average method and finished goods and work-in-process are recorded at standard cost and adjusted to approximate weighted-average cost at the end of the reporting period. Inventories are stated at the lower of cost or net realizable value, and evaluated and recognized appropriate allowance for devaluation based on the amount of inventories and sales situation. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less recognized accumulated depreciation and accumulated impairment loss.

Property, plant and equipment in the course of construction are carried at cost, less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for intended use.

Depreciation is recognized using the straight-line method over the following estimated useful life after considering residual values: buildings 8-20 years, machinery and equipment 3-5 years and other equipment 5 years. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Investment Properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss, and depreciated 20 years useful life after considering residual values, using the straight-line method. Any gain or loss arising on derecognition of the property is calculated as the difference between the net disposal proceeds and the carrying amount of the asset and is included in profit or loss in the period in which the property is derecognized.

Intangible Assets

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized using the straight-line method over the following estimated useful life of the assets: Deferred technical assets - economic life or contract period and other intangible assets 3-5 years. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period with the effect of any changes in estimate accounted for on a prospective basis.

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

Impairment of Tangible and Intangible Assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Recoverable amount is the higher of fair value less costs to sell and value in use.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

When an impairment loss is subsequently reversed, the reversed carrying amount does not exceed the carrying amount (reduce amortization or depreciation) that would have been determined had no impairment loss been recognized on the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Products Guarantee Based on Commitment

The Group would estimate guarantee provision by the appropriate ratio when the related product sold.

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Revenue from the sale of goods is recognized when all the following conditions are satisfied:

- a. The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- b. The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- c. The amount of revenue can be measured reliably;
- d. It is probable that the economic benefits associated with the transaction will flow to the Group; and
- e. The costs incurred or to be incurred in respect of the transaction can be measured reliably.
- f. Service income is recognized when services are provided.

Leasing

The lease terms of the Group does not transfer substantially all the risks and rewards of ownership to the lessee. All the leases are classified as operating lease. Rental income from operating lease is recognized on a straight-line basis over the term of the relevant lease. As lessee, operating lease payments are recognized as an expense on a straight-line basis over the lease period. Under operating lease, contingent rents payable arising are recognized as an expense in the period in which they are incurred.

Employee Benefits

- a. Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

- b. Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost and net interest on the net defined benefit liability are recognized as employee benefits expense in the period they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets excluding interest, is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liability represents the actual deficit in the Group's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

- c. Other long-term employee benefits

Other long-term employee benefits are accounted for in the same way as the accounting required for defined benefit plan except that remeasurement is recognized in profit or loss.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

a. Current tax

According to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain the earnings. Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

b. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit and it is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit.

Deferred tax assets arising from deductible temporary differences associated with investments in subsidiaries are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The Group's critical accounting judgments and key sources of estimation uncertainty are described below:

a. Valuation of inventory

Net realizable value of inventory is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The estimation of net realizable value is based on current market conditions and the historical experience from selling products of a similar nature. Changes in market conditions may have a material impact on the estimation of net realizable value.

b. Impairment of accounts receivable

Objective evidence of impairment used in evaluating impairment loss includes estimated future cash flows. The amount of impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. If the future cash flows are lower than expected, significant impairment loss may be recognized.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2016	2015
Cash and cash in bank	\$ 1,771,527	\$ 1,802,472
Repurchase agreements collateralized by bonds	<u>127,300</u>	<u>23,200</u>
	<u>\$ 1,898,827</u>	<u>\$ 1,825,672</u>

- a. The Group has time deposits pledged to secure land lease and customs tariff obligation which are reclassified as "refundable deposits":

	December 31	
	2016	2015
Time deposits	<u>\$ 61,854</u>	<u>\$ 61,398</u>

- b. The Group has time deposits which are not held for the purpose of meeting short-term cash commitments and are reclassified to "other receivables" (Note 9):

	December 31	
	2016	2015
Time deposits	<u>\$ 209,820</u>	<u>\$ 199,930</u>

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2016	2015
<u>Financial liabilities at FVTPL - current</u>		
Foreign exchange forward contracts	<u>\$ 707</u>	<u>\$ 1,379</u>

At the end of the reporting period, outstanding foreign exchange forward contracts not under hedge accounting were as follows:

	Currencies	Maturity Date	Contract Amount (In Thousands)
<u>December 31, 2016</u>			
Sell forward exchange contracts	USD/NTD	2017.01.12-2017.01.26	USD5,000/NTD160,543

December 31, 2015

Sell forward exchange contracts USD/NTD 2016.01.05-2016.02.0 4 USD10,000/NTD326,871

The Group entered into forward exchange contracts to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities. The forward exchange contracts entered into by the Group did not meet the criteria for hedge accounting, therefore, the Group did not apply hedge accounting treatment for forward exchange contracts.

8. NOTES AND ACCOUNTS RECEIVABLE

	<u>December 31</u>	
	<u>2016</u>	<u>2015</u>
Notes receivable	\$ 71	\$ 14
Accounts receivable	786,160	661,809
Less: Allowance for doubtful accounts	<u>(16,743)</u>	<u>(18,007)</u>
	<u>\$ 769,488</u>	<u>\$ 643,816</u>

The average credit period for sales of goods was 30-60 days. Allowance for doubtful accounts is based on estimated irrecoverable amounts determined by reference to aging of receivables, past default experience of the counterparties and an analysis of their financial position.

The aging of accounts receivable was as follows:

	<u>December 31</u>	
	<u>2016</u>	<u>2015</u>
Not overdue	\$ 779,326	\$ 654,806
Overdue under 30 days	6,905	7,017
Overdue 31-90 days	-	-
Overdue 91 days and longer	<u>-</u>	<u>-</u>
	<u>\$ 786,231</u>	<u>\$ 661,823</u>

The movements of the allowance for doubtful accounts were as follows:

	<u>For the Year Ended December 31</u>	
	<u>2016</u>	<u>2015</u>
Balance at January 1	\$ 18,007	\$ 14,825
Provision (Reversed)	(1,174)	2,875
Effect of exchange rate changes	<u>(90)</u>	<u>307</u>
Balance at December 31	<u>\$ 16,743</u>	<u>\$ 18,007</u>

9. OTHER RECEIVABLES

	December 31	
	2016	2015
Time deposits (Note 6)	\$ 209,820	\$ 199,930
Business tax refund receivable	24,013	14,358
Others	<u>22,770</u>	<u>25,939</u>
	<u>\$ 256,603</u>	<u>\$ 240,227</u>

10. INVENTORIES

	December 31	
	2016	2015
Raw materials and supplies	\$ 79,157	\$ 74,558
Work-in-process	850,030	756,060
Finished goods	244,772	205,731
Inventories in transit	<u>4,478</u>	<u>1,083</u>
	<u>\$ 1,178,437</u>	<u>\$ 1,037,432</u>

- a. As of December 31, 2016 and 2015, the allowance for inventory devaluation was \$301,837 thousand and \$323,567 thousand, respectively.
- b. The cost of goods sold for the years ended December 31, 2016 and 2015 was \$4,920,966 thousand and \$4,263,860 thousand, respectively. The cost of goods sold included inventory write-downs and obsolescence and abandonment of inventories in the amounts of \$31,806 thousand loss and \$20,309 thousand loss for the years ended December 31, 2016 and 2015, respectively.

11. AVAILABLE-FOR-SALE FINANCIAL ASSETS, NON-CURRENT

	December 31	
	2016	2015
<u>Publicly traded investment</u>		
Nyquest Technology Co., Ltd. (Note 12)	<u>\$ 146,913</u>	<u>\$ -</u>

12. FINANCIAL ASSETS MEASURED AT COST, NON-CURRENT

	December 31	
	2016	2015
<u>Non-publicly traded investment</u>		
United Industrial Gases Co., Ltd.	\$ 280,000	\$ 280,000
Brightek Optoelectronic Co., Ltd.	493	493
Yu-Ji Venture Capital Co., Ltd.	25,000	30,000
Nyquest Technology Co., Ltd.	<u>-</u>	<u>68,071</u>
	<u>\$ 305,493</u>	<u>\$ 378,564</u>

Management believed that the above non-publicly traded investments held by the Group have fair value that cannot be reliably measured because the range of reasonable fair value estimates was so significant and various estimates cannot be reasonably estimated; therefore they were measured at cost less impairment at the end of reporting period.

In 2016, the Group sold part of its interest in Nyquest Technology Co., Ltd. with carrying amount of \$4,506 thousand and recognized a disposal gain of \$3,737 thousand. Nyquest Technology Co., Ltd.'s shares have been listed on the Taipei Exchange Market since May 9, 2016. The Group reclassified its investment from "Financial assets measured at cost" to "Available-for-sale financial assets" at its fair value at the date when shares were listed; please refer to Note 11.

13. PROPERTY, PLANT AND EQUIPMENT

	December 31	
	2016	2015
Land and buildings	\$ 67,289	\$ 80,695
Machinery and equipment	350,405	288,075
Other equipment	72,678	85,483
Construction in progress and prepayments for purchase of equipment	<u>35,795</u>	<u>9,341</u>
	<u>\$ 526,167</u>	<u>\$ 463,594</u>

	Land and Buildings	Machinery and Equipment	Other Equipment	Construction in Progress and Prepayments for Purchase of Equipment	Total
<u>Cost</u>					
Balance at January 1, 2016	\$ 3,464,808	\$ 11,498,434	\$ 371,575	\$ 9,341	\$ 15,344,158
Additions	7,094	154,042	16,090	30,853	208,079
Disposals	-	(113,074)	(23,251)	-	(136,325)
Disposal of subsidiaries	-	-	(80)	-	(80)
Reclassified	-	4,410	(11)	(4,399)	-
Effect of foreign currency exchange differences	-	(682)	(6,180)	-	(6,862)
Balance at December 31, 2016	<u>3,471,902</u>	<u>11,543,130</u>	<u>358,143</u>	<u>35,795</u>	<u>15,408,970</u>
<u>Accumulated depreciation and impairment</u>					
Balance at January 1, 2016	3,384,113	11,210,359	286,092	-	14,880,564
Disposals	-	(112,986)	(22,766)	-	(135,752)
Depreciation expenses	20,500	95,823	27,438	-	143,761
Disposal of subsidiaries	-	-	(10)	-	(10)
Effect of foreign currency exchange differences	-	(471)	(5,289)	-	(5,760)
Balance at December 31, 2016	<u>3,404,613</u>	<u>11,192,725</u>	<u>285,465</u>	<u>-</u>	<u>14,882,803</u>
Carrying amounts at December 31, 2016	<u>\$ 67,289</u>	<u>\$ 350,405</u>	<u>\$ 72,678</u>	<u>\$ 35,795</u>	<u>\$ 526,167</u>
<u>Cost</u>					
Balance at January 1, 2015	\$ 3,455,473	\$ 11,549,648	\$ 355,185	\$ 1,466	\$ 15,361,772
Additions	12,434	108,695	20,603	9,341	151,073
Disposals	(3,141)	(163,186)	(6,902)	-	(173,229)
Reclassified	42	1,242	182	(1,466)	-
Effect of foreign currency exchange differences	-	2,035	2,507	-	4,542
Balance at December 31, 2015	<u>3,464,808</u>	<u>11,498,434</u>	<u>371,575</u>	<u>9,341</u>	<u>15,344,158</u>

Accumulated depreciation and impairment

Balance at January 1, 2015	3,369,222	11,281,907	263,503	-	14,914,632
Disposals	(3,141)	(163,183)	(6,860)	-	(173,184)
Depreciation expenses	18,032	90,105	27,282	-	135,419
Effect of foreign currency exchange differences	-	1,530	2,167	-	3,697
Balance at December 31, 2015	<u>3,384,113</u>	<u>11,210,359</u>	<u>286,092</u>	-	<u>14,880,564</u>
Carrying amounts at December 31, 2015	<u>\$ 80,695</u>	<u>\$ 288,075</u>	<u>\$ 85,483</u>	<u>\$ 9,341</u>	<u>\$ 463,594</u>

14. INVESTMENT PROPERTIES

	<u>December 31</u>	
	<u>2016</u>	<u>2015</u>
Investment properties	<u>\$ 61,673</u>	<u>\$ 71,866</u>

The investment properties are located in Shen-Zhen, China. As of December 31, 2016 and 2015, the fair value of such investment properties was both approximately \$200,000 thousand, by reference to neighboring area transactions.

	Investment Properties
<u>Cost</u>	
Balance at January 1, 2016	\$ 114,300
Effect of foreign currency exchange differences	<u>(8,650)</u>
Balance at December 31, 2016	<u>105,650</u>
<u>Accumulated depreciation and impairment</u>	
Balance at January 1, 2016	42,434
Depreciation expenses	4,993
Effect of foreign currency exchange differences	<u>(3,450)</u>
Balance at December 31, 2016	<u>43,977</u>
Carrying amount at December 31, 2016	<u>\$ 61,673</u>
<u>Cost</u>	
Balance at January 1, 2015	\$ 116,521
Effect of foreign currency exchange differences	<u>(2,221)</u>
Balance at December 31, 2015	<u>114,300</u>
<u>Accumulated depreciation and impairment</u>	
Balance at January 1, 2015	38,015
Depreciation expenses	5,183
Effect of foreign currency exchange differences	<u>(764)</u>
Balance at December 31, 2015	<u>42,434</u>
Carrying amount at December 31, 2015	<u>\$ 71,866</u>

15. INTANGIBLE ASSETS

	<u>December 31</u>	
	<u>2016</u>	<u>2015</u>
Deferred technical assets	\$ 256,526	\$ 241,310
Other intangible assets	<u>1,414</u>	<u>1,312</u>

		<u>\$ 257,940</u>	<u>\$ 242,622</u>
	Deferred Technical Assets	Other Intangible Assets	Total
<u>Cost</u>			
Balance at January 1, 2016	\$ 883,565	\$ 3,852	\$ 887,417
Additions	101,431	799	102,230
Disposal of subsidiaries	-	(237)	(237)
Effect of foreign currency exchange differences	<u>(286)</u>	<u>(311)</u>	<u>(597)</u>
Balance at December 31, 2016	<u>984,710</u>	<u>4,103</u>	<u>988,813</u>
<u>Accumulated amortization and impairment</u>			
Balance at January 1, 2016	642,255	2,540	644,795
Amortization expenses	86,129	439	86,568
Disposal of subsidiaries	-	(83)	(83)
Effect of foreign currency exchange differences	<u>(200)</u>	<u>(207)</u>	<u>(407)</u>
Balance at December 31, 2016	<u>728,184</u>	<u>2,689</u>	<u>730,873</u>
Carrying amounts at December 31, 2016	<u>\$ 256,526</u>	<u>\$ 1,414</u>	<u>\$ 257,940</u>
<u>Cost</u>			
Balance at January 1, 2015	\$ 870,293	\$ 2,935	\$ 873,228
Additions	9,593	993	10,586
Effect of foreign currency exchange differences	<u>3,679</u>	<u>(76)</u>	<u>3,603</u>
Balance at December 31, 2015	<u>883,565</u>	<u>3,852</u>	<u>887,417</u>
<u>Accumulated amortization and impairment</u>			
Balance at January 1, 2015	561,172	2,266	563,438
Amortization expenses	78,808	319	79,127
Effect of foreign currency exchange differences	<u>2,275</u>	<u>(45)</u>	<u>2,230</u>
Balance at December 31, 2015	<u>642,255</u>	<u>2,540</u>	<u>644,795</u>
Carrying amounts at December 31, 2015	<u>\$ 241,310</u>	<u>\$ 1,312</u>	<u>\$ 242,622</u>

16. OTHER PAYABLES

December 31	
2016	2015

Payable for salaries or employee benefits	\$ 406,069	\$ 366,262
Payable for businesses	155,062	142,104
Payable for royalties	70,671	67,136
Payable for purchase of equipment	75,710	43,820
Others	<u>209,949</u>	<u>196,761</u>
	<u>\$ 917,461</u>	<u>\$ 816,083</u>

17. PROVISIONS

	December 31	
	2016	2015
Products guarantee based on commitment	\$ 101,891	\$ 101,891
Employee benefits	<u>-</u>	<u>2,002</u>
	<u>\$ 101,891</u>	<u>\$ 103,893</u>

Employee benefits are the estimated payable for employee turnover, which are reclassified from other non-current liabilities to accrued pension liabilities in 2016.

18. RETIREMENT BENEFIT PLANS

a. Defined contribution plan

The Company and Techdesign Corporation adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages. On May 18, 2016, the Group sold 100% of the shares of subsidiary Techdesign Corporation, to related party, WEC.

The Group's subsidiaries in the United States, Hong Kong, Israel and China are members of local state-managed defined contribution plan. The Group contributes a specified percentage of employees' payroll to the retirement fund. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

b. Defined benefit plan

The defined benefit plan adopted by the Company in accordance with the Labor Standards Law is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. In 2016 and 2015, the Company contributed amounts equal to 15% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Company has no right to influence the investment policy and strategy.

The payables for employee turnover of NTIL are calculated on the basis of the length of service and the last monthly salary under a defined benefit plan.

The amounts included in the consolidated balance sheets in respect of the Group's defined benefit plans were as follows:

	December 31	
	2016	2015
Present value of defined benefit obligation	\$ 1,194,714	\$ 854,733

Fair value of plan assets	<u>(842,676)</u>	<u>(476,000)</u>
Net defined benefit liability	<u>\$ 352,038</u>	<u>\$ 378,733</u>

Movements in net defined benefit liability (asset) were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability (Asset)
Balance at January 1, 2015	<u>\$ 830,433</u>	<u>\$ (415,669)</u>	<u>\$ 414,764</u>
Service cost			
Current service cost	9,802	-	9,802
Net interest expense (income)	<u>18,324</u>	<u>(9,124)</u>	<u>9,200</u>
Recognized in profit or loss	<u>28,126</u>	<u>(9,124)</u>	<u>19,002</u>
Remeasurement			
Actuarial (gain) loss - the discount rate more (less) than realized rate of return	-	(2,624)	(2,624)
Actuarial (gain) loss - changes in financial assumptions	32,084	-	32,084
Actuarial (gain) loss - experience adjustments	<u>184</u>	<u>-</u>	<u>184</u>
Recognized in other comprehensive income	<u>32,268</u>	<u>(2,624)</u>	<u>29,644</u>
Contributions from the employer	-	(84,677)	(84,677)
Plan assets paid	<u>(36,094)</u>	<u>36,094</u>	<u>-</u>
Balance at December 31, 2015	<u>854,733</u>	<u>(476,000)</u>	<u>378,733</u>
Service cost			
Current service cost	30,543	-	30,543
Net interest expense (income)	29,226	(14,795)	14,431
Others	<u>1,486</u>	<u>(2,080)</u>	<u>(594)</u>
Recognized in profit or loss	<u>61,255</u>	<u>(16,875)</u>	<u>44,380</u>
Remeasurement			
Actuarial (gain) loss - the discount rate more (less) than realized rate of return	-	6,294	6,294
Actuarial (gain) loss - changes in financial assumptions	30,364	(10,601)	19,763
Actuarial (gain) loss - experience adjustments	<u>8,465</u>	<u>(477)</u>	<u>7,988</u>
Recognized in other comprehensive income	<u>38,829</u>	<u>(4,784)</u>	<u>34,045</u>
Contributions from the employer	-	(107,070)	(107,070)
Plan assets paid	(41,342)	41,259	(83)
Reclassified	281,543	(279,541)	2,002
Effect of foreign currency exchange difference	<u>(304)</u>	<u>335</u>	<u>31</u>
Balance at December 31, 2016	<u>\$ 1,194,714</u>	<u>\$ (842,676)</u>	<u>\$ 352,038</u>

The amounts recognized in profit or loss in respect of these defined benefit plans were as follows:

	For the Year Ended December 31	
	2016	2015
Analysis by function		
Operating costs	\$ 9,281	\$ 10,700
Selling expenses	125	186
General and administrative expenses	5,325	1,626
Research and development expenses	<u>29,649</u>	<u>6,490</u>
	<u>\$ 44,380</u>	<u>\$ 19,002</u>

Through the defined benefit plans under the Labor Standards Law, the Group is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the debt investments of the plan assets.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2016	2015
Discount rate(s)	1.75%-4.95%	1.90%
Expected rate(s) of salary increase	1%-2%	1%-2%

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	December 31	
	2016	2015
Discount rate(s)		
0.25% increase	<u>\$(29,260)</u>	<u>\$(23,097)</u>
0.25% decrease	<u>\$ 29,927</u>	<u>\$ 24,032</u>

Expected rate(s) of salary increase

0.25% increase	<u>\$ 28,374</u>	<u>\$ 24,027</u>
0.25% decrease	<u>\$(27,435)</u>	<u>\$(23,203)</u>

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2016	2015
The expected contributions to the plan for the next year	<u>\$ 116,294</u>	<u>\$ 84,672</u>
The average duration of the defined benefit obligation	10-13.66 years	11.2 years

19. EQUITY

a. Common stock

	December 31	
	2016	2015
Authorized shares (in thousands)	<u>300,000</u>	<u>300,000</u>
Authorized capital	<u>\$ 3,000,000</u>	<u>\$ 3,000,000</u>
Issued and paid shares (in thousands)	<u>207,554</u>	<u>207,554</u>
Issued capital	<u>\$ 2,075,544</u>	<u>\$ 2,075,544</u>
Par value (in New Taiwan dollars)	<u>\$ 10</u>	<u>\$ 10</u>

As of December 31, 2016 and 2015, the balance of the Company's capital account amounted to \$2,075,544 thousand, divided into 207,554 thousand common shares at par NT\$10 per share.

b. Capital surplus

	December 31	
	2016	2015
May be used to offset a deficit, distributed as cash dividends, or transferred to capital*		
Additional paid-in capital	\$ 63,485	\$ 63,485
<u>May not be used for any purpose</u>		
Employee share options	<u>13</u>	<u>13</u>
	<u>\$ 63,498</u>	<u>\$ 63,498</u>

* Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed in cash or transferred to capital (limited to a certain percentage of the Company's paid-in capital and once a year).

c. Retained earnings and dividend policy

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to shareholders and do not include employees. The shareholders held their regular meeting on June 15, 2016 and, in that meeting, had resolved amendments to the Company's Articles of Incorporation (the "Articles"), particularly the amendment to the policy on dividend distribution and the addition of the policy on distribution of employees' compensation.

According to the revised Company Law of the ROC and the Company's Articles of Incorporation, if the Company has surplus earnings at the end of a fiscal year, after covering all losses incurred in prior years and paying all taxes, the Company shall set aside 10% of said earnings as legal reserve. However, legal reserve need not be made when the accumulated legal reserve equals the paid-in capital of the Company. After setting aside or reversing special reserve pursuant to applicable laws and regulations and orders of competent authorities from (1) the remaining amount plus undistributed retained earnings; or (2) the difference between the undistributed retained earnings and the losses suffered by the Company at the end of a fiscal year if the losses can be fully covered

by the undistributed retained earnings, the Company shall distribute the remaining amount (if not otherwise set aside as special reserve and reserved based on business needs) and shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for bonus to shareholders. In principle, not less than 10% of the total shareholders' bonus shall be distributed in form of cash. For the policies on distribution of employees' compensation and remuneration to directors and supervisors before and after amendment, please refer to Note 22 Employee benefits expense.

The appropriation for legal reserve shall be made until the legal reserve equals the Company's paid-in capital. Legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

Except for non-ROC resident shareholders, all shareholders receiving the dividends are allowed a tax credit equal to their proportionate share of the income tax paid by the Company.

The appropriations of the Company's earnings for 2015 and 2014 had been approved in the shareholders' meetings on June 15, 2016 and June 10, 2015, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For	For	For	For
	Year 2015	Year 2014	Year 2015	Year 2014
Legal reserve	\$ 46,902	\$ 34,309		
Cash dividends	<u>373,598</u>	<u>249,065</u>	\$ 1.80	\$ 1.20
	<u>\$ 420,500</u>	<u>\$ 283,374</u>		

The appropriations of the Company's earnings for 2016 had been approved in the Board of Directors' meeting on February 3, 2017. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 61,316	
Cash dividends	498,131	\$2.40

The appropriations of earnings for 2016 will be presented for approval in the shareholders' meeting to be held on June 14, 2017 (expected).

d. Other equity items

- 1) The exchange differences arising on translation of foreign operations' net assets from its functional currency to the Group's presentation currency (New Taiwan dollar) are recognized directly in other comprehensive income. As of December 31, 2016 and 2015, other comprehensive income or loss was \$32,197 thousand loss and \$17,419 thousand gain, respectively.
- 2) Unrealized gain (loss) on available-for-sale financial assets

Unrealized gain (loss) on available-for-sale financial assets represents the cumulative gains or losses arising from the fair value measurement on available-for-sale financial assets that are recognized in other comprehensive income. When those available-for-sale financial assets have been disposed of or are determined to be impaired subsequently, the related cumulative gains or losses in other comprehensive income are reclassified to profit or loss. As of December 31, 2016, other comprehensive income was \$83,348 thousand.

20. REVENUE

Please refer to Note 32.

21. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

The major components of income tax expense were as follows:

	For the Year Ended December	
	31	
	2016	2015
Current income tax	\$ 103,568	\$ 88,419
Adjustments for prior year's tax	5,433	(6,571)
Deferred tax	<u>(13,216)</u>	<u>21,115</u>
Income tax expense recognized in profit or loss	<u>\$ 95,785</u>	<u>\$ 102,963</u>

b. Reconciliation of accounting profit and income tax expense is as follows:

	For the Year Ended December	
	31	
	2016	2015
Profit before tax from continuing operations	\$ 125,173	\$ 102,520
Adjustments		
Permanent differences	(20,526)	(16,320)
Others	6,921	13,219
Tax-exempt income	(8,000)	(11,000)
Additional income tax on unappropriated earnings	1,888	5,358
Current income tax credit	<u>(1,888)</u>	<u>(5,358)</u>
Current income tax	103,568	88,419
Deferred income tax	(13,216)	21,115
Adjustment for prior years' tax	<u>5,433</u>	<u>(6,571)</u>
Income tax expense recognized in profit or loss	<u>\$ 95,785</u>	<u>\$ 102,963</u>

The applicable tax rate used above is the corporate tax rate of 17% payable by the Group in the ROC, while the applicable tax rate used by subsidiaries in China is 25%. Tax rates used by other group entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

As the status of 2016 appropriations of earnings was not yet approved in the shareholders' meeting, the potential income tax consequences of 2016 unappropriated earnings were not reliably determinable.

c. Current tax assets and liabilities

	December 31	
	2016	2015
Tax refund receivable	<u>\$ 8,331</u>	<u>\$ 16,077</u>
Income tax payable	<u>\$ 16,558</u>	<u>\$ 53,834</u>

d. Deferred income tax assets

	December 31	
	2016	2015
Deferred income tax assets		
Unrealized investment loss	\$ -	\$ 33,000
Allowance for loss on inventories and others	<u>104,627</u>	<u>94,287</u>
	<u>\$ 104,627</u>	<u>\$ 127,287</u>

e. Information about unused tax-exemption

As of December 31, 2016, profits attributable to the following expansion projects were exempted from income tax for a five-year period:

Expansion of Construction Project	Tax-exemption Period
Advanced integrated circuit design	2014-2018

f. The information on the Company's integrated income tax was as follows:

	December 31	
	2016	2015
Unappropriated earnings		
Generated on and after January 1, 1998	<u>\$ 786,274</u>	<u>\$ 627,654</u>
Imputation credits account	<u>\$ 113,443</u>	<u>\$ 148,632</u>

The creditable ratio for distribution of earnings for the years ended December 31, 2016 and 2015 was 14.43% (estimate) and 24.50%, respectively.

g. Income tax assessments

The Company's tax returns through 2014 have been assessed by the tax authorities.

22. EMPLOYEE BENEFITS EXPENSE, DEPRECIATION, AND AMORTIZATION

For the Year Ended December 31							
2016				2015			
Classified as Operating Costs	Classified as Operating	Classified as Non-operating	Total	Classified as Operating Costs	Classified as Operating	Classified as Non-operating	Total

	Expenses		Income and Losses		Expenses		Income and Losses	
Employee benefits expense								
Short-term employment benefits	\$ 696,544	\$ 1,666,956	\$ -	\$ 2,363,500	\$ 696,071	\$ 1,496,464	\$ -	\$ 2,192,535
Post-employment benefits	33,105	129,152	-	162,257	34,574	74,320	-	108,894
Other long-term employment benefits	-	-	-	-	-	47,027	-	47,027
Depreciation	98,833	44,928	4,993	148,754	92,171	43,248	5,183	140,602
Amortization	33,293	53,411	-	86,704	33,290	46,245	-	79,535

To be in compliance with the Company Act, as amended in May 2015, and the amended Articles of Incorporation of the Company approved by the shareholders in their meeting on June 15, 2016, the Company stipulated to distribute employees' compensation and remuneration to directors at the rates no less than 1% and no higher than 1%, respectively, of profit before income tax, employees' compensation, and remuneration to directors.

The employees' compensation and remuneration to directors and supervisors for 2016 and 2015 which have been approved in the Board of Directors's meetings on February 3, 2017 and January 28, 2016, respectively, were as follows:

	For the Year Ended December 31			
	2016		2015	
	Amount	%	Amount	%
Employees' cash compensation	\$ 44,584	6	\$ 35,439	6
Remuneration of directors and supervisors	7,431	1	5,906	1

If there is a change in the proposed amounts after the annual consolidated financial statements were authorized for issue, the differences are recorded as a change in accounting estimate. There was no difference between the actual amounts of employees' compensation and remuneration to directors and supervisors paid and the amounts recognized in the financial statements for the year ended December 31, 2015.

For the year ended December 31, 2014, the bonus to employees and remuneration to directors and supervisors were \$37,360 thousand and \$4,981 thousand, respectively. There was no difference between the amounts of the bonus to employees and the remuneration to directors and supervisors approved in the shareholders' meeting on June 10, 2015 and the amounts recognized in the financial statements for the year ended December 31, 2014.

Information on the employees' compensation and remuneration to directors and supervisors resolved by the Company's Board of Directors in 2017 and 2016, and the bonus to employees and remuneration to directors and supervisors resolved by the shareholders in their meeting in 2015 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

23. EARNINGS PER SHARE

The numerators and denominators used in calculating basic and diluted earnings per share ("EPS") were as follows:

Amounts (Numerator)	Shares (Denominator) (In Thousands)	EPS (NT\$)
------------------------	--	------------

For the year ended December 31, 2016

Net profit	<u>\$ 613,165</u>		
Basic EPS			
Earnings used in the computation of basic EPS	613,165	207,554	\$ 2.95
Effect of potentially dilutive ordinary shares			
Employee's compensation	<u>-</u>	<u>1,152</u>	
Diluted EPS			
Earnings used in the computation of diluted EPS	<u>\$ 613,165</u>	<u>208,706</u>	2.94 (Continued)

	Amounts (Numerator)	Shares (Denominator) (In Thousands)	EPS (NT\$)
--	------------------------	--	------------

For the year ended December 31, 2015

Net profit	<u>\$ 469,022</u>		
Basic EPS			
Earnings used in the computation of basic EPS	469,022	207,554	\$ 2.26
Effect of potentially dilutive ordinary shares			
Employee's compensation or bonus	<u>-</u>	<u>1,748</u>	
Diluted EPS			
Earnings used in the computation of diluted EPS	<u>\$ 469,022</u>	<u>209,302</u>	2.24 (Concluded)

If the Company offered to settle compensation or bonus paid to employees in cash or shares, the Company assumed the entire amount of the compensation or bonus would be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. The number of shares used in the computation of diluted EPS is estimated by the amount of compensation or bonus divided by the closing price of the potential common shares at the end of the reporting period. Such dilutive effect of the potential shares was included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

24. DISPOSAL OF SUBSIDIARIES

On May 18, 2016, the Group sold 100% of the shares of Techdesign Corporation to related party, WEC; accordingly the Group lost its control. The selling price of the investments was \$49,850 thousand and the Group received the total amount.

- a. Analysis of assets and liabilities over which the control was lost

**Techdesign
Corporation**

Current assets

Cash and cash equivalents	\$ 35,148
Other receivables	15
Other current assets	250
Non-current assets	
Property, plant and equipment	70
Intangible assets	154
Refundable deposits	151
Current liabilities	
Other payables	(947)
Other current liabilities	<u>(128)</u>
Net assets disposed of	<u>\$ 34,713</u>
b. Gain on disposal of subsidiary	
	Techdesign Corporation
Consideration received	\$ 49,850
Net assets disposed of	<u>(34,713)</u>
Gain on disposal	<u>\$ 15,137</u>
c. Net cash inflow arising from disposal of subsidiary	
	Techdesign Corporation
Consideration received in cash and cash equivalents	\$ 49,850
Less: Cash and cash equivalent balance disposed of	<u>(35,148)</u>
	<u>\$ 14,702</u>

25. OPERATING LEASE ARRANGEMENTS

The Group as Lessee

a. Lease arrangements

The Group leased land from Science Park Administration, and the lease term will expire in December 2017, but can be extended after the expiration of the lease period.

The Group leased a land from Taiwan Sugar Corporation under a twenty-year term from October 2014 to September 2034, which is allowed to extend upon the expiration of lease. The chairman of the Company is a joint guarantor of such lease; please refer to Note 28.

The Group leased some of the offices in the United States, China, Israel, India and part in Taiwan, and the lease terms will expire between 2016 and 2022, but can be extended after the expiration of the lease periods.

As of December 31, 2016 and 2015, deposits paid under operating leases amounted to \$36,281 thousand and \$35,221 thousand, respectively.

b. Prepayments for lease obligations

	December 31	
	2016	2015
Current (recorded as “other current assets”)	\$ 4,112	\$ 3,140
Non-current (recorded as “other non-current assets”)	<u>39,892</u>	<u>42,273</u>
	<u>\$ 44,004</u>	<u>\$ 45,413</u>

Prepaid lease payments include Taiwan Sugar Corporation’s land use right, which is located in Tainan.

c. Lease expense

	For the Year Ended December	
	31	
	2016	2015
Lease expenditure	<u>\$ 105,433</u>	<u>\$ 103,559</u>

The Group as Lessor

Operating lease agreements

Operating leases relate to the leasing of investment property with lease terms of 3-5 years, and with an extension option. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have a bargain purchase option to acquire the property at the expiry of the lease period.

As of December 31, 2016 and 2015, deposits received under operating leases amounted to \$1,911 thousand and \$2,026 thousand, respectively (recorded as “other non-current liabilities”).

26. CAPITAL MANAGEMENT

The Group’s capital management objective is to ensure it has the necessary financial resources and operational plan so that it can cope with the next twelve months working capital requirements, capital expenditures, research and development expenses, debt repayments and dividends payments.

27. FINANCIAL INSTRUMENT

a. Categories of financial instruments

	December 31			
	2016		2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Financial assets</u>				
Loans and receivables				
Cash and cash equivalents	\$ 1,898,827	\$ 1,898,827	\$ 1,825,672	\$ 1,825,672
Notes and accounts receivable	769,488	769,488	643,816	643,816
Accounts receivable due from related parties	57,063	57,063	56,392	56,392
Other receivables	223,853	223,853	208,994	208,994
Refundable deposits	70,671	70,671	69,370	69,370
Available-for-sale financial assets	146,913	146,913	-	-
Financial assets measured at cost, non-current	305,493	305,267	378,564	378,329

(Continued)

	December 31			
	2016		2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Financial liabilities</u>				
Measured at amortized cost				
Accounts payable	906,542	906,542	666,073	666,073
Other payables	913,973	913,973	812,841	812,841
Guarantee deposits (recorded in other non-current liabilities)	58,668	58,668	39,932	39,932
Long-term contract payable (recorded in other non-current liabilities)	22,868	22,868	34,914	32,790
Financial liabilities at fair value through profit or loss				
Derivative financial instruments	707	707	1,379	1,379
			(Concluded)	

b. Fair value information

- 1) The fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and the significance in its entirety, which are described as follows:
 - a) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
 - b) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
 - c) Level 3 inputs are unobservable inputs for the asset or liability.
- 2) Fair value measurements recognized in the consolidated balance sheets
 - a) The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes publicly traded stocks).
 - b) The fair value of the financial instruments at fair value through profit or loss is based on Level 2 inputs, either directly or indirectly. The fair value of foreign-currency derivative financial instrument could be determined by reference to the price and discount rate of currency swap quoted by financial institutions. Foreign exchange forward contracts use individual maturity rate to calculate the fair value of each contract.
 - c) The fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

3) Financial instruments that are not measured at fair value

Management believes the carrying amounts of financial assets and financial liabilities that are not measured at fair value recognized in the financial statements approximate their fair values.

- 4) Fair value of financial instruments that are measured at fair value on a recurring basis

	December 31, 2016			
	Level 1	Level 2	Level 3	Total
<u>Available-for-sale financial assets</u>				
Domestic listed equity securities	<u>\$ 146,913</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 146,913</u>
<u>Financial liabilities at FVTPL</u>				
Derivatives	<u>\$ -</u>	<u>\$ 707</u>	<u>\$ -</u>	<u>\$ 707</u>
	December 31, 2015			
	Level 1	Level 2	Level 3	Total
<u>Financial liabilities at FVTPL</u>				
Derivatives	<u>\$ -</u>	<u>\$ 1,379</u>	<u>\$ -</u>	<u>\$ 1,379</u>

- 5) Fair value of financial instruments that are not measured at fair value

	December 31, 2016				
	Carrying Amount	Level 1	Level 2	Level 3	Total
<u>Financial assets measured at cost</u>					
Domestic emerging equity securities	<u>\$ 493</u>	<u>\$ -</u>	<u>\$ 267</u>	<u>\$ -</u>	<u>\$ 267</u>
	December 31, 2015				
	Carrying Amount	Level 1	Level 2	Level 3	Total
<u>Financial assets measured at cost</u>					
Domestic emerging Equity securities	<u>\$ 493</u>	<u>\$ -</u>	<u>\$ 258</u>	<u>\$ -</u>	<u>\$ 258</u>

There were no transfers among the different Levels in 2016 and 2015.

c. Financial risk management objectives and policies

The Group sought to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives was governed by the Group's policies approved by the Board of Directors, which provide written principles on foreign exchange risk, and use of financial derivatives. Compliance with policies and exposure limits was reviewed by the internal auditors on a continuous basis.

1) Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group uses forward foreign exchange contracts to hedge the foreign currency risk on export.

a) Foreign currency risk

The Group is engaged in foreign currency transaction and thus it is exposed to the risk of changes in foreign currency exchange rates. The Group uses forward foreign exchange contracts to hedge the exchange rate risk within approved policy parameters utilizing forward foreign exchange contracts.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are set out in Note 31.

The sensitivity analysis included only outstanding foreign currency denominated monetary items at the end of the reporting period and assuming an increase in net income and equity if New Taiwan dollars strengthen by 1% against foreign currencies. For a 1% weakening of New Taiwan dollars against the relevant currency, there would be impact on net income in the amounts of \$482 thousand and \$1,761 thousand decrease for the years ended December 31, 2016 and 2015, respectively. The amounts included above for a 1% weakening of New Taiwan dollars against the relevant currency is without considering the impact of hedge contracts and hedged item.

b) Interest rate risk

Interest rate risk refers to the risk that the change in market value will influence the fair value of financial instruments. The Group's interest rate risk arises primarily from floating rate deposits.

As of December 31, 2016 and 2015, the carrying amount of the Group's floating rate deposits with exposure to interest rates was \$8,272 thousand and \$8,221 thousand, respectively.

The sensitivity analyses below were determined based on the Group's exposure to interest rates for fair value of variable-rate derivative instruments at the end of the reporting period. If interest rates had been higher by one percentage point, the Group's cash flows for the year ended December 31, 2016 and 2015 would have increased by \$83 thousand and \$82 thousand, respectively.

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. In this regard, the management of the Group consider that the Group's credit risk was significantly reduced.

3) Liquidity risk

The Group has enough operating capital to comply with loan covenants; liquidity risk is low.

The Group's non-derivative financial liabilities and their agreed repayment period were as follows:

December 31, 2016

	Within 1 Year	1-2 Years	Over 2 Years	Total
Non-derivative financial liabilities				
Non-interest bearing	<u>\$ 1,820,515</u>	<u>\$ 11,434</u>	<u>\$ 11,434</u>	<u>\$ 1,843,383</u>
December 31, 2015				
	Within 1 Year	1-2 Years	Over 2 Years	Total
Non-derivative financial liabilities				
Non-interest bearing	<u>\$ 1,478,914</u>	<u>\$ 11,127</u>	<u>\$ 21,663</u>	<u>\$ 1,511,704</u>

28. RELATED PARTY TRANSACTIONS

- a. The names and relationships of related parties are as follows:

Related Party	Relationship with the Group
Winbond Electronics Corporation (“WEC”)	Parent company
Winbond Electronics (HK) Limited (“WEHK”)	Associate
Winbond Electronics (Suzhou) Limited (“WECN”)	Associate
Winbond Electronics Corporation America (“WECA”)	Associate
Winbond Electronics Corporation Japan (“WECJ”)	Associate
Winbond Technology Ltd. (Israel) (“WECI”)	Associate
Techdesign Corporation	Associate (Note)
Nyquest Technology Co., Ltd. (“Nyquest”)	Related party in substance
Walton Advanced Engineering Inc.	Related party in substance
Chin Cherng Construction Co., Ltd.	Related party in substance

Note: On May 18, 2016, the Group sold 100% of the shares of Techdesign Corporation to related party, WEC.

- b. Operating activities

	For the Year Ended December 31	
	2016	2015
1) Operating revenue		
Related party in substance	\$ 243,022	\$ 214,017
Associate	<u>76,280</u>	<u>90,300</u>
	<u>\$ 319,302</u>	<u>\$ 304,317</u>
2) Purchase		

Parent company	<u>\$ 144,876</u>	<u>\$ 131,520</u>
3) Selling expenses		
Associate	<u>\$ 711</u>	<u>\$ 893</u>
4) General and administrative expenses		
Related party in substance	\$ 10,331	\$ 10,331
Associate	711	893
Parent company	<u>110</u>	<u>1,715</u>
	<u>\$ 11,152</u>	<u>\$ 12,939</u>
	For the Year Ended December	
	31	
	<hr/>	<hr/>
	2016	2015
5) Research and development expenses		
Associate	\$ 10,645	\$ 15,015
Parent company	<u>69</u>	<u>74</u>
	<u>\$ 10,714</u>	<u>\$ 15,089</u>
	December 31	
	<hr/>	<hr/>
	2016	2015
6) Other income		
Related party in substance	<u>\$ 8,188</u>	<u>\$ 10,902</u>
7) Accounts receivable due from related parties		
Related party in substance	\$ 42,340	\$ 42,476
Associate	<u>14,723</u>	<u>13,916</u>
	<u>\$ 57,063</u>	<u>\$ 56,392</u>
8) Other receivables		
Associate	<u>\$ 404</u>	<u>\$ 546</u>
9) Refundable deposits		
Related party in substance	<u>\$ 1,722</u>	<u>\$ 1,722</u>
10) Accounts payable to related parties		
Parent company	<u>\$ 27,149</u>	<u>\$ 19,882</u>

11) Other payables

Parent company	\$ 11,006	\$ 52
Associate	<u>-</u>	<u>955</u>
	<u>\$ 11,006</u>	<u>\$ 1,007</u>

12) Guarantee deposits

Parent company	\$ 545	\$ 545
Associate	<u>151</u>	<u>-</u>
	<u>\$ 696</u>	<u>\$ 545</u>

Sales and purchase of goods with related party were conducted under normal prices and terms. The trading conditions of other related party transactions were resolved between the Company and related party.

13) Payment for property, plant and equipment

**For the Year Ended December
31**

	2016	2015
Parent company	<u>\$ 10,722</u>	<u>\$ _____</u>

c. Guarantee

As of December 31, 2016, the chairman of the Company is a joint guarantor of the land-lease from Taiwan Sugar Corporation. Please refer to Note 25.

d. Other related party transactions

On May 18, 2016, the Company sold 100% of the shares of subsidiary, Techdesign Corporation, to related party, WEC, and the selling price of the investments was \$49,850 thousand; please refer to Note 24.

e. Compensation of key management personnel

**For the Year Ended December
31**

	2016	2015
Short-term employment benefits	\$ 67,191	\$ 52,201
Post-employment benefits	3,697	1,778
Other long-term employment benefits	<u>_____</u>	<u>677</u>
	<u>\$ 70,888</u>	<u>\$ 54,656</u>

The remuneration of directors and key management personnel was determined by the remuneration committee based on the performance of individuals and market trends.

29. PLEDGED AND COLLATERALIZED ASSETS

Please refer to Note 6.

30. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

As of December 31, 2016, amounts available under unused letters of credit were approximately US\$354 thousand.

31. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by foreign currencies other than functional currency of the Group and the exchange rates between foreign currencies and the functional currency were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

	December 31					
	2016			2015		
	Foreign Currencies (Thousand)	Exchange Rate (Note)	New Taiwan Dollars (Thousand)	Foreign Currencies (Thousand)	Exchange Rate (Note)	New Taiwan Dollars (Thousand)
<u>Financial assets</u>						
Monetary items						
USD	\$ 22,873	32.25	\$ 737,639	\$ 21,437	32.825	\$ 703,678
ILS	13,094	8.3882	109,834	12,104	8.4085	101,776
RMB	2,169	4.617	10,014	1,576	4.995	7,870
<u>Financial liabilities</u>						
Monetary items						
USD	21,505	32.25	693,535	16,504	32.825	541,738
ILS	12,902	8.3882	108,226	11,792	8.4085	99,150

Note: Foreign currencies exchange to New Taiwan dollars by each unit.

The total of realized and unrealized net foreign exchange net gains was \$6,583 thousand and \$21,852 thousand for the years ended December 31, 2016 and 2015, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions of the group entities.

32. SEGMENT INFORMATION

a. Basic information about operating segment

1) Classification of operating segments

The Group's reportable segments under IFRS 8 "Operating Segments" were as follows:

a) Segment of general IC product

The IC product segment engages mainly in the researching, designing manufacturing, selling, and after-sales service.

b) Segment of wafer Foundry product

The wafer Foundry product segment engages mainly in the researching, designing, manufacturing and selling.

2) Principles of measuring reportable segments, profit, assets and liabilities

The significant accounting principles of each operating segment are the same as those stated in Note 4 to the consolidated financial statements. The Group's operating segment profit or loss represents the profit or loss earned by each segment. The profit or loss is controllable by segment managers and is the basis for assessment of segment performance. Individual

segment assets are disclosed as zero since those measures are not reviewed by the chief operating decision maker. Major liabilities are arranged based on the capital cost and deployment of the whole company, which are not controlled by individual segment managers.

b. Segment revenues and operating results

The following was an analysis of the Group's revenue from continuing operations by reportable segments.

	Segment Revenue		Segment Profit and Loss	
	For the Year Ended December 31		For the Year Ended December 31	
	2016	2015	2016	2015
General IC product	\$ 6,654,941	\$ 5,758,637	\$ 725,909	\$ 736,332
Wafer Foundry	1,662,701	1,534,000	579,309	477,871
Total of segment revenue	8,317,642	7,292,637	1,305,218	1,214,203
Other revenue	11,644	20,750	11,644	20,750
Operating revenue	<u>\$ 8,329,286</u>	<u>\$ 7,313,387</u>	1,316,862	1,234,953
Unallocated expenditure				
Administrative and supporting expense			(355,741)	(346,482)
Sales and other common expenses			(356,279)	(402,217)
Total operating profit			604,842	486,254
Interest income			16,135	16,656
Dividend income			57,354	52,284
Other gains and losses			9,926	6,568
Interest expense			-	(1,344)
Gains (losses) on disposal of property, plant and equipment			(34)	891
Gains (losses) on disposal of investments			18,874	-
Foreign exchange gains (losses)			6,583	21,852
Gains (losses) on financial instruments at fair value through profit or loss			(4,730)	(11,176)
Profit before income tax			<u>\$ 708,950</u>	<u>\$ 571,985</u>

c. Geographical information

The Group operate mainly in Asia, United States and Europe.

The Group's revenue from continuing operations from external customers by location of operations and information about its non-current assets (non-current assets exclude financial instruments and deferred income tax assets) by location are detailed below.

	Revenue from External Customers		Non-current Assets	
	For the Year Ended December 31		December 31	
	2016	2015	2016	2015
Asia	\$ 7,895,516	\$ 6,664,464	\$ 879,134	\$ 813,138
United States	220,700	427,252	8,144	8,822
Europe	117,521	121,725	-	-
Others	95,549	99,946	-	-
	<u>\$ 8,329,286</u>	<u>\$ 7,313,387</u>	<u>\$ 887,278</u>	<u>\$ 821,960</u>

d. Major customer information

Individual customer which exceeded 10% of the Group's operating revenue for the years ended December 31, 2016 and 2015 was as follows:

	For the Year Ended December 31			
	2016		2015	
	Amount	%	Amount	%
Client J	<u>\$ 1,206,134</u>	<u>14</u>	<u>\$ 908,637</u>	<u>12</u>

33. Other disclosures

In the formulation of the financial statements, major transactions and leftover amounts between parent company and subsidiaries have been erased.

(1) Significant transactions between Nuvoton and subsidiaries:

No.	Item	Description
1	Lending to others.	N/A
2	Providing endorsements or guarantees for others.	N/A
3	Status of holding securities at the end of the period (excluding investment in subsidiaries, affiliated companies and ventures).	See Attachment 1
4	Accumulated purchase or sales of the same securities in excess of NT\$300 million or 20% of the paid-in capital.	N/A
5	Acquired real estate valued in excess of NT\$300 million or 20% of the paid-in capital.	N/A
6	Disposed real estate valued in excess of NT\$300 million or 20% of the paid-in capital.	N/A
7	Amount of purchases from and sales to related parties reaching NT\$100 million or 20% of its paid-in capital.	See Attachment 2

8	Amount of accounts receivable to related parties reaching NT\$100 million or 20% of its paid-in capital.	N/A
9	In the trade of derivatives.	See Note 7
10	Others: Business relationships, important transactions and amount between parent company and subsidiaries.	See Attachment 5
11	Investee companies information.	See Attachment 3

(2) Mainland China investments:

No.	Item	Description
1	Corporate name of investment in mainland China, key business areas, paid-in capital, investment method, incoming and outgoing funds transfers, percentage of shares, recognized investment gains and losses of the period, book value of investment at end of period, repatriated investment gains, and limits on Mainland China investments: N/A	See Attachment 4
2	Any of the following significant transactions with investee companies in the Mainland Area, either directly or indirectly through a third area, and their prices, payment terms, and unrealized gains or losses: (1)The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period. (2)The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period. (3)The amount of property transactions and the amount of the resultant gains or losses. (4)The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes. (5)The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds. (6)Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services.	See Attachment 4

Attachment 1 Status of the holding of securities by Nuvoton and its reinvestment companies:

Unit: thousand NT\$

Holder	Type and name of security	Relationship with the issuer of the securities.	Account	End of period				Note
				Shares/Unit	Book value	Shareholding ratio (%)	Fair value	
Nuvoton	<u>Equities</u>							
	Yuchi Venture Investment Co., Ltd.	Nuvoton serves as Director of the company	Financial assets carried at cost	2,500,000	\$ 25,000	5	\$ 25,000	
	Brightek Optoelectronic Co., Ltd.	N/A	"	34,680	493	-	258	
	United Industrial Gases Co., Ltd.	Nuvoton serves as Director of the company	"	8,800,000	280,000	4	280,000	
	Nyquest Technology Co., Ltd.	Nuvoton's subsidiary serves as Director of the company	"	2,835,892	92,876	11	92,876	
Song Yong Investment Corporation	Nyquest Technology Co., Ltd.	Song Yong Investment Corporation serves as Director of the company	"	1,650,000	54,037	7	54,037	

Attachment 2 Amount of purchases from and sales to related parties reaching NT\$100 million or 20% of its paid-in capital by Nuvoton and its reinvestment companies:

Unit: thousand NT\$/thousand US\$

Supplier (Buyer) company	Name of counterparty	Relationship	Transaction				Transaction conditions different from regular transactions and the reason		Notes and accounts receivable (payable)		Note
			Purchase/sale	Amount	Ratio of total procurement (sales) (%)	Loan period	Unit price	Loan period	Balance	Percentage of total notes and accounts	
Nuvoton	Nuvoton Electronics Technology (H.K.) Limited	A 100% subsidiary of the Company	Sales	\$ 3,105,875	39	Cash in 90 days on a monthly basis	N/A	N/A	\$ 42,456	7	Note
Nuvoton	NTCA	A 100% indirect subsidiary of the Company	Sales	152,615	2	Cash in 90 days on a monthly basis	N/A	N/A	31,575	5	Note
Nuvoton	Nyquest Technology Co., Ltd.	An investee company with 13% direct shares and 19.97% consolidated shares held by the Company.	Sales	242,653	3	Cash in 45 days on a monthly basis	N/A	N/A	42,304	7	
Nuvoton	Winbond	The parent company of the Company	Procurements	144,876	5	Cash in 30 days on a monthly basis	N/A	N/A	27,149	3	
Nuvoton Electronics Technology (H.K.) Limited	Nuvoton	A subsidiary of the Company	Procurements	USD 96,527	100	Cash in 90 days on a monthly basis	N/A	N/A	USD 1,316	100	Note
NTCA	Nuvoton	A subsidiary of the Company	Procurements	USD 4,586	100	Cash in 90 days on a monthly basis	N/A	N/A	USD 979	100	Note

Note: The transactions between Nuvoton and consolidated subsidiaries are written off when formulating consolidated financial statements, the information disclosed here is for references only.

Attachment 3 Detailed list of subsidiaries with control capabilities or major influences:

(The transactions between Nuvoton and consolidated subsidiaries are written off when formulating consolidated financial statements, the information disclosed here is for references only.)

Unit: thousand NT\$

Name of investment company	Name of investee company	Location	Primary scope of business	Initial investment		Holding at end of period			Investee company current profit or loss	Recognized profit or loss of the period	Note
				End of current period	End of 2015	No. of shares	Ratio	Book value			
Nuvoton	Nuvoton Electronics Technology (H.K.) Limited	Hong Kong	Sales services for semiconductor components	\$ 427,092	\$ 427,092	107,400,000	100	\$ 441,890	\$ 2,027	\$ 2,027	
Nuvoton	Pigeon Creek Holding Co., Ltd.	British Virgin Islands	Investment business	438,729	438,729	13,867,925	100	178,786	4,285	4,285	
Nuvoton	MML	British Virgin Islands	Investment business	270,648	269,850	8,752,524	100	77,702	607	607	
Nuvoton	NIH	British Virgin Islands	Investment business	650,122	650,122	19,720,000	100	297,902	4,897	4,897	
Nuvoton	Song Yong Investment Corporation	Taiwan	Investment business	38,500	38,500	3,850,000	100	57,829	2,854	2,854	
Nuvoton	Techdesign Corporation	Taiwan	E-Commerce and product marketing	-	50,000	-	-	-	(6,254)	(6,254)	Note1
Nuvoton	Nuvoton Technology India Private Limited	India	Design, sales and service of semiconductor components	30,211	30,211	600,000	100	27,056	(1,084)	(1,084)	
Pigeon Creek Holding Co., Ltd.	NTCA	United States of America	Design, sales and service of semiconductor components	190,862	190,862	60,500	100	192,223	4,432	4,432	
MML	GOLDBOND LLC	United States of America	Investment business	1,471,433	1,470,986	-	100	77,762	943	943	
NIH	NTIL	Israel	Design, sales and service of semiconductor components	46,905	46,905	1,000	100	295,809	5,061	5,061	

Note1: On May 18, 2016, the Company sold 100% of the shares of Techdesign Corporation to related party, WEC

Note2: For information on investee companies in China, please see Attachment 4.

Attachment 4 Mainland China investments:

1. Corporate name of investment in Mainland China, key business areas, paid-in capital, investment method, incoming and outgoing funds transfers, percentage of shares, investment gains and losses, carrying amount of investment at end of period, and repatriated investment gains:

Unit: thousand NT\$/thousand US\$

Name of investee company in Mainland China	Primary scope of business	Paid-in capital	Investment method	Accumulated amount of investment transferred from Taiwan in this period	Total transfer or repatriated investment amount		Accumulated amount of investment transferred from Taiwan at the end of this period	The Company's direct or indirect share holding ratio %	Investee company current profit or loss	Recognized profit or loss of the period (Note 1)	Book value by the end of the period	Repatriated investment gains to Taiwan as of the end of the period
					Transfer	Repatriation						
Nuvoton Electronics Technology (Shanghai) Limited	Provide maintenance, test and related consulting services for products and solutions sold in Mainland China	\$ 68,036 (USD 2,000)	Indirect investment from third area Marketplace Management Ltd. of the British Virgin Islands.	\$ 68,036 (USD 2,000)	\$ -	\$ -	\$ 68,036 (USD 2,000)	100	\$ 1,276	\$ 1,276	\$ 79,602	\$ -
Winbond Technology (Nanjing) Co., Ltd.	Provides computer software services (excluding IC design)	16,429 (USD 500)	Indirect investment from third area Marketplace Management Ltd. of the British Virgin Islands.	16,429 (USD 500)	-	-	16,429 (USD 500)	100	1	1	(1,833) (Note 2)	-
Nuvoton Electronics Technology (Shenzhen) Limited	Provides computer software services (excluding IC design), computer and peripheral equipment and software wholesales	193,500 (USD 6,000)	Indirect investment to Mainland China from third area Nuvoton Electronics Technology (H.K.) Limited	193,500 (USD 6,000)	-	-	193,500 (USD 6,000)	100	569	569	202,085	-

Note 1: The recognized investment profit and loss are based on the financial report certified by CPAs.

Note 2: The net value of Winbond Technology (Nanjing) Co., Ltd. at the end of the period is negative, therefore it is transferred to other non-current liabilities.

2. Limits on investment in Mainland China

Company name	Accumulated investment transfers from Taiwan to China as of the end of the period	Investment amount approved by the Investment Commission of the MOEA	In accordance with the limits on investment in Mainland China in accordance with regulations of the Investment Commission of the MOEA
Nuvoton	NT\$ 277,965,000 (US\$ 8,500,000)	NT\$ 277,965,000 (US\$ 8,500,000)	NT\$ 2,027,084,000

Note 3: The upper limit is 60% of the net value of Nuvoton.

3. Any of the following significant transactions with investment companies in the Mainland Area, either directly or indirectly through a third area, and their prices, payment terms, and unrealized gains or losses: See Attachment 5.
4. Status of endorsements, guarantees or provision of collateral of investee companies in Mainland China: N/A
5. Status of direct or indirect provision of funds with investee companies in Mainland China: N/A
6. Other transactions that have a material effect on the profit or loss for the period or on the financial position: N/A

Attachment 5 Business relationships and important transactions between parent company and subsidiaries:

Unit: thousand NT\$/thousand foreign currency

No.	Name of counterparty	Counterparty	Relationship with counterparty	Transaction status			
				Account	Amount	Trade conditions (Note)	Ratio of consolidated total revenue or total assets
0	<u>2016</u> Nuvoton	Nuvoton Electronics Technology (H.K.) Limited	Parent company to subsidiaries	Operating revenue	\$ 3,105,875	—	37
0	Nuvoton	Nuvoton Electronics Technology (H.K.) Limited	Parent company to subsidiaries	Accounts receivable - related parties	42,456	—	1
0	Nuvoton	NTCA	Parent company to subsidiaries	Operating revenue	5	—	-
0	Nuvoton	NTCA	Parent company to subsidiaries	Research and development expenses	152,615	—	2
0	Nuvoton	NTCA	Parent company to subsidiaries	Management expenses	206,853	—	2
0	Nuvoton	NTCA	Parent company to subsidiaries	Accounts receivable - related parties	22,609	—	-
0	Nuvoton	NTCA	Parent company to subsidiaries	Other Accounts Receivable	31,575	—	1
0	Nuvoton	NTIL	Parent company to subsidiaries	Research and development expenses	2,583	—	-
0	Nuvoton	NTIL	Parent company to subsidiaries	Management expenses	598,996	—	7
0	Nuvoton	NTIL	Parent company to subsidiaries	Other accounts payable	47,332	—	1
0	Nuvoton	Nuvoton Electronics	Parent company to	Operating revenue	108,226	—	2

0	Nuvoton	Technology (Shenzhen) Limited	subsidiaries	Accounts receivable - related parties	25,486	—	-
0	Nuvoton	Nuvoton Electronics Technology (Shenzhen) Limited	Parent company to subsidiaries	Guarantee deposit	9,669	—	-
1	Nuvoton Electronics Technology (H.K.) Limited	Techdesign Corporation	Parent company to subsidiaries	Selling expenses	USD 2,616	—	1
1	Nuvoton Electronics Technology (H.K.) Limited	Nuvoton Electronics Technology (Shenzhen) Limited	Parent company to subsidiaries	Selling expenses	USD 28	—	-
1	Nuvoton Electronics Technology (H.K.) Limited	Nuvoton Electronics Technology (Shanghai) Limited	Subsidiary to subsidiary	Advance payments	USD 2,288	—	1
		Nuvoton Electronics Technology (Shanghai) Limited	Subsidiary to subsidiary				

(Continued on next page)

(Continued from previous page)

No.	Name of counterparty	Counterparty	Relationship with counterparty	Transaction status			
				Account	Amount	Trade conditions (Note)	Ratio of consolidated total revenue or total assets
0	<u>2015</u> Nuvoton	Nuvoton Electronics Technology (H.K.) Limited	Parent company to subsidiaries	Operating revenue	\$ 2,635,730	—	36
0	Nuvoton	Nuvoton Electronics Technology (H.K.) Limited	Parent company to subsidiaries	Advance payments	17,223	—	-
0	Nuvoton	NTCA	Parent company to subsidiaries	Operating revenue	346,554	—	5
0	Nuvoton	NTCA	Parent company to subsidiaries	Research and development expenses	177,552	—	2
0	Nuvoton	NTCA	Parent company to subsidiaries	Management expenses	17,380	—	-
0	Nuvoton	NTCA	Parent company to subsidiaries	Accounts receivable - related parties	41,623	—	1
0	Nuvoton	NTCA	Parent company to subsidiaries	Other accounts payable	788	—	-
0	Nuvoton	NTIL	Parent company to subsidiaries	Research and development expenses	547,800	—	7
0	Nuvoton	NTIL	Parent company to subsidiaries	Management expenses	43,149	—	1
0	Nuvoton	NTIL	Parent company to subsidiaries	Other accounts payable	99,150	—	2
0	Nuvoton	Nuvoton Electronics	Parent company to	Operating revenue	22,884	—	-

0	Nuvoton	Technology (Shenzhen) Limited	subsidiaries				
		Nuvoton Electronics Technology (Shenzhen) Limited	Parent company to subsidiaries	Accounts receivable - related parties	7,432	—	-
1	Nuvoton Electronics Technology (H.K.) Limited	Nuvoton Electronics Technology (Shenzhen) Limited	Parent company to subsidiaries	Selling expenses	151	—	-
1	Nuvoton Electronics Technology (H.K.) Limited	Nuvoton Electronics Technology (Shenzhen) Limited	Parent company to subsidiaries	Accrued expenses	USD 2,457	—	1
1	Nuvoton Electronics Technology (H.K.) Limited	Nuvoton Electronics Technology (Shanghai) Limited	Subsidiary to subsidiary	Selling expenses	USD 2,143	—	1
1	Nuvoton Electronics Technology (H.K.) Limited	Nuvoton Electronics Technology (Shanghai) Limited	Subsidiary to subsidiary	Advance payments	USD 181	—	-

Note: There is no major difference in transaction conditions between sales between parent company and subsidiaries and regular sales, other transaction conditions for other trades have no relevant examples to follow and the transaction conditions are calculated in accordance with mutual agreement.

5. Individual financial statements of the most recent year

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Nuvoton Technology Corporation

Opinion

We have audited the accompanying financial statements of Nuvoton Technology Corporation (the Company), which comprise the balance sheets as of December 31, 2016 and 2015, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2016 and 2015, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2016. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters of the Company's financial statements for the year ended December 31, 2016 are described below:

Impairment of Accounts Receivable

As of December 31, 2016, the carrying amount of the Company's notes and accounts receivable was \$472,446 thousand (net of allowance for doubtful accounts of \$10,676 thousand); please refer to Notes 5 and 8. Since determining uncollectible amount of accounts receivable is subject to management's judgement, we focused on material and slow-collecting balances of accounts receivable to evaluate the rationale of impairment loss provisioned by management. Our audit procedures in response to impairment of accounts receivable consisted of the following:

1. Assessed the assumptions used by management in provisioning allowance for doubtful accounts, checked the calculation of ageing report used to support the impairment provision, analyzed and compared the ageing distribution, provision rates and actual write-off of doubtful accounts of current year with those of prior year to evaluate the reasonableness of the provision. Assessed the collectability of accounts receivable by checking cash collecting after balance sheet date.
2. Inspected the authorization of customer credit line and reviewed quarterly the transaction records of ledger book to ensure the validity of internal control of accounts receivable.

Valuation of Inventory

As of December 31, 2016, the carrying amount of the Company's inventory was \$1,168,969 thousand (net of inventory write-down of \$298,521 thousand); please refer to Notes 5 and 9. The accounting policy of provisioning impairment loss included obsolescent loss by reviewing monthly the ageing information contained net realization value of slow-moving inventory items estimated by management based on actual selling records, technology development and the physical quality of inventory. In addition, according to the requirements of IAS 2, inventory other than obsolescent items should be stated at lower of cost or net realization value, and evaluated and recognized appropriate devaluation loss. Our audit procedures in response to valuation of inventory consisted of the following:

1. Performed test of details of inventory ledger to verify proper allocation of materials, labor cost and overheads to inventory items. Examined the subsequent selling prices to confirm the inventory been stated at lower of cost or net realization value.
2. Obtained and tested the ageing report of inventory, compared and analyzed the impairment loss of current year with prior year, selected samples of impairment sheet and inspected the latest selling prices with the sales ledger to assess the appropriateness of the inventory impairment provision policy of the Company.
3. Compared the year-end quantity of inventory items with the inventory count report to confirm the existence and completeness of inventory. Moreover by attending year-end inventory counting, we assessed the condition of inventory and evaluated the adequacy of inventory provision for obsolete and damaged goods.

Responsibilities of Management and Those Charged with Governance for the

Financial Statements

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

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

Those charged with governance (including members of the audit committee) are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2016 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Ker-Chang Wu and Hung-Bin Yu.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 3, 2017

Notice to Readers

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

For the convenience of readers, the independent auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese

version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and financial statements shall prevail.

NUVOTON TECHNOLOGY CORPORATION

BALANCE SHEETS

DECEMBER 31, 2016 AND 2015

(In Thousands of New Taiwan Dollars)

ASSETS	2016		2015	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 1,459,891	25	\$ 1,382,349	26
Notes and accounts receivable, net (Notes 4 and 8)	472,446	8	348,309	7
Accounts receivable due from related parties, net (Notes 4 and 24)	140,763	2	122,670	2
Other receivables	26,556	1	17,698	-
Inventories (Notes 4 and 9)	1,168,969	20	1,025,215	20
Other current assets (Note 21)	<u>209,857</u>	<u>4</u>	<u>79,086</u>	<u>2</u>
Total current assets	<u>3,478,482</u>	<u>60</u>	<u>2,975,327</u>	<u>57</u>
NON-CURRENT ASSETS				
Available-for-sale financial assets, non-current (Notes 4 and 10)	92,876	2	-	-
Financial assets measured at cost, non-current (Notes 4 and 11)	305,493	5	355,184	7
Investments accounted for using equity method (Notes 4 and 12)	1,081,165	18	1,109,330	21
Property, plant and equipment (Notes 4 and 13)	474,952	8	410,239	8
Intangible assets (Notes 4 and 14)	225,964	4	197,238	3
Deferred income tax assets (Notes 4 and 18)	72,000	1	94,000	2
Refundable deposits (Note 6)	64,881	1	64,380	1
Other non-current assets (Note 21)	<u>39,892</u>	<u>1</u>	<u>42,273</u>	<u>1</u>
Total non-current assets	<u>2,357,223</u>	<u>40</u>	<u>2,272,644</u>	<u>43</u>
TOTAL	<u>\$ 5,835,705</u>	<u>100</u>	<u>\$ 5,247,971</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Financial liabilities at fair value through profit or loss, current (Notes 4 and 7)	\$ 707	-	\$ 1,379	-
Accounts payable	904,486	16	664,834	13
Other payables (Notes 15 and 24)	962,603	16	857,597	16
Current tax liabilities (Notes 4 and 18)	16,109	-	52,885	1
Other current liabilities	<u>96,900</u>	<u>2</u>	<u>32,075</u>	<u>1</u>
Total current liabilities	<u>1,980,805</u>	<u>34</u>	<u>1,608,770</u>	<u>31</u>
NON-CURRENT LIABILITIES				
Products guarantee based on commitment (Note 4)	101,891	2	101,891	2
Accrued pension liabilities (Note 16)	349,817	6	378,733	7
Other non-current liabilities	<u>24,718</u>	<u>-</u>	<u>36,776</u>	<u>1</u>
Total non-current liabilities	<u>476,426</u>	<u>8</u>	<u>517,400</u>	<u>10</u>
Total liabilities	<u>2,457,231</u>	<u>42</u>	<u>2,126,170</u>	<u>41</u>
EQUITY				
Common stock (Note 17)	2,075,544	36	2,075,544	39
Capital surplus				
Additional paid-in capital	63,485	1	63,485	1
Employee share options	13	-	13	-
Retained earnings				
Legal reserve	340,530	6	293,628	6
Unappropriated earnings	786,274	13	627,654	12
Exchange differences on translation of foreign operations (Note 4)	29,280	1	61,477	1
Unrealized gains (losses) on available-for-sale financial assets	<u>83,348</u>	<u>1</u>	<u>-</u>	<u>-</u>
Total equity	<u>3,378,474</u>	<u>58</u>	<u>3,121,801</u>	<u>59</u>
TOTAL	<u>\$ 5,835,705</u>	<u>100</u>	<u>\$ 5,247,971</u>	<u>100</u>

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

NUVOTON TECHNOLOGY CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2016		2015	
	Amount	%	Amount	%
OPERATING REVENUE	\$ 8,046,760	100	\$ 7,022,517	100
OPERATING COST	<u>4,908,265</u>	<u>61</u>	<u>4,255,699</u>	<u>61</u>
GROSS PROFIT	<u>3,138,495</u>	<u>39</u>	<u>2,766,818</u>	<u>39</u>
OPERATING EXPENSES				
Selling expenses	129,723	1	132,652	2
General and administrative expenses	324,258	4	312,143	5
Research and development expenses	<u>2,087,744</u>	<u>26</u>	<u>1,845,137</u>	<u>26</u>
Total operating expenses	<u>2,541,725</u>	<u>31</u>	<u>2,289,932</u>	<u>33</u>
PROFIT FROM OPERATIONS	<u>596,770</u>	<u>8</u>	<u>476,886</u>	<u>6</u>
NON-OPERATING INCOME AND LOSSES				
Share of profit of subsidiaries accounted for using equity method	7,332	-	5,986	-
Interest income	7,404	-	9,144	-
Dividend income	54,384	1	48,654	1
Other gains and losses	3,819	-	363	-
Gains on disposal of property, plant and equipment	445	-	899	-
Gains on disposal of investments	18,874	-	-	-
Foreign exchange gains (losses)	6,760	-	19,897	-
Losses on financial instruments at fair value through profit or loss	(4,730)	-	(11,176)	-
Interest expense	<u>-</u>	<u>-</u>	<u>(1,344)</u>	<u>-</u>
Total non-operating income and losses	<u>94,288</u>	<u>1</u>	<u>72,423</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	691,058	9	549,309	7
INCOME TAX EXPENSE (Notes 4 and 18)	<u>(77,893)</u>	<u>(1)</u>	<u>(80,287)</u>	<u>(1)</u>
NET PROFIT	<u>613,165</u>	<u>8</u>	<u>469,022</u>	<u>6</u>

(Continued)

NUVOTON TECHNOLOGY CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2016		2015	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit plans (Notes 4 and 16)	\$ (37,209)	(1)	\$ (29,644)	-
Share of other comprehensive income of subsidiaries accounted for using equity method	3,164	-	-	-
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translation of foreign operations	(32,197)	-	17,419	-
Unrealized gains (losses) on available-for-sale financial assets	52,691	1	-	-
Share of comprehensive income of subsidiaries accounted for using equity method	<u>30,657</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other comprehensive income (loss)	<u>17,106</u>	<u>-</u>	<u>(12,225)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 630,271</u>	<u>8</u>	<u>\$ 456,797</u>	<u>6</u>
EARNINGS PER SHARE (Notes 4 and 20)				
From continuing operations				
Basic	<u>\$2.95</u>		<u>\$2.26</u>	
Diluted	<u>\$2.94</u>		<u>\$2.24</u>	

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

(Concluded)

NUVOTON TECHNOLOGY CORPORATION

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars)**

	Common Stock	Capital Surplus		Retained Earnings		Other Equity		Total Equity
		Additional Paid-in Capital	Employee Share Options	Legal Reserve	Unappropriate d Earnings	Exchange Differences on Translation of Foreign Operations	Unrealized Gain (loss) on Available-for- sale Financial Assets	
BALANCE, JANUARY 1, 2015	\$ 2,075,544	\$ 63,485	\$ 13	\$ 259,319	\$ 471,650	\$ 44,058	\$ -	\$ 2,914,069
Net profit in 2015	-	-	-	-	469,022	-	-	469,022
Other comprehensive income (loss) in 2015	-	-	-	-	(29,644)	17,419	-	(12,225)
Total comprehensive income in 2015	-	-	-	-	439,378	17,419	-	456,797
Appropriation of 2014 earnings (Note 17)								
Legal reserve	-	-	-	34,309	(34,309)	-	-	-
Cash dividends	-	-	-	-	(249,065)	-	-	(249,065)
BALANCE, DECEMBER 31, 2015	2,075,544	63,485	13	293,628	627,654	61,477	-	3,121,801
Net profit in 2016	-	-	-	-	613,165	-	-	613,165
Other comprehensive income (loss) in 2016	-	-	-	-	(34,045)	(32,197)	83,348	17,106
Total comprehensive income (loss) in 2016	-	-	-	-	579,120	(32,197)	83,348	630,271
Appropriation of 2015 earnings (Note 17)								
Legal reserve	-	-	-	46,902	(46,902)	-	-	-
Cash dividends	-	-	-	-	(373,598)	-	-	(373,598)
BALANCE, DECEMBER 31, 2016	<u>\$ 2,075,544</u>	<u>\$ 63,485</u>	<u>\$ 13</u>	<u>\$ 340,530</u>	<u>\$ 786,274</u>	<u>\$ 29,280</u>	<u>\$ 83,348</u>	<u>\$ 3,378,474</u>

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

NUVOTON TECHNOLOGY CORPORATION

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 691,058	\$ 549,309
Adjustments for:		
Depreciation expenses	126,063	116,856
Amortization expenses	72,705	64,629
(Reversal of) provision for allowance for doubtful accounts	(1,316)	2,139
Interest expense	-	1,344
Interest income	(7,404)	(9,144)
Dividend income	(54,384)	(48,654)
Share of profit of subsidiaries accounted for using equity method	(7,332)	(5,986)
Unrealized gain or loss	6	796
Net (gain) loss on fair value change of financial assets and liabilities designated as at fair value through profit or loss	(672)	(4,262)
(Gain) loss on disposal of property, plant and equipment	(445)	(899)
(Gain) loss on disposal of investments	(18,874)	-
Changes in operating assets and liabilities		
(Increase) decrease in notes and accounts receivable	(122,821)	92,223
(Increase) decrease in accounts receivable due from related parties	(18,093)	(23,603)
(Increase) decrease in other receivables	(9,624)	21
(Increase) decrease in inventories	(143,754)	(241,649)
(Increase) decrease in other current assets	(130,771)	(5,950)
(Increase) decrease in other non-current assets	2,381	2,382
Increase (decrease) in accounts payable	239,652	127,024
Increase (decrease) in other payables	70,325	102,219
Increase (decrease) in other current liabilities	64,825	(12,905)
Increase (decrease) on products guarantee based on commitment	-	29,193
Increase (decrease) on accrued pension liabilities	(66,125)	(65,675)
Increase (decrease) in other non-current liabilities	(12)	106
Cash generated from (used in) operations	<u>685,388</u>	<u>669,514</u>
Income tax paid	(92,669)	(88,042)
Interest paid	-	(1,344)
Interest received	8,170	9,296
Dividend received	<u>57,584</u>	<u>51,085</u>
Net cash generated from (used in) operating activities	<u>658,473</u>	<u>640,509</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for intangible assets	(110,645)	(21,269)
Proceeds from sale of financial assets measured at cost	8,243	-

Proceeds from capital reduction of financial assets measured at cost	5,000	10,000
Acquisition of investment accounted for using equity method	(798)	(83,718)
Net cash inflow from disposal of subsidiaries (Note 12)	49,850	-
Proceeds from capital reduction of investments accounted for using equity method	-	42,198
Payments for property, plant and equipment	(159,016)	(133,800)
		(Continued)

NUVOTON TECHNOLOGY CORPORATION

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars)

	2016	2015
Proceeds from disposal of property, plant and equipment	\$ 534	\$ 928
(Increase) decrease in refundable deposits	<u>(501)</u>	<u>(1,039)</u>
Net cash generated from (used in) investing activities	<u>(207,333)</u>	<u>(186,700)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash dividends	<u>(373,598)</u>	<u>(249,065)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	77,542	204,744
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,382,349</u>	<u>1,177,605</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,459,891</u>	<u>\$ 1,382,349</u>

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

(Concluded)

NUVOTON TECHNOLOGY CORPORATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Nuvoton Technology Corporation (the “Company”) was incorporated in the Republic of China (“ROC”) in April 2008 and commenced business in July 2008. The Company is engaged mainly in the researching, designing, developing, manufacturing, selling of Logic integrated circuits (“ICs”) and the manufacturing, testing and OEM of 6-inch wafer.

For the specialization and division of labors and the reinforcement of core competitive ability, the Company’s parent company, Winbond Electronics Corporation (WEC), spun off its Logic IC business into the Company on July 1, 2008 in accordance with the Business Mergers and Acquisitions Act and the Company commenced its business in July 2008. WEC held approximately 61% ownership interest in the Company as of December 31, 2016 and 2015.

The Company’s shares have been listed on the Taiwan Stock Exchange since September 27, 2010.

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors and authorized for issue on February 3, 2017.

3. APPLICATION OF NEW AND REVISED STANDARDS, AMENDMENTS AND INTERPRETATIONS

- a. Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) endorsed by the Financial Supervisory Commission (FSC) for application starting from 2017

Rule No. 1050050021 and Rule No. 1050026834 issued by the FSC stipulated that starting January 1, 2017, the Company should apply the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRS, IAS, IFRIC and SIC (collectively, the “IFRSs”) issued by the IASB and endorsed by the FSC for application starting from 2017.

New, Amended or Revised Standards and Interpretations (the “New IFRSs”)	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016 (Note 3)

Amendments to IFRS 10, IFRS 12 and IAS 28 “Investment Entities: Applying the Consolidation Exception”	January 1, 2016
Amendment to IFRS 11 “Accounting for Acquisitions of Interests in Joint Operations”	January 1, 2016
IFRS 14 “Regulatory Deferral Accounts”	January 1, 2016

(Continued)

New, Amended or Revised Standards and Interpretations (the “New IFRSs”)	Effective Date Announced by IASB (Note 1)
Amendment to IAS 1 “Disclosure Initiative”	January 1, 2016
Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”	January 1, 2016
Amendments to IAS 16 and IAS 41 “Agriculture: Bearer Plants”	January 1, 2016
Amendment to IAS 19 “Defined Benefit Plans: Employee Contributions”	July 1, 2014
Amendment to IAS 27 “Equity Method in Separate Financial Statements”	January 1, 2016
Amendment to IAS 36 “Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets”	January 1, 2014
Amendment to IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting”	January 1, 2014
IFRIC 21 “Levies”	January 1, 2014

(Concluded)

Note 1: Unless stated otherwise, the above New or amended IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The amendment to IFRS 2 applies to share-based payment transactions with grant date on or after July 1, 2014; the amendment to IFRS 3 applies to business combinations with acquisition date on or after July 1, 2014; the amendment to IFRS 13 is effective immediately; the remaining amendments are effective for annual periods beginning on or after July 1, 2014.

Note 3: The amendment to IFRS 5 is applied prospectively to changes in a method of disposal that occur in annual periods beginning on or after January 1, 2016; the remaining amendments are effective for annual periods beginning on or after January 1, 2016.

The initial application in 2017 of the above IFRSs and related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers would not have any material impact on the Company’s accounting policies, except for the following:

1) Amendment to IAS 36 “Recoverable Amount Disclosures for Non-financial Assets”

The amendment clarifies that the recoverable amount of an asset or a cash-generating unit is disclosed only when an impairment loss on the asset has been recognized or reversed during the

period. Furthermore, the discount rate used is disclosed if such fair value less costs of disposal is measured by using present value technique. The amendment will be applied retrospectively.

2) Annual Improvements to IFRSs: 2011-2013 Cycle

The scope in IFRS 13 of the portfolio exception for measuring the fair value of financial assets and financial liabilities on a net basis was amended to clarify that it includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even those contracts do not meet the definitions of financial assets or financial liabilities within IAS 32. When the amended IFRS 13 becomes effective in 2017, the Company will elect to measure the fair value of those contracts on a net basis retrospectively.

3) Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers

The amendments include additions of several accounting items and requirements for disclosures of impairment of non-financial assets as a consequence of the IFRSs endorsed by the FSC for application starting from 2017. In addition, as a result of the post implementation review of IFRSs in Taiwan, the amendments also include emphasis on certain recognition and measurement considerations and add requirements for disclosures of related party transactions and goodwill.

The amendments stipulate that other companies or institutions of which the chairman of the board of directors or president serves as the chairman of the board of directors or the president, or is the spouse or second immediate family of the chairman of the board of directors or president of the Company are deemed to have a substantive related party relationship, unless it can be demonstrated that no control, joint control, or significant influence exists. Furthermore, the amendments require the disclosure of the names of the related parties and the relationship with whom the Company has significant transaction. If the transaction or balance with a specific related party is 10% or more of the Company's respective total transaction or balance, such transaction should be separately disclosed by the name of each related party. The disclosures of related party transactions will be enhanced when the above amendments are retrospectively applied in 2017.

Except for the above impacts, as of the date the financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of the aforementioned amendments and the related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers will have on the Company's financial position and financial performance, and will disclose the relevant impacts when the assessment is completed.

b. New IFRSs in issue but not yet endorsed by the FSC

The Company has not applied the following IFRSs issued by the IASB but not yet endorsed by the FSC.

The FSC announced that amendments to IFRS 4 (only the overlay approach can be applied), IFRS 9 and IFRS 15 will take effect starting January 1, 2018. As of the date the financial statements were authorized for issue, the FSC has not announced the effective dates of other new IFRSs.

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2014-2016 Cycle	Note 2
Amendment to IFRS 2 “Classification and Measurement of Share-based Payment Transactions”	January 1, 2018
Amendments to IFRS 4 “Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts”	January 1, 2018
IFRS 9 “Financial Instruments”	January 1, 2018
Amendments to IFRS 9 and IFRS 7 “Mandatory Effective Date of IFRS 9 and Transition Disclosures”	January 1, 2018
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB (Note 3)
IFRS 15 “Revenue from Contracts with Customers”	January 1, 2018
Amendments to IFRS 15 “Clarifications to IFRS 15 Revenue from Contracts with Customers”	January 1, 2018
IFRS 16 “Leases”	January 1, 2019
Amendment to IAS 7 “Disclosure Initiative”	January 1, 2017
Amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”	January 1, 2017
Amendments to IAS 40 “Transfers of investment property”	January 1, 2018
IFRIC 22 “Foreign Currency Transactions and Advance Consideration”	January 1, 2018

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The amendment to IFRS 12 is retrospectively applied for annual periods beginning on or after January 1, 2017; the amendment to IAS 28 is retrospectively applied for annual periods beginning on or after January 1, 2018.

Note 3: To avoid adoption of two amendments to IAS 28 in a short period, IASB decided to postpone the effective dates of the amendments to IFRS 10 and IAS 28 announced in September 2014. The effective dates of the amendments will be announced after the IASB has concluded its studies about the equity method.

1) IFRS 9 “Financial Instruments”

Recognition and measurement of financial assets

With regards to financial assets, all recognized financial assets that are within the scope of IAS 39 “Financial Instruments: Recognition and Measurement” are subsequently measured at amortized cost or fair value. Specifically, financial assets that are held within a business model whose objective is to collect contractual cash flows, and have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. All other financial assets are measured at their fair values at the end of reporting period.

Transition

Financial instruments that have been derecognized prior to the effective date of IFRS 9 cannot be reversed to apply IFRS 9 when it becomes effective. Under IFRS 9, the requirements for classification, measurement and impairment of financial assets are applied retrospectively with the difference between the previous carrying amount and the carrying amount at the date of initial application recognized in the current period and restatement of prior periods is not required.

2) IFRS 15 “Revenue from Contracts with Customers” and related amendments

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and will supersede IAS 18 “Revenue”, IAS 11 “Construction Contracts” and a number of revenue-related interpretations. When applying IFRS 15, the Company shall recognize revenue by applying the following steps:

- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract; and
- Recognize revenue when the entity satisfies a performance obligation.

When IFRS 15 and related amendments are effective, the Company may elect to apply this Standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying this Standard recognized at the date of initial application.

3) IFRS 16 “Leases”

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 and a number of related interpretations.

Under IFRS 16, if the Company is a lessee, it shall recognize right-of-use assets and lease liabilities for all leases on the balance sheets except for low-value and short-term leases. The Company may elect to apply the accounting method similar to the accounting for operating lease under IAS 17 to the low-value and short-term leases. On the statements of comprehensive income, the Company should present the depreciation expense charged on the right-of-use asset separately from interest expense accrued on the lease liability; interest is computed by using effective interest method. On the statements of cash flows, cash payments for the principal portion of the lease liability are classified within financing activities; cash payments for interest portion are classified within operating activities. The application of IFRS 16 is not expected to have a material impact on the accounting of the Company as lessor.

When IFRS 16 becomes effective, the Company may elect to apply this Standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of the initial application of this Standard recognized at the date of initial application.

4) IFRIC 22 “Foreign Currency Transactions and Advance Consideration”

IAS 21 stipulated that a foreign currency transaction shall be recorded on initial recognition in the functional currency by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction. IFRIC 22 further explains that the date of the transaction is the date on which an entity recognizes a non-monetary asset or non-monetary liability from payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the entity shall determine the date of the transaction for each payment or receipt of advance consideration.

The Company shall apply IFRIC 22 either retrospectively or prospectively to all assets, expenses and income in the scope of the Interpretation initially recognized on or after (a) the beginning of the reporting period in which the entity first applies IFRIC 22, or (b) the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies IFRIC 22.

Except for the above impact, as of the date the financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of other standards and interpretations will have on the Company’s financial position and financial performance, and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis of Preparation

The financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The Company uses equity method to account for its investment in subsidiaries for the stand-alone financial statements. The amounts of the net profit, other comprehensive income and total equity in stand-alone financial statements are same with the amounts attributable to the owner of the Company in its consolidated financial statements since there is no difference in accounting treatment between stand-alone basis and consolidated basis.

Classification of Current and Non-current Assets and Liabilities

Current assets include cash and cash equivalents and those assets held primarily for trading purposes or to be realized, sold or consumed within twelve months after the reporting period, unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. Current liabilities are obligations incurred for trading purposes or to be settled within twelve months after the reporting period and liabilities that the Company does not have an unconditional right to defer settlement for at least twelve months after the reporting period. Except as otherwise mentioned, assets and liabilities that are not classified as current are classified as non-current.

Foreign Currencies

The financial statements are presented in the Company's functional currency, New Taiwan dollars.

In preparing the financial statements, transactions in currencies other than the entity's functional currency are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement are recognized in profit or loss in the period they arise.

Exchange differences arising on the retranslation of non-monetary items measured at fair value are included in profit or loss for the period at the rates prevailing at the end of reporting period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

For the purposes of presenting financial statements, the assets and liabilities of the Company's foreign operations are translated into New Taiwan dollars using exchange rate prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, and exchange difference arising are recognized in other comprehensive income.

Cash Equivalents

Cash equivalents consist of highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value.

Financial Instruments

a. Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis, except derivative financial assets which are recognized and derecognized on settlement date basis.

The categories of financial assets held by the Company are summarized as below:

1) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables including cash and cash equivalent, notes and accounts receivable, account receivable due from related parties, other receivables and refundable deposits are measured at amortized cost using the effective interest method, less any impairment, except for short-term receivable when the effect of discounting is immaterial.

2) Financial assets at fair value through profit or loss

Financial assets are classified as at fair value through profit or loss when the financial assets are either held for trading or designated as at fair value through profit or loss. Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss.

3) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Available-for-sale financial assets are measured at fair value. Dividends on available-for-sale equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of or is determined to be impaired.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment loss at the end of each reporting period and are presented in a separate line item as financial assets carried at cost. If, in a subsequent period, the fair value of the financial assets can be reliably measured, the financial assets are remeasured at fair value. The difference between carrying amount and fair value is recognized in other comprehensive income on financial assets. Any impairment losses are recognized in profit and loss.

b. Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial

recognition of the financial asset, the estimated future cash flows of the investment have been affected.

The objective evidence of impairment for trade receivables could include the Company's past experience of collecting payments, the delayed payments in past period, the information which correlates with default on receivables, as well as the estimation of future cash flows. The amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be evidence of impairment. When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

In respect of available-for-sale equity securities, increase in fair value subsequent to an impairment loss previously recognized in profit or loss is recognized in other comprehensive income. In respect of available-for-sale debt securities, the impairment loss is subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When accounts receivable are considered uncollectible, the amount is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

c. Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

d. Financial liabilities

Financial liabilities are classified as at fair value through profit or loss when the financial liability is either held for trading or it is designated as at fair value through profit or loss. Financial liabilities at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss.

Financial liabilities are measured at amortized cost using the effective interest method, except

financial liabilities at fair value through profit or loss.

e. Derecognition of financial liabilities

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

f. Derivative financial instruments

The Company enters into derivative financial instruments to manage its exposure to foreign exchange rate risks, including foreign exchange forward contracts.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. When the fair value of derivative financial instruments is positive, the derivative is recognized as a financial asset; when the fair value of derivative financial instruments is negative, the derivative is recognized as a financial liability.

Inventories

Inventories consist of raw materials, supplies, finished goods and work-in-process. The cost of raw materials and supplies are recognized using moving average method and finished goods and work-in-process are recorded at standard cost and adjusted to approximate weighted-average cost at the end of the reporting period. Inventories are stated at the lower of cost or net realizable value, and evaluated and recognized appropriate allowance for devaluation based on the amount of inventories and sales situation. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale.

Investments Accounted for Using Equity Method

Investment in subsidiaries

Subsidiaries are the entities controlled by the Company. Under the equity method, the investment is initially recognized at cost and the carrying amount is increased or decreased to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary after the date of acquisition. Besides, the Company also recognizes the Company's share of the change in other equity of the subsidiary.

When the Company's share of losses of a subsidiary equals or exceeds its interest in that subsidiary (which includes any carrying amount of the investment in subsidiary accounted for by the equity method and long-term interests that, in substance, form part of the Company's net investment in the subsidiary), the Company continues recognizing its share of further losses.

When the Company loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Company had directly disposed of the related assets or liabilities.

Profits and losses from downstream transactions with a subsidiary are eliminated in full. Profits and losses from upstream transactions with a subsidiary are recognized in the Company's financial statements only to the extent of interests in the subsidiary that are not related to the Company.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less recognized accumulated depreciation and accumulated impairment loss.

Property, plant and equipment in the course of construction are carried at cost, less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for intended use.

Depreciation is recognized using the straight-line method over the following estimated useful life after considering residual values : buildings 8-20 years, machinery and equipment 3-5 years and other equipment 5 years. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Intangible Assets

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized using the straight-line method over the following estimated useful life of the assets: Deferred technical assets - economic life or contract period and other intangible assets 3-5 years. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period with the effect of any changes in estimate accounted for on a prospective basis.

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

Impairment of Tangible and Intangible Assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Recoverable amount is the higher of fair value less costs to sell and value in use.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

When an impairment loss is subsequently reversed, the reversed carrying amount does not exceed the carrying amount (reduce amortization or depreciation) that would have been determined had no impairment loss been recognized on the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Products Guarantee Based on Commitment

The Company would estimate guarantee provision by the appropriate ratio when the related product sold.

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Revenue from the sale of goods is recognized when all the following conditions are satisfied:

- a. The Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- b. The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- c. The amount of revenue can be measured reliably;
- d. It is probable that the economic benefits associated with the transaction will flow to the Company; and
- e. The costs incurred or to be incurred in respect of the transaction can be measured reliably.
- f. Service income is recognized when services are provided.

Leasing

The lease terms of the Company does not transfer substantially all the risks and rewards of ownership to the lessee. All the leases are classified as operating lease. Rental income from operating lease is recognized on a straight-line basis over the term of the relevant lease. As lessee, operating lease payments are recognized as an expense on a straight-line basis over the lease period. Under operating lease, contingent rents payable arising are recognized as an expense in the period in which they are incurred.

Employee Benefits

a. Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

b. Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost and net interest on the net defined benefit liability are recognized as employee benefits expense in the period they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets excluding interest, is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liability represents the actual deficit in the Company's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

a. Current tax

According to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain the earnings. Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

b. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and it is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit.

Deferred tax assets arising from deductible temporary differences associated with investments in subsidiaries are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The Company's critical accounting judgments and key sources of estimation uncertainty are described below:

a. Valuation of inventory

Net realizable value of inventory is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The estimation of net realizable value is based on current market conditions and the historical experience from selling products of a similar nature. Changes in market conditions may have a material impact on the estimation of net realizable value.

b. Impairment of accounts receivable

Objective evidence of impairment used in evaluating impairment loss includes estimated future cash flows. The amount of impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. If the future cash flows are lower than expected, significant impairment loss may be recognized.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2016	2015
Cash and cash in bank	\$ 1,332,591	\$ 1,359,149
Repurchase agreements collateralized by bonds	<u>127,300</u>	<u>23,200</u>
	<u>\$ 1,459,891</u>	<u>\$ 1,382,349</u>

The Company has time deposits pledged to secure land lease and customs tariff obligation which are reclassified as “refundable deposits”:

	December 31	
	2016	2015
Time deposits	<u>\$ 61,854</u>	<u>\$ 61,398</u>

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2016	2015
<u>Financial liabilities at FVTPL - current</u>		
Foreign exchange forward contracts	<u>\$ 707</u>	<u>\$ 1,379</u>

At the end of the reporting period, outstanding foreign exchange forward contracts not under hedge accounting were as follows:

	Currencies	Maturity Date	Contract Amount (In Thousands)
<u>December 31, 2016</u>			
Sell forward exchange contracts	USD/NTD	2017.01.12-2017.01.26	USD5,000/NTD160,543
<u>December 31, 2015</u>			
Sell forward exchange contracts	USD/NTD	2016.01.05-2016.02.04	USD10,000/NTD326,871

The Company entered into forward exchange contracts to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities. The forward exchange contracts entered into by the Company did not meet the criteria for hedge accounting, therefore, the Company did not apply hedge accounting treatment for forward exchange contracts.

8. NOTES AND ACCOUNTS RECEIVABLE

December 31

	<u>2016</u>	<u>2015</u>
Notes receivable	\$ 71	\$ 14
Accounts receivable	483,051	360,287
Less: Allowance for doubtful accounts	<u>(10,676)</u>	<u>(11,992)</u>
	<u>\$ 472,446</u>	<u>\$ 348,309</u>

The average credit period for sales of goods was 30-60 days. Allowance for doubtful accounts is based on estimated irrecoverable amounts determined by reference to aging of receivables, past default experience of the counterparties and an analysis of their financial position.

The aging of accounts receivable was as follows:

	<u>December 31</u>	
	<u>2016</u>	<u>2015</u>
Not overdue	\$ 479,459	\$ 357,619
Overdue under 30 days	3,663	2,682
Overdue 31-90 days	-	-
Overdue 91 days and longer	<u>-</u>	<u>-</u>
	<u>\$ 483,122</u>	<u>\$ 360,301</u>

The movements of the allowance for doubtful accounts were as follows:

	<u>For the Year Ended December 31</u>	
	<u>2016</u>	<u>2015</u>
Balance at January 1	\$ 11,992	\$ 9,853
Provision (reversed)	<u>(1,316)</u>	<u>2,139</u>
Balance at December 31	<u>\$ 10,676</u>	<u>\$ 11,992</u>

9. INVENTORIES

	<u>December 31</u>	
	<u>2016</u>	<u>2015</u>
Raw materials and supplies	\$ 79,157	\$ 74,558

Work-in-process	843,337	750,865
Finished goods	241,997	198,709
Inventories in transit	<u>4,478</u>	<u>1,083</u>
	<u>\$ 1,168,969</u>	<u>\$ 1,025,215</u>

- a. As of December 31, 2016 and 2015, the allowance for inventory devaluation was \$298,521 thousand and \$322,784 thousand, respectively.
- b. The cost of goods sold for the years ended December 31, 2016 and 2015 was \$4,908,265 thousand and \$4,255,699 thousand, respectively. The cost of goods sold included inventory write-downs and obsolescence and abandonment of inventories in the amounts of \$29,014 thousand loss and \$21,156 thousand loss for the years ended December 31, 2016 and 2015, respectively.

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS - NON-CURRENT

	<u>December 31</u>	
	2016	2015
<u>Publicly traded investment</u>		
Nyquest Technology Co., Ltd. (Note 11)	<u>\$ 92,876</u>	<u>\$ -</u>

11. FINANCIAL ASSETS MEASURED AT COST, NON-CURRENT

	<u>December 31</u>	
	2016	2015
<u>Non-publicly traded investment</u>		
United Industrial Gases Co., Ltd.	\$ 280,000	\$ 280,000
Brightek Optoelectronic Co., Ltd.	493	493
Yu-Ji Venture Capital Co., Ltd.	25,000	30,000
Nyquest Technology Co., Ltd.	<u>-</u>	<u>44,691</u>
	<u>\$ 305,493</u>	<u>\$ 355,184</u>

Management believed that the above non-publicly traded investments held by the Company have fair value that cannot be reliably measured because the range of reasonable fair value estimates was so significant and various estimates cannot be reasonably estimated; therefore they were measured at cost less impairment at the end of reporting period.

In 2016, the Company sold part of its interest in Nyquest Technology Co., Ltd. with carrying amount of

\$4,506 thousand and recognized a disposal gain of \$3,737 thousand. Nyquest Technology Co., Ltd.'s shares have been listed on the Taipei Exchange Market since May 9, 2016. The Company reclassified its investment from "Financial assets measured at cost" to "Available-for-sale financial assets" at its fair value at the date when shares were listed; please refer to Note 10.

12. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31			
	2016		2015	
Investments in subsidiaries	<u>\$ 1,081,165</u>		<u>\$ 1,109,330</u>	
	December 31			
	2016		2015	
	Carrying Value	Ownership Percentage	Carrying Value	Ownership Percentage
<u>Non-publicly traded companies</u>				
Marketplace Management Ltd. ("MML")	\$ 77,702	100	\$ 82,680	100
Pigeon Creek Holding Co., Ltd. ("PCH")	178,786	100	177,861	100
Nuvoton Investment Holding Ltd. ("NIH")	297,902	100	290,441	100
Nuvoton Electronics Technology (H.K.) Limited ("NTHK")	441,890	100	460,482	100
Song Yong Investment Corporation ("SYI")	57,829	100	27,518	100
Techdesign Corporation ("Techdesign")	-	-	40,967	100
Nuvoton Technology India Private Ltd. ("NTIPL")	<u>27,056</u>	100	<u>29,381</u>	100
	<u>\$ 1,081,165</u>		<u>\$ 1,109,330</u>	

In 2016 and 2015, MML raised additional capital of \$798 thousand and \$3,507 thousand through issuance of shares for cash, which the Company bought entirely, respectively. In 2015, NIH reduced its capital and \$42,198 thousand was returned to the Company.

In March 2015, Techdesign was incorporated by the Company and the authorized capital was \$50,000 thousand. On May 18, 2016, the Company sold 100% of the shares of Techdesign to related party,

WEC; accordingly, the Company lost its control. The selling price of the investments was \$49,850 thousand and the Company received the total amount.

13. PROPERTY, PLANT AND EQUIPMENT

	December 31	
	2016	2015
Land and buildings	\$ 67,289	\$ 80,695
Machinery and equipment	324,347	267,509
Other equipment	47,583	52,694
Construction in progress and prepayments for purchase of equipment	<u>35,733</u>	<u>9,341</u>
	<u>\$ 474,952</u>	<u>\$ 410,239</u>

	Land and Buildings	Machinery and Equipment	Other Equipment	Construction in Progress and Prepayments for Purchase of Equipment	Total
<u>Cost</u>					
Balance at January 1, 2016	\$ 3,464,808	\$ 11,427,554	\$ 168,278	\$ 9,341	\$ 15,069,981
Additions	7,094	142,485	10,495	30,791	190,865
Disposals	-	(112,279)	(10,002)	-	(122,281)
Reclassified	<u>-</u>	<u>4,385</u>	<u>14</u>	<u>(4,399)</u>	<u>-</u>
Balance at December 31, 2016	<u>3,471,902</u>	<u>11,462,145</u>	<u>168,785</u>	<u>35,733</u>	<u>15,138,565</u>
<u>Accumulated depreciation and impairment</u>					
Balance at January 1, 2016	3,384,113	11,160,045	115,584	-	14,659,742
Disposals	-	(112,191)	(10,001)	-	(122,192)
Depreciation expenses	<u>20,500</u>	<u>89,944</u>	<u>15,619</u>	<u>-</u>	<u>126,063</u>
Balance at December 31, 2016	<u>3,404,613</u>	<u>11,137,798</u>	<u>121,202</u>	<u>-</u>	<u>14,663,613</u>
Carrying amount at December 31, 2016	<u>\$ 67,289</u>	<u>\$ 324,347</u>	<u>\$ 47,583</u>	<u>\$ 35,733</u>	<u>\$ 474,952</u>

Cost

Balance at January 1, 2015	\$ 3,455,473	\$ 11,483,572	\$ 158,215	\$ 1,466	\$ 15,098,726
Additions	12,434	104,408	12,621	9,341	138,804
Disposals	(3,141)	(161,668)	(2,740)	-	(167,549)
Reclassified	<u>42</u>	<u>1,242</u>	<u>182</u>	<u>(1,466)</u>	<u>-</u>
Balance at December 31, 2015	<u>3,464,808</u>	<u>11,427,554</u>	<u>168,278</u>	<u>9,341</u>	<u>15,069,981</u>

Accumulated depreciation and impairment

Balance at January 1, 2015	3,369,222	11,237,993	103,191	-	14,710,406
Disposals	(3,141)	(161,668)	(2,711)	-	(167,520)
Depreciation expenses	18,032	83,720	15,104	-	116,856
Reclassified	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance at December 31, 2015	<u>3,384,113</u>	<u>11,160,045</u>	<u>115,584</u>	<u>-</u>	<u>14,659,742</u>
Carrying amount at December 31, 2015	<u>\$ 80,695</u>	<u>\$ 267,509</u>	<u>\$ 52,694</u>	<u>\$ 9,341</u>	<u>\$ 410,239</u>

14. INTANGIBLE ASSETS

	<u>December 31</u>	
	2016	2015
Deferred technical assets	<u>\$ 225,964</u>	<u>\$ 197,238</u>

**Deferred
Technical
Assets**

Cost

Balance at January 1, 2016	\$ 764,924
Addition	<u>101,431</u>
Balance at December 31, 2016	<u>866,355</u>

Accumulated amortization and impairment

Balance at January 1, 2016	567,686
Amortization expenses	<u>72,705</u>
Balance at December 31, 2016	<u>640,391</u>

Carrying amount at December 31, 2016 \$ 225,964

Cost

Balance at January 1, 2015	\$ 755,331
Addition	<u>9,593</u>
Balance at December 31, 2015	<u>764,924</u>

Accumulated amortization and impairment

Balance at January 1, 2015	503,057
Amortization expenses	<u>64,629</u>
Balance at December 31, 2015	<u>567,686</u>

Carrying amount at December 31, 2015 \$ 197,238

15. OTHER PAYABLES

	December 31	
	2016	2015
Payable for salaries or employee benefits	\$ 370,827	\$ 335,748
Payable for businesses	155,062	142,104
Payable for subsidiaries service fees (Note 24)	110,814	99,150
Payable for purchase of equipment (Note 24)	75,579	43,730
Payable for royalties	70,671	67,136
Others	<u>179,650</u>	<u>169,729</u>
	<u>\$ 962,603</u>	<u>\$ 857,597</u>

16. RETIREMENT BENEFIT PLANS

a. Defined contribution plan

The Company adopted a pension plan under the Labor Pension Act (the “LPA”), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees’ individual pension accounts at 6% of monthly salaries and wages.

b. Defined benefit plan

The defined benefit plan adopted by the Company in accordance with the Labor Standards Law is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. In 2016 and 2015, the Company contributed amounts equal to 15%, of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee’s name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (“the Bureau”); the Company has no right to influence the investment policy and strategy.

The amounts included in the balance sheets in respect of the Company’s defined benefit plans were as follows:

	December 31	
	2016	2015
Present value of defined benefit obligation	\$ 884,494	\$ 854,733
Fair value of plan assets	<u>(534,677)</u>	<u>(476,000)</u>
Net defined benefit liability	<u>\$ 349,817</u>	<u>\$ 378,733</u>

Movements in net defined benefit liability (asset) were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability (Asset)
Balance at January 1, 2015	\$ 830,433	\$(415,669)	\$ 414,764
Service cost			
Current service cost	9,802	-	9,802
Net interest expense (income)	<u>18,324</u>	<u>(9,124)</u>	<u>9,200</u>
Recognized in profit or loss	<u>28,126</u>	<u>(9,124)</u>	<u>19,002</u>
Remeasurement			
Actuarial (gain) loss - the discount rate	-	(2,624)	(2,624)

more (less) than realized rate of return			
Actuarial (gain) loss - changes in financial assumptions	32,084	-	32,084
Actuarial (gain) loss - experience adjustments	<u>184</u>	<u>-</u>	<u>184</u>
Recognized in other comprehensive income	<u>32,268</u>	<u>(2,624)</u>	<u>29,644</u>

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability (Asset)
Contributions from the employer	\$ -	\$ (84,677)	\$ (84,677)
Plan assets paid	<u>(36,094)</u>	<u>36,094</u>	<u>-</u>
Balance at December 31, 2015	854,733	(476,000)	378,733
Service cost			
Current service cost	9,963	-	9,963
Net interest expense (income)	<u>15,886</u>	<u>(9,495)</u>	<u>6,391</u>
Recognized in profit or loss	<u>25,849</u>	<u>(9,495)</u>	<u>16,354</u>
Remeasurement			
Actuarial (gain) loss - the discount rate more (less) than realized rate of return	-	6,294	6,294
Actuarial (gain) loss - changes in financial assumptions	19,328	-	19,328
Actuarial (gain) loss - experience adjustments	<u>11,587</u>	<u>-</u>	<u>11,587</u>
Recognized in other comprehensive income	<u>30,915</u>	<u>6,294</u>	<u>37,209</u>
Contributions from the employer	-	(82,479)	(82,479)
Plan assets paid	<u>(27,003)</u>	<u>27,003</u>	<u>-</u>
Balance at December 31, 2016	<u>\$ 884,494</u>	<u>\$(534,677)</u>	<u>\$ 349,817</u> (Concluded)

The amounts recognized in profit or loss in respect of these defined benefit plans were as follows:

	For the Year Ended December 31	
	2016	2015
Analysis by function		
	\$	\$
Operating costs	9,281	10,700
Selling expenses		

	125	186
General and administrative expenses	1,420	1,626
Research and development expenses	<u>5,528</u>	<u>6,490</u>
	<u>\$</u>	<u>\$</u>
	<u>16,354</u>	<u>19,002</u>

Through the defined benefit plans under the Labor Standards Law, the Company is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the debt investments of the plan assets.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2016	2015
Discount rate(s)	1.75%	1.90%
Expected rate(s) of salary increase	1%-2%	1%-2%

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	December 31	
	2016	2015
Discount rate(s)		
0.25% increase	<u>\$(21,476)</u>	<u>\$(23,097)</u>
0.25% decrease	<u>\$ 22,277</u>	<u>\$ 24,032</u>
Expected rate(s) of salary increase		
0.25% increase	<u>\$ 22,242</u>	<u>\$ 24,027</u>
0.25% decrease	<u>\$(21,546)</u>	<u>\$(23,203)</u>

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2016	2015
The expected contributions to the plan for the next year	<u>\$ 90,000</u>	<u>\$ 84,672</u>
The average duration of the defined benefit obligation	10 years	11.2 years

17. EQUITY

a. Common stock

	December 31	
	2016	2015
Authorized shares (in thousands)	<u>300,000</u>	<u>300,000</u>

Authorized capital	<u>\$ 3,000,000</u>	<u>\$ 3,000,000</u>
Issued and paid shares (in thousands)	<u>207,554</u>	<u>207,554</u>
Issued capital	<u>\$ 2,075,544</u>	<u>\$ 2,075,544</u>
Par value (in New Taiwan dollars)	<u>\$ 10</u>	<u>\$ 10</u>

As of December 31, 2016 and 2015, the balance of the Company's capital account amounted to \$2,075,544 thousand, divided into 207,554 thousand common shares at par NT\$10 per share.

b. Capital surplus

	<u>December 31</u>	
	2016	2015
May be used to offset a deficit, distributed as cash dividends, or transferred to capital*		
Additional paid-in capital	\$ 63,485	\$ 63,485
<u>May not be used for any purpose</u>		
Employee share options	<u>13</u>	<u>13</u>
	<u>\$ 63,498</u>	<u>\$ 63,498</u>

* Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed in cash or transferred to capital (limited to a certain percentage of the Company's paid-in capital and once a year).

c. Retained earnings and dividend policy

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to shareholders and do not include employees. The shareholders held their regular meeting on June 15, 2016 and, in that meeting, had resolved amendments to the Company's Articles of Incorporation (the "Articles"), particularly the amendment to the policy on dividend distribution and the addition of the policy on distribution of employees' compensation.

According to the revised Company Law of the ROC and the Company's Articles of Incorporation, if the Company has surplus earnings at the end of a fiscal year, after covering all losses incurred in prior years and paying all taxes, the Company shall set aside 10% of said earnings as legal reserve. However, legal reserve need not be made when the accumulated legal reserve equals the paid-in capital of the Company. After setting aside or reversing special reserve pursuant to applicable laws and regulations and orders of competent authorities from (1) the remaining amount plus undistributed retained earnings; or (2) the difference between the undistributed retained earnings and the losses suffered by the Company at the end of a fiscal year if the losses can be fully covered by the undistributed retained earnings, the Company shall distribute the remaining amount (if not otherwise set aside as special reserve and reserved based on business needs) and shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for bonus to shareholders. In principle, not less than 10% of the total shareholders bonus shall be distributed in form of cash. For the policies on distribution of employees' compensation and remuneration to directors and supervisors before and after amendment, please refer to Note 19 Employee benefits expense.

The appropriation for legal reserve shall be made until the legal reserve equals the Company's paid-in capital. Legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

Except for non-ROC resident shareholders, all shareholders receiving the dividends are allowed a tax credit equal to their proportionate share of the income tax paid by the Company.

The appropriations of the Company's earnings for 2015 and 2014 had been approved in the shareholders' meetings on June 15, 2016 and June 10, 2015, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For	For	For	For
	Year 2015	Year 2014	Year 2015	Year 2014
Legal reserve	\$ 46,902	\$ 34,309		
Cash dividends	<u>373,598</u>	<u>249,065</u>	\$ 1.80	\$ 1.20
	<u>\$ 420,500</u>	<u>\$ 283,374</u>		

The appropriations of the Company's earnings for 2016 had been approved in the Board of Directors' meeting on February 3, 2017. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 61,316	
Cash dividends	498,131	\$ 2.40

The appropriations of earnings for 2016 will be presented for approval in the shareholders' meeting to be held on June 14, 2017 (expected).

d. Other equity items

1) The exchange differences arising on translation of foreign operations' net assets from its functional currency to the Company's presentation currency (New Taiwan dollar) are recognized directly in other comprehensive income. As of December 31, 2016 and 2015, other comprehensive income or loss was \$32,197 thousand loss and \$17,419 thousand gain, respectively.

2) Unrealized gain (loss) on available-for-sale financial assets

	For the Year Ended December 31	
	2016	2015
Balance at January 1	\$ -	\$ -
Unrealized gain (loss) on revaluation of	52,691	-

available-for-sale financial assets		
Share of unrealized gain (loss) on revaluation of available-for-sale financial assets of subsidiaries accounted for using the equity method	<u>30,657</u>	<u>-</u>
Balance at December 31	<u>\$ 83,348</u>	<u>\$ -</u>

Unrealized gain (loss) on available-for-sale financial assets represents the cumulative gains or losses arising from the fair value measurement on available-for-sale financial assets that are recognized in other comprehensive income. When those available-for-sale financial assets have been disposed of or are determined to be impaired subsequently, the related cumulative gains or losses in other comprehensive income are reclassified to profit or loss.

18. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

The major components of income tax expense were as follows:

	For the Year Ended December 31	
	2016	2015
Current income tax	\$ 89,000	\$ 67,000
Adjustments for prior year's tax	(1,107)	(6,713)
Deferred tax	<u>(10,000)</u>	<u>20,000</u>
Income tax expense recognized in profit or loss	<u>\$ 77,893</u>	<u>\$ 80,287</u>

b. Reconciliation of accounting profit and income tax expense is as follows:

	For the Year Ended December 31	
	2016	2015
Profit before tax from continuing operations	\$ 117,000	\$ 93,000
Adjustments		
Permanent differences	(20,000)	(15,000)
Tax-exempt income	(8,000)	(11,000)
Additional income tax on unappropriated earnings	1,888	5,358
Current income tax credit	<u>(1,888)</u>	<u>(5,358)</u>
Current income tax	89,000	67,000
Deferred income tax	(10,000)	20,000
Adjustment for prior years' tax	<u>(1,107)</u>	<u>(6,713)</u>
Income tax expense recognized in profit or loss	<u>\$ 77,893</u>	<u>\$ 80,287</u>

The applicable tax rate used above is the corporate tax rate of 17% payable by the Company in ROC.

As the status of 2016 appropriations of earnings was not yet approved in the shareholders' meeting, the potential income tax consequences of 2016 unappropriated earnings were not reliably determinable.

c. Current tax liabilities

December 31

	<u>2016</u>	<u>2015</u>
Income tax payable	<u>\$ 16,109</u>	<u>\$ 52,885</u>

d. Deferred income tax assets

	<u>December 31</u>	
	<u>2016</u>	<u>2015</u>
Deferred income tax assets		
Unrealized investment loss	\$ -	\$ 33,000
Allowance for loss on inventories and others	<u>72,000</u>	<u>61,000</u>
	<u>\$ 72,000</u>	<u>\$ 94,000</u>

e. Information about unused tax-exemption

As of December 31, 2016, profits attributable to the following expansion projects were exempted from income tax for a five-year period:

<u>Expansion of Construction Project</u>	<u>Tax-exemption Period</u>
Advanced integrated circuit design	2014-2018

f. The information on the Company's integrated income tax was as follows:

	<u>December 31</u>	
	<u>2016</u>	<u>2015</u>
Unappropriated earnings		
Generated on and after January 1, 1998	<u>\$ 786,274</u>	<u>\$ 627,654</u>
Imputation credits account	<u>\$ 113,443</u>	<u>\$ 148,632</u>

The creditable ratio for distribution of earnings for the years ended December 31, 2016 and 2015 was 14.43% (estimate) and 24.50%, respectively.

g. Income tax assessments

The Company's tax returns through 2014 have been assessed by the tax authorities.

19. EMPLOYEE BENEFITS EXPENSE, DEPRECIATION, AND AMORTIZATION

For the Year Ended December 31

	2016			2015		
	Classified as	Classified as	Total	Classified as	Classified as	Total
	Operating Costs	Operating Expenses		Operating Costs	Operating Expenses	
Employee benefits expense						
Short-term employment						
benefits	\$ 696,544	\$ 947,469	\$ 1,644,013	\$ 696,071	\$ 851,838	\$ 1,547,909
Post-employment						
benefits	33,105	42,854	75,959	34,574	40,157	74,731
Depreciation	98,833	27,230	126,063	92,171	24,685	116,856
Amortization	33,293	39,412	72,705	33,290	31,339	64,629

To be in compliance with the Company Act, as amended in May 2015, and the amended Articles of Incorporation of the Company approved by the shareholders in their meeting on June 15, 2016, the Company stipulated to distribute employees' compensation and remuneration to directors at the rates no less than 1% and no higher than 1%, respectively, of profit before income tax, employees' compensation, and remuneration to directors.

The employees' compensation and remuneration to directors and supervisors for 2016 and 2015 which have been approved in the Board of Directors' meetings on February 3, 2017 and January 28, 2016, respectively, were as follows:

	For the Year Ended December 31			
	2016		2015	
	Amount	%	Amount	%
Employees' cash compensation	\$ 44,584	6	\$ 35,439	6
Remuneration of directors and supervisors	7,431	1	5,906	1

If there is a change in the proposed amounts after the annual financial statements were authorized for issue, the differences are recorded as a change in accounting estimate. There was no difference between the actual amounts of employees' compensation and remuneration to directors and supervisors paid and the amounts recognized in the financial statements for the year ended December 31, 2015.

For the year ended December 31, 2014, the bonus to employees and remuneration to directors and supervisors were \$37,360 thousand and \$4,981 thousand, respectively. There was no difference between the amounts of the bonus to employees and the remuneration to directors and supervisors approved in the shareholders' meeting on June 10, 2015 and the amounts recognized in the financial statements for the year ended December 31, 2014.

Information on the employees' compensation and remuneration to directors and supervisors resolved by the Company's Board of Directors in 2017 and 2016, and the bonus to employees and remuneration to directors and supervisors resolved by the shareholders in their meeting in 2015 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

20. EARNINGS PER SHARE

The numerators and denominators used in calculating basic and diluted earnings per share ("EPS") were as follows:

	Amounts (Numerator)	Shares (Denominator)	EPS (NT\$)
		(In Thousands)	
<u>For the year ended December 31, 2016</u>			
Net profit	<u>\$ 613,165</u>		
Basic EPS			
Earnings used in the computation of basic EPS	613,165	207,554	\$ 2.95
Effect of potentially dilutive ordinary shares			
Employee's compensation	<u> -</u>	<u> 1,152</u>	

Diluted EPS

Earnings used in the computation of diluted

EPS

\$ 613,165

208,706

2.94

For the year ended December 31, 2015

Net profit

\$ 469,022

(Continued)

	Amounts	Shares	
	(Numerator)	(Denominator)	
		(In	EPS (NT\$)
		Thousands)	
Basic EPS			
Earnings used in the computation of basic EPS	\$ 469,022	\$ 207,554	\$ 2.26
Effect of potentially dilutive ordinary shares			
Employee's compensation or bonus	<u>-</u>	<u>1,748</u>	
Diluted EPS			
Earnings used in the computation of diluted EPS	<u>\$ 469,022</u>	<u>209,302</u>	2.24
			(Concluded)

If the Company offered to settle compensation or bonus paid to employees in cash or shares, the Company assumed the entire amount of the compensation or bonus would be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. The number of shares used in the computation of diluted EPS is estimated by the amount of compensation or bonus divided by the closing price of the potential common shares at the end of the reporting period. Such dilutive effect of the potential shares was included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

21. OPERATING LEASE ARRANGEMENTS

The Company as Lessee

a. Lease arrangements

The Company leased land from Science Park Administration, and the lease term will expire in December 2017, but can be extended after the expiration of the lease period.

The Company leased a land from Taiwan Sugar Corporation under a twenty-year term from October 2014 to September 2034, which is allowed to extend upon the expiration of lease. The chairman of the Company is a joint guarantor of such lease; please refer to Note 24.

The Company leased some of the offices, and the lease terms will expire between 2015 and 2022, but can be extended after the expiration of the lease periods.

As of December 31, 2016 and 2015, deposits paid under operating leases amounted to \$30,899 thousand and \$30,803 thousand, respectively.

b. Prepayments for lease obligations

	December 31	
	2016	2015
Current (recorded as “other current assets”)	\$ 4,112	\$ 3,140
Non-current (recorded as “other non-current assets”)	<u>39,892</u>	<u>42,273</u>
	<u>\$ 44,004</u>	<u>\$ 45,413</u>

Prepaid lease payments include Taiwan Sugar Corporation’s land use right, which is located in Tainan.

c. Lease expense

	For the Year Ended December 31	
	2016	2015
Lease expenditure	<u>\$ 37,078</u>	<u>\$ 37,256</u>

22. CAPITAL MANAGEMENT

The Company’s capital management objective is to ensure it has the necessary financial resources and operational plan so that it can cope with the next twelve months working capital requirements, capital expenditures, research and development expenses, debt repayments and dividends payments.

23. FINANCIAL INSTRUMENT

a. Categories of financial instruments

	December 31			
	2016		2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Financial assets</u>				
Loans and receivables				
Cash and cash equivalents	\$ 1,459,891	\$ 1,459,891	\$ 1,382,349	\$ 1,382,349
Notes and accounts receivable	472,446	472,446	348,309	348,309
Accounts receivable due from related parties	140,763	140,763	122,670	122,670

Other receivables	2,543	2,543	3,344	3,344
Refundable deposits	64,881	64,881	64,380	64,380
Available-for-sale financial assets	92,876	92,876	-	-
Financial assets measured at cost	305,493	305,267	355,184	354,949

Financial liabilities

Measured at amortized cost

Accounts payable	904,486	904,486	664,834	664,834
Other payables	960,162	960,162	855,420	855,420
Guarantee deposits (recorded in other non-current liabilities)	1,850	1,850	1,862	1,862
Long-term contract payable (recorded in other non-current liabilities)	22,868	22,868	34,914	32,790

Financial liabilities at fair value through profit or loss

Derivative financial instruments	707	707	1,379	1,379
----------------------------------	-----	-----	-------	-------

b. Fair value information

- 1) The fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and the significance in its entirety, which are described as follows:
 - a) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
 - b) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
 - c) Level 3 inputs are unobservable inputs for the asset or liability.
- 2) Fair value measurements recognized in the balance sheets
 - a) The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes publicly traded stocks).
 - b) The fair value of the financial instruments at fair value through profit or loss is based on Level 2 inputs, either directly or indirectly. The fair value of foreign-currency derivative financial instrument could be determined by reference to the price and discount rate of currency swap quoted by financial institutions. Foreign exchange forward contracts use individual maturity rate to calculate the fair value of each contract.
 - c) The fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.
- 3) Financial instruments that are not measured at fair value

 Management believes the carrying amounts of financial assets and financial liabilities that are not measured at fair value recognized in the financial statements approximate their fair values.

4) Fair value of financial instruments that are measured at fair value on a recurring basis

	December 31, 2016			
	Level 1	Level 2	Level 3	Total
<u>Available-for-sale financial assets</u>				
Domestic listed equity securities	<u>\$92,876</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$92,876</u>
<u>Financial liabilities at FVTPL</u>				
Derivatives	<u>\$ -</u>	<u>\$ 707</u>	<u>\$ -</u>	<u>\$ 707</u>
December 31, 2015				

	Level 1	Level 2	Level 3	Total
<u>Financial liabilities at FVTPL</u>				
Derivatives	\$ -	\$ 1,379	\$ -	\$ 1,379

5) Fair value of financial instruments that are not measured at fair value

	December 31, 2016				
	Carrying Amount	Level 1	Level 2	Level 3	Total
<u>Financial assets measured at cost</u>					
Domestic emerging equity securities	\$ 493	\$ -	\$ 267	\$ -	\$ 267

	December 31, 2015				
	Carrying Amount	Level 1	Level 2	Level 3	Total
<u>Financial assets measured at cost</u>					
Domestic emerging equity securities	\$ 493	\$ -	\$ 258	\$ -	\$ 258

There were no transfers among the different Levels in 2016 and 2015.

c. Financial risk management objectives and policies

The Company sought to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives was governed by the Company's policies approved by the Board of Directors, which provide written principles on foreign exchange risk, and use of financial derivatives. Compliance with policies and exposure limits was reviewed by the internal auditors on a continuous basis.

1) Market risk

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Company uses forward foreign exchange contracts to

hedge the foreign currency risk on export.

a) Foreign currency risk

The Company is engaged in foreign currency transaction and thus it is exposed to the risk of changes in foreign currency exchange rates. The Company uses forward foreign exchange contracts to hedge the exchange rate risk within approved policy parameters utilizing forward foreign exchange contracts.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are set out in Note 27.

The sensitivity analysis included only outstanding foreign currency denominated monetary items at the end of the reporting period and assuming an increase in net income and equity if New Taiwan dollars strengthen by 1% against foreign currencies. For a 1% weakening of New Taiwan dollars against the relevant currency, there would be impact on net income in the amounts of \$494 thousand and \$1,673 thousand decrease for the years ended December 31, 2016 and 2015, respectively. The amounts included above for a 1% weakening of New Taiwan dollars against the relevant currency is without considering the impact of hedge contracts and hedged item.

b) Interest rate risk

Interest rate risk refers to the risk that the change in market value will influence the fair value of financial instruments. The Company's interest rate risk arises primarily from floating rate deposits.

As of December 31, 2016 and 2015, the carrying amount of the Company's floating rate deposits with exposure to interest rates was \$5,572 thousand and \$5,521 thousand, respectively.

The sensitivity analyses below were determined based on the Company's exposure to interest rates for fair value of variable-rate derivative instruments at the end of the reporting period. If interest rates had been higher by one percentage point, the Company's cash flows for the years ended December 31, 2016 and 2015 would have increased by \$56 thousand and \$55 thousand, respectively.

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. In this regard, the management of the Company consider that the Company's credit risk was significantly reduced.

3) Liquidity risk

The Company has enough operating capital to comply with loan covenants; liquidity risk is low.

The Company's non-derivative financial liabilities and their agreed repayment period were as follows:

December 31, 2016

	Within 1			
	Year	1-2 Years	Over 2 Years	Total
Non-derivative financial <u>liabilities</u>				
Non-interest bearing	<u>\$ 1,864,648</u>	<u>\$ 11,434</u>	<u>\$ 11,434</u>	<u>\$ 1,887,516</u>

December 31, 2015

	Within 1			
	Year	1-2 Years	Over 2 Years	Total
Non-derivative financial <u>liabilities</u>				
Non-interest bearing	<u>\$ 1,520,254</u>	<u>\$ 11,127</u>	<u>\$ 21,663</u>	<u>\$ 1,553,044</u>

24. RELATED PARTY TRANSACTIONS

- a. The names and relationships of related parties are as follows:

<u>Related Party</u>	<u>Relationship with the Company</u>
Winbond Electronics Corporation (“WEC”)	Parent company
Nuvoton Electronics Technology (H.K.) Limited (“NTHK”)	Subsidiary
Nuvoton Electronics Technology (Shenzhen) Limited (“NTSZ”)	Subsidiary
Nuvoton Technology Corporation America (“NTCA”)	Subsidiary
Nuvoton Technology Israel Ltd. (“NTIL”)	Subsidiary
Song Yong Investment Corporation (“SYI”)	Subsidiary
Techdesign Corporation (“Techdesign”)	Associate (Note)
Winbond Electronics Corporation Japan (“WECJ”)	Associate
Nyquest Technology Co., Ltd. (“Nyquest”)	Related party in substance
Walton Advanced Engineering Inc.	Related party in substance
Chin Cherng Construction Co., Ltd.	Related party in substance

Note: On May 18, 2016, the Company sold 100% of the shares of Techdesign to related party, WEC.

- b. Operating activities

	<u>For the Year Ended December 31</u>	
	<u>2016</u>	<u>2015</u>
1) Operating revenue		
Subsidiary	\$ 3,283,976	\$ 3,005,168
Related party in substance	243,022	214,017
Associate	<u>76,280</u>	<u>90,300</u>
	<u>\$ 3,603,278</u>	<u>\$ 3,309,485</u>
2) Purchase		
Parent company	<u>\$ 144,876</u>	<u>\$ 131,520</u>

3) General and administrative expenses

Subsidiary	\$ 69,941	\$ 60,529
Related party in substance	10,331	10,331
Parent company	<u>110</u>	<u>1,715</u>
	<u>\$ 80,382</u>	<u>\$ 72,575</u>

4) Research and development expenses

Subsidiary	\$ 805,849	\$ 725,352
Parent company	<u>69</u>	<u>74</u>
	<u>\$ 805,918</u>	<u>\$ 725,426</u>

5) Other income

Related party in substance	<u>\$ 5,105</u>	<u>\$ 7,168</u>
----------------------------	-----------------	-----------------

December 31

2016	2015
-------------	-------------

6) Accounts receivable due from related parties

Subsidiary	\$ 83,700	\$ 66,278
Related party in substance	42,340	42,476
Associate	<u>14,723</u>	<u>13,916</u>
	<u>\$ 140,763</u>	<u>\$ 122,670</u>

7) Other receivables

Associate	\$ 96	\$ -
Subsidiary	<u>-</u>	<u>788</u>
	<u>\$ 96</u>	<u>\$ 788</u>

8) Refundable deposits

Related party in substance	\$ <u>1,722</u>	\$ <u>1,722</u>
----------------------------	-----------------	-----------------

9) Accounts payable to related parties

Parent company	\$ <u>27,149</u>	\$ <u>19,882</u>
----------------	------------------	------------------

10) Other payables

Subsidiary	\$ 110,814	\$ 99,150
Parent company	<u>11,006</u>	<u>-</u>
	<u>\$ 121,820</u>	<u>\$ 99,150</u>

11) Guarantee deposits

Parent company	\$ 545	\$ 545
Associate	151	-
Subsidiary	<u>-</u>	<u>151</u>
	<u>\$ 696</u>	<u>\$ 696</u>

Sales and purchase of goods with related party were conducted under normal prices and terms. The trading conditions of other related party transactions were resolved between the Company and related party.

13) Payments for property, plant and equipment

	For the Year Ended December	
	31	
	2016	2015

Parent company	\$ <u>10,722</u>	\$ <u>-</u>
----------------	------------------	-------------

14) Guarantee

As of December 31, 2016, the chairman of the Company is a joint guarantor of the land-lease from Taiwan Sugar Corporation. Please refer to Note 21.

15) Other related party transactions

On May 18, 2016, the Company sold 100% of the shares of subsidiary, Techdesign Corporation,

to related party, WEC, and the selling price of the investments was \$49,850 thousand; please refer to Note 12 and Note 24 of the consolidated financial statements for the year ended December 31, 2016.

16) Compensation of key management personnel

	For the Year Ended December	
	31	
	2016	2015
Short-term employment benefits	\$ 38,560	\$ 30,746
Post-employment benefits	<u>1,370</u>	<u>495</u>
	<u>\$ 39,930</u>	<u>\$ 31,241</u>

The remuneration of directors and key management personnel was determined by the remuneration committee based on the performance of individuals and market trends.

25. PLEDGED AND COLLATERALIZED ASSETS

Please refer to Note 6.

26. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

As of December 31, 2016 amounts available under unused letters of credit were approximately US\$354 thousand.

27. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by foreign currencies other than functional currency of the Company and the exchange rates between foreign currencies and the functional currency were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

	December 31					
	2016			2015		
	Foreign		New Taiwan	Foreign		New Taiwan
	Currencies	Exchange	Dollars	Currencies	Exchange	Dollars
	(Thousand)	Rate	(Thousand)	(Thousand)	Rate	(Thousand)
<u>Financial assets</u>						
Monetary items						
USD	\$ 22,836	32.25	\$ 736,447	\$ 21,393	32.825	\$ 702,232
RMB	2,169	4.617	10,014	1,576	4.995	7,870

ILS	12,940	8.3882	108,542	11,950	8.4085	100,480
Investments accounted for using equity method						
USD	13,775	32.25	444,249	14,100	32.825	462,836
INR	56,959	0.4750	27,056	59,236	0.496	29,381

(Continued)

December 31

2016			2015		
Foreign Currencies (Thousand)	Exchange Rate	New Taiwan Dollars (Thousand)	Foreign Currencies (Thousand)	Exchange Rate	New Taiwan Dollars (Thousand)

Financial liabilities

Monetary items

USD	21,505	32.25	693,535	16,504	32.825	541,738
ILS	12,902	8.3882	108,226	11,792	8.4085	99,150

(Concluded)

The significant realized and unrealized foreign exchange gains (losses) were as follows:

For the Year Ended December 31

Foreign Currencies	2016		2015	
	Exchange Rate	Net Foreign Exchange Gain (Loss)	Exchange Rate	Net Foreign Exchange Gain (Loss)
USD	32.26 (USD:NTD) 4.8457	\$ 7,868	31.74 (USD:NTD) 5.0334	\$ 19,988
RMB	(RMB:NTD)	(455)	(RMB:NTD)	(154)
ILS	8.4015 (ILS:NTD)	<u>(694)</u>	8.1679 (ILS:NTD)	<u>(334)</u>
		<u>\$ 6,719</u>		<u>\$ 19,500</u>

28. OPERATING SEGMENTS INFORMATION

The Company has provided the operating segments disclosure in the consolidated financial statements; therefore, the Company does not provided relevant information in these financial statements.

29. OTHER DISCLOSURES

(1) Significant transactions between Nuvoton and subsidiaries:

No.	Item	Description
1	Lending to others.	N/A
2	Providing endorsements or guarantees for others.	N/A
3	Status of holding securities at the end of the period (excluding investment in subsidiaries and affiliated companies).	See Attachment 1
4	Accumulated purchase or sales of the same securities in excess of NT\$300 million or 20% of the paid-in capital.	N/A
5	Acquired real estate valued in excess of NT\$300 million or 20% of the paid-in capital.	N/A
6	Disposed real estate valued in excess of NT\$300 million or 20% of the paid-in capital.	N/A
7	Amount of purchases from and sales to related parties reaching NT\$100 million or 20% of its paid-in capital.	See Attachment 2
8	Amount of accounts receivable to related parties reaching NT\$100 million or 20% of its paid-in capital.	N/A
9	In the trade of derivatives.	See Note 7
10	Investee companies information.	See Attachment 3

(2) Mainland China investments:

No.	Item	Description
1	Corporate name of investment in mainland China, key business areas, paid-in capital, investment method, incoming and outgoing funds transfers, percentage of shares, recognized investment gains and losses of the period, book value of investment at end of period, repatriated investment gains, and limits on Mainland China investments: N/A	See Attachment 4
2	Any of the following significant transactions with investee companies in the Mainland Area, either directly or indirectly through a third area, and their prices, payment terms, and unrealized gains or losses: (1) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period. (2) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.	See Attachment 4

<p>(3) The amount of property transactions and the amount of the resultant gains or losses.</p> <p>(4) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.</p> <p>(5) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.</p> <p>(6) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services.</p>	
---	--

Attachment 1 Status of the holding of securities by Nuvoton and its reinvestment companies:

Unit: thousand NT\$

Holder	Type and name of security	Relationship with the issuer of the securities.	Account	End of period				Note
				Shares/Unit	Book value	Shareholding ratio (%)	Fair value	
The Company	<u>Equities</u>							
	Yuchi Venture Investment Co., Ltd.	Nuvoton serves as Director of the company	Financial assets carried at cost	2,500,000	\$ 25,000	5	\$ 25,000	
	Brightek Optoelectronic Co., Ltd.	N/A	"	34,680	493	-	267	
	United Industrial Gases Co., Ltd.	Nuvoton serves as Director of the company	"	8,800,000	280,000	4	280,000	
	Nyquest Technology Co., Ltd.	Nuvoton's subsidiary serves as Director of the company	"	2,835,892	92,876	11	92,876	
Song Yong Investment Corporation	Nyquest Technology Co., Ltd.	Song Yong Investment Corporation serves as Director of the company	"	1,650,000	54,037	6	54,037	

Attachment 2 Amount of purchases from and sales to related parties reaching NT\$100 million or 20% of its paid-in capital by Nuvoton and its reinvestment companies:

Unit: thousand NT\$/thousand US\$

Supplier (Buyer) company	Name of counterparty	Relationship	Transaction				Transaction conditions different from regular transactions and the reason		Notes and accounts receivable (payable)		Note
			Purchase/sale	Amount	Ratio of total procurement (sales) (%)	Loan period	Unit price	Loan period	Balance	Percentage of total notes and accounts receivable (payable) Ratio	
The Company	Nuvoton Electronics Technology (H.K.) Limited	A 100% subsidiary of the Company	Sales	\$3,105,875	39	Cash in 90 days on a monthly basis	N/A	N/A	\$42,456	7	
The Company	NTCA	A 100% indirect subsidiary of the Company	Sales	152,615	2	Cash in 90 days on a monthly basis	N/A	N/A	31,575	5	
The Company	Nyquest Technology Co., Ltd.	An investee company with 13% direct shares and 19.97% consolidated shares held by the Company.	Sales	242,653	3	Cash in 45 days on a monthly basis	N/A	N/A	42,304	7	
The Company	Winbond	The parent company of the Company	Procurements	144,876	5	Cash in 30 days on a monthly basis	N/A	N/A	27,149	3	
Nuvoton Electronics Technology (H.K.) Limited	The Company	A subsidiary of the Company	Procurements	USD96,527	100	Cash in 90 days on a monthly basis	N/A	N/A	USD 1,316	100	
NTCA	The Company	A subsidiary of the Company	Procurements	USD 4,586	100	Cash in 90 days on a monthly basis	N/A	N/A	USD 979	100	

Attachment 3 Detailed list of subsidiaries with control capabilities or major influences:

Unit: thousand NT\$

Name of investment company	Name of investee company	Location	Primary scope of business	Initial investment		Holding at end of period			Investee company current profit or loss	Recognized profit or loss of the period	Note
				End of current period	End of 2015	No. of shares	Ratio	Book value			
The Company	Nuvoton Electronics Technology (H.K.) Limited	Hong Kong	Sales services for semiconductor components	\$ 427,092	\$ 427,092	107,400,000	100	\$ 441,890	\$ 2,027	\$ 2,027	
The Company	Pigeon Creek Holding Co., Ltd.	British Virgin Islands	Investment business	438,729	438,729	13,867,925	100	178,786	4,285	4,285	
The Company	MML	British Virgin Islands	Investment business	270,648	269,850	8,752,524	100	77,702	607	607	
The Company	NIH	British Virgin Islands	Investment business	650,122	650,122	19,720,000	100	297,902	4,897	4,897	
The Company	Song Yong Investment Corporation	Taiwan	Investment business	38,500	38,500	3,850,000	100	57,829	2,854	2,854	
The Company	Techdesign Corporation	Taiwan	E-Commerce and product marketing	-	50,000	-	-	-	(6,254)	(6,254)	NOTE1
The Company	Nuvoton Technology India Private Limited	India	Design, sales and service of semiconductor components	30,211	30,211	600,000	100	27,056	(1,084)	(1,084)	
Pigeon Creek Holding Co., Ltd.	NTCA	United States of America	Design, sales and service of semiconductor components	190,862	190,862	60,500	100	192,223	4,432	4,432	
MML	GOLDBOND LLC	United States of America	Investment business	1,471,433	1,470,986	-	100	77,762	943	943	
NIH	NTIL	Israel	Design, sales and service of semiconductor components	46,905	46,905	1,000	100	295,809	5,061	5,061	

Note1 : On May 18, 2016, the Company sold 100% of the shares of Techdesign to related party, WEC.

Note2: For information on investee companies in China, please see Attachment 4.

Attachment 4 Mainland China investments:

1. Corporate name of investment in Mainland China, key business areas, paid-in capital, investment method, incoming and outgoing funds transfers, percentage of shares, investment gains and losses, carrying amount of investment at end of period, and repatriated investment gains:

Unit: thousand NT\$/thousand US\$

Name of investee company in Mainland China	Primary scope of business	Paid-in capital	Investment method	Accumulated amount of investment transferred from Taiwan in this period	Total transfer or repatriated investment amount		Accumulated amount of investment transferred from Taiwan at the end of this period	The Company's direct or indirect shareholding ratio %	Investee company current profit or loss	Recognized profit or loss of the period (Note 1)	Book value by the end of the period	Repatriated investment gains to Taiwan as of the end of the period
					Transfer	Repatriation						
Nuvoton Electronics Technology (Shanghai) Limited	Provide maintenance, test and related consulting services for products and solutions sold in Mainland China	\$ 68,036 (USD 2,000)	Indirect investment from third area Marketplace Management Ltd. of the British Virgin Islands.	\$ 68,036 (USD 2,000)	\$ -	\$ -	\$ 68,036 (USD 2,000)	100	\$ 1,276	\$ 1,276	\$ 79,602	\$ -
Winbond Technology (Nanjing) Co., Ltd.	Provides computer software services (excluding IC design)	16,429 (USD 500)	Indirect investment from third area Marketplace Management Ltd. of the British Virgin Islands.	16,429 (USD 500)	-	-	16,429 (USD 500)	100	1	1	(1,833) (Note 2)	-
Nuvoton Electronics Technology (Shenzhen) Limited	Provides computer software services (excluding IC design), computer and peripheral equipment and software wholesales	193,500 (USD 6,000)	Indirect investment to Mainland China from third area Nuvoton Electronics Technology (H.K.) Limited	193,500 (USD 6,000)	-	-	193,500 (USD 6,000)	100	569	569	202,085	-

Note 1: The recognized investment profit and loss are based on the financial report certified by CPAs.

Note 2: The net value of Winbond Technology (Nanjing) Co., Ltd. at the end of the period is negative, therefore it is transferred to other non-current liabilities.

2. Limits on investment in Mainland China

Company name	Accumulated investment transfers from Taiwan to China as of the end of the period	Investment amount approved by the Investment Commission of the MOEA	In accordance with the limits on investment in Mainland China in accordance with regulations of the Investment Commission of the MOEA
The Company	NT\$ 277,965,000 (US\$ 8,500,000)	NT\$ 277,965,000 (US\$ 8,500,000)	NT\$2,027,084,000

Note 3: The upper limit is 60% of the net value of Nuvoton.

3. Any of the following significant transactions with investment companies in the Mainland Area, either directly or indirectly through a third area, and their prices, payment terms, and unrealized gains or losses: Please attach the consolidated financial report in Attachment
 4. Status of endorsements, guarantees or provision of collateral of investee companies in Mainland China: N/A
 5. Status of direct or indirect provision of funds with investee companies in Mainland China: N/A
 6. Other transactions that have a material effect on the profit or loss for the period or on the financial position: N/A
- 6. Financial difficulties and corporate events encountered by the Company and affiliates in the past year and up to the date of report that have material impact on the financial status of the Company: N/A**

V. Financial Position, Financial Performance and Risk Analysis

1. Analysis of financial status

Unit: NT\$1,000

Item\Year	2016	2015	Variance	
			Change (amount)	Change (%)
Current assets	4,383,299	3,894,667	488,632	13
Property, plant and equipment	526,167	463,594	62,573	13
Intangible assets	257,940	242,622	15,318	6
Other assets	730,875	690,965	39,910	6
Total assets	5,898,281	5,291,848	606,433	11
Current liabilities	1,949,781	1,580,383	369,398	23
Non-current liabilities	570,026	589,664	(19,638)	(3)
Total liabilities	2,519,807	2,170,047	349,760	16
Paid-in capital	2,075,544	2,075,544	-	-
Capital surplus	63,498	63,498	-	-
Retained earnings	1,126,804	921,282	205,522	22
Other interests	112,628	61,477	51,151	83
Total equity	3,378,474	3,121,801	256,673	8
Reasons for changes exceeding 20%:				
1. Current liabilities: Mainly due to increase in accounts payable.				
2. Retained earnings: Mainly due to increased operating profits in 2016.				
3. Other interests: Mainly due to increase in unrealized gains on available-for-sale financial assets.				

2. Analysis of financial performance

Unit: NT\$1,000

Item\Year	2016	2015	Change (amount)	Percentage of change (%)
Operating revenue	8,329,286	7,313,387	1,015,899	14
Operating cost	<u>4,920,966</u>	<u>4,263,860</u>	<u>657,106</u>	15
Gross profit	3,408,320	3,049,527	358,793	12
Operating expenses	<u>2,803,478</u>	<u>2,563,273</u>	<u>240,205</u>	9
Operating profits	604,842	486,254	118,588	24
Non-operating income and expenses	<u>104,108</u>	<u>85,731</u>	<u>18,377</u>	21
Pre-tax profit	708,950	571,985	136,965	24
Income tax expense	<u>95,785</u>	<u>102,963</u>	(<u>7,178</u>)	(7)
Current period net profit	613,165	469,022	144,143	31
Other comprehensive income	<u>17,106</u>	(<u>12,225</u>)	<u>29,331</u>	240
Total comprehensive income	<u>630,271</u>	<u>456,797</u>	<u>173,474</u>	38
Reasons for changes exceeding 20%:				
(1) Increases in operating profit, earnings before tax, current net income, and current total comprehensive income are mainly due to increase in operating revenue.				
(2) Increase in non-operating income and expenses is mainly due to increase in gains on the disposal of investment.				
(3) Increase in other comprehensive income is mainly due to increase in unrealized valuation loss on available-for-sale financial assets.				
The expected sales and its basis, and the possible impact on the Company's future financial operations and response plans:				
Sales forecasts for 2017 remain optimistic with regards to the industry outlook, future market demand and the company's capacity.				

3. Analysis of cash flow

Unit: NT\$1,000

Cash balance, beginning	Annual net cash flow from operating activities	Cash outflow due to investing and financing activities	Cash surplus (deficit)	Cash deficit remedial action	
				Investment plans	Financing plans
1,825,672	733,150	(634,199)	73,155	-	-

1. Analysis on the cash flow changes of the current year:
 - (1) Operating activities: Cash inflow of NT\$733 million mainly due to operating net profit.
 - (2) Investing activities: Cash outflow of NT\$261 million mainly due to purchases of property, plant, equipment and intangible assets.
 - (3) Financing activities: Net cash outflow of NT\$373 million mainly due to distribution of cash dividend.
2. Remedial action for cash deficit and liquidity analysis: N/A.
3. Cash flow analysis for the coming year (note):
 - (1) Cash inflow from operating activities amounted to NT\$510 million: Mainly from operating net profit, add back depreciation and amortization of non-cash expenses.
 - (2) Cash outflow from investing activities amounted to NT\$430 million: Mainly from capital expenditures.
 - (3) Cash outflow from financing activities amounted to NT\$500 million: Main due to distribution of cash dividends.

Note: Unaudited figures.

4. Effect of major capital spending on financial position and business operation in the past year: None.
 1. Major capital spending and its implementation status: None.
 2. Anticipated benefit: None.
5. Investment policy in the past year, profit/loss analysis, improvement plan, and investment plan for the coming year: The company's reinvestment projects are divided into strategic investments and non-strategic investments; the objective of strategic investments is to produce comprehensive results for the operation of the company, and non-strategic investments are financial in nature. The Company has no long-term strategic interest reinvestments in the past year and will formulate plans in the future as required by company operations.
6. Risk management and evaluation
 - (1) Effects of Changes in Interest Rate and Exchange Rate and Inflation on the Company's Finance, and Future Response Measures
 1. Effects of changes in interest rates:

The Company currently operates mainly on own funds and changes in interest rates would have no major impact on the operations of the Company. The Company maintains friendly relations with multiple financial institutions that offer preferred interest rates when the need from capital arises; changes in interest rates would have no major impact on the operations of the Company.
 2. Effects of changes in exchange rates:

The Company's transactions in sales and procurement use USD as the main currency for

payment and the balance of revenue and expenditure in foreign currency produce a natural hedging effect; the difference in the balancing of foreign currency revenue and expenditure can be lowered by forward foreign exchange contracts with banks, as per the extent of fluctuations, to hedge the exchange rate risk and lower the impact of changes in exchange rates on the Company.

3. Inflation:

The Company maintains vigilance of the fluctuations in the materials market and product prices and has yet to experience any immediate major impact from domestic or foreign inflation.

(2) Policies, Main Causes of Gain or Loss and Future Response Measures with Respect to High-risk, High-leveraged Investments, Lending or Endorsement Guarantees, and Derivatives Transactions:

The Company has established "Regulations Governing the Acquisition or Disposal of Assets Procedures," "Procedures for Lending Funds to Other Parties," and the "Regulations Governing Endorsements and Guarantees" as the standard for related operations and these regulations have been passed in resolutions of the Shareholders Meeting. The Company has not engaged in any high-risk, high-leverage investment, loans to other parties or provided any endorsement and guarantee in the past year. The Company's derivatives trading policy aims to minimize the risk of fair value fluctuation for assets and liabilities actually owned by the Company under the objective of economic hedge and the resulting loss or income in exchange rates are entirely manageable. The Company has established "Procedures for Financial Derivatives Transactions" as the standard for related operations; in addition, the Company has restricted its subsidiaries from transactions including lending to other parties, providing endorsement guarantees and trading in financial derivatives to close off related risks from subsidiary companies.

(3) Future R&D projects and estimated R&D expenditure

The rise of the IoT, smart home, energy conservation and automobile electronics has boosted the demand for MCU. A Gartner report suggests that the number of IoT devices around the world will reach 8.4 billion in 2017 and sales will reach US\$170.0 billion. The number of devices will rise to 20.4 billion by 2020 and sales to US\$293.6 billion. IC Insights also predicted increases in sales of MCU before 2018, and despite decreasing ASP year after year, the sales volume is set to grow. The Company's future R&D undertaking will focus on the research of more advanced process platform, low-voltage, low-power and high-speed CPU, and special innovative IP technology geared at enhancing the anti-noise capability, low-temperature works, heat resistance and anti-static capability. The goal is to make gradual headway into energy efficient solutions and automotive electronics markets and achieve a technological level on par

with MCU suppliers in Europe, U.S. and Japan as soon as possible and continue to expand the customer base and applications to adapt to future changes in the industry. The Company will also carry out R&D for cloud computing, smart handheld devices and logic IC for PC, and moves in the directions of security management, energy saving, and better user experience to expand production lines and applications based on the solid foundation of existing operations. The total 2017 R&D expenditure for the preceding application products is estimated at NT\$2.5 billion.

(4) Major changes in government policies and laws at home and abroad and the impact on Company finance and business:

The Company's operation policies must follow laws and regulations and the Company must also watch closely the important shifts in policies and laws at home and abroad and consult related experts for their opinion when necessary to take appropriate response measures. As of the date of report, the Company finance and business have not been affected by major changes in government policies and laws at home and abroad.

(5) Impact of recent technological and market changes on the Company's finance and business, and response measures:

The Company watches closely technological and market changes, and will, in view of the circumstances, assign staff or a project team to study and evaluate the impact of those changes on the Company's development, finance and business in the future as well as response measures. As of the date of report, there have not been significant technological changes that may produce material impact on the Company's finance and business.

(6) Impact of corporate image change on risk management and response measures:

The Company is focused on the operation of its main business and internal auditing to comply with related laws and regulations; As of the date of report, the Company is free of corporate image change events.

(7) Expected benefits and potential risks of merger and acquisition: N/A.

(8) Expected benefits and potential risks of capacity expansion: N/A.

(9) Risks relating to and response to excessive concentration of purchasing sources and excessive customer concentration:

The company's purchasing is concentrated due to concerns in product quality and preferred purchasing price, though the company maintains at least two suppliers for its main materials avoid risks resulting from over-concentration in purchasing. There is no over-concentration of sales for the company and we continue to develop new products as well as long-term strategic cooperation with customers of excellent financial background to lower the risks of over-concentration of sales.

(10) The effects and risks that large-number transfers or replacements of directors, supervisors, or major shareholders holding over 10% of the company's shares have to the company and the response measures: N/A.

(11) Impact of change of management rights on the Company, associated risk and response measures: N/A.

(12) Litigation or Non-litigation Events:

1. The company's concluded or pending litigious, non-litigious or administrative litigation event as of the date of report: None.

2. The outcome of concluded or pending litigious, non-litigious, or administrative litigation events involving the director, supervisor, president, de facto responsible person, major shareholders holding more than 10% interest, or subsidiary of the company:

(1) With respect to pending litigious events as of the date of report, Nuvoton Chairman Arthur Chiao has only one pending case described below:

(A) Facts, amount of claim, lawsuit start date, main parties concerned:

The Securities and Futures Investor Protection Center ("SFIPC") filed a lawsuit with Taiwan Taipei District Court on April 27, 2005 over misrepresentation of the financial statements of Pacific Electric Wire & Cable Co., Ltd. ("Pacific Electric"). The lawsuit names myself and others (including other directors, supervisors and accounting firm) as co-defendants on grounds that I acted as a director of Pacific Electric between 1999 and 2001 and SFIPC requests compensation for damages from the co-defendants (Case No.: Taiwan Taipei District Court (referred to as "Taipei District Court" hereunder) 94-Jing-Zi-#22).

When SFIPC first initiated the action on April 27, 2005, it sought compensation in the amount of NT\$7,910,422,313 from 277 defendants. SFIPC later added Fubon Life Insurance and Hsing Yo Investment to the list of defendants on June 21, 2005 that brought the number of defendants to 279.

SFIPC subsequently made several expansions and reductions of claim due to increase in the number of people who appoint SFIPC as their representative in the class action suit and settlement reached with several defendants. So far, SFIPC has reached settlement with 248 defendants involving total settlement amount of NT\$196,100,000. Following several changes to the method of calculation and expansion and reductions of claim, the amount requested is NT\$7,836,447,750 according to the civil brief submitted by SFIPC on May 21, 2014. The court has scheduled another session of oral argument on July 19, 2017.

(B) Current status:

This case is currently in the first stance proceedings in Taipei District Court.

(C) My and my attorney's views and action plan on the case:

The case is still in first instance proceedings. The oral argument phase has been repeated several times, but not yet concluded due to complexity of the case. Thus my appointed attorney and I are not in the position to assess the results of the trial at the present time.

(D) Possible maximum loss and possible amount of indemnification received from the case:

Based on the settlement information provided by SFIPC, the amount of settlement reached between SFIPC and individual director or supervisor of Pacific Electric ranges between NT\$12,330,000 and NT\$26,000,000. Thus even if I am later found to be liable for damages as a director of Pacific Electric at one time, my liability should not be too far off the amounts of settlement described above plus interest.

I am not financially strapped or losing my good credit standing as of the date of this reply.

An evaluation of the aforementioned lawsuit by the Company concludes that because the lawsuit is a personal affair of the director and does not involve the Company's finance or business, it is not expected to have any material impact on the interests of the Company's shareholders or stock price.

(2) With respect to pending litigious events as of the date of report, Nuvoton Director Yung Chin has only one pending case described below:

(A) Facts, amount of claim, lawsuit start date, main parties concerned:

The Securities and Futures Investor Protection Center ("SFIPC") filed a lawsuit with Taiwan Taipei District Court on April 27, 2005 over misrepresentation of the financial statements of Pacific Electric Wire & Cable Co., Ltd. ("Pacific Electric"). The lawsuit names myself and others (including other directors, supervisors and accounting firm) as co-defendants on grounds that I acted as a supervisor of Pacific Electric from 1999 to September 24, 2001 and SFIPC requests compensation for damages from the co-defendants (Case No.: Taiwan Taipei District Court (referred to as "Taipei District Court" hereunder) 94-Jing-Zi-#22).

When SFIPC first initiated the action on April 27, 2005, it sought compensation in the amount of NT\$7,910,422,313 from 277 defendants. SFIPC later added Fubon Life Insurance and Hsing Yo Investment to the list of defendants on June 21, 2005 that

brought the number of defendants to 279.

SFIPC subsequently made several expansions and reductions of claim due to increase in the number of people who appoint SFIPC as their representative in the class action suit and settlement reached with several defendants. So far, SFIPC has reached settlement with 248 defendants involving total settlement amount of NT\$196,100,000. Following several changes to the method of calculation and expansion and reductions of claim, the amount requested is NT\$7,836,447,750 according to the civil brief submitted by SFIPC on May 21, 2014. The court has scheduled another session of oral argument on July 19, 2017.

(B) Current status:

This case is currently in the first stance proceedings in Taipei District Court.

(C) My and my attorney's views and action plan on the case:

The case is still in first instance proceedings. The oral argument phase has been repeated several times, but not yet concluded due to complexity of the case. Thus my appointed attorney and I are not in the position to assess the results of the trial at the present time.

(D) Possible maximum loss and possible amount of indemnification received from the case:

Based on the settlement information provided by SFIPC, the amount of settlement reached between SFIPC and individual director or supervisor of Pacific Electric ranges between NT\$12,330,000 and NT\$26,000,000. Thus even if I am later found to be liable for damages as a supervisor of Pacific Electric at one time, my liability should not be too far off the amounts of settlement described above plus interest.

I am not financially strapped or losing my good credit standing as of the date of this reply.

An evaluation of the aforementioned lawsuit by the Company concludes that because the lawsuit is a personal affair of the director and does not involve the Company's finance or business, it is not expected to have any material impact on the interests of the Company's shareholders or stock price.

(13) Risk management organization framework

The Company's risk management tasks are dispersed among different functions inside the Company. The Company has established sound internal management guidelines and operating procedures, and has developed comprehensive plans and processes for risk aversion, loss prevention and crisis management. In addition, the Company's management keeps continuous

watch over changes in the macroeconomic environment that might affect the Company business and operations, and has assigned staff to make planning and formulate response actions against all kinds of contingencies to reduce operational uncertainties to the minimum.

(14) Other significant risks and response measures: None.

7. Other important matters: None.

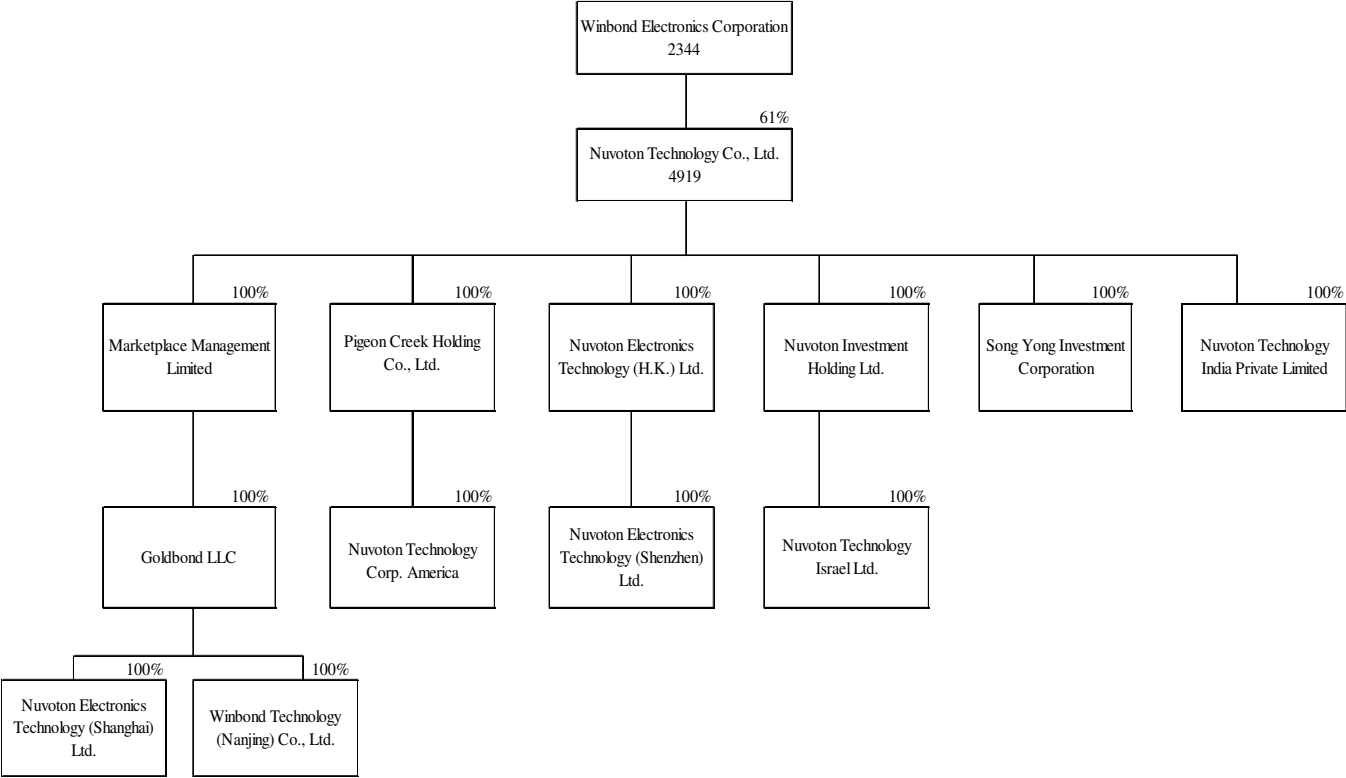
6. Special disclosures

1. Profiles of affiliates and subsidiaries

(1) Consolidated Operation Report of Affiliates

1. Affiliate organization chart

December 31, 2016



2. Profiles of affiliates

December 31, 2016; Unit: NT\$1,000/\$1,000 in foreign currency

Enterprise name	Date of establishment	Address	Paid-in capital	Main businesses/products
Winbond Electronics Corporation	1987.09.29	No. 8, Keya 1st Rd., Daya Dist., Taichung City 428, Taiwan, R.O.C.	35,800,002	Research & development, production, and sale of all types of semiconductor parts and components used in integrated circuits and other system products.
Nuvoton Technology Co., Ltd.	2008.04.09	No. 4, Creation Rd. III, Hsinchu Science Park, Taiwan	2,075,544	Research, design, development manufacture and sales of logic IC products, 6-inch wafer manufacture, testing and foundry services
Marketplace Management Limited	2000.07.28	P.O.Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands	US\$8,753	Investment business
Goldbond LLC	2000.09.22	1912 Capitol Ave, Cheyenne, WY 82001	US\$44,704	Investment business
Nuvoton Electronics Technology (Shanghai) Ltd.	2001.03.30	27F, 2299 Yan An Road (West), Shanghai, P.R. China	RMB16,555	Provide maintenance, test and related technical consulting services for products and solutions sold in Mainland China
Winbond Technology (Nanjing) Co., Ltd.	2005.09.21	Suite 413-40, Gao Xing Technology Industrial Development Zone Office Building, Nanjing, P.R. China	RMB4,046	Provides computer software services (excluding IC design)
Pigeon Creek Holding Co., Ltd.	1997.03.12	Flemming House, Wickhams Cay, P.O. Box 662, Road Town, Tortola, British Virgin Islands	US\$13,868	Investment business
Nuvoton Technology Corporation America	2008.05.01	2711 Centerville Road, Suite 400, Wilmington, DE 19808, Delaware	US\$6,050	Design, sales and service of semiconductor components
Nuvoton Electronics Technology (H.K.) Ltd.	1989.04.04	Unit 9-11, 22F, Millennium City 2, No 378 Kwun Tong Road, Kowloon, Hong Kong	HKD107,400	Sales services for semiconductor components
Nuvoton Electronics Technology (Shenzhen) Ltd.	2007.02.16	Room 801, 8F Microprofit Building, Gaoxinnan 6 Road, High-Tech Industrial Park, Nanshan Dist. Shenzhen, P.R. China	RMB46,434	Provides computer software services (excluding IC design), computer and peripheral equipment and software wholesales
Nuvoton Investment Holding Ltd.	2005.03.21	3rd Floor, Omar Hodge Building, Wickhams Cay I, P.O. Box 362, Road Town, Tortola, British Virgin Islands	US\$19,720	Investment business
Nuvoton Technology Israel Ltd.	2005.03.22	8 Hasadnaot Street, Herzliya B, 4672835 Israel	ILS1	Design, sales and service of semiconductor components
Song Yong Investment Corporation	2014.04.09	3F., No.192, Jingye 1st Rd., Zhongshan Dist., Taipei City 104, Taiwan	38,500	Investment business
Nuvoton Technology India Private Limited	2014.9.26	Suite #2, Tech Park Business Centre, Ground Floor, Innovator Building, International Tech Park, Whitefield, Bangalore 560066	INR60,000	Design, sales and service of semiconductor components

3. Information of common shareholders who are presumed to have a relationship of control and subordination: None.

4. Basic information of Directors, Supervisors, and Presidents of affiliates

December 31, 2016; Unit: shares

Enterprise name	Title	Name or representative	Shares held	
			No. of shares	Shareholding ratio
Winbond Electronics Corporation	Chairman	Arthur Yu-Cheng Chiao	58,264,955	2%
	Director	Matthew Feng-Chiang Miao	100,000	-
	Director	Yung Chin	10,720,537	-
	Director	Walsin Lihwa Corporation institutional representative: Hui-Ming Cheng	811,327,531	23%

Enterprise name	Title	Name or representative	Shares held	
			No. of shares	Shareholding ratio
	Director/CEO	Tung-Yi Chan	500,000	-
	Independent Director	Francis Tsai	-	-
	Independent Director	Allen Hsu	-	-
	Independent Director	Jie-Li Hsu	-	-
	Supervisor	Chin Xin Investment Corp. institutional representative: James Wen	182,047,000	5%
	Supervisor	Peter Chu	-	-
	Supervisor	Hong-Chi Yu	-	-
Nuvoton Technology Co., Ltd.	Chairman	Winbond Electronics Corp. Representative - Arthur Yu-Cheng Chiao	126,620,087	61%
	Director	Ken-Shew Lu	-	-
	Director	Yung Chin	-	-
	Director	Chi-Lin Wea	-	-
	Director	Robert Hsu	191,328	-
	Independent Director	Allen Hsu	-	-
	Independent Director	Royce Yu-Chun Hong	-	-
	Independent Director	David Shu-Chyuan Tu	-	-
	Independent Director	Jie-Li Hsu	-	-
President	Sean Tai	40,000	-	
Marketplace Management Limited	Director	Nuvoton Technology Corp. Representative - Arthur Yu-Cheng Chiao	8,752,524	100%
	Director	Nuvoton Technology Corp. Representative - Robert I.S. Hsu		
	Director	Nuvoton Technology Corp. Representative - Tung-Yi Chan		
Goldbond LLC	Managerial officer (Note 1)	Marketplace Management Limited institutional appointee: Arthur Yu-Cheng Chiao	Note 2	100%
	Managerial officer (Note 1)	Marketplace Management Limited institutional appointee: Chiu-Yi Huang		
	Managerial officer (Note 1)	Marketplace Management Limited institutional appointee: Hsiang-Yun Fan		
Nuvoton Electronics Technology (Shanghai) Ltd.	Chairman	Goldbond LLC institutional representative: Sean Tai	Note 2	100%
	Director	Goldbond LLC institutional representative: Jen-Lieh Lin		
	Director	Goldbond LLC institutional representative: Hsiang-Yun Fan		
	Supervisor	Goldbond LLC institutional representative: Yung Chin		
President	Patrick Wang	Note 2	-	
Winbond Technology (Nanjing) Co., Ltd.	Chairman	Goldbond LLC institutional representative: Jen-Lieh Lin	Note 2	100%
	Director	Goldbond LLC institutional representative: Sean Tai		
	Director	Goldbond LLC institutional representative: James Wen		
	President	Mao-Sen Chen		
Pigeon Creek Holding Co., Ltd.	Director	Nuvoton Technology Corp. Representative - Arthur Yu-Cheng Chiao	13,867,925	100%
	Director	Nuvoton Technology Corp. Representative - Tung-Yi Chan		
	Director	Nuvoton Technology Corp. Representative - Robert I.S. Hsu		
Nuvoton Technology Corporation America	Chairman	Pigeon Creek Holding Co., Ltd. institutional representative: Hsi-Jung Tsai	60,500	100%
	Director	Pigeon Creek Holding Co., Ltd. institutional representative: Robert Hsu		
	Director	Pigeon Creek Holding Co., Ltd. institutional representative: Sean Tai		
	Director	Pigeon Creek Holding Co., Ltd. institutional representative:		

Enterprise name	Title	Name or representative	Shares held	
			No. of shares	Shareholding ratio
	Director	Jen-Lieh Lin Pigeon Creek Holding Co., Ltd. institutional representative: Hsiang-Yun Fan		
	President	Aditya Raina	-	-
Nuvoton Electronics Technology (H.K.) Ltd.	Chairman	Nuvoton Technology Corp. Representative - Sean Tai	107,400,000	100%
	Director	Nuvoton Technology Corp. Representative - Yung Chin		
	Director	Nuvoton Technology Corp. Representative - Hsiang-Yun Fan		
	Director	Nuvoton Technology Corp. Representative - Peng-Chou Peng		
	President	Peng-Chou Peng	-	-
Nuvoton Electronics Technology (Shenzhen) Ltd.	Chairman	Nuvoton Electronics Tech. (H.K.) Ltd. Representative - Sean Tai	Note 2	100%
	Director	Nuvoton Electronics Tech. (H.K.) Ltd. Representative - Robert I.S. Hsu		
	Director	Nuvoton Electronics Tech. (H.K.) Ltd. Representative - Hsiang-Yun Fan		
	Supervisor	Nuvoton Electronics Tech. (H.K.) Ltd. Representative - Jen-Lieh Lin		
	President	Peng-Chou Peng	-	-
Nuvoton Investment Holding Ltd.	Director	Nuvoton Technology Corp. Representative - Arthur Yu-Cheng Chiao	19,720,000	100%
	Director	Nuvoton Technology Corp. Representative - Robert I.S. Hsu		
	Director	Nuvoton Technology Corp. Representative - Jessica Huang		
Nuvoton Technology Israel Ltd.	Chairman	Nuvoton Investment Holding Ltd. institutional representative: Hsin-Lung Yang	1,000	100%
	Director	Nuvoton Investment Holding Ltd. institutional representative: Robert Hsu		
	Director	Nuvoton Investment Holding Ltd. institutional representative: Sean Tai		
	Director	Nuvoton Investment Holding Ltd. institutional representative: Hsiang-Yun Fan		
	Director	Nuvoton Investment Holding Ltd. institutional representative: Biranit Levany		
	Director	Nuvoton Investment Holding Ltd. institutional representative: Erez Naory		
	President	Biranit Levany	-	-
Song Yong Investment Corporation	Chairman	Nuvoton Technology Corp. Representative - Hsiang-Yun Fan Nuvoton Technology Corp. Representative - Arthur Yu-Cheng Chiao	3,850,000	100%
	Director	Nuvoton Technology Corp. Representative - Sean Tai		
	Supervisor	Nuvoton Technology Corp. Representative - Jen-Lieh Lin		
Nuvoton Technology India Private Limited	Chairman	Nuvoton Technology Corp. Representative - Hsiang-Yun Fan Nuvoton Technology Corporation institutional representative - Jitendra Patil	600,000	100%
	Director	Nuvoton Technology Corp. Representative - Fu-Yuan Lee		
	Director			
	President	Jitendra Patil		

Note 1: Goldbond LLC is a company with a manager system.

Note 2: Goldbond LLC, Nuvoton Electronics Technology (Shanghai) Limited, Winbond Technology (Nanjing) Co., Ltd. and Nuvoton Electronics Technology (Shenzhen) Limited are not limited stock companies and have not issued shares.

5. Overall businesses covered by affiliates

The businesses covered by the Company's affiliates include mainly the research, design, development, production, sales and services of integrated circuits, various semiconductor components and other system products. Certain affiliates have investment businesses as their main scope of business. Overall, the affiliates support each other in technology, marketing and

services in their transactions, allowing the Company to become the most competitive company with our own products.

6. Profiles and business status of affiliates

December 31, 2016; Unit: NT\$1,000

Enterprise name	Capital	Total assets	Total liabilities	Net worth	Operating revenue	Operating profit (loss)	Loss of the period Profit and loss	Earnings (loss) per share (NT\$)
Winbond Electronics Corporation	35,800,002	64,399,050	20,478,089	43,920,961	33,534,343	2,969,794	2,897,791	0.81
Nuvoton Technology Co., Ltd.	2,075,544	5,835,705	2,457,231	3,378,474	8,046,760	596,770	613,165	2.95
Marketplace Management Limited	282,269	77,921	219	77,702	943	607	607	0.07
Goldbond LLC	1,441,699	79,765	2,003	77,762	1,277	943	943	Note
Nuvoton Electronics Technology (Shanghai) Ltd.	76,433	91,489	11,887	79,602	69,787	(4,155)	1,276	Note
Winbond Technology (Nanjing) Co., Ltd.	18,678	1,399	3,232	(1,833)	0	0	1	Note
Pigeon Creek Holding Co., Ltd.	447,241	192,252	13,466	178,786	4,432	4,285	4,285	0.31
Nuvoton Technology Corporation America	195,113	241,065	48,842	192,223	453,597	12,000	4,432	73.25
Nuvoton Electronics Technology (H.K.) Ltd.	446,569	542,523	98,274	444,249	3,295,753	1,570	2,027	0.02
Nuvoton Electronics Technology (Shenzhen) Ltd.	214,386	229,619	25,531	204,088	132,205	(9,635)	569	Note
Nuvoton Investment Holding Ltd.	635,970	297,942	40	297,902	5,061	4,897	4,897	0.25
Nuvoton Technology Israel Ltd.	8	356,540	60,731	295,809	645,754	15,042	5,061	5,061
Song Yong Investment Corporation	38,500	57,990	161	57,829	3,112	2,899	2,854	0.74
Nuvoton Technology India Private Limited	28,500	27,215	159	27,056	0	(2,878)	(1,084)	(1.81)

Note: Goldbond LLC, Nuvoton Electronics Technology (Shanghai) Limited, Winbond Technology (Nanjing) Co., Ltd. and Nuvoton Electronics Technology (Shenzhen) Limited are not limited stock companies and have not issued shares.

(2) Consolidated Financial Statement of Affiliates: Please see pages 67-127.

(3) Affiliation Report:

1. Statement of Affiliation Report

Statement of Affiliation Report

The company's 2016 (from January 1 to December 31, 2016) Affiliation Report is compiled in accordance with the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises and the disclosed information is largely consistent with the related information disclosed in the financial statements of the period.

Hereby declared that

Company name: Nuvoton Technology Co., Ltd.

Responsible person: Arthur Yu-Cheng Chiao

Date: February 3, 2017

2. Affiliation Report approval report

Affiliation Report approval report

To Nuvoton Technology Corporation:

The consolidated financial statements of Nuvoton Technology Corporation of 2016 have been audited and certified by CPA in accordance with Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and regular auditing guidelines. The auditing report with unqualified opinion was released on February 3, 2017 was for auditing purposes and demonstrated approval for the comprehensive appropriateness of the consolidated financial statements. The attached Nuvoton Technology Corporation Affiliation Report of 2016 was prepared in accordance with the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises and the CPA has taken necessary measures including obtaining customer statements and auditing related financial information before approval.

According to the opinion of the CPA, the 2016 Nuvoton Technology Corporation Affiliate Report has been edited in accordance with the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises and its financial data is consistent with the consolidated financial statements and requires no major corrections.

Deloitte & Touche

Ker-Chang Wu, Accountant

Hung-Bin Yu, Accountant

February 3, 2017

3. The general relationship between the subsidiary company and the control company

Unit: shares, %

Control company Name	Reason for control	Shares held by the control company and status of pledged shares			Control company's appointment of Directors, Supervisors or managerial staff	
		Number of shares held	Shareholding ratio	Pledged shares	Title	Name
Winbond Electronics Corporation	Holds over 50% of shares of the company and retains control	126,620,087	61%	N/A	Chairman	Arthur Yu-Cheng Chiao

4. Transaction status

(1) Procurement and sales transaction status

Unit: NT\$1,000, %

Transaction status with control company				Transaction conditions with control company		Regular transaction terms			Accounts receivable (payable) and notes		Overdue accounts receivable			Note
Purchase/sale	Amount	Ratio of total procurement (sales)	Gross margin	Unit price (NT\$)	Loan period	Unit price (NT\$)	Loan period	Reasons for difference	Balance	Ratio of total accounts receivable (payable) and notes	Amount	Handling method	Allowance for Bad Debts	
Procurements	144,876	6%	-	-	30 days on a monthly basis	-	30 to 120 days on a monthly basis	-	27,149	3%	-	-	-	

(2) Property transaction status:

Unit: NT\$1,000

Transaction	Asset	Transaction/Incidence date	Amount	Term of payment/delivery	Payment	Gain/Loss on disposal	Reason for counterparty being a control company	Previous transfer (Note 1)			Transaction decision	Pricing basis	Purpose and utilization of acquisition/disposal	Other Terms	
								Owner	relationship with the company	Transfer date					Amount
Acquisition	Machines and equipment	2016.02	240	Accepted by 30 days on a monthly basis	Paid in full	N/A	Normal agreement	Supplier	N/A	2005.11 - 2009.06	1,290	By the plant manager's authority	Based on the book value provided by the seller	Normal	N/A
Acquisition	Printing equipment	2016.12	10,482	Accepted by 30 days on a monthly basis	Paid in full	N/A	Normal agreement	Supplier	N/A	2016.03-2016.07	10,482	By the chairman's authority	Based on the book value provided by the seller	Normal	N/A

Note 1: Original data from the control company

(3) Financing status: None.

(4) Property rental status: None.

(5) Endorsements and guarantees: None.

2. Progress of private placement of securities during the latest year and up to the date of annual report publication: None.

3. Holding or disposal of stocks of the company by subsidiaries in the past year and up to the date of report: None.

4. Other supplemental information: None.

5. Corporate events with material impact on shareholders' equity or stock prices set forth in Subparagraph 2, Paragraph 3, Article 36 of Securities and Exchange Act in the past year and up to the date of report: None.

Nuvoton Technology Co., Ltd.

Responsible person: Arthur Yu-Cheng Chiao