Stock Code: 4919

Nuvoton Technology Corp.

2018

Annual Report

Published on March 31, 2019

Nuvoton Annual Report Website
▪**Market Observation Post System website: http://mops.twse.com.tw**
▪**Nuvoton Annual Report Website: http://www.nuvoton.com**

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Title: Vice President of General Administration Center
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II. Deputy Spokesperson:
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Telephone: (02)6636-5566
Website: http://www.ctbcbank.com

V. Auditor for most recent year:
Name of firm: Deloitte & Touche CPA Firm
Name of auditors: Hung-Bin Yu and Kuo-Tien Hung
Address: 20F, No. 100, Songren Road, Xinyi District, Taipei City, Taiwan
Telephone: (02)2725-9988
Website: http://www.deloitte.com.tw

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

VII. Company website: http://www.nuvoton.com

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Chapter 1. Letter to Shareholders

Dear Shareholders,

2018 was a year of stable growth for Nuvoton and we continued to achieve great results in revenue and profitability. The global semiconductor market benefited from expansions in the applications of wireless communications, information industry, automotive electronics, high-performance computing, Internet of Things, and artificial intelligence.

Financial Performance

2018 overall financial results showed consolidated revenue of NT$10,040 million with an annual growth rate of 8.71%; the net profit after tax of NT$711 million with an annual growth rate of 3.27%. The earnings per share was NT$3.42.

Products, Marketing and Technology Development

The Company's scope of business mainly includes research, development and sales of IC and semiconductor foundry services. Important achievements are shown below:

Nuvoton created a customer-centric microcontroller ecosystem, which includes a wide range of platform products, and related software and hardware for development, debugging, and mass production, to fully satisfy the needs of various customers. In addition to the successful development of high performance NuMicro® M480 series – Arm Cortex® -M4 microcontroller with secure boot function and hardware cryptography, we collaborated with SEGGER to provide embedded emWin GUI software, and launched NuMicro® M2351 Series TrustZone® empowered microcontroller focusing on IoT security. We launched a new generation of voice products N589 series, targeting the market of intelligent interactive toy application with built-in 8-bit core high-quality voice and music synthesizer. The audio MCU and audio CODEC components have also been successfully adopted by customers, showing the Company's products and innovative applications are recognized by users around the world.

The BMC (Baseboard Management Controller), supported by the OpenBMC open source firmware of OCP (Open Compute Project), which can share the OCP members' BMC firmware development results and exert powerful computing performance. Regarding TPM (Trusted Platform Module), we partnered with OnBoard Security, an American software company, to promote trust computing and jointly market the hardware and the software total solutions for IoT to ensure their applications are protected from the threat of malicious hacker attacks. With the highest level of hardware TPM2.0 security certification, we expect to achieve great results in the future.

For the foundry services, Nuvoton continued to develop the power market in 2018. In addition to processes that range from 3.3V to 40V, a number of high-voltage processes including 60V/80V/120V/250V/600V/700V have been gradually developed to expand the range of the Company's services in power market, while also enhance the competitiveness of customers' products.

Honors and Awards

Nuvoton has achieved great results in its main business and also won multiple honors and awards. We received the "Excellent Occupational Safety and Health Promotion Performance" award from the Hsinchu Science Park Administration in 2018 which affirmed Nuvoton's commitment to occupational safety. In terms of long-term corporate goals for sustainable development of the environment, we have actively reduced power consumption in the factory and received the "Energy Conservation Elite" from the Ministry of Economic Affairs. Our efforts in wastewater treatment also received the "Outstanding Environmental Protection Personnel" award from the Hsinchu Science Park Administration. These results demonstrated our commitments to corporate social responsibilities and conservation of the Earth's resources.

Enterprise Business and Expectations

New advanced technologies from wireless communication, artificial intelligence, big data, IoT, smart cities, smart medicine, to cloud computing rely on strong functionalities of semiconductors. In the future, Nuvoton will uphold its global development strategy, steadily strengthen capabilities to research and development, continue to develop more product applications and services, and market more innovative applications and services by cooperating with our clients. We believe that the Company shall explore more business opportunities to maximize the values for our shareholders, clients, and employees.

Finally, on behalf of Nuvoton Technology Corp., we'd like to thank all our shareholders for your support and affirmation.

Chairman Yu-Cheng Chiao

Chapter 2. Company Overview

I. 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 became 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 focuses on the R&D, design and sales of integrated circuits, and has achieved leading positions in microcontrollers, microprocessor, audio, computer and cloud computing IC applications; in addition, the Company owns a 6-inch IC plant that specializes in diverse processing technologies to provide professional semiconductor 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 globalization.

Apart from outstanding performance in main business, the Company has won many honors and awards, and was named an excellent supplier of computer ICs by world class brand companies in 2012. The Company was also awarded in 2013 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 in 2014. It was also named an excellent exporters/importers by the Bureau of Foreign Trade in 2014. We won the Taiwan Corporate Sustainability Award and the Potential Taiwan Mittelstand Award in 2015, the Excellent Occupational Safety and Health Promotion Performance award from the Hsinchu Science Park Administration in 2016, and "2017 Environmental Education Partner" of Hsinchu Science Park Bureau in 2017. We actively improved electricity consumption in our plants in 2018 and received the "Energy Conservation Elite" from the Ministry of Economic Affairs. These awards exemplify the national-level high regard bestowed upon the Company and our commitment to corporate social responsibilities.

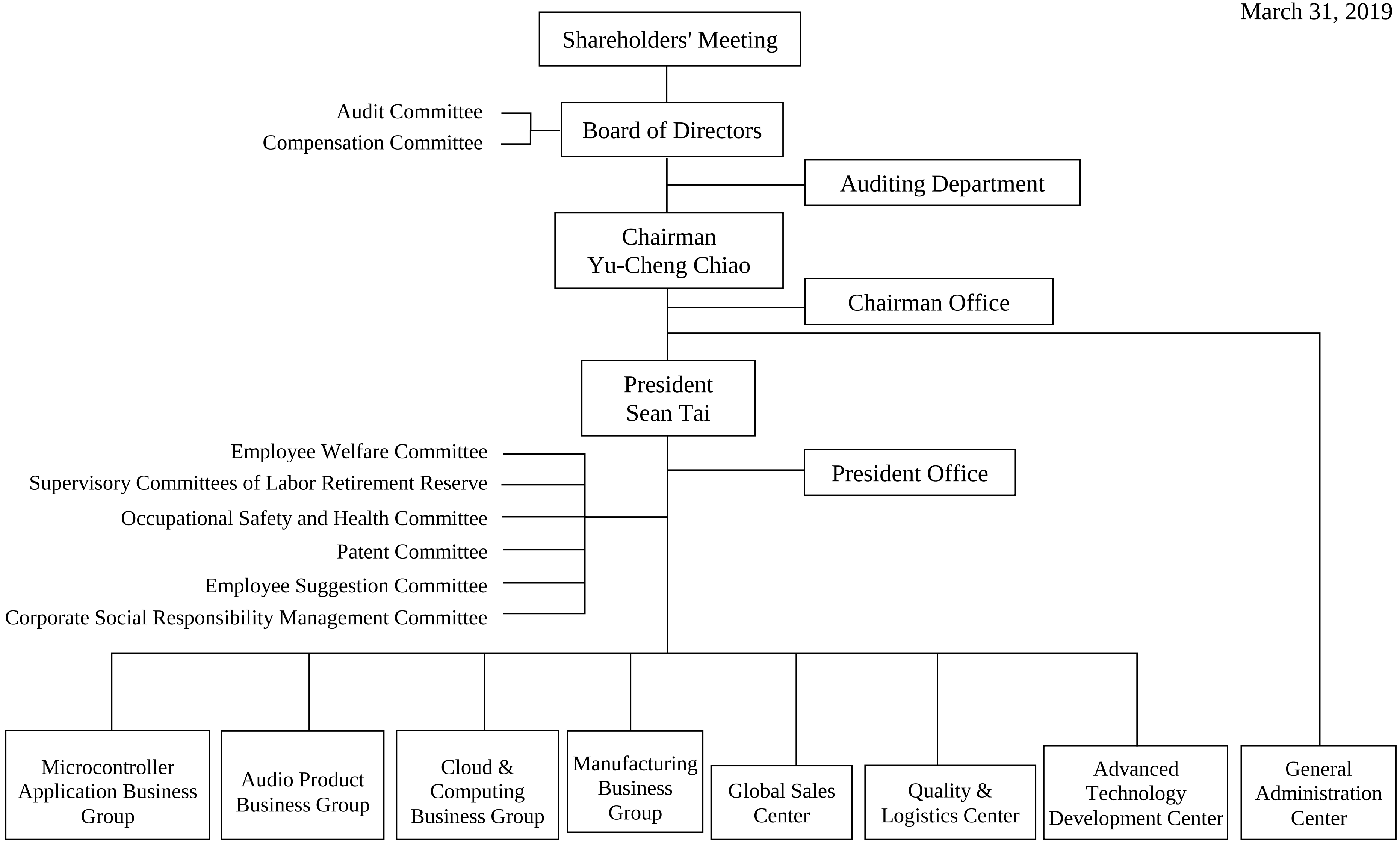
The Company will continue to build up its strength in R&D and focus on the core businesses while establishing itself as a market leader, the Company will keep aiming to achieve sustainability and the goal of ranking as a world-class IC designer and manufacturer.

II. Corporate Governance Report

(I) Organizational structure and major business units

1. Organization structure

March 31, 2019



2. Major business units and their key businesses

Department	Key businesses
President Office	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	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	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. 4. Cloud computing platform plans and strategic partner management.
Manufacturing Business Group	1. Conduct wafer manufacturing business to achieve profit goals. 2. Provide competitive manufacturing solutions. 3. Provide semiconductor foundry services. 4. Integrate outsourced businesses and develop wafer manufacturing strategies.
Global Sales Center	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 and growing markets.
Quality & Logistics Center	1. Planning, control and management of production and logistics. 2. Cooperation, management and control of outsourced services. 3. Manage outsourced semiconductor 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	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. 3. Establish standard operating procedures for internal IC design and develop necessary auxiliary software. 4. Assist the product line in developing products and provide integrated services for the latter stages of CAD and IC design.
General Administration Center	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 and maneuvering of Company funds and investment management. 6. Review the Company's contracts and process related legal patent matters. 7. Cultivate employee relations and public relations.

(II) Profile of Directors, Supervisors and Managers

1. Director information (1)

March 31, 2019; Unit: shares

Title	Nationality or place of registration	Name	Gender	Date elected	Term (Year)	First elected date	Shares held during election		No. of shares currently held		Current shares held by spouse and underage children		Shareholding by nominee arrangement		Education and Work 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 Ratio	No. of shares	Shareholding Ratio	No. of shares	Shareholding Ratio	No. of shares	Shareholding Ratio			Title	Name	Relationship
Director	ROC	Winbond Electronics Corporation	-	2016.6.15	3 years	2008.3.14	126,620,087	61.01%	126,620,087	61.01%	-	-	-	-	-	Note 1	N/A	N/A	N/A
Chairman	ROC	Winbond Electronics Corporation Representative: Yu-Cheng Chiao	Male	2016.6.15	3 years	2008.3.14	-	-	-	-	-	-	-	-	Master's degree in Electrical Engineering & Institute 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	2016.6.15	3 years	2010.4.23	191,328	0.09%	152,328	0.07%	-	-	-	-	Doctorate in Electrical Engineering, University of Southern California; President of Winbond Electronics Corp.	Note 3	N/A	N/A	N/A
Director	ROC	Yung Chin	Female	2016.6.15	3 years	2008.3.14	-	-	-	-	-	-	-	-	B.A. in Mathematics, National Taiwan University, Master's degree in Applied Mathematics, University of Washington	Note 4	Chairman	Yu-Cheng Chiao	Spouse
Director	ROC	Keh-Shew Lu	Male	2016.6.15	3 years	2008.3.14	-	-	-	-	-	-	-	-	Doctorate in Electrical Engineering, Texas Tech University Senior Vice President of Memory Products, Senior Vice President of Global Mixed and Analog, Signal Logical Products of Texas Instruments Incorporated, Chairman of LED Engin Inc.	Note 5	N/A	N/A	N/A
Director	ROC	Chi-Lin Wea	Male	2016.6.15	3 years	2010.4.23	-	-	-	-	-	-	-	-	Master of Management from Imperial College London, United Kingdom, Doctorate in Economics from University of Paris; Director of National Taiwan University College of Management, Secretary general of Executive Yuan, Chairman of Land Bank of Taiwan	Note 6	N/A	N/A	N/A

Title	Nationality or place of registration	Name	Gender	Date elected	Term (Year)	First elected date	Shares held during election		No. of shares currently held		Current shares held by spouse and underage children		Shareholding by nominee arrangement		Education and Work 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 Ratio	No. of shares	Shareholding Ratio	No. of shares	Shareholding Ratio	No. of shares	Shareholding Ratio			Title	Name	Relationship
Independent Director	ROC	Royce Hong	Male	2016.6.15	3 years	2010.4.23	-	-	-	-	-	-	-	-	Bachelor degree in Industrial Design from Rhode Island School of Design, Bachelor degree in Graphic Design from the Art Center College of Design; Co-Founder and Manager of Agenda (Taiwan) Limited, Creative Director of PChome Online Inc.	Note 7	N/A	N/A	N/A
Independent Director	ROC	Shan-Kio Hsu	Male	2016.6.15	3 years	2013.6.14	-	-	-	-	-	-	-	-	M.B.A. of National Chengchi University and advanced courses at Wharton School in the U.S. Chairman of Altek Corporation, Myson Century Inc., Chingis Technology Corporation, and Taiwan Mask Corporation	Note 8	N/A	N/A	N/A
Independent Director	ROC	David Tu	Male	2016.6.15	3 years	2014.6.12	-	-	-	-	-	-	-	-	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	2016.6.15	3 years	2016.6.15	-	-	-	-	-	-	-	-	Bachelor of Commerce from the University of Toronto, Master in International Management from Waseda University, MBA from Peking University, Director of Kinpo Electronics, Inc.	Note 10	N/A	N/A	N/A

Note 1: Corporate Director Winbond Electronics Corporation serves concurrently as Director of Walton Advanced Engineering, Inc., Winbond Electronics (HK) Ltd., Pine Capital Investment Limited, Landmark Group Holdings Ltd., Winbond International Corporation, Winbond Technology Ltd., and Callisto Holding Limited; Director and Supervisor of Mobile Magic Design Corp. and Techdesign Corporation; Supervisor of Walsin Technology Corp., Gin Hsin Investment Co., Ltd., and Harbinger Venture III Capital Corp.

Note 2: Mr. Yu-Cheng Chiao is the Company's Chairman; he serves concurrently as the Chairman and CEO of Winbond Electronics Corp.; Chairman of Gin Hsin Investment Co., Ltd.; Director of Walsin Lihwa Corp., 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, Peaceful River Corporation, Nuvoton Investment Holding Ltd., and Marketplace Management Limited; Independent Director, Compensation Committee Convener, and Audit Committee member of Taiwan Cement Corporation and Independent Director, Compensation Committee member, and Audit Committee member of Synnex Technology International Corp.; manager of Goldbond LLC; and Supervisor of MiTac Holdings Corp.;

Note 3: The Vice Chairman Mr. Robert Hsu serves concurrently as the Director of Nuvoton Electronics Technology (Shenzhen) Limited.

Note 4: Director Ms. Yung Chin serves concurrently as Director and Chief Administrative Officer of Winbond Electronics Corp.; Chairman of Winbond (H.K.), Pine Capital Investment Limited, and Hwa Bao Botanic Conservation Corp.; Director of Winbond Electronics Corporation America, Peaceful River Corporation, 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. Keh-Shew Lu serves concurrently as the Chairman, CEO and Director of Diodes Incorporated; Director of Lorenz and Lite-On Technology Corporation.

Note 6: Director Mr. Chi-Lin Wea serves concurrently as Chairman of Waterland Financial Holdings; Director of Elan Microelectronics Corporation, Taiwan Secom Co., Ltd., and AcBel Polytech Inc.; Independent Director of Inventec Besta Co., Ltd., Sinbon Electronics Co., Ltd., and Formosa Plastics Corporation.

Note 7: Independent Director Mr. Royce Hong serves concurrently as Chairman and President of IPEVO Corp.; Chairman of XRANGE CO., LTD., XING Mobility Inc., and Panasonic Taiwan Co., Ltd; Director of Long Jun Investment Co., Ltd.; Supervisor of Yuchi Venture Investment Co., Ltd. and Panasonic Electronics Products Co. Ltd.

Note 8: Independent Director Mr. Shan-Kio Hsu serves concurrently as the Chairman of Hestia Power Inc., AccelStor Co., Ltd., 3R Life Sciences Taiwan Ltd., Yu Yuan Investment Co. Ltd., and Fu Run Investment Co. Ltd.; Director of Innodisk Corporation, Acme Electronics Corporation, Parpro Corporation, and Pao Yue Investment Co. Ltd.; Independent Director of ANZ Bank (Taiwan) Limited; Independent Director and Convener of the Compensation Committee and Audit Committee of Winbond Electronics Corp.

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

Note 10: Independent Director Mr. Jie-Li Hsu serves concurrently as Director of Cal-Comp Biotech Co., Ltd, Kunji Venture Capital Inc., Kinpo Electronics, Inc., Prudence Venture investment Corp., Breeze Development Co., PCHome Online Inc, Cal-Comp Big Data, Inc., the Eslite Spectrum Corporation, AcBel (USA) Polytech Inc., AcBel Polytech (SAMOA) Investment Inc., AcBel Polytech (Singapore) Pte Ltd., AcBel Polytech (UK) Limited, AcBel Polytech Japan Inc., and Power Station Holdings Ltd.; Director and Vice President of AcBel Polytech Inc.; Director and President of AcBel Electronic (Dongguan) Co., Ltd., AcBel Electronic (Dong Guan) Co., Ltd. and AcBel Electronic (Wuhan) Co., Ltd.; Independent Director of Winbond Electronics Corp. and Sirtec International Co., Ltd.; Supervisor of Fu Bao Investment Co., Ltd., Teleport Access Services, and Castlenet Technology Incorporation; Assistant Managerial Officer of Compal Electronics Inc.

Directors who are representative of institutional shareholders and the major shareholders of institutional shareholders

March 31, 2019

Name of institutional shareholder	Major shareholders of institutional shareholders
Winbond Electronics Corp.	Walsin Lihwa Corporation (22.21%), Gin Hsin Investment Co., Ltd (5.03%), LGT Bank (Singapore) Investment Fund under the custody of JPMorgan Chase Bank N.A. Taipei Branch (2.36%), Yu-Cheng Chiao (1.59%), Vanguard Emerging Markets Stock Index Fund Investment Account of the Vanguard Group under the custody of JPMorgan Chase Bank N.A. Taipei Branch (1.09%), Vanguard Star Funds series Comprehensive International Stock Index Fund investment account of Progressive Global Investment Advisor Taiwan Limited under the custody of JPMorgan Chase Bank N.A. Taipei Branch (1.06%), Pai-Yung Hong (0.97%), Chiao Yu-Heng (0.80%), Chiao Yu-Lon (0.75%), Chiao Yu-Chi (0.57%).

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

March 31, 2019

Name of Institution	Major shareholders of institution
Walsin Lihwa Corporation	Gin Hsin Investment Co., Ltd (6.31%), Winbond Electronics Corporation (6.19%), LGT Bank (Singapore) Investment Fund under the custody of JPMorgan Chase Bank N.A. Taipei Branch (5.80%), Chiao Yu-Hui (2.77%), Chiao Yu-Heng (1.74%), Norges Bank investment account under the custody of Citibank Taiwan Ltd. (1.68%), Chiao Yu-Chi (1.53%), Vanguard FTSE Emerging Markets Stock ETF Account under the trust of Standard Chartered Bank (1.45%), Walsin Lihwa Employee Welfare Committee (1.44%), Pai-Yung Hong (1.43%).
Gin Hsin Investment Co., Ltd	Winbond Electronics Corp. (37.69%), Walsin Lihwa Corporation (37.00%), Oriental Consortium Investment Limited (4.43%), Yu-Cheng Chiao (3.14%), Chiao Yu-Lon (3.14%), Chiao Yu-Heng (3.14%), Chiao Yu-Chi (3.14%), Yau Cheung Investment Limited (2.81%), Walsin Technology Corp. (1.86%), HannStar Board Corporation (1.34%).

Director information (2)

Criteria / Name	Has at least 5 years of work experience and meet one of the following professional qualifications			Meets the independence criteria (Note)										Number of other Taiwanese public companies concurrently serving as an independent Director
	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: Yu-Cheng Chiao			V			V						V		2
Robert Hsu			V			V	V				V	V	V	-
Yung Chin			V			V						V	V	-
Keh-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	3
Royce Hong			V	V	V	V	V	V	V	V	V	V	V	-
Shan-Kio Hsu			V	V	V	V	V	V	V	V	V	V	V	2
David Tu			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	2

Note: 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 of any of its affiliates (excluding Independent Directors set up by the Company, its parent company or subsidiaries in compliance of the 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, manager, or a shareholder that holds more than 5% of shares at a company or institution that has financial or business exchanges with the Company.

(7) Not a professional individual or owner, partner, director (member of the governing board), supervisor (member of the supervising board), or manager of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting, or consultation services to the company or to any affiliate enterprise, or 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 been a person of any conditions defined in Article 30 of the Company Act.

(10) Not a governmental, juridical person or its representative as defined under Article 27 of the Company Act.

Director information (3)

The diversity policy for members of the Board of Directors is established in Article 20 of the Company's Corporate Governance Best Practice Principles:

The Company's Board of Directors shall direct company strategies, supervise the management, and be responsible to the Company and shareholders. The various procedures and arrangements of the corporate governance system shall ensure that, in exercising its authority, the board of directors complies with laws, regulations, the Articles of Incorporation, and the resolutions adopted by shareholders' meetings.

The structure of Board of Directors should take into account the Company's operations, development and business scale, shareholding of major shareholders and diversity of Board Members. The directors must be diverse in terms of professional backgrounds, professional knowledge and expertise, gender, or fields of work. An appropriate number of Directors ranging between nine to thirteen seats shall be determined when holding elections according to practical requirements.

The members of the Board of Directors shall be balanced between the genders and they shall possess the knowledge, skills, and experience necessary for performing their duties. To achieve the ideal goal of corporate governance, the Board of Directors shall possess the following abilities:

I. Ability to make sound business judgments.
II. Ability to perform accounting and financial analysis.
III. Ability to manage a business.
IV. Ability to handle crisis management.
V. Knowledge of the industry.
VI. An international market perspective.
VII. Leadership.
VIII. Decision-making ability.

The Board of Directors shall possess the following abilities:

Title	Name	Gender	Core Diversification Item				
			Business management	Leadership and decision making	Knowledge of the industry	Finance and accounting	IT expertise
Chairman	Representative of Winbond Electronics Corp.: Yu-Cheng Chiao	Male	V	V	V	V	V
Vice Chairman	Robert Hsu	Male	V	V	V	V	V
Director	Yung Chin	Female	V	V	V	V	V
Director	Keh-Shew Lu	Male	V	V	V	V	V
Director	Chi-Lin Wea	Male	V	V	V	V	V
Independent	Royce Hong	Male	V	V	V	V	V

Director							
Independent Director	Shan-Kio Hsu	Male	V	V	V	V	
Independent Director	David Tu	Male	V	V	V		V
Independent Director	Jie-Li Hsu	Male	V	V	V		V

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

March 31, 2019 Unit: shares

Title	Nationality	Name	Gender	Date of appointment	Shares held		Shares held by spouse and underage children		Shareholding by nominee arrangement		Education and Work Experiences	Current job position in other companies	Manager who is a spouse or a relative within second degree		
					No. of shares	Percentage of shares	No. of shares	Percentage of shares	No. of shares	Percentage of shares			Title	Name	Relationship
President	ROC	Sean Tai	Male	2014.2.5	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, Hannstouch Solution Incorporated, and Winbond Technology (Nanjing) Co., Ltd.	N/A	N/A	N/A
VP	ROC	Hsi-Jung Tsai	Male	2008.8.20	127,686	0.06%	-	-	-	-	Master of Computer Science, National Chiao Tung University Vice President of Business Development and Sales, Cheertek Inc.	Director of Nuvoton Technology Corporation America; Director of Yuchi Venture Investment Co., Ltd.	N/A	N/A	N/A
VP	ROC	Hsiang-Yun Fan	Male	2008.7.1	444,979	0.21%	-	-	-	-	Master of Business Administration, National Chung Cheng University Assistant Vice President of Administration Service Center, Winbond Electronics Corp.	Chairman of Song Yong Investment Co., Ltd. and 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., Winbond Electronics (HK) Ltd., Techdesign Corporation, Winbond Electronics Corporation Japan, Nuvoton Investment Holding Ltd., and Marketplace Management Limited; Manager of Goldbond LLC.	N/A	N/A	N/A

Title	Nationality	Name	Gender	Date of appointment	Shares held		Shares held by spouse and underage children		Shareholding by nominee arrangement		Education and Work Experiences	Current job position in other companies	Manager who is a spouse or a relative within second degree		
					No. of shares	Percentage of shares	No. of shares	Percentage of shares	No. of shares	Percentage of shares			Title	Name	Relationship
VP	ROC	Ren-Lie Lin	Male	2008.7.1	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. Nuvoton Technology Corporation America, and Nuvoton Technology Israel Ltd. Supervisor of Nuvoton Electronics Technology (Shenzhen) Limited and Song Yong Investment Corporation; Chairman of Winbond Technology (Nanjing) Co., Ltd. Chairman of Winbond Technology (Nanjing) Co., Ltd.	N/A	N/A	N/A
VP	ROC	Hsin-Lung Yang	Male	2011.1.24	-	-	-	-	-	-	Master of Computer Science, National Tsing Hua University Senior Director of Multimedia R&D Division of Cheertek Inc. Technical Managerial Officer of Product Design and Marketing, Novatek Microelectronics Corp.	Chairman of Nuvoton Technology Israel Ltd.	N/A	N/A	N/A
VP	ROC	Patrick Wang	Male	2014.5.5	-	-	-	-	-	-	Master of Business Administration, State University of New York, Buffalo Assistant Vice President of International Marketing, Realtek Semiconductor Corp.	Director and President of Nuvoton Electronics Technology (H.K.) Limited	N/A	N/A	N/A
Assistant Vice President (Note 2)	ROC	Kuang-Lun Lin	Male	2018.3.1	395	0.00%					MS in Physics, National Tsing Hua University Deputy Plant Managerial Officer of the Micro Imaging Engineering Department of Winbond Electronics Corporation Director, Quality and Logistic Center, Nuvoton Technology Corporation	N/A	N/A	N/A	N/A
Accounting Manager	ROC	Hung-Wen Huang	Male	2015.2.1	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: Manager is defined the same as the interpretation provided in the Ministry of Finance letter Tai-Cai-Zheng-San-Zi No. 0920001301, including the President, Vice President, Assistant Vice President, Chief Financial Officer, and Accounting Manager (or equivalent officers).

Note 2: Mr. Kuang-Lun Lin began serving as the Company's manager on March 1, 2018.

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

3.1 Remuneration to Directors (including Independent Directors)

December 31, 2018; Unit: thousand NT$

<table>
<tr><th rowspan="3">Title</th><th rowspan="3">Name</th><th colspan="8">Director's remuneration</th><th colspan="2" rowspan="2">Total compensation (A+B+C+D) as percent of net income (Note 6)</th><th colspan="8">Pay received as an employee</th><th colspan="2" rowspan="2">Total sums of A, B, C, D, E, F, and G as percent of net income (Note 6)</th><th rowspan="4">Compensation from investments other than subsidiaries (Note 7)</th></tr>
<tr><th colspan="2">Remuneration (A) (Note 1)</th><th colspan="2">Severance pay and pension (B)</th><th colspan="2">Director's remuneration (C) (Note 2)</th><th colspan="2">Fees for conducting business (D) (Note 3)</th><th colspan="2">Salary, bonuses and allowances (E) (Note 4)</th><th colspan="2">Severance pay and pension (F)</th><th colspan="4">Remuneration of employees (G) (Note 2)</th></tr>
<tr><th rowspan="2">The Company</th><th rowspan="2">All companies in the financial statements (Note 5)</th><th rowspan="2">The Company</th><th rowspan="2">All companies in the financial statements (Note 5)</th><th rowspan="2">The Company</th><th rowspan="2">All companies in the financial statements (Note 5)</th><th rowspan="2">The Company</th><th rowspan="2">All companies in the financial statements (Note 5)</th><th rowspan="2">The Company</th><th rowspan="2">All companies in the financial statements (Note 5)</th><th rowspan="2">The Company</th><th rowspan="2">All companies in the financial statements (Note 5)</th><th rowspan="2">The Company</th><th rowspan="2">All companies in the financial statements (Note 5)</th><th colspan="2">The Company</th><th colspan="2">All companies in the financial statements (Note 5)</th><th rowspan="2">The Company</th><th rowspan="2">All companies in the financial statements (Note 5)</th></tr>
<tr><th></th><th></th><th>Cash Amount</th><th>Equities Amount</th><th>Cash Amount</th><th>Equities Amount</th></tr>
<tr><td>Director</td><td>Representative of Winbond Electronics Corp.: Yu-Cheng Chiao</td><td rowspan="9">960</td><td rowspan="9">960</td><td rowspan="9">-</td><td rowspan="9">-</td><td rowspan="9">8,405</td><td rowspan="9">8,405</td><td rowspan="9">960</td><td rowspan="9">960</td><td rowspan="9">1.45%</td><td rowspan="9">1.45%</td><td rowspan="9">-</td><td rowspan="9">-</td><td rowspan="9">-</td><td rowspan="9">-</td><td rowspan="9">-</td><td rowspan="9">-</td><td rowspan="9">-</td><td rowspan="9">-</td><td rowspan="9">1.45%</td><td rowspan="9">1.45%</td><td rowspan="9">96</td></tr>
<tr><td rowspan="4">Director</td><td>Robert Hsu</td></tr>
<tr><td>Yung Chin</td></tr>
<tr><td>Keh-Shew Lu</td></tr>
<tr><td>Chi-Lin Wea</td></tr>
<tr><td rowspan="4">Independent Director</td><td>Royce Hong</td></tr>
<tr><td>Shan-Kio Hsu</td></tr>
<tr><td>David Tu</td></tr>
<tr><td>Jie-Li Hsu</td></tr>
<tr><td colspan="23">● Except as disclosed above, remuneration received by directors in the latest year for on-balance sheet services (e.g. acting as a non-employee consultant) rendered to the Company: N/A.</td></tr>
</table>

Range of remuneration chart

Remuneration scale applicable to the Company's Directors	Name of Director			
	Total amount for the 4 preceding remunerations (A+B+C+D)		Total amount for the 7 preceding remunerations (A+B+C+D+E+F+G)	
	The Company	All companies in the financial report H	The Company	All investees I
Below NT$2,000,000	Representative of Winbond Electronics Corp.: Yu-Cheng Chiao, Robert Hsu, Yung Chin, Keh-Shew Lu, Chi-Lin Wea, Royce Hong, Shan-Kio Hsu, David Tu, Jie-Li Hsu	Representative of Winbond Electronics Corp.: Yu-Cheng Chiao, Robert Hsu, Yung Chin, Keh-Shew Lu, Chi-Lin Wea, Royce Hong, Shan-Kio Hsu, David Tu, Jie-Li Hsu	Representative of Winbond Electronics Corp.: Yu-Cheng Chiao, Robert Hsu, Yung Chin, Keh-Shew Lu, Chi-Lin Wea, Royce Hong, Shan-Kio Hsu, David Tu, Jie-Li Hsu	Representative of Winbond Electronics Corp.: Yu-Cheng Chiao, Robert Hsu, Yung Chin, Keh-Shew Lu, Chi-Lin Wea, Royce Hong, Shan-Kio Hsu, David Tu, 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)	-	-	-	-
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 Directors in the most recent year (include Director salary, additional duty payments, severance pay, various bonuses, or incentive payments).

Note 2: The Company's Board of Directors passed the 2018 remuneration of directors and employees on February 1, 2019. The figures in the table above are estimates, which will be distributed after they are reported to the shareholders' meeting.

Note 3: Refers to the related business expenses of Directors for the most recent year (including transportation allowance, special allowance, stipends, dormitory, and car).

Note 4: All payments for the most recent year to Directors who are also employees 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: Total pay to Directors 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 2018.

Note 7: This field shows the amount of remuneration a director of the Company receives from investees other than subsidiaries of the Company. Remuneration refers to pay, compensation (including compensation of employees, directors and supervisors) and remuneration for conducting business received by a director of the Company serving as a director, supervisor or manager of an investee of the Company other than subsidiaries.

3.3 Remunerations to President and Vice Presidents

December 31, 2018; Unit: thousand NT$

Title	Name	Salary (A) (Note 1)		Severance pay and pension (B)		Bonus and allowance (C) (Note 2)		Amount of remuneration of employees (Note 3)				Total compensation (A+B+C+D) as percent of net income (%) (Note 5)		Compensation from investments other than subsidiaries (Note 6)
		The Company	All companies in the financial statements (Note 4)	The Company	All companies in the financial statements (Note 4)	The Company	All companies in the financial statements (Note 4)	The Company		All companies in the financial report (Note 4)		The Company	All companies in the financial statements (Note 4)	
								Cash Amount	Equities Amount	Cash Amount	Equities Amount			
President	Sean Tai													
VP	Ren-Lie Lin													
VP	Hsi-Jung Tsai													
VP	Hsiang-Yun	23,381	23,381	1,261	1,261	16,468	16,468	3,064	-	3,064	-	6.22%	6.22%	4
VP	Jiin-Shiarng													
VP	Hsin-Lung													
VP	Patrick Wang													

Range of remuneration chart

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	-	-
NT$2,000,000 (inclusive) to NT$5,000,000 (exclusive)	Jiin-Shiarng Wen	Jiin-Shiarng Wen
NT$5,000,000 (inclusive) to NT$10,000,000 (exclusive)	Hsi-Jung Tsai, Ren-Lie Lin, Hsiang-Yun Fan, Patrick Wang, Hsin-Lung Yang	Hsi-Jung Tsai, Ren-Lie Lin, Hsiang-Yun Fan, Patrick Wang, Hsin-Lung Yang
NT$10,000,000 (inclusive) to NT$15,000,000 (exclusive)	Sean Tai	Sean Tai
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	7 persons	7 persons

Note 1: Salary, additional pay, and severance pay received by the President or Vice President for the most recent year.

Note 2: Bonus, reward, transportation allowance, special allowance, stipends, dormitory, car and other payments received by the President or Vice President for the most recent year.

Note 3: The Company's Board of Directors passed the 2018 Director and Supervisor Compensation and employee compensation on February 1, 2019. 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 2018.

Note 6: This field shows the amount of remuneration the president or vice president of the Company receives from investees other than subsidiaries of the Company. Remuneration refers to pay, compensation (including compensation distributed to employees, directors and supervisors) and remuneration for conducting business received by the Company's President and Vice Presidents who serve as directors, supervisors or managers at subsidiaries other than investee companies.

Note 7: Mr. Jiin-Shiarng Wen served as the Company's manager until March 1, 2018.

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

December 31, 2018; Unit: thousand NT$

	Title	Name	Stock amount	Cash amount	Total	Total as percent of net income (%)
Managers	President	Sean Tai	-	3,064	3,064	0.43%
	VP	Hsi-Jung Tsai				
	Vice President and Chief Financial Officer	Hsiang-Yun Fan				
	VP	Ren-Lie Lin				
	VP	Jiin-Shiarng Wen (Note 2)				
	VP	Hsin-Lung Yang				
	VP	Patrick Wang				
	Accounting Manager	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. Jiin-Shiarng Wen was relieved of his duties as manager on March 1, 2018.

3.5 Respectively compare and specify the analysis results for the ratios of the net incomes to individual and each financial report, and that all of the Company's total remuneration amounts paid to Company directors, supervisors, Presidents, and Vice Presidents in the last 2 years; and specify the relevance between the payment remuneration policies, standards and combinations, remuneration setting procedures, operating performances, and future risks:

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

Title	2017		2018	
	Analysis of remunerations to Directors, President and Vice Presidents as a percentage of income after tax		Analysis of remunerations to Directors, 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 President and Vice President	8.09%	8.55%	7.67%	7.67%

(2) Analysis of remunerations to Directors, 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

The remuneration of Directors includes compensation, remuneration, and business expenses. The remuneration of Directors and Supervisors are clearly established in the Articles of Association and recommendations according to their participation in the 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.

(3) Implementation of corporate governance

1. Board of Directors operating status

(1) A total of 6 (A) meetings of the Board of Directors were held in the most recent year. The attendance was as follows:

Title	Name	Attendance (voting and non-voting) in person (B)	Attendance by proxy	Attendance (voting and non-voting) in person rate (%) (B/A) (Note)	Note
Chairman	Representative of Winbond Electronics Corporation: Yu-Cheng Chiao	6	0	100%	N/A
Vice Chairman	Robert Hsu	6	0	100%	N/A
Director	Yung Chin	5	1	83%	N/A
Director	Keh-Shew Lu	4	2	67%	N/A
Director	Chi-Lin Wea	5	1	83%	N/A
Independent Director	Royce Hong	4	2	67%	N/A
Independent Director	Shan-Kio Hsu	6	0	100%	N/A
Independent Director	David Tu	5	1	83%	N/A
Independent Director	Jie-Li Hsu	5	1	83%	N/A

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

(2) Attendance by Independent Directors in each board meeting in person:

Title	Name	5th-Term Meeting Date					
		2018/1/26	2018/3/23	2018/4/24	2018/7/26	2018/8/17	2018/10/26
Independent Director	Royce Hong	O	☆	☆	O	O	O
Independent Director	Shan-Kio Hsu	O	O	O	O	O	O
Independent Director	David Tu	O	☆	O	O	O	O
Independent Director	Jie-Li Hsu	O	O	O	O	☆	O

Note: O： Attendance in person, *: Attendance by proxy, X: Absent.

(3) Should any of the following take place in a board meeting, the date and number of the meeting, agenda item, Independent Director's opinions and the Company's response to such opinions should be recorded:

A. Items specified in Article 14-3 of the Securities and Exchange Act: The Company has established the Audit Committee and is therefore exempted from Article 14-3 of the Securities and Exchange Act.

B. Aside from the above matters, other resolutions adopted by the Board of Directors to which an Independent Director has a dissenting or qualified opinion that is on record or stated in a written statement: This event did not occur at the Company.

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

Name of Director	Agenda item	Reason for recusal	Voting on the agenda item	Note
Jie-Li Hsu	Removal of non-compete clause for the Directors of the Company	The Director has an interest in the matter	Did not participate in voting	10th Session of 5th Board of Directors

(5) 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, posts information on the attendance of Directors and Supervisors on the Market Observation Post System after each Board meeting, and discloses important proposals on the Market Observation Post System.

B.The Company holds strategy review meetings every quarter before the scheduled board meeting, at which Directors are present to understand Company's finance and business conditions as well as the execution of major business plans. The Company endeavors to enhance the transparency of corporate information. Aside from holding regular semi-annual investors conferences to discuss the Company's business and financial conditions after board meetings are held, the Company also posts related information on the Market Observation Post System and our Company website.

C.The Company evaluates the Directors' performance in terms of participation in the Company's operations, improvement of the quality of decisions made by the board, composition and structure of the board, election of Directors, continuing education, and internal controls in December each year in accordance with the "Regulations Governing Salary, Remuneration and Performance Evaluation of Directors". The results are compiled by the procedural 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. The results of overall evaluation in 2018 was good and the results were reported on February 1, 2019 to the Compensation Committee and Board of Directors.

D.The Company attaches great importance to corporate governance. Re-election of the Company's 5th-term directors and establishment of the Audit Committee was completed on June 15, 2016, the latter of which, together with the Compensation Committee, assists the Board of Directors in performing its supervisory role.

E. Liability insurance for Directors, Supervisors and key officers:
The Company purchased the "liability insurance for directors, supervisors and key officers" for Directors, Supervisors and key officers starting from 2015. We review the contents of the

insurance policy to verify that the insurance compensation amount and scope of insurance coverage meets requirements.

2. Status of Audit Committee or Attendance of Supervisors in Board Meetings

2.1 State of operations of the Audit Committee

(1) The Audit Committee convened a total of 6 meetings (A) in the most recent year. The attendance of Independent Directors was as follows:

Title	Name	Attendance in person (B)	Attendance by proxy	Attendance rate (%) (B/A) (Note)	Note
Convener	Shan-Kio Hsu	6	0	100%	N/A
Independent Director	Royce Hong	4	2	67%	N/A
Independent Director	David Tu	5	1	83%	N/A
Independent Director	Jie-Li Hsu	5	1	83%	N/A

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

(2) The date of the Board meeting, the term, agenda items, resolutions of the Audit Committee, and the Company's handling of the resolutions of the Audit Committee shall be recorded under the following circumstances in the operations of the Audit Committee meeting:

A. Items specified in Article 14-5 of the Securities and Exchange Act:

Term/Date	Agenda and follow-up	
7th Session of 1st Audit Committee 2018/01/26	1	Passed the Company's 2017 financial statements and business report. Opinions of the Audit Committee: N/A. The Company's response to Audit Committee opinions: N/A. Results of resolutions: Passed as proposed.
	2	Passed the 2017 Statement of Declaration on Internal Control. Opinions of the Audit Committee: N/A. The Company's response to Audit Committee opinions: N/A. Results of resolutions: Passed as proposed.
	3	Passed the 2017 earnings appropriation. Opinions of the Audit Committee: N/A. The Company's response to Audit Committee opinions: N/A. Results of resolutions: Passed as proposed.
	4	Passed the change of the Company's CPA in 2018 Q1. Opinions of the Audit Committee: N/A. The Company's response to Audit Committee opinions: N/A. Results of resolutions: Passed as proposed.
	5	Passed the annual remuneration paid to Deloitte & Touche CPA Firm. Opinions of the Audit Committee: N/A. The Company's response to Audit Committee opinions: N/A. Results of resolutions: Passed as proposed.

Term/Date		Agenda and follow-up
	6	Passed the amended Procedures for Engaging in Derivatives Transactions. Opinions of the Audit Committee: N/A. The Company's response to Audit Committee opinions: N/A. Results of resolutions: Passed as proposed.
8th Session of 1st Audit Committee 2018/03/23	1	Passed fundraising for the Company's long-term capital with plans for issuing new common shares and GDRs for cash capital increase. Opinions of the Audit Committee: N/A. The Company's response to Audit Committee opinions: N/A. Results of resolutions: Passed as proposed.
10th Session of 1st Audit Committee 2018/07/26	1	Passed the 2018 Q2 financial statements. Opinions of the Audit Committee: N/A. The Company's response to Audit Committee opinions: N/A. Results of resolutions: Passed as proposed.
11th Session of 1st Audit Committee 2018/08/17	1	Approved the Company's proposal for the cash capital increase and issuance of new shares in 2018. Opinions of the Audit Committee: N/A. The Company's response to Audit Committee opinions: N/A. Results of resolutions: Passed as proposed.
12th Session of 1st Audit Committee 2018/10/26	1	Passed the Company's Annual Audit Plan for 2019. Opinions of the Audit Committee: N/A. The Company's response to Audit Committee opinions: N/A. Results of resolutions: Passed as proposed.
13th Session of 1st Audit Committee 2019/02/01	1	Passed the Company's 2018 financial statements and business report. Opinions of the Audit Committee: N/A. The Company's response to Audit Committee opinions: N/A. Results of resolutions: Passed as proposed.
	2	Passed the 2018 Statement of Declaration on Internal Control. Opinions of the Audit Committee: N/A. The Company's response to Audit Committee opinions: N/A. Results of resolutions: Passed as proposed.
	3	Passed the 2018 earnings appropriation. Opinions of the Audit Committee: N/A. The Company's response to Audit Committee opinions: N/A. Results of resolutions: Passed as proposed.
	4	Passed the annual remuneration paid to Deloitte & Touche CPA Firm. Opinions of the Audit Committee: N/A. The Company's response to Audit Committee opinions: N/A. Results of resolutions: Passed as proposed.
	5	Approved the application for abolishing the Company's cash capital increase and issuance of new shares for 2018. Opinions of the Audit Committee: N/A. The Company's response to Audit Committee opinions: N/A. Results of resolutions: Passed as proposed.

Term/Date		Agenda and follow-up
14th Session of 1st Audit Committee 2019/03/25	1	Passed the amendments to the Company's Procedures for Acquisition or Disposal of Assets. Opinions of the Audit Committee: N/A. The Company's response to Audit Committee opinions: N/A. Results of resolutions: Passed as proposed.
	2	Passed the amended Procedures for Engaging in Derivatives Transactions. Opinions of the Audit Committee: N/A. The Company's response to Audit Committee opinions: N/A. Results of resolutions: Passed as proposed.

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) The Independent Directors' avoidance of interest motion should indicate the names of the Independent Directors, agenda item and reasons for avoidance of conflicting interest as well as the involvement in voting: This event did not occur at the Company.

(4) Communication between Independent Directors and internal auditors and accountants:

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 Company's auditors communicated and discussed the results of the annual audit and related items in financial statements in the Audit Committee meeting this year.

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	Abstract	
I. 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 the Company website.	Complies with the Corporate Governance Best Practice Principles
II. The Company's shareholding structure and shareholders' rights and interests (I) 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? (II) 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? (III) Has the Company established and implemented risk control/management and firewall mechanisms between it and affiliated corporations? (IV) 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		(I) The Company's Shareholders' Affairs Unit 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. (II) 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. (III) 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. (IV) The Company has established Procedures for Handling Material Inside Information and educated the internal staff on the restriction of trading securities based on information yet to be public on the market. The Procedures have been disclosed on the Company's website.	Complies with the Corporate Governance Best Practice Principles
III. Composition and responsibilities of the Board of Directors (I) Has the Board of Directors devised and implemented a plan for a more diverse composition of the Board? (II) In addition to establishing a Compensation Committee and an Audit Committee, which are required by law, is the company	V		(I) The Company's Corporate Governance Best Practice Principles specify that the structure of Board of Directors should take into account 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. Please refer to Director Information (3).	Complies with the 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	Abstract	
willing to also voluntarily establish other types of functional committees?	V		(II) The Company has established functional committees including the Employee Welfare Committee, Supervisory Committees of Labor Retirement Reserve, Occupational Safety and Health Committee, Patent Committee, Innovation Proposal Committee and the Corporate Social Responsibility Management Committee.	
(III) Has the company established and implemented methods for assessing the performance of the Board of Directors and conducted performance evaluation annually?	V		(III) The Company has established the Regulations Governing Salary, Remuneration and Performance Evaluation of Directors and it has been passed by the Board of Directors which performs periodic self-assessments once every year. The evaluation results were reported to the Compensation Committee and the Board of Directors. The results of the evaluations are used to formulate improvement plans for improving the performance of the board and maximize benefits. The self-assessment of the overall performance of Nuvoton's Board of Directors include the following five major aspects: A. Participation in Company operations B. Improvement of the quality of the Board of Directors' decision making C. Composition and structure of the Board of Directors D. Election and continuing education of the Directors E. Internal control The criteria for evaluating the performance of Board members include the following six primary aspects: A. Familiarity with the goals and missions of the Company B. Recognition of duties as Directors C. Participation in Company operations D. Management of internal relations and communication E. Directors' professionalism and continuing education F. Internal control The Company's stock affairs unit collected the questionnaires, compiled the results, and submitted evaluation outcomes to the Compensation Committee and the Board of Directors on February 1, 2019. The results of evaluations in 2018 showed normal results in the self-assessment conducted by members of the board. The board's self-assessment called for improvements in the attendance rate in the shareholders' meetings.	
(IV) Does the company periodically evaluate the level of independence of the CPA?	V		(IV) The Company's certifying CPA alternates between accountants. Previous accountants have not served as Company directors nor were they remunerated by the Company and are not stakeholders. 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. Assessment items include the CPA firm's selection and	

Assessed areas	Implementation status			Deviations from Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Abstract	
			compliance with regulations and supervision of competent authorities, therefore its independence and propriety should be absolute.	
IV. Does the Company listed on the TWSE or TPEx 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 shareholders' meetings, handling business registration and any change of registration, and compiling minutes of board meetings and general shareholders' meetings)?	V		The Shareholders' Affairs Unit under the Company's General Administration Center is responsible for related affairs for corporate governance. Its responsibilities include company registration, related affairs for board meetings and shareholders' meetings, providing information required for Directors in business operations, update of related corporate governance regulations, related affairs for investor relations, and other related items specified in the Company's Articles of Incorporation or contracts. The status of business developments in 2018 was as follows: (1) Established and amended related corporate governance regulations which were filed to the Board of Directors for resolution and passage. (2) The Group periodically arranges continuing study courses for Directors to choose from. (3) Purchased liability insurance for the Company's Directors and key officers. (4) Plan the dates of board meetings one year in advance to facilitate participation of board members. Mail the meeting notice seven days before board meetings and provide sufficient meeting information in accordance with the Company Act and the Rules of Procedures for Board of Directors Meetings. Provide reminders for recusal for conflicts of interest and completed the mailing of the meeting minutes of board meetings within twenty days after the meetings were concluded. (5)To facilitate corporate governance and improve the performance of the Board of Directors, the Shareholders' Affairs Unit periodically evaluates the performance of the Board of Directors and individual Directors each year and submits results to the Compensation Committee and the Board of Directors. (6)The Company organizes one institutional investor conference every six months to report on the Company's financial statistics and overview of business operations. (7)The Company's board members conduct self-assessments of their performance each year in accordance with the "Regulations Governing Salary, Remuneration and Performance Evaluation of Directors". The results are reported to the Compensation Committee and the Board of Directors. Improvement plans shall be formulated based on evaluation results to improve the performance of the board and maximize benefits. (8)Convene shareholders' meetings before the end of June each year and file meeting notices, proceedings manual, annual report, and meeting minutes within the periods specified by regulations. Implement dividends distribution and registration and amendments to the Articles of Incorporation after the shareholders' meeting.	Complies with the Corporate Governance Best Practice Principles
V. 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	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.	Complies with the 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	Abstract	
responded to important corporate and social responsibility issues of concern to stakeholders?				
VI. 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.	Complies with the Corporate Governance Best Practice Principles
VII. Information disclosure (I) Has the Company established a corporate website to disclose information regarding the Company's financial, business and corporate governance status? (II) Has the Company adopted other means of information disclosure (such as establishing a website in English, appointing specific personnel to collect and disclose company information, implementing a spokesperson system, and disclosing the process of investor conferences on the Company's website)?	V V		(I) The Company discloses financial and business as well as corporate governance information on its Chinese (http://www.nuvoton.com) and English websites. (II) 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 for external parties.	Complies with the Corporate Governance Best Practice Principles
VIII. Does the Company have other information that is helpful for understanding its status of corporate governance (including but not limited to employee rights and interests, employee well-being, investor relations, supplier relations, rights of stakeholders, further education sought by Directors and Supervisors, implementation of risk management policies and risk evaluation standards, implementation of customer policies, the taking out of liability insurance for Directors and Supervisors)?	V		(I) Employee rights, interests and well-being: 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 managers. (II) 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. (III) Supplier relations: The Company has established regulations governing supplier relations. (IV) Stakeholder interests: The Directors of the Company recused themselves from voting on agenda items in which they have an interest. (V) 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 external institutions to the directors and supervisors. The continuing education courses taken by directors and supervisors are disclosed on the Market Observation Post System. (VI) 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. (VII) 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. (VIII) Status of purchase of liability insurance by the Company for directors and supervisors: The Company has purchased liability insurance for its Directors and Supervisors in accordance with regulations in order to	Complies with the Corporate Governance Best Practice Principles

<table>
<tr><th rowspan="2">Assessed areas</th><th colspan="3">Implementation status</th><th rowspan="2">Deviations from Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Abstract</th></tr>
<tr><td></td><td></td><td></td><td>mitigate and diversify the risk of any material damages to the Company and its shareholders caused by any error or negligence of its Directors.</td><td></td></tr>
<tr><td colspan="5">IX. Please describe 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.
Nuvoton's 2018 Corporate Governance Evaluation results ranked among the top 5% of all public companies. The Company will continue to enhance our corporate governance.</td></tr>
</table>

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

(1) Information on members of the Compensation Committee

Identification Type	Criteria / Name	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 Tu			V	V	V	V	V	V	V	V	V	-	N/A
Independent Director	Royce Hong			V	V	V	V	V	V	V	V	V	-	N/A
Independent Director	Shan-Kio Hsu			V	V	V	V	V	V	V	V	V	2	N/A
Independent Director	Jie-Li Hsu			V	V	V	V	V	V	V	V	V	2	N/A

Note: 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 "✓" in 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 of the Company or its parent or subsidiary companies 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, manager, or a shareholder that holds more than 5% of shares at a company or institution that has financial or business exchanges with the Company.

(7) Not a professional person, business owner, partner, Director, Supervisor, or manager 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.

(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, Supervisors and managers periodically; and 3. Periodically review the status of performance targets of the Company's Directors and managers and determine the content and amount of remuneration to each individual.

(3) Operation of Compensation Committee

A.The Company's Compensation Committee is comprised of 4 individuals including all Independent Directors.

B.Current term for the members: June 15, 2016 - June 14, 2019. A total of 2 (A) meetings of the 2018 Compensation Committee were held in the most recent year. The attendance was as follows:

Title	Name	Attendance in person (B)	Attendance by proxy	Attendance rate (%) (B/A) (Note)	Note
Convener	David Tu	2	0	100%	N/A
Committee member	Royce Hong	2	0	100%	N/A
Committee member	Shan-Kio Hsu	2	0	100%	N/A
Committee member	Jie-Li Hsu	2	0	100%	N/A

Other matters that require reporting:

I. 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.

II. If a member opposes a resolution the Compensation Committee has adopted or has reservations with a written record or a statement, the date and session of the meeting, agenda item, opinions of all the members, and the handling of their opinions shall be indicated: This event did not occur at the Company.

Note: 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.

(4) Discussions and results of resolutions of the Compensation Committee and the Company's handling of opinions of the board members:

Term/Date		Agenda and follow-up
6th Session of 3rd Remuneration Committee 2018/01/26	1	Passed the total amount and individual amounts of remuneration appropriated for Directors in 2017. Opinions of members of the Compensation Committee: N/A. The Company's response to Remuneration Committee opinions: N/A. Results of resolutions: Passed as proposed.
	2	Passed the variable pay of professional managers. Opinions of members of the Compensation Committee: N/A. The Company's response to Remuneration Committee opinions: N/A. Results of resolutions: Passed as proposed.
	3	Passed the proposal for the promotion of professional managerial officers. Opinions of members of the Compensation Committee: N/A. The Company's response to Remuneration Committee opinions: N/A. Results of resolutions: Passed as proposed.
7th Session of 3rd Remuneration Committee 2018/07/26	1	Passed the modifications to the salary and variable pay of managers. Opinions of members of the Compensation Committee: N/A. The Company's response to Remuneration Committee opinions: N/A. Results of resolutions: Passed as proposed.
	2	Passed the appropriation ratio of remuneration for Directors in 2018. Opinions of members of the Compensation Committee: N/A. The Company's response to Remuneration Committee opinions: N/A. Results of resolutions: Passed as proposed.
	3	Passed the appropriation ratio of remuneration for employees in 2018. Opinions of members of the Compensation Committee: N/A. The Company's response to Remuneration Committee opinions: N/A. Results of resolutions: Passed as proposed.

Term/Date		Agenda and follow-up
8th Session of 3rd Remuneration Committee 2019/02/01	1	Passed the total amount and individual amounts of remuneration appropriated for Directors in 2018. Opinions of members of the Compensation Committee: N/A. The Company's response to Remuneration Committee opinions: N/A. Results of resolutions: Passed as proposed.
	2	Passed amendments to the Company's Regulations Governing Salary, Remuneration and Performance Evaluation of Managers. Opinions of members of the Compensation Committee: N/A. The Company's response to Remuneration Committee opinions: N/A. Results of resolutions: Passed as proposed.
	3	Passed the variable pay of professional managers. Opinions of members of the Compensation Committee: N/A. The Company's response to Remuneration Committee opinions: N/A. Results of resolutions: Passed as proposed.

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			Departure from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reasons thereof
	Yes	No	Abstract	
I. Implementation of corporate governance (I) Does the Company have a corporate social responsibility policy or system in place? Is progress reviewed on a regular basis? (II) Did the Company provide social responsibility training on a regular basis? (III) Does the Company have a unit that specializes (or is involved) in CSR practices? Is the CSR unit run by senior managerial officers and reports its progress to the Board of Directors? (IV) Did the Company formulate reasonable remuneration policies, integrate employee performance appraisal systems with CSR policies and establish effective reward and punishment systems?	V V V V		(I) The Company has established Corporate Social Responsibility Best Practice Principles 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 complies with the Code of Conduct of the Responsible Business Alliance (RBA). The Code was previously known as Electronic Industry Code of Conduct (EICC). The Company 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. The Company has established "Ethical Corporate Management Best Practice Principles" to build an 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 Management Committee. (II) The Company periodically holds corporate ethics education on corporate social responsibility and ethical management and holds various training courses from time to time. (III) To fulfill our corporate social responsibilities and implement related regulations and international norms, the Company established the Corporate Social Responsibility Management Committee in July 2012 and the Chairman designated a high-level supervisor 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 related information is disclosed on the Company website before the end of the year. (IV) The Company has established regulations on salary and compensation and conducts performance evaluations of employees annually with self-assessments and performance evaluation by Supervisors. 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.	In line with the Corporate Social Responsibility Best Practice Principles
II. Fostering a sustainable environment (I) Is the Company committed to improving the efficiency of the various resources and using recycled materials which have a low impact on the environment?	V		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. (I) 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 from the "Green Factory Label in Clean Production Evaluation System" of the Industrial Development Bureau of the Ministry of Economic Affairs in 2015.	

Assessed areas	Implementation status			Departure from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reasons thereof
	Yes	No	Abstract	
			The Company was also awarded Outstanding Achievement in Water Conservation by the Ministry of Economic Affairs in 2016.	
(II) Has the Company established a proper environmental management system based on the characteristics of the industry? (III) Has the Company taken note of any impact 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?	V V		(II) The Company has established an environmental safety and sanitary management system and a hazardous material management system and passed ISO 14001, OHSAS 18001, 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. (III) 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 average annual electricity consumption by 12%, water consumption by 40%, nitrogen consumption by 45% and total greenhouse gas emissions (CO_2 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 advanced project review of the Environmental Protection Administration (EPA) 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 greenhouse gas emissions volume in 2017 was verified as 80,723 CO_2e by DNV GL which was a reduction of 4.7% compared to the total emissions in the baseline year. The GHG emissions in 2018 was approximately 76,817 tons based on the Company's assessment and it was a decline of 9% compared to the baseline year.	In line with the Corporate Social Responsibility Best Practice Principles

Assessed areas	Implementation status			Departure from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reasons thereof
	Yes	No	Abstract	
III. Upholding public interests (I) Has the Company formulated appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights? (II) Has the Company set up an employee hotline or grievance mechanism to handle complaints properly? (III) Does the Company provide a safe and healthy working environment and provide employees with regular safety and health training? (IV) Has the Company set up a channel for communicating with employees on a regular basis, and reasonably inform employees of any significant changes in operations that may have an impact on them? (V) Has the Company established an effective career development and capability training program for employees?	V V V V V		(I) 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. (II) 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. (III) The Company has established a department in charge of safety and sanitation, the implementation and management of the safety and sanitation system, periodic safety and health education training to provide employees with a safe and healthy work environment. (IV) 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. (V) 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.	
(VI) Has the Company established any consumer protection mechanisms and complaint procedures regarding R&D, purchasing, production, operation and service? (VII) In terms of the marketing and labeling of products and services, has the Company followed relevant laws, regulations, and international norms?	V V		(VI) 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. We conduct comprehensive defect analyses for defective products returned by customers to verify the source of the defective products and implement improvements. We also use continuous innovation and improvement of products, procedures, and services to provide high-quality services and outstanding quality to become irreplaceable partners for customers. With regard 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. (VII) 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. The Company cooperates with packaging plants and, except for special products specified by the customer, has ceased all production and sales of packaged products containing lead since January 1, 2010. b. Starting on August 9, 2009, we began to use halogen-free materials for new products 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.	In line with the Corporate Social Responsibility Best Practice Principles

Assessed areas	Implementation status			Departure from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reasons thereof
	Yes	No	Abstract	
(VIII) 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?	V		(VIII) As stipulated in the Company's internal regulations, we incorporated quality, price, environmental protection and labor rights into the assessment for qualified suppliers. 1. Environmental management system verification The Company requires that suppliers must 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 process. 2. Social requirements To ensure the labor rights of our suppliers, the Company has actively adopted the Code of Conduct of the Responsible Business Alliance (RBA). The Code was previously known as the Electronic Industry Code of Conduct (EICC) and requires 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.	
(IX) Do 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		(IX) 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.	

Assessed areas	Implementation status			Departure from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reasons thereof
	Yes	No	Abstract	
IV. Enhancing information disclosure (I) Has the Company disclosed relevant and reliable information regarding its corporate social responsibility on its website and the Market Observation Post System?	V		(I) The Company has established a public webpage and discloses detail information including the financial information, operation status, management team, and the performance of corporate social responsibilities on the MOPS. The general public can access the Company's website and understand related affairs and conditions. (II) The Company has established a Corporate Social Responsibility Management 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.	In line with the Corporate Social Responsibility Best Practice Principles
V. If the Company has established Corporate Social Responsibility Best Practice Principles based on "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies", please describe any difference between the principles and their implementation: The Company has established Corporate Social Responsibility Best Practice Principles 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/GTSM Listed Companies.				
VI. Other key information useful for explaining status of corporate social responsibility practices: (I) The Company has established and implemented comprehensive standards in labor rights, health and safety, environmental protection, and management systems to achieve CSR goals.				

(II) With regard 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 2018.

(III) 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 help employees maintain physical health. We also encourage employees to form clubs to promote their physical, psychological and spiritual health, 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. The Company's employees also actively participate in charity events organized by the Charity Club to help the disadvantaged and give back to society. Their work included donations to the Genesis Social Welfare Foundation for caring for patients that are in a persistent vegetative state, donations to Shih Guang Educational and Nursing Institution for patients that require long-term care, donations to children's homes for children, donations to the Children's Hearing Foundation to provide hearing-impaired children with electronic cochlear implants, etc. In 2018, Nuvoton employees donated a total of NT$295,000 to Mackay Memorial Hospital and National Taiwan University Hospital Hsin-Chu Branch for assisting the financially challenged who are unable to afford health care in order to help those in poverty and in sickness. Nuvoton also sponsored lunch and registration fees for schoolchildren of Hsinchu Yuan Dong Junior High School from impoverished families to promote the spirit of solidarity.

(IV) In terms of environmental protection, Nuvoton is committed to establish advanced international safety, sanitation management, and environmental protection standards. Nuvoton Technology's wastewater treatment personnel received the "Outstanding Environmental Protection Personnel" award from the Hsinchu Science Park Administration in 2018. We also actively participate in environmental training programs and was recognized again as the "2018 Environmental Education Partner" of Hsinchu Science Park. The Company also periodically implements effective education and training activities and organized 92 classes/210 hours of training courses in 2018 with 2,196 participants 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.

(V) With regard 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. Through the Audit Committee, the Company is focused on corporate governance and Supervisors monitor the operations of the Company, the Company's compliance of regulations, financial transparency, instant disclosure of important information and make sure that there is no internal corruption.

VII. If the corporate social responsibility reports have been certified by external institutions, they should state so below:

The Company's 2017 Corporate Social Responsibility Report was published in 2018. It was compiled in accordance with Global Reporting Initiative Standards GRI Standards and was certified by an impartial third-party agent, SGS Taiwan.

6. Ethical corporate management and measures adopted:

Assessed areas	Implementation status			Departure from "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies" and reasons
	Yes	No	Abstract	
I. Establishment of ethical corporate management policy and approaches (I) 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 managerial officers committed in fulfilling this commitment? (II) Does the Company have any measures against dishonest conducts? Are these measures supported by proper procedures, behavioral guidelines, disciplinary actions and complaint systems? (III) Has the Company taken steps to prevent occurrences listed in all subparagraphs under Article 7, Paragraph 2 of the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies" or business conduct that are prone to integrity risks?	V V V		(I) 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 Best Practice 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. (II) 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. (III) 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.	In line with the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies
2. Implementation of ethical corporate management (I) Does the Company evaluate the integrity of all counterparties it has business relationships with? Are there any integrity clauses in the agreements it signs with business partners? (II) 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? (III) Has the Company established policies to prevent conflicts of interests, implemented such policies, and provided adequate channels of communications?	V V V		(I) The Company has requested major suppliers to sign a letter of undertaking of integrity to state the Company's ethical corporate management principles, 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. (II) The Company has established the "Corporate Social Responsibility Management 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. (III) 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 stakeholders 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 professional managers.	In line with the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies

Assessed areas	Implementation status			Departure from "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies" and reasons
	Yes	No	Abstract	
(IV) Has the Company established effective accounting systems and internal control systems for enforcing ethical corporate management? Are regular audits carried out by the Company's internal audit unit or commissioned to a CPA? (V) Did the Company periodically provide internal and external training programs on integrity management?	V V		(IV) 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. (V) The Company periodically holds corporate ethics education on corporate social responsibility and ethical corporate management each year and holds various training courses from time to time.	
III. Implementation of the Company's Whistleblowing System (I) Has the Company established concrete whistleblowing and reward system and have a convenient reporting channel in place, and assign an appropriate person to communicate with the accused? (II) Has the Company established standard operating procedures for investigating reported cases and related confidentiality mechanism? (III) Did the Company adopt measures for protecting the whistle-blower against improper treatment or retaliation?	V V V		(I) 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 Business Conducts" for related personnel to report on any malpractices through the system for the Company's designated senior managerial officer 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. (II) 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. (III) The Company has established in the "Regulations on Reporting Unethical Business Conducts" and "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.	In line with the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies
IV. Enhancing information disclosure (I) Has the Company disclosed its Ethical Corporate Management Best Practice Principles and progress onto its website and MOPS?	V		(I) The Company has announced the "Ethical Corporate Management Best Practice 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 MOPS.	In line with the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies
V. The Company shall establish its own Ethical Corporate Management Best Practice Principles based on the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies" and clearly articulate the differences between its operations and the established code. The Company has established "Ethical Corporate Management Best Practice Principles" and "Regulations on Ethical Corporate Management" in accordance with "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies."				
VI. 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 Ethical Corporate Management Best Practice Principles to its business counterparties, and invite them to join the Company's training program, and review/revision of the Company's Ethical Corporate Management Best Practice 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 simultaneously discloses its corporate governance information on the Market Observation Post System and the Company website in a timely manner.

9. Status of implementation of internal control system

(1) Statement of Declaration on Internal Control

Nuvoton Technology Corp.

Internal Control System Statement

Date: February 1, 2019

This Statement of Internal Control System is issued based on the self-assessment results of the Company for year 2018:

I. The Company is fully aware that the establishment, implementation and maintenance of its internal control system is the responsibility of the Board of Directors and managers. In this regard 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.

II. 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 and impact 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.

III. 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 (hereinafter referred to as the "Regulations"). The internal control system judgment criteria adopted by the Regulations divide internal control into five elements based on the process of management control: 1. Control environment, 2. Risk assessment, 3. Control operation, 4. Information and communication, and 5. Monitoring. Each element further contains several items. For more information on the abovementioned items, please refer to the Regulations.

IV. The Company has evaluated the design and operating effectiveness of its internal control system according to the aforesaid criteria.

V. Based on the findings of the evaluation mentioned in the preceding paragraph, the Company believes that as of December 31, 2018 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.

VI. This Statement will become a major part of the content of the Company's Annual Report and Prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.

VII. This Statement has been passed by the Board of Directors Meeting of the Company held on February 1, 2019, where 0 of the 9 attending Directors expressed dissenting opinions, and the remainder all affirmed the content of this Statement.

Chairman of the Board: Arthur Yu-Cheng Chiao

President: Sean Tai

(2) If the Company engages an accountant to examine its internal control system, disclose the CPA audit report: N/A.

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 for the most recent year and up to the date of report: N/A.

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

(1) Report on the execution of resolutions adopted at the 2018 general shareholders' meeting:

Date		Important resolutions and implementation
2018/06/12	1	Ratified the Company's 2017 business report and financial statements. Resolution: Passed as proposed. (For details of the resolution, please visit Market Observation Post System) Implementation status: Followed resolution results.
	2	Ratified the Company's 2017 earnings distribution proposal. Resolution: Passed as proposed. (For details of the resolution, please visit Market Observation Post System) Implementation status: The Board of Directors resolved in the meeting on July 26, 2018 to set August 19, 2018 as the ex dividend date and September 14, 2018 as the issuance date. (Cash dividend of NT$2.5 per share)
	3	Passed the proposal for issuing new common shares and GDRs for cash capital increase. Resolution: Passed as proposed. (For details of the resolution, please visit Market Observation Post System) Implementation status: Followed resolution results.
	4	Passed the amended Articles of Incorporation. Resolution: Passed as proposed. (For details of the resolution, please visit Market Observation Post System) Implementation status: The Company has completed the registration of the amended Articles of Incorporation on July 2, 2018.
	5	Passed the amended Procedures for Engaging in Derivatives Transactions. Resolution: Passed as proposed. (For details of the resolution, please visit Market Observation Post System) Implementation status: Related Affairs are processed in accordance with procedures after the amendments are effected.
	6	Passed the proposed removal of non-compete clause for Directors. Resolution: Passed as proposed. (For details of the resolution, please visit Market Observation Post System) Implementation status: Followed resolution results.

(2) Important resolutions adopted by the Board of Directors in 2018 and up to the publication of the Annual Report (March 31, 2019)

Date		Important resolutions
2018/01/26	1	Passed the Company's 2017 financial statements and business report.
	2	Passed the 2017 Statement of Declaration on Internal Control.
	3	Passed the 2017 earnings appropriation.
	4	Passed the Company's 2018 business plan and budget.
	5	Passed the change of the Company's CPA in 2018 Q1.
	6	Passed the annual remuneration paid to Deloitte & Touche CPA Firm.
	7	Passed the amended Articles of Incorporation.
	8	Passed the amended Procedures for Engaging in Derivatives Transactions.
	9	Passed the proposed calling of the 2018 general shareholders' meeting.
	10	Passed the purchase of liability insurance for the Company's Directors and key persons.
	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 the total amount and individual amounts of remuneration appropriated for Directors in 2017.
	14	Passed the total amount of remuneration appropriated for employees in 2017.
	15	Passed the variable pay of professional managers.
	16	Passed the proposal for the promotion of professional managerial officers.
2018/03/23	1	Passed fundraising for the Company's long-term capital with plans for issuing new common shares and GDRs for cash capital increase.
2018/04/24	1	Passed the proposed removal of non-compete clause for Directors.
	2	Passed the Board's review of shareholder motions.

Date		Important resolutions
	3	Passed the new agenda of the 2018 shareholders' meeting.
	4	Passed the adjustments of the structure for subsidiary companies.
	5	Passed the financial derivative transactions undertaken by the Company.
	6	Passed the renewal of short-term lines of credit obtained from financial institutions.
2018/07/26	1	Passed the Company's 2017 cash dividend appropriation.
	2	Passed the financial derivative transactions undertaken by the Company.
	3	Passed the modifications to the salary and variable pay of managers.
	4	Passed the appropriation ratio of remuneration for Directors in 2018.
	5	Passed the appropriation ratio of remuneration for employees in 2018.
2018/08/17	1	Approved the Company's proposal for the cash capital increase and issuance of new shares in 2018.
2018/10/26	1	Passed the Company's Annual Audit Plan for 2019.
	2	Passed the financial derivative transactions undertaken by the Company.
	3	Passed the renewal of short-term lines of credit obtained from financial institutions.
2019/02/01	1	Passed the Company's 2018 financial statements and business report.
	2	Passed the 2018 Statement of Declaration on Internal Control.
	3	Passed the 2018 earnings appropriation.
	4	Passed the Company's 2019 business plan and budget.
	5	Passed the annual remuneration paid to Deloitte & Touche CPA Firm.
	6	Passed the purchase of liability insurance for Supervisors, Directors and key persons.
	7	Passed the financial derivative transactions undertaken by the Company.
	8	Passed the renewal of short-term lines of credit obtained from financial institutions.
	9	Approved the application for abolishing the Company's cash capital increase and issuance of new shares for 2018.
	10	Passed the total amount and individual amounts of remuneration appropriated for Directors in 2018.
	11	Passed the total amount of remuneration appropriated for employees in 2018.
	12	Passed amendments to the Company's Regulations Governing Salary, Remuneration and Performance Evaluation of Managers.
	13	Passed the variable pay of professional managers.
2019/03/25	1	Passed the amended Articles of Incorporation.
	2	Passed the amendments to the Company's Procedures for Acquisition or Disposal of Assets.
	3	Passed the amended Procedures for Engaging in Derivatives Transactions.
	4	Passed the election of Directors in accordance with Article 15 of the Company's Articles of Association.
	5	Passed the candidate list for 6th-term Directors (including Independent Directors) nominated by the Board of Directors.
	6	Passed the proposed calling of the 2019 general shareholders' meeting.
	7	Passed the financial derivative transactions undertaken by the Company.

(3) Important resolutions adopted by the Audit Committee in 2018 and up to the publication of the Annual Report (March 31, 2019)

Date		Important resolutions
2018/01/26	1	Passed the Company's 2017 financial statements and business report.
	2	Passed the 2017 Statement of Declaration on Internal Control.
	3	Passed the 2017 earnings appropriation.
	4	Passed the change of the Company's CPA in 2018 Q1.
	5	Passed the annual remuneration paid to Deloitte & Touche CPA Firm.
	6	Passed the amended Procedures for Engaging in Derivatives Transactions.
2018/03/23	1	Passed fundraising for the Company's long-term capital with plans for issuing new common shares and GDRs for cash capital increase.
2018/07/26	1	Passed the 2018 Q2 financial statements.
2018/08/17	1	Approved the Company's proposal for the cash capital increase and issuance of new shares in 2018.
2018/10/26	1	Passed the Company's Annual Audit Plan for 2019.
2019/02/01	1	Passed the Company's 2018 financial statements and business report.
	2	Passed the 2018 Statement of Declaration on Internal Control.
	3	Passed the 2018 earnings appropriation.
	4	Passed the annual remuneration paid to Deloitte & Touche CPA Firm.
	5	Approved the application for abolishing the Company's cash capital increase and issuance of new shares for 2018.
2019/03/25	1	Passed the amendments to the Company's Procedures for Acquisition or Disposal of Assets.
	2	Passed the amended Procedures for Engaging in Derivatives Transactions.

12. Dissenting or qualified opinion of Directors against an important resolution passed by the Board of Directors that is on record or stated in a written statement for the most recent year and up to the date of report: N/A.

13. Resignation and dismissal of professional managerial officers related to the financial report including Chairman, President, Accounting Manager, Chief Financial Officer, Chief R&D Officer and Chief Internal Auditor, for the most recent year and up to the date of report: N/A.

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 Procedures for Handling Material Inside Information among employees from time to time to prevent the violation of insider trading regulations.

(IV) Information on Fees to CPA:

1. Information on Fees to CPA

Name of accounting firm	Name of auditors		Duration of audit	Note
Deloitte & Touche Joint CPA Firm	Hung-Bin Yu	Kuo-Tien Hung	2018	

Unit: thousand NT$

Name of accounting firm	Name of auditors	Audit fee	Non-audit fee					CPA Duration of audit	Note
			System design	Business registration	Human resources	Other	Subtotal		
Deloitte & Touche CPA Firm	Hung-Bin Yu and Kuo-Tien Hung	4,340	-	-	-	720	720	2018	The other items in the non-auditing fee are the fees for related taxation services.

2. Fees paid by Nuvoton to certifying accountants, the accounting firm and its affiliates in 2018 that were non-audit fee amounted to NT$720 thousand which was less than one fourth of the audit fee.

3. If the Company changes 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 that paid in the previous year, the amount and percentage of decrease and reason: Nuvoton's 2018 audit fee has not decreased more than 15% than the amount paid in 2017. This is therefore not applicable.

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

Due to internal changes in the CPA firm, the Company's original CPAs Hung-Bin Yu and Harrison Wu have been changed to CPAs Hung-Bin Yu and Kuo-Tien Hung from 2018 Q1.

1. Regarding previous CPA

<table>
<tr><td>Date of change</td><td colspan="3">January 26, 2018</td></tr>
<tr><td>Reasons for change and remark</td><td colspan="3">Internal adjustment of the certifying CPA firm</td></tr>
<tr><td rowspan="3">Termination initiated by client or accountant declined to accept the appointment</td><td>Contracting parties
Scenario</td><td>CPA</td><td>Client</td></tr>
<tr><td>Termination initiated by client</td><td rowspan="2" colspan="2">Not applicable</td></tr>
<tr><td>CPA declined to accept (continue) the appointment</td></tr>
<tr><td>Audit reports, other than with no reservations, issued in the most recent two years and reasons</td><td colspan="3">N/A</td></tr>
<tr><td>Opinions different from those of issuer</td><td colspan="3">N/A</td></tr>
<tr><td>OTHER DISCLOSURES</td><td colspan="3">N/A</td></tr>
</table>

2. Regarding succeeding CPA

Name of firm	Deloitte & Touche CPA Firm
Name of auditors	Hung-Bin Yu and Kuo-Tien Hung
Date of appointment	January 26, 2018
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: Not applicable.

(VI) The Chairman, President and Financial or Accounting Managerial Officer of the Company who had worked for the Independent CPA or the affiliate in the most recent year: N/A.

(VII) Share transfer by directors, supervisors, managerial officers and shareholders with shareholding ratio of more than 10% equity and changes to share pledging by them for the most recent year and up to the date of report

(1) Share transfers:

Unit: shares

Title	Name	2018		2019 up to March 31	
		Increase (decrease) in number of shares held	Increase (decrease) in pledged shares	Increase (decrease) in number of shares held	Increase (decrease) in pledged shares
Director and Chairman	Winbond Electronics Corporation Representative: Yu-Cheng Chiao	-	-	-	-
Director and Vice Chairman	Robert Hsu	-	-	-	-
Director	Yung Chin	-	-	-	-
Director	Keh-Shew Lu	-	-	-	-

Title	Name	2018		2019 up to March 31	
		Increase (decrease) in number of shares held	Increase (decrease) in pledged shares	Increase (decrease) in number of shares held	Increase (decrease) in pledged shares
Director	Chi-Lin Wea	-	-	-	-
Independent Director	Royce Hong	-	-	-	-
Independent Director	Shan-Kio Hsu	-	-	-	-
Independent Director	David Tu	-	-	-	-
Independent Director	Jie-Li Hsu	-	-	-	-
President	Sean Tai	-	-	-	-
VP	Hsi-Jung Tsai	-	-	-	-
VP and Chief Financial Officer	Hsiang-Yun Fan	-	-	-	-
VP	Ren-Lie Lin	-	-	-	-
VP	Jiin-Shiarng Wen (Note 2)	-	-	-	-
VP	Hsin-Lung Yang	-	-	-	-
VP	Patrick Wang	-	-	-	-
Assistant Vice President	Kuang-Lun Lin (Note 3)	-	-	-	-
Accounting Manager	Hung-Wen Huang	-	-	-	-

Note 1: The information above is based on actual shares held.

Note 2: Mr. Jiin-Shiarng Wen was relieved of his duties as a professional managerial officer on March 1, 2018. The above table discloses his information up to the date of termination of his term of office as Nuvoton's professional managerial officer.

Note 3: Mr. Kuang-Lun Lin was appointed as the new professional manager on March 1, 2018.

(2) Share transfer information: N/A

(3) Share pledge information: N/A

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

August 19, 2018 (ex dividend date); Unit: shares

Name	Shares Held By The Person		Shares Held By Spouse And Underage Children		Total Shares Held 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 Ratio	No. of shares	Shareholding Ratio	No. of shares	Shareholding Ratio	Name (or name)	Relationship	
Winbond Electronics Corp. Representative: Yu-Cheng Chiao	126,620,087 -	61.01% -	- -	- -	- -	- -	-	-	N/A
New Labor Pension Fund	4,828,000	2.33%	-	-	-	-	-	-	N/A
Fubon Life Insurance Co., Ltd.	3,250,000	1.57%	-	-	-	-	-	-	N/A
Public Service Pension Fund Supervisory Board	2,108,000	1.02%	-	-	-	-	-	-	N/A
Designated Account for Allianz Global Investors Taiwan Technology Fund	1,814,000	0.87%	-	-	-	-	-	-	N/A
Old Labor Pension Fund	1,567,000	0.75%	-	-	-	-	-	-	N/A
Hua-Jung Lien	1,290,000	0.62%	-	-	-	-	-	-	N/A
Designated Account for Hua Nan IoT Fund	1,200,000	0.58%	-	-	-	-	-	-	N/A
Credit Suisse Securities investment account under the custody of Standard Chartered Bank	904,000	0.44%	-	-	-	-	-	-	N/A
Special Emerging Markets Equity Investment Fund under the custody of Citibank	800,000	0.39%	-	-	-	-	-	-	N/A

(IX) The shareholding of the Company, Director, Supervisor, Managerial Officers and an enterprise that is directly or indirectly controlled by the Company in the invested company

December 31, 2018; Unit: shares

Investees (Note)	Investment by the Company		Investments by Directors, Supervisors, managerial officers 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. (Note 1)	13,897,925	100%	-	-	13,897,925	100%
Marketplace Management Limited	8,790,789	100%	-	-	8,790,789	100%
Nuvoton Investment Holding Ltd.	17,420,000	100%	-	-	17,420,000	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 1: Liquidation of Pigeon Creek Holding Co., Ltd. was completed in January 2019 and legal procedures have been completed.
Note 2: Investment on equity method is employed.

III. Capital and Shareholding

(I) Share capital source

Unit: Share; thousand NT$

Year Month	Issue Price (NT$)	Authorized capital		Paid-in capital		Note		
		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	Founding cash capital NT$1,000 thousand	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$600,000 thousand	N/A	Yuan-Shang No. 0980028478
9809	10	300,000,000	3,000,000	200,070,000	2,000,700	Capital increase of NT$ 100,700 thousand from additional paid-in capital	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 thousand	N/A	Yuan-Shang No. 0990016508

December 31, 2018; Unit: shares

Type of Shares	Authorized capital			Note
	Outstanding shares	Unissued shares	Total	
Common shares	207,554,400	92,445,600	300,000,000	Listed stock

Note: Information for shelf registration: N/A

(II) Shareholders

August 19, 2018 (ex dividend date)

Shareholders / Quantity	Government institutions	Financial institutions	Other corporations	Individuals	Foreign institutions and foreigners	Total
Number of people	-	10	65	11,315	79	11,469
Number of shares held (shares)	-	5,435,000	146,040,081	45,878,672	10,200,647	207,554,400
Shareholding ratio (%)	-	2.62%	70.37%	22.10%	4.91%	100%

(III) Shareholding Distribution Status

1. Common shares:

August 19, 2018 (ex dividend date)

Shareholding range	Number of shareholders	Number of shares held (shares)	Shareholding ratio (%)
1 to 999	511	74,025	0.04%
1,000 to 5,000	9,213	17,528,270	8.45%
5,001 to 10,000	973	7,868,663	3.79%
10,001 to 15,000	256	3,289,050	1.58%
15,001 to 20,000	164	3,067,961	1.48%
20,001 to 30,000	125	3,226,603	1.55%
30,001 to 50,000	73	2,892,416	1.40%
50,001 to 100,000	63	4,548,100	2.19%
100,001 to 200,000	41	6,080,244	2.93%
200,001 to 400,000	25	7,005,002	3.38%
400,001 to 600,000	14	6,892,979	3.32%
600,001 to 800,000	2	1,500,000	0.72%
800,001 to 1,000,000	1	904,000	0.44%
Over 1,000,001	8	142,677,087	68.73%
Total	11,469	207,554,400	100%

2. Preferred stocks: Not applicable

(IV) List of major shareholders

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

August 19, 2018 (ex dividend date) Unit: shares

Shares / Name of majority shareholders	Number of shares held	Shareholding ratio (%)
Winbond Electronics Corp.	126,620,087	61.01%
New Labor Pension Fund	4,828,000	2.33%
Fubon Life Insurance Co., Ltd.	3,250,000	1.57%
Public Service Pension Fund Supervisory Board	2,108,000	1.02%
Designated Account for Allianz Global Investors Taiwan Technology Fund	1,814,000	0.87%
Old Labor Pension Fund	1,567,000	0.75%
Hua-Jung Lien	1,290,000	0.62%
Designated Account for Hua Nan IoT Fund	1,200,000	0.58%
Credit Suisse Securities investment account under the custody of Standard Chartered Bank	904,000	0.44%
Special Emerging Markets Equity Investment Fund under the custody of Citibank	800,000	0.39%

(V) Market price per share, net worth, earnings, dividends, and the related information for the most recent 2 years

Unit: Share; NT$

Item \ Year			2017	2018	2019 up to March 31
Stock price (Note 1)	Highest		84.70	79.20	55.80
	Lowest		37.70	32.75	36.80
	Average		52.86	56.68	48.60
Net worth per share	Before distribution		17.65	17.99	–
	After distribution		15.15	(Note 2)	–
Earnings per share	Weighted average shares		207,554,400	207,554,400	207,554,400
	Earnings per share		3.32	3.42	–
Dividends per share	Cash dividend		2.50	(Note 2)	–
	Stock dividend	Earnings	–	–	–
		Additional paid-in capital	–	–	–
	Accumulated unpaid dividend		–	–	–
Investment return analysis	Price-earnings ratio (Note 3)		15.92	16.57	–
	Price-dividend ratio (Note 4)		21.14	(Note 2)	–
	Cash dividend yield (Note 5)		4.73%	(Note 2)	–

Note 1: The source of information is the TWSE website.
Note 2: Pending final approval from Shareholders' Meeting.
Note 3: Price-earnings (P/E) ratio = Average market price / Earnings per share.
Note 4: Price-dividend (P/D) ratio = Average market price / Cash dividends per share.
Note 5: Cash dividend yield rate = Cash dividend per share / Average market price.

(VI) Dividend policy and implementation status

1. Company dividend policy:

Under the Company Act and Nuvoton'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 as legal reserve until such reserve equals the Company's total 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, cycle, etc. The retained earnings may be retained as appropriate or distributed in cash dividend or both stock dividend and cash dividend so as to ensure the sustainable development of the Company. The appropriation of dividends must take into consideration future operations and cash requirements, and dividends distributed shall be 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 the Company's future development needs and profitability.

2. Dividend distribution to be proposed to the shareholders' meeting:

The Company's 2018 dividend distribution proposal was formulated in the February 1, 2019 meeting of the Board of Directors in the chart below. This plan will be carried out in accordance with related regulations after passage in resolution by the Shareholders' Meeting scheduled for June 24, 2019.

Statement of Earning distribution
2018

Unit: NT$

Item	Amount
Undistributed earnings from previous years	$ 308,314,499
Plus: The difference from the retroactive adjustment due to the adoption of IFRS 9 in retained earnings	493,000
Plus: Disposal of financial assets in other comprehensive income measured at fair value through profit and loss accumulated in retained earnings	3,228,100
Plus: Retained earnings adjusted by investment on equity method	2,585,205
Minus: Re-measurement of defined benefit plan converted into retained earnings	(69,908,000)
Plus: Net income of 2018	710,633,362
Minus: 10% Legal reserve appropriated	(71,063,336)
Retained Earnings Available for Distribution as of December 31, 2018	884,282,830
Distribution Items:	
Cash Dividends to Common Shares (NT$2.5 per share)	(518,886,000)
End-of-period undistributed earnings	$ 365,396,830

(VII) The effects of the stock dividends proposed by the shareholders' meeting on the Company's business performances and earnings per share: Not applicable.

(VIII) Remuneration of employees, directors and supervisors

1. Percentages or ranges of remuneration of employees and directors under the Articles of Incorporation

According to the Company Act and the amended Articles of Incorporation, if the Company has been profitable in the year, the remuneration for employees shall be over 1% (inclusive) and the remuneration for Directors shall be under 1% (inclusive) of the profit before tax and before deducting remuneration for employees and Directors.

2. Basis for estimating the amount of remuneration of employees and directors, 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

The basis for estimating the Company's 2018 remuneration for employees and Directors is 6% and 1% of the profit before tax and before deducting remuneration for employees and Directors. The preceding estimation basis is based on the amended Company Act and the amended Articles of Incorporation. If there are changes made to the amount of the estimated remuneration to employees and Directors after the publication day of the consolidated annual financial statements, the changes will be applied in accordance with accounting estimation changes and will be included in the financial statements of the following year.

3. Remuneration proposals passed by the board of directors

(1) The difference, reasons and handling of discrepancies between the cash or stock appropriation of remuneration to employees and Directors 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 shall be over 1% (inclusive) and the remuneration for Directors and Supervisors will be under 1% (inclusive) of the profit before tax and before deducting remuneration for employees and Directors. The Company has approved the appropriation of NT$8,405,000 in remuneration for Directors and remuneration of NT$50,428,000 for employees in the meeting of the Board of Directors on February 1, 2019. The preceding amounts are consistent with the estimated amount of the recognized costs.

(2) The amount of employee bonus to be paid in stocks out of the current company-level financial report in terms of the sum of net profit after tax and employee bonus: Not applicable.

4. Actual appropriation of remuneration for employees, Directors and Supervisors for 2017:

Unit: Share; NT$

Item	Actual distributed amount (Note)			Amount approved in the Board of Directors' resolution	Difference
	Amount	Equitable shares	Stock price		
Remuneration to Directors and Supervisors	8,226,747	-	-	8,226,747	N/A
Remuneration to employees in cash	49,360,483	-	-	49,360,483	N/A

Note: The remuneration of Directors, Supervisors and employees above were passed by the shareholders' meeting on June 12, 2018. There is no difference between the actual amount distributed and the amount recognized in the 2017 financial statements.

(IX) Buyback of Nuvoton Stock: N/A.

IV. Corporate bond issuance status: N/A.

V. Issuance of preferred stocks: N/A.

VI. Issuance of global depositary receipts (GDR): N/A.

VII. Exercise of employee stock option plan (ESOP): The Company has never implemented employee stock options.

VIII. Restricted stock awards: The Company has never implemented employee new stock options.

IX. 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 for the most recent year and up to the date of report.

X. 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.

Chapter 3. Business Overview

I. Business Activities

(I) Business scope

1. Major business activities

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

2. Revenue distribution

Unit: thousand NT$

Core product types	2018	
	Operating revenue	Revenue Distribution (%)
Regular IC Income	8,117,960	81%
Foundry service Income	1,901,899	19%
Other	20,362	-
Total	10,040,221	100%

3. Current products and services

The Company's primary business consists of IC design and sales and wafer foundry services. The main IC products are regular ICs with a wide range of applications. Products include microcontrollers (MCU), audio products and cloud computing products. The Company also owns a 6-inch wafer plant equipped with diversified processing technologies to provide professional wafer foundry services.

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

(1) Regular IC Business

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

The Company has planned a comprehensive product platform for microcontrollers including 32-bit and 8-bit MCU product lines. We also satisfy demands in IoT, health care, industrial control, and consumer electronics with low power consumption, high precision, high interference resistance, a variety of peripheral resources, and high levels of safety and confidentiality.

Audio products include audio CODEC, ARM® Cortex®-M0/M4 and 4/8-bit MCU and Class D Speaker Amplifiers and Audio Enhancement. Target markets are diverse and they include smart home market such including smart appliances, smart stereo systems, smart family entertainment, smart interactive toys, smart robots, consumer electronics, medicine, vehicle-mounted, and industrial applications.

In terms of cloud computing products, the Company focuses data centers, super computer servers, edge computing, and computer processing in related smart devices. Our solutions include security structure, communication interfaces, and energy management, and we provide remote baseboard management controllers, trust platform modules, highly-integrated super output/input chips (Super I/O), embedded controllers, computer hardware monitoring chips, and power management controllers for servers used by major brands and OEM plants.

(2) Foundry service

The Company owns an advanced 6-inch foundry plant and has accumulated over 25 years of experience in wafer foundry services. We are committed to providing stable, long-term capacity, the best OEM quality, and a precise delivery schedule to our customers. We create more added-value for our customers and provide IDM-level OEM services as an indispensable partner in market competition with our strong R&D team and integrated services in the semiconductor supply chain.

4. New products under development

(1) Regular IC Business

The development of the Company's new microcontroller products focuses on achieving high processing performance, security, and low power consumption to satisfy demand in the industrial control market. The Company also continued to develop analog and security technologies for IoT development. We will introduce the latest IoT security ARM® Cortex® -M23 microcontroller in 2018. The MCU was used as the foundation for expanding the IoT security MCU product line. We aim to provide high-performance, secure, and lower power consumption products for the IoT market.

We are currently committed to development of new audio products in the smart home, mobile phone, and consumer electronics application markets. We launched the audio MCU/DSP I941xx with ARM® Cortex® -M4F core to provide high-speed, low-power-consumption, and integrated audio recognition and audio search algorithms for high-performance application and solutions for human-machine interface (HMI) in audio IoT applications. The Company has also invested R&D manpower in applications for smart toys and smart robots to provide cost-efficient total solutions and algorithms. In addition, we also launched N589 — the first Emd-Flash 8-bit uC audio control chip in the industry. It effectively shortens the development cycle and resolves storage issues for audio products.

In terms of cloud computing products, we also actively introduced related functions that satisfy future energy conservation legislation. We increased the computing speed of the embedded processor and the hardware encryption module to fulfill customer demand for product innovation and security functions.

(2) Foundry service

To continue enhancing customers' competitiveness, the Company continues to advance the power supply management and customized manufacturing processes of our wafer foundry service to optimize the performance of high-voltage and power components. At the same time, the Company also satisfies customers by actively developing next-generation high energy bandgap and high voltage discrete components and smart transducers. In response to the rapid development of automotive electronics, Nuvoton's wafer foundry continues to maintain VDA6.3 automotive standard certification to satisfy customers' demand for automotive-standard products and maximize their competitiveness.

(II) Industry Overview

1. Current trends and outlook of the industry

(1) Regular IC Business

The demand for MCU continues to climb. The 32-bit ARM® Cortex® -M MCU is the backbone 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 audio interaction interfaces and the Internet are leading a revolution and innovations in audio products and related industries. The Company's audio products are also heading into innovation in this diversified sector and has completed several projects with end users. Applications include smart audio, smart appliances, IoT, and wearable devices.

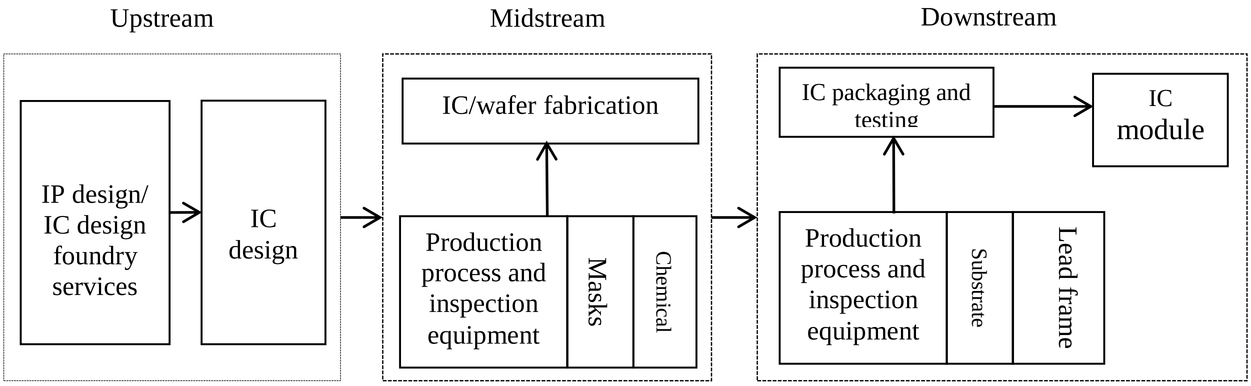
Furthermore, smart networks and artificial intelligence computing continue to change our lifestyles to satisfy changing and growing personal demand for servers, data centers, and customized computing devices while personal data protection and equipment security become increasingly important.

(2) Foundry service

Market research institute WSTS stated that the revenue of the global semiconductor industry is expected to reach US$490.1 billion in 2019, a 2.5% increase from the US$477.9 billion in 2018. The Company actively develops new products, applications, and markets to fully satisfy market and customer demand and respond to market changes. In terms of regions, China remains a key market and the Company also actively develops wafer foundry services in other regions.

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 wafer 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 consist 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 Trends

(1) Regular 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, high confidentiality and security designs, and software/hardware reference solutions to fulfill diverse and rapid development 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.

The development of future audio products will continue to focus on Audio MCU/DSP, ultra-low power (ULP) audio CODEC, Smart Class D Speaker Amplifiers, Audio Enhancement, and the DSP algorithm to provide cost-effective solutions with smart and interactive chips for smart home, mobile phones, consumer electronics, portable tablet computer applications. We shall also continue to launch Emd-Flash audio control chips with the aim of providing total solutions that effectively shorten the development cycle and resolve storage issues for audio products.

Demand for cloud services stems from users who upload vast amounts of data and analysis. Innovative applications and services not only lead to the construction of data and computing centers but also increases the importance of security for basic user-end information collection equipment.

(2) Foundry service

The development of 6" wafer foundry service is now focused on high-voltage and customization. The company therefore concentrates on developing high-efficiency and low power consumption manufacturing processes for power supply management. By making full use of existing technologies, the company strives to become the best provider of total power supply management solutions. In addition, we have developed customized manufacturing processes for customers' demand for sensors used in 5G and IoT technologies in emerging markets.

4. Product competition

(1) Regular IC Business

The Company has begun development of the new 32-bit universal MCU ARM® Cortex® -M0 in 2010 and introduced the brand-new, high-end 32-bit MCU 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 use our complete range of products, superior cost-performance ratio, satisfaction of future industrial application demands, and a strong technical support team to serve customers and build lasting unique competitiveness.

The Company has begun developing audio products under the DSP framework in 2017 and actively provides cost-effective solutions. The Company has also developed diversified algorithms for all kinds of applications on the market in order to satisfy different needs for applications. We also continue to launch new audio products to provide the industry with the best choices and service solutions with the aim of escaping the low-end low-price market and focus on the smart toy market with higher margins.

With regard to cloud computing IC, the Company uses unique security technology as the foundation to integrate key customers' systems and applications. Innovative products, superior quality, and technical support remain our most important competitive edge.

(2) Foundry service

In the face of competition from a constantly growing production capacity in the global semiconductor industry, the Company's wafer foundry service is focused on the power supply management market and customization market. Overall, when compared with competitors at home and abroad, our wafer foundry service's quick and comprehensive technical support and flexibility, coupled with a unique customized production process, provides customers with an indispensable competitive edge.

(III) Overview of Technology and R&D

1. R&D expenditures

Unit: thousand NT$

Item	2018	2019 up to March 31
R&D Expenditures (A)	2,524,485	605,005
Net operating revenues (B)	10,040,221	2,049,821
(A)/(B)	25%	29%

2. Technologies and products successfully developed for the most recent year

Year	Research and development achievements
2018	The Company launched the high-performance 192MHz Cortex®-M4 M480 MCU which is adapted to industrial control.
2018	We launched the next-generation ARM® V8-M structure ARM® Cortex-M23 core with TrustZone technology M2351 low-power consumption IoT security MCUs.
2018	We launched the world's first Emd-Flash 8-bit uC audio control chip (N589).
2018	We launched the I941 Audio MCU/DSP for smart home applications.
2018	We launched the TPM2.0 secure chip products that meets the latest specifications for TCG in 2018 and received the compatibility attestation for the latest Common Criteria and Windows 10 2018. Products adapted to PCs, laptops, servers, IoT gateways, and other sectors with requirements for secure chips.
2018	We launched multiple computer input/output control chips for desktop business computers, high-end gaming computers, and industrial computers. They support the latest version of the CoffeeLake/CometLake system chips and meet Intel's latest low power consumption specifications.
2018	We launched multiple sets of fan control chips for applications in industrial computers and data centers.

3. Long- and Short-Term Business Development Plans

(1) Regular IC Business

A. Short-Term Development:

In MCU, the Company enhances the advantages in cost-performance ratio and localized support and actively builds an ecosphere in which we work with third-party partners by providing free emWin graphic user interface software to provide customers with the best development experience. We also joined the ARM® mbed™ IoT Device Platform that offers IoT developers a consistent operating system, cloud services, a system of tools and developers for building and deploying standard large-scale commercial IoT solutions. With respect to audio products, we will provide customers with comprehensive and high-performance audio and voice solutions. We also launched the first Emd-Flash 8-bit uC audio control chip in the industry. It effectively shortens the development cycle and resolves storage issues for audio products.

Regarding cloud computing products, the Company uses leading security technologies to integrate local advantages and expand the development of hardware and software solutions that are suitable for the world's leading brand names.

B. Long-Term Business Development Plan:

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 enrich the Company's 32-bit and 8-bit MCU product platform and through technology innovation and advancement in the technology of the production process. We shall offer comprehensive product selection, high technical barriers, and short product lead time to establish unique advantages for the Company's MCUs.

For our audio products, we will continue to focus on high-performance and low power consumption audio processing controllers to provide customers with high-quality and integrated audio processing ICs. We will also continue to develop products for audio amplifiers and ultra-low power consumption encoders and decoders. We work hard on our audio product lines to provide the industry with the best choices and service options with the aim of escaping the low-end and low-price market and focus on developing the smart toy market with high margins.

As online applications continue to expand, online security has become an important issue that cannot be ignored in the future. The Company has invested more resources in product development based on our advantages in existing technologies and customer relationships. We hope to leverage product and technology innovation and provide customers with leading secure products in various different applications in our pursuit of long-term development.

(2) Foundry service

A. Short-term business development plans:

The Company's wafer foundry service has accumulated many years of profound experience in production, research and development, and product services. We shall continue to service our customers with innovative ideas on existing foundations. The Company's short-term business development and promotion are focused 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's wafer foundry service has a strong process and technology R&D team that works with a comprehensive product support team and an international certified laboratory to provide customers with IDM-level product services. With this foundation, we shall focus on markets including 5G mobile communication, IoT medical electronics, and automotive electronics as our long-term business development objectives. The Company shall continue to provide optimized solutions to customers through special customized processes to provide optimized solutions to customers. In addition, our business development will gradually shift from Asia to Europe and America as we become a leading brand for customized processes in wafer foundry services.

II. Market, production and sales

(I) Market analysis

1. Areas in which main products (services) are sold (provided)

Unit: thousand NT$

Sales region	2018	
	Amount	Percentage (%)
Asia	9,598,222	96%
America	144,201	1%
Europe	135,310	1%
Other	162,488	2%
Total	10,040,221	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, power supply, and communications products. Output of audio products in toys, Internet of Vehicles, Internet of Things (IoT) and consumer appliances have 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 2018. 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, security, small and light devices and multiple functions. There is also a strong market demand for wireless charging for smartphones. The demand for IoT energy-conservation devices, security management, healthcare management and smart AI products in the future will help MCU market growth. The 2018 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, smartphone 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's MCUs provide diversified customized services with the help of 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, shorten development and increase the competitiveness of their products. 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. Favorable and unfavorable factors to long-term development and response measures

(1) Favorable factors

The Company's MCUs retain advantages in the high compatibility, consistent development platform, upward and downward compatibility, 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) Unfavorable factors 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.

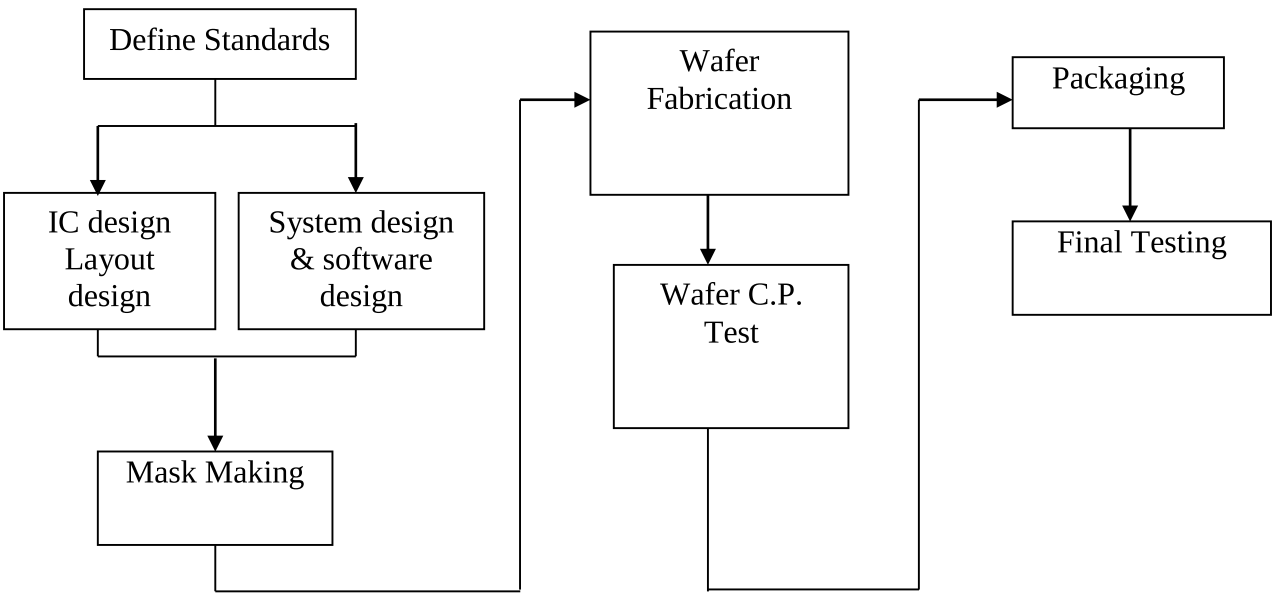
The Company continues the recruitment of teams to strengthen local sales services in order to build customer recognition in local markets, build long-term business partnerships and provide growth in the Company's revenue.

(II) Important applications and manufacturing processes of major products

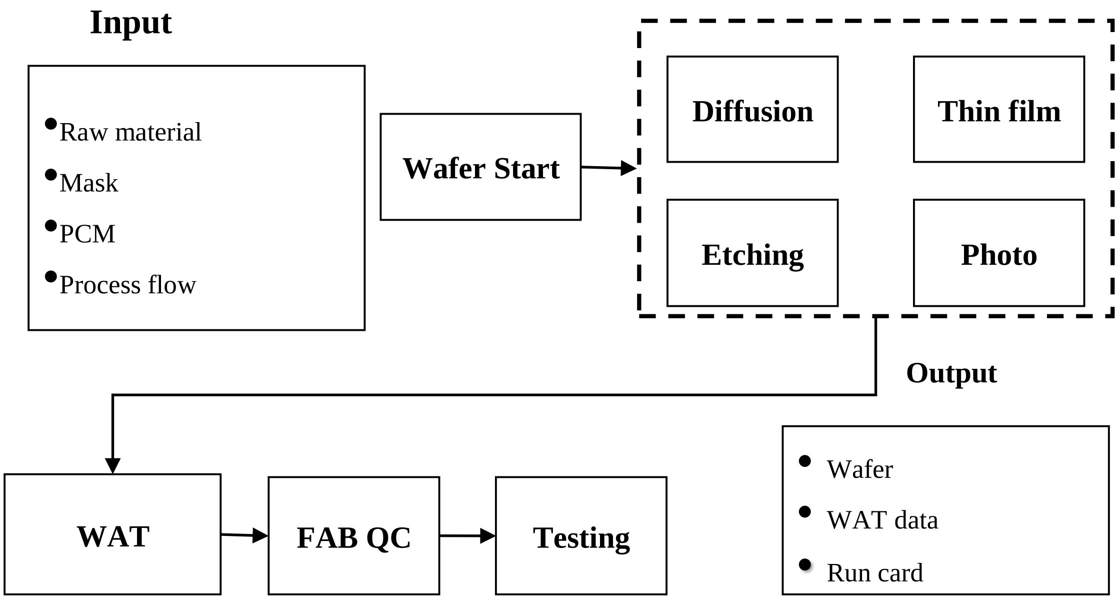
1. Important applications of major products:

Product	Important Applications
Regular 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. Production process:



Wafer Fabrication:



(III) Supply status of primary raw materials

Name of primary raw material	Major supplier	Supply status
Wafer	Supplier A, Supplier L 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.

(IV) Names of suppliers who accounted for more than 10% of the purchases of the Company for either of the most recent two years, and the ratio to total purchases

Unit: thousand NT$

	2017				2018			
Item	Name	Amount	Percentage of total purchase (%)	Relationship with issuer	Name	Amount	Percentage of total purchase (%)	Relationship with issuer
1	Supplier A	841,468	25%	N/A	Supplier A	796,034	24%	N/A
2	Supplier I	737,166	22%	N/A	Supplier I	612,993	19%	N/A
3	Supplier B	563,289	17%	N/A	Supplier L	533,606	16%	N/A
4	Supplier L	166,629	5%	N/A	Supplier B	366,150	11%	N/A
	Other	992,550	31%		Other	947,346	30%	
	Net purchase	3,301,102	100%		Net purchase	3,256,129	100%	

Reasons for changes: The changes in the rankings of the third and fourth suppliers in this term are mainly due to changes in product sales combinations.

(V) Names of customers who accounted for more than 10% of the sales for either of the most recent two years, and sales as a percentage of total sales

Unit: thousand NT$

	2017				2018			
Item	Name	Amount	Percentage of net sales (%)	Relationship with issuer	Name	Amount	Percentage of net sales (%)	Relationship with issuer
1	Customer V	2,018,438	22%	N/A	Customer V	2,662,123	27%	N/A
2	Customer C	964,426	10%	N/A	Customer C	1,097,428	11%	N/A
	Other	6,252,518	68%		Other	6,280,670	62%	
	Net sales	9,235,382	100%		Net sales	10,040,221	100%	

(VI) Output volume and value for the most recent two years

Unit: Capacity of a thousand pieces/a thousand wafers/a thousand dies; thousand NT$

Year / Main Product	2017				2018			
	Production capacity (Note)	Output volume		Output value	Production capacity (Note)	Output volume		Output value
		Wafer	Die			Wafer	Die	
Regular IC Business	480	1	806,374	4,140,630	500	1	920,999	4,605,461
Foundry service		371	-	1,229,458		394	-	1,289,602
Other		-	-	6,340		-	-	8,960
Total		372	806,374	5,376,428		395	920,999	5,904,023

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

(VII) Sales volume and value for the most recent 2 years

Unit: a thousand wafers/a thousand dies; thousand NT$

Year / Main Product	2017						2018					
	Domestic sales			Exports			Domestic sales			Exports		
	Volume		Value	Volume		Value	Volume		Value	Volume		Value
	Wafer	Die		Wafer	Die		Wafer	Die		Wafer	Die	
Regular IC Business	-	249,206	2,460,204	1	557,168	4,903,910	-	255,164	2,836,666	1	649,765	5,281,294
Foundry service	226	-	1,053,108	146	-	800,716	228	-	1,031,563	160	-	870,336
Other	-	-	6,346	-	-	11,098	-	-	3,184	-	-	17,178
Total	226	249,206	3,519,658	147	557,168	5,715,724	228	255,164	3,871,413	161	649,765	6,168,808

III. Employees

Year		2017	2018	2019 up to March 31
Number of employees	Technical personnel (engineers)	1,007	1,038	1,037
	Administration and sales staff	250	234	237
	Assistant	396	393	384
	Total	1,653	1,665	1,658
Average age (year)		41.25	40.23	40.52
Average years of service		11.03	11.28	11.43
Academic qualification (%)	Doctorate	1.45	1.50	1.57
	Masters	38.72	38.14	38.48
	University/College	40.05	41.86	41.74
	High school	18.75	17.72	17.43
	Below high school	1.03	0.78	0.78
	Total	100	100	100

IV. Environmental protection expenditure information

(I) Losses due to environmental pollution (including compensation) and total fines during the most recent year and up to the annual report publication date: N/A.

(II)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, 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 92 courses in 2018 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 64 different drills in 2018.
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 2018.

V. Employees-employer relations

(I) The Company's employee benefit measures, continuing education, training, retirement system, and actual state of implementation

1. Employee benefits measures:

The Company funds the Employee Welfare Fund in accordance with related regulations and we organized the Employee Welfare Committee to plan, oversee and implement employee 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. We also we provide performance bonuses and implement fair promotion institutions for employees to enhance employees' cohesion.

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 Employee 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.

(II) Licenses held by personnel involved in transparency of financial information

International certified internal auditor (CIA): Auditing Department 2 employee; CPA of ROC: Accounting Department 1 employee.

(III) Employer-employee relations and employee rights maintenance measures

1. Labor Agreement 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.

(IV) 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.

(V) Nuvoton 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 period of

employment.

(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 "Delegation Policy" specify the division of responsibilities and 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.

VI. 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 26, 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	June 22, 2012 - indefinite period	Technology licensing	The Company is prohibited from licensing third parties. The Company retains obligation of confidentiality.
Authorization contract	Winbond Electronics Corp.	2012.08.01 - 2021.12.31	Technology licensing	The Company is prohibited from licensing third parties. The Company retains obligation of confidentiality.
Authorization contract	Company B	March 29, 2016 - indefinite period	Technology licensing	The Company is prohibited from licensing third parties. The Company retains obligation of confidentiality.
OEM agreement	Company L	2016.12.05 - 2018.12.31	OEM	Payment of fees in accordance with the contract. The Company retains obligation of confidentiality.
Sales contract	Company M	2017.08.03 - 2022.07.30	Sales of products	Product-related guarantees. The Company retains obligation of confidentiality.

Chapter 4. Financial Overview

I. Condensed balance sheets, statements of income, names of auditors, and audit opinions in the most recent 5 years

(I) Condensed balance sheet and statements of income

Condensed balance sheet

Unit: thousand NT$

Item \ Year		Financial information for the most recent five years (Note 1)				
		2014	2015	2016	2017	2018
Current assets		3,414,969	3,894,667	4,383,299	4,449,412	4,457,859
Property, plant and equipment		447,140	463,594	526,167	642,663	697,917
Intangible assets		309,790	242,622	257,940	203,612	144,754
Other assets		722,128	690,965	730,875	853,145	817,138
Gross assets		4,894,027	5,291,848	5,898,281	6,148,832	6,117,668
Current liabilities	Before distribution	1,381,737	1,580,383	1,949,781	1,987,326	1,915,178
	After distribution	1,630,802	1,953,981	2,447,912	2,506,212	(Note 2)
Non-current liabilities		598,221	589,664	570,026	498,545	468,124
Total indebtedness	Before distribution	1,979,958	2,170,047	2,519,807	2,485,871	2,383,302
	After distribution	2,229,023	2,543,645	3,017,938	3,004,757	(Note 2)
Equity attributable to owners of the parent company		2,914,069	3,121,801	3,378,474	3,662,961	3,734,366
Capital Stock		2,075,544	2,075,544	2,075,544	2,075,544	2,075,544
Additional paid-in capital		63,498	63,498	63,498	63,498	63,498
Retained earnings	Before distribution	730,969	921,282	1,126,804	1,297,860	1,426,005
	After distribution	481,904	547,684	628,673	778,974	(Note 2)
Other equity interest		44,058	61,477	112,628	226,059	169,319
Treasury stock		-	-	-	-	-
Non-controlling interests		-	-	-	-	-
Total equity	Before distribution	2,914,069	3,121,801	3,378,474	3,662,961	3,734,366
	After distribution	2,665,004	2,748,203	2,880,343	3,144,075	(Note 2)

Note 1: Consolidated financial report inspected and certified by a CPA.
Note 2: Pending final approval from Shareholders' Meeting.

Condensed statement of comprehensive income

Unit: thousand NT$

Item \ Year	Financial information for the most recent five years (Note)				
	2014	2015	2016	2017	2018
Operating revenue	6,821,877	7,313,387	8,329,286	9,235,382	10,040,221
Operating profit	2,896,004	3,049,527	3,408,320	3,732,507	3,913,167
Operating statement	329,985	486,254	604,842	713,563	754,659
Non-operating income and expenditure	90,574	85,731	104,108	85,868	84,261
Net income before tax	420,559	571,985	708,950	799,431	838,920
Continuing business units Net profit of the term	343,090	469,022	613,165	688,133	710,633
Loss from discontinued operations	-	-	-	-	-
Net profit of the term (loss)	343,090	469,022	613,165	688,133	710,633
Other comprehensive income of the term (net value after tax)	13,738	(12,225)	17,106	94,485	(273,853)
Total comprehensive income of the term	356,828	456,797	630,271	782,618	436,780
Net income attributable to owners of the parent company	343,090	469,022	613,165	688,133	710,633
Net Income (Loss) Attributable to Non-controlling Interests	-	-	-	-	-
Total Comprehensive income attributable Owners of the parent company	356,828	456,797	630,271	782,618	436,780
Total Comprehensive income attributable to Non-controlling Interests	-	-	-	-	-
Earnings per share	1.65	2.26	2.95	3.32	3.42

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

Individual condensed balance sheet

Unit: thousand NT$

Item \ Year		2014	2015	2016	2017	2018
		Financial information for the most recent five years (Note 1)				
Current assets		2,593,916	2,975,327	3,478,482	3,568,901	3,642,943
Property, plant and equipment		388,320	410,239	474,952	569,765	612,248
Intangible assets		252,274	197,238	225,964	163,499	122,967
Other assets		1,624,812	1,665,167	1,656,307	1,792,566	1,693,876
Gross assets		4,859,322	5,247,971	5,835,705	6,094,731	6,072,034
Current liabilities	Before distribution	1,411,149	1,608,770	1,980,805	2,008,149	1,941,342
	After distribution	1,660,214	1,982,368	2,478,936	2,527,035	(Note 2)
Non-current liabilities		534,104	517,400	476,426	423,621	396,326
Total indebtedness	Before distribution	1,945,253	2,126,170	2,457,231	2,431,770	2,337,668
	After distribution	2,194,318	2,499,768	2,955,362	2,950,656	(Note 2)
Equity attributable to owners of the parent company		2,914,069	3,121,801	3,378,474	3,662,961	3,734,366
Capital Stock		2,075,544	2,075,544	2,075,544	2,075,544	2,075,544
Additional paid-in capital		63,498	63,498	63,498	63,498	63,498
Retained earnings	Before distribution	730,969	921,282	1,126,804	1,297,860	1,426,005
	After distribution	481,904	547,684	628,673	778,974	(Note 2)
Other equity interest		44,058	61,477	112,628	226,059	169,319
Treasury stock		-	-	-	-	-
Non-controlling interests		-	-	-	-	-
Total equity	Before distribution	2,914,069	3,121,801	3,378,474	3,662,961	3,734,366
	After distribution	2,665,004	2,748,203	2,880,343	3,144,075	(Note 2)

Note 1: Financial report inspected and certified by a CPA.
Note 2: Pending final approval from Shareholders' Meeting.

Condensed individual statement of comprehensive income

Unit: thousand NT$

Item \ Year	Financial information for the most recent five years (Note)				
	2014	2015	2016	2017	2018
Operating revenue	6,502,909	7,022,517	8,046,760	9,000,394	9,798,594
Operating profit	2,580,109	2,766,818	3,138,495	3,509,949	3,682,050
Operating statement	302,227	476,886	596,770	668,458	705,358
Non-operating income and expenditure	107,501	72,423	94,288	96,630	76,279
Net income before tax	409,728	549,309	691,058	765,088	781,637
Net income from continuing operations	343,090	469,022	613,165	688,133	710,633
Loss from discontinued operations	-	-	-	-	-
Net profit of the term (loss)	343,090	469,022	613,165	688,133	710,633
Other comprehensive income of the term (net value after tax)	13,738	(12,225)	17,106	94,485	(273,853)
Total comprehensive income of the term	356,828	456,797	630,271	782,618	436,780
Earnings per share	1.65	2.26	2.95	3.32	3.42

Note: Financial report inspected and certified by a CPA.

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

Year	Name of firm	Name of CPA	Audit opinion
2014	Deloitte & Touche CPA Firm	Kuo-Tien Hung, Accountant Harrison Wu, Accountant	No reservations
2015	Deloitte & Touche CPA Firm	Harrison Wu, Accountant Hung-Bin Yu, Accountant	No reservations
2016	Deloitte & Touche CPA Firm	Harrison Wu, Accountant Hung-Bin Yu, Accountant	No reservations
2017	Deloitte & Touche CPA Firm	Hung-Bin Yu, Accountant Harrison Wu, Accountant	No reservations
2018	Deloitte & Touche CPA Firm	Hung-Bin Yu, Accountant Kuo-Tien Hung, Accountant	No reservations

II. Financial analysis for the most recent five years

Financial analysis

Analytical item \ Year		Financial analysis for the most recent five years				
		2014	2015	2016	2017	2018
Capital Structure Analysis %	Debt to total assets ratio	40.46	41.01	42.72	40.43	38.95
	Long-term Fund to Property, Plant and Equipment	785.50	800.59	750.43	647.54	602.14
Liquidity Analysis %	Current ratio	247.15	246.44	224.81	223.89	232.76
	Quick ratio	183.74	175.38	153.26	130.51	142.36
	Interest protection multiple	176,805.46	42,658.41	-	-	-
Operating ability	Average Collection Turnover (times)	8.69	9.97	10.67	11.17	10.98
	Average collection period	42	37	34	33	33
	Average Inventory Turnover (times)	3.34	3.43	3.46	3.23	3.20
	Average Payment Turnover (times)	7.19	7.07	6.26	5.98	6.71
	Average Inventory Turnover Days	109	106	105	113	114
	Property, Plant and Equipment Turnover (Times)	15.16	16.06	16.83	15.80	14.97
	Total Assets Turnover (Times)	1.39	1.44	1.49	1.53	1.63
Profitability	Return on assets ratio (%)	7.01	9.23	10.96	11.42	11.58
	Return on equity (%)	11.99	15.54	18.87	19.55	19.21
	Ratio of pre-tax income to paid-in capital (%)	20.26	27.56	34.16	38.52	40.41
	Net profit ratio (%)	5.03	6.41	7.36	7.45	7.07
	Earnings per share (NT$)	1.65	2.26	2.95	3.32	3.42
Cash flows	Cash flow ratio (%)	53.46	29.31	37.60	19.07	45.59
	Cash flow adequacy ratio (%)	158.10	132.78	126.31	92.94	86.67
	Cash re-investment ratio (%)	2.66	1.15	1.91	-0.63	1.87
Leverage	Operating leverage	8.46	6.06	5.50	5.12	5.07
	Financial leverage	1.00	1.00	1.00	1.00	1.00

Reasons for changes in financial ratios in recent two years:

1. Increase in cash flow ratio and cash re-investment ratio: Mainly due to the decrease in inventory that caused the increase in net cash flows in business activities.

Individual financial analysis

Analytical item	Year	Financial analysis for the most recent five years				
		2014	2015	2016	2017	2018
Capital Structure Analysis %	Debt to total assets ratio	40.03	40.51	42.11	39.90	38.49
	Long-term Fund to Property, Plant and Equipment	887.97	887.09	811.64	717.24	674,67
Liquidity Analysis %	Current ratio	183.82	184.94	175.61	177.72	187.65
	Quick ratio	123.20	116.36	106.06	86.12	99.12
	Interest protection multiple	172,254.62	40,971.21	-	-	-
Operating ability	Average Collection Turnover (times)	10.91	13.58	14.54	12.79	11.31
	Average collection period	33	27	25	29	32
	Average Inventory Turnover (times)	3.37	3.46	3.49	3.24	3.21
	Average Payment Turnover (times)	7.20	7.08	6.26	5.97	6.71
	Average Inventory Turnover Days	108	105	105	113	113
	Property, Plant and Equipment Turnover (Times)	16.35	17.59	18.18	17.23	16.57
	Total Assets Turnover (Times)	1.33	1.39	1.45	1.51	1.61
Profitability	Return on assets ratio (%)	7.04	9.3	11.06	11.54	11.68
	Return on equity (%)	11.99	15.54	18.87	19.55	19.21
	Ratio of pre-tax income to paid-in capital (%)	19.74	26.47	33.30	36.86	37.65
	Net profit ratio (%)	5.28	6.68	7.62	7.65	7.25
	Earnings per share (NT$)	1.65	2.26	2.95	3.32	3.42
Cash flows	Cash flow ratio (%)	47.39	39.81	33.24	-3.52	50.14
	Cash flow adequacy ratio (%)	144.12	131.67	123.26	77.79	80.94
	Cash re-investment ratio (%)	2.31	2.14	1.54	-3.05	2.43
Leverage	Operating leverage	8.66	5.82	5.29	5.27	5.22
	Financial leverage	1.00	1.00	1.00	1.00	1.00

Reasons for changes in financial ratios in recent two years:

1. Increase in cash flow ratio and cash re-investment ratio: Mainly due to the decrease in inventory that caused the increase in net cash flows in business activities.

The calculation formula for the analytical items is stated below:

1. Capital Structure Analysis
   (1) Debt to total assets ratio = total indebtedness / gross assets.
   (2) Long-term fund to property, plant and equipment ratio = (total equity + non-current liabilities) / net amount of real estate properties, plants and equipment.
2. Liquidity Analysis
   (1) Current ratio = current assets / current liabilities.
   (2) Quick ratio = (current assets - inventory - prepaid expenses) / current liabilities.
   (3) Interest protection multiple = net income before income tax and interest expense / current interest expense.
3. Operating ability
   (1) Receivables (including accounts receivable arising from operation notes receivable) turnover ratio = net sales / average receivables (including accounts receivable arising from operation notes receivable) balances.
   (2) Average collection period = 365 / receivables turnover.
   (3) Inventory turnover ratio = cost of goods sold / average amount of inventory.
   (4) Payable (including accounts payable arising from operation notes payable) turnover ratio = cost of goods sold / average payables (including accounts payable arising from operation notes payable) balances.
   (5) Average Inventory Turnover Days = 365 / Average Inventory Turnover.
   (6) Real estate, plant, and equipment turnover ratio = net sales / average net for real estate, plant, and equipment.
   (7) Total assets turnover = net sales / average gross assets.
4. Profitability
   (1) Return on assets ratio ＝ [net income + interest expense (1– tax rate)] / average gross assets.
   (2) ROE = income after tax/total average equity.
   (3) Net profit ratio = net income / net sales.
   (4) EPS = (income belonging to owner of the 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) Net cash flow adequacy ratio = Net cash flow from operating activities for the most recent five years / (capital expenditures + inventory increase + cash dividend) for the most recent five years.
   (3) Cash re-investment ratio = (net cash flows from operating activities –cash dividend) / (gross margin of property, plant and equipment + long-term investment + other non-current assets + working capital).
6. Leverage:
   (1) Operating leverage = (net operating revenues - current operating cost and expense)/operating profit.
   (2) Financial leverage = operating profit/(operating profit - interest expense).

III. Supervisors' or Audit Committee's review report in the most recent fiscal year

Audit Committee's Report

The Board of Directors has prepared and submitted the 2018 business report, financial statements, and earnings distribution proposal. The Board of Directors have appointed Hung-Bin Yu, Accountant and Kuo-Tien Hung, Accountant of Deloitte & Touche CPA Firm to audit the financial statements and they have submitted an audit report with no reservations. The Audit Committee has reviewed the business report, financial statements, and the earnings distribution proposal and did not find any instances of noncompliance. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, it is hereby submitted for your review and perusal.

To

Nuvoton Technology Corp. 2019 General Shareholders' Meeting

Chairman of the Audit Committee: Shan-Kio Hsu

February 1, 2019

IV. Financial statements of the most recent year

Consolidated Financial Statement of Affiliates:

For the 2018 year (from January 1 to December 31, 2018), 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: Fabuary 1, 2018

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 (collectively referred to as the "Group"), which comprise the consolidated balance sheets as of December 31, 2018 and 2017, 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, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits 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, 2018. 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.

Validity of sales revenues

There is significant risk of revenue recognition. In addition, customers' line of credits are highly correlated to delivery of products and recognition of sales revenue. We therefore considered that the validity of sales revenue from the twenty largest customers with changes in credit lines and temporary increase in credit lines in 2018 as a key audit matter for 2018. Refer to Note 4 to the consolidated financial statements for the Group's revenue recognition policies.

Our audit procedures in response to the validity of sales revenue included understanding the design and the implementation of internal control of sales revenue and selecting samples of revenue items to ensure the occurrence of transactions.

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, 2018 and 2017 on which we have issued an unmodified opinion.

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

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

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

Those charged with governance (including 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, 2017 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 Hung-Bin Yu and Kenny Hong.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 1, 2019

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, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018		2017	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 1,543,918	25	$ 1,417,029	23
Financial assets at fair value through profit or loss, current (Notes 4 and 7)	763	-	1,710	-
Notes and accounts receivable, net (Notes 4 and 8)	934,777	15	743,264	12
Accounts receivable due from related parties, net (Notes 4, 8 and 27)	62,306	1	51,114	1
Other receivables (Notes 9 and 27)	181,397	3	376,245	6
Inventories (Notes 4 and 10)	1,560,938	26	1,634,318	26
Other current assets (Note 24)	173,760	3	225,732	4
Total current assets	4,457,859	73	4,449,412	72
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income, non-current (Notes 4 and 11)	539,283	9	-	-
Available-for-sale financial assets, non-current (Notes 4 and 12)	-	-	289,789	5
Financial assets measured at cost, non-current (Notes 4 and 13)	-	-	301,493	5
Property, plant and equipment (Notes 4 and 14)	697,917	11	642,663	10
Investment properties (Notes 4 and 15)	50,527	1	56,278	1
Intangible assets (Notes 4 and 16)	144,754	2	203,612	3
Deferred income tax assets (Notes 4 and 21)	109,790	2	95,318	2
Refundable deposits paid (Note 6)	81,435	1	71,571	1
Other non-current assets (Note 24)	36,103	1	38,696	1
Total non-current assets	1,659,809	27	1,699,420	28
TOTAL	$ 6,117,668	100	$ 6,148,832	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Accounts payable	$ 888,700	15	$ 934,901	15
Other payables (Notes 17 and 26)	878,329	14	874,942	14
Current tax liabilities (Notes 4 and 21)	84,963	1	88,934	2
Other current liabilities	63,186	1	88,549	1
Total current liabilities	1,915,178	31	1,987,326	32
NON-CURRENT LIABILITIES				
Products guarantee based on commitment (Note 4)	101,891	2	101,891	2
Accrued pension liabilities (Notes 4 and 18)	294,427	5	306,107	5
Other non-current liabilities	71,806	1	90,547	1
Total non-current liabilities	468,124	8	498,545	8
Total liabilities	2,383,302	39	2,485,871	40
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT				
Share capital (Note 19)	2,075,544	34	2,075,544	34
Capital surplus				
Additional paid-in capital	63,485	1	63,485	1
Employee share options	13	-	13	-
Retained earnings				
Legal reserve	470,659	8	401,846	6
Unappropriated earnings	955,346	15	896,014	15
Exchange differences on translation of foreign operations (Notes 4 and 19)	(10,535)	-	(165)	-
Unrealized gains (losses) on financial asset at fair value through other comprehensive income (Notes 4 and 19)	179,854	3	-	-
Unrealized gains (losses) on available-for-sale financial assets (Notes 4 and 19)	-	-	226,224	4
Total equity	3,734,366	61	3,662,961	60
TOTAL	$ 6,117,668	100	$ 6,148,832	100

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, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUE (Note 20)	$ 10,040,221	100	$ 9,235,382	100
OPERATING COST	6,127,054	61	5,502,875	60
GROSS PROFIT	3,913,167	39	3,732,507	40
OPERATING EXPENSES				
Selling expenses	235,538	3	223,903	3
General and administrative expenses	398,485	4	407,029	4
Research and development expenses	2,524,485	25	2,388,012	26
Total operating expenses	3,158,508	32	3,018,944	33
PROFIT FROM OPERATIONS	754,659	7	713,563	7
NON-OPERATING INCOME AND LOSSES				
Interest income	12,105	-	13,197	-
Dividend income	73,322	1	65,216	1
Other gains and losses	7,516	-	5,380	-
Gains (losses) on disposal of property, plant and equipment	1,254	-	638	-
Foreign exchange gains (losses)	20,475	-	(3,894)	-
Gains (losses) on financial instruments at fair value through profit or loss	(30,411)	-	5,331	-
Total non-operating income and losses	84,261	1	85,868	1
PROFIT BEFORE INCOME TAX	838,920	8	799,431	8
INCOME TAX EXPENSE (Notes 4 and 21)	(128,287)	(1)	(111,298)	(1)
NET PROFIT	710,633	7	688,133	7

(Continued)

NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSSES)				
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit plans (Notes 4 and 18)	$ (67,323)	(1)	$ (18,946)	-
Unrealized gains (losses) on investments in equity instruments at fair value through other comprehensive income	(196,160)	(2)	-	-
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translation of foreign operations	(10,370)	-	(29,445)	-
Unrealized gains (losses) on available-for-sale financial assets	-	-	142,876	1
Other comprehensive income (loss)	(273,853)	(3)	94,485	1
TOTAL COMPREHENSIVE INCOME	$ 436,780	4	$ 782,618	8
EARNINGS PER SHARE (Notes 4 and 23)				
From continuing operations				
Basic	$ 3.42		$ 3.32	
Diluted	$ 3.40		$ 3.30	

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, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Parent								
		Capital Surplus		Retained Earnings		Other Equity			
	Share Capital	Additional Paid-in Capital	Employee Share Options	Legal Reserve	Unappropriated Earnings	Exchange Differences on Translation of Foreign Operations	Unrealized Gain (Losses) on Financial Assets at Fair Value Through Other Comprehensive Income	Unrealized Gain (Losses) on Available-for-sale Financial Assets	Total Equity
BALANCE, JANUARY 1, 2017	$ 2,075,544	$ 63,485	$ 13	$ 340,530	$ 786,274	$ 29,280	$ -	$ 83,348	$ 3,378,474
Net profit in 2017	-	-	-	-	688,133	-	-	-	688,133
Other comprehensive income (loss) in 2017	-	-	-	-	(18,946)	(29,445)	-	142,876	94,485
Total comprehensive income (loss) in 2017	-	-	-	-	669,187	(29,445)	-	142,876	782,618
Appropriation of 2016 earnings (Note 19)									
Legal reserve	-	-	-	61,316	(61,316)	-	-	-	-
Cash dividends	-	-	-	-	(498,131)	-	-	-	(498,131)
BALANCE, DECEMBER 31, 2017	2,075,544	63,485	13	401,846	896,014	(165)	-	226,224	3,662,961
Adjustment on initial application of IFRS 9 (Note 3)	-	-	-	-	493	-	379,242	(226,224)	153,511
BALANCE, JANUARY 1, 2018 AFTER ADJUSTMENTS	2,075,544	63,485	13	401,846	896,507	(165)	379,242	-	3,816,472
Net profit in 2018	-	-	-	-	710,633	-	-	-	710,633
Other comprehensive income (loss) in 2018	-	-	-	-	(67,323)	(10,370)	(196,160)	-	(273,853)
Total comprehensive income (loss) in 2018	-	-	-	-	643,310	(10,370)	(196,160)	-	436,780
Appropriation of 2017 earnings (Note 19)									
Legal reserve	-	-	-	68,813	(68,813)	-	-	-	-
Cash dividends	-	-	-	-	(518,886)	-	-	-	(518,886)
Disposals of investments in equity instruments at fair value through other comprehensive income (Notes 11 and 19)	-	-	-	-	3,228	-	(3,228)	-	-
BALANCE, DECEMBER 31, 2018	$ 2,075,544	$ 63,485	$ 13	$ 470,659	$ 955,346	$ (10,535)	$ 179,854	$ -	$ 3,734,366

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, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	$ 838,920	$ 799,431
Adjustments for:		
Depreciation expense	164,001	155,125
Amortization expense	86,807	88,233
Expected credit loss recognized (reversed) on accounts receivables	3,855	-
(Reversal of) provision for allowance for doubtful accounts	-	66
Interest income	(12,105)	(13,197)
Dividend income	(73,322)	(65,216)
Net (gain) loss on fair value change of financial assets and liabilities designated as at fair value through profit or loss	947	(2,417)
(Gain) loss on disposal of property, plant and equipment	(1,254)	(638)
Changes in operating assets and liabilities		
(Increase) decrease in notes and accounts receivable	(195,624)	26,579
(Increase) decrease in accounts receivable due from related parties	(11,192)	5,949
(Increase) decrease in other receivables	194,234	(132,070)
(Increase) decrease in inventories	73,380	(455,881)
(Increase) decrease in other current assets	51,972	(2,851)
(Increase) decrease in other non-current assets	2,593	2,802
Increase (decrease) in accounts payable	(46,201)	28,359
Increase (decrease) in other payables	(30,619)	(18,538)
Increase (decrease) in other current liabilities	(25,363)	(19,964)
Increase (decrease) on accrued pension liabilities	(79,003)	(64,877)
Increase (decrease) in other non-current liabilities	(8,190)	(13,233)
Cash generated from operations	933,836	317,662
Income tax paid	(146,907)	(23,466)
Interest received	12,896	19,478
Dividend received	73,322	65,216
Net cash generated from operating activities	873,147	378,890
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of intangible assets	(23,855)	(45,111)
Proceeds from disposal of financial assets at fair value through other comprehensive income	5,850	-
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	3,500	-
Proceeds from capital reduction of financial assets measured at cost	-	4,000
Acquisition of property, plant and equipment	(198,466)	(291,937)
Proceeds from disposal of property, plant and equipment	1,941	915
(Increase) decrease in refundable deposits paid	(9,864)	(900)
Net cash used in investing activities	(220,894)	(333,033)

(Continued)

NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash dividends	$ (518,886)	$ (498,131)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	(6,478)	(29,524)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	126,889	(481,798)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,417,029	1,898,827
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 1,543,918	$ 1,417,029

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

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 research, design, development, manufacture, and sale of logic integrated circuits ("ICs") and the manufacturing, testing and OEM of 6-inch wafers.

For the specialization and division of labor 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 business in July 2008. WEC held approximately 61% of the ownership interest in the Company as of December 31, 2018 and 2017.

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 1, 2019.

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

a. Initial application of the 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) (collectively, the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC)

   Except for the following, whenever applied, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC would not have any material impact on the Group's accounting policies:

   1) IFRS 9 "Financial Instruments" and related amendment

      IFRS 9 supersedes IAS 39 "Financial Instruments: Recognition and Measurement", with consequential amendments to IFRS 7 "Financial Instruments: Disclosures" and other standards. IFRS 9 sets out the requirements for classification, measurement and impairment of financial assets and hedge accounting. Refer to Note 4 for information relating to the relevant accounting policies.

      The requirements for classification, measurement and impairment of financial assets have been applied retrospectively from January 1, 2018, and the requirements for hedge accounting have been applied prospectively. IFRS 9 is not applicable to items that have already been derecognized at December 31, 2017.

Classification, measurement and impairment of financial assets

On the basis of the facts and circumstances that existed as at January 1, 2018, the Group has performed an assessment of the classification of recognized financial assets and has elected not to restate prior reporting periods.

The following table shows the original measurement categories and carrying amount under IAS 39 and the new measurement categories and carrying amount under IFRS 9 for each class of the Group's financial assets and financial liabilities as at January 1, 2018.

	Measured Items		Carrying Amount	
Financial assets	**IAS 39**	**IFRS 9**	**IAS 39**	**IFRS 9**
Cash and cash equivalents	Loans and receivables	Amortized cost	$ 1,417,029	$ 1,417,029
Equity securities	Available-for-sale financial assets and financial assets measured at cost	Fair value through other comprehensive income (i.e. FVTOCI) - equity instrument	591,282	591,282
Notes receivable, accounts receivable and other receivables	Loans and receivables	Amortized cost	1,142,023	1,142,023
Refundable deposits paid	Loans and receivables	Amortized cost	71,571	71,571

	IAS 39 Carrying Amount as of January 1, 2018	Reclassifi-cations	Remeasure-ments	IFRS 9 Carrying Amount as of January 1, 2018	Retained Earnings Effect on January 1, 2018	Other Equity Effect on January 1, 2018
FVTOCI						
- Equity instruments	$ -	$591,282	$153,511	$744,793	$ 493	$153,018
Add: From available-for-sale financial assets and financial assets measured at cost (IAS 39)	591,282	(591,282)	-	-	-	-
Total	$591,282	$ -	$153,511	$744,793	$ 493	$153,018

a) The Group elected to designate all its investments in equity securities previously classified as available-for-sale under IAS 39 as at FVTOCI under IFRS 9, because these investments are not held for trading. As a result, the related other equity - unrealized gain on available-for-sale financial assets of $226,224 thousand was reclassified to other equity - unrealized gain on financial assets at FVTOCI.

   Investments in unlisted shares previously measured at cost under IAS 39 have been designated as at FVTOCI under IFRS 9 and were remeasured at fair value. Consequently, an increase of $153,018 thousand was recognized in both financial assets at FVTOCI and other equity - unrealized gain on financial assets at FVTOCI on January 1, 2018.

   The Group recognized under IAS 39 impairment loss on certain investments in equity securities previously classified as measured at cost and the loss was accumulated in retained earnings. Since those investments were designated as at FVTOCI under IFRS 9 and no impairment assessment is required, an adjustment was made that resulted in a decrease of $493 thousand in other equity - unrealized gain on financial assets at FVTOCI and an increase of $493 thousand in retained earnings on January 1, 2018.

b) Notes receivable, accounts receivable, other receivables and refundable deposits paid that were previously classified as loans and receivables under IAS 39 were classified as measured at amortized cost with an assessment of expected credit losses under IFRS 9.

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. Refer to Note 4 for related accounting policies.

3) 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 applied IFRIC 22 prospectively to all assets, expenses and income recognized on or after January 1, 2018 within the scope of the Interpretation.

b. Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed by the FSC for application starting from 2019

New, Amended or Revised Standards and Interpretations (the "New IFRSs")	**Effective Date Announced by IASB (Note 1)**
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 "Prepayment Features with Negative Compensation"	January 1, 2019 (Note 2)
IFRS 16 "Leases"	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019 (Note 3)
Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures"	January 1, 2019
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019

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 FSC permits the election for early adoption of the amendments starting from 2018.

Note 3: The Group shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

1) IFRS 16 "Leases"

IFRS 16 sets out the accounting standards for leases agreements of lessor and lessee that will supersede IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", and a number of related interpretations.

Definition of a lease

Upon initial application of IFRS 16, the Group will elect to apply IFRS 16 only to contracts entered into (or changed) on or after January 1, 2019 in order to determine whether those contracts are, or contain, a lease. Contracts identified as containing a lease under IAS 17 and IFRIC 4 will not be reassessed and will be accounted for in accordance with the transitional provisions under IFRS 16.

The Group as lessee

Upon initial application of IFRS 16, except for payments for low-value assets and short-term leases which will be recognized as expenses on a straight-line basis, the Group will recognize right-of-use assets and lease liabilities for all leases on the consolidated balance sheets. On the consolidated statements of comprehensive income, the Group will present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities and computed using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities will be classified within financing activities; cash payments for the interest portion will be classified within operating activities. Currently, payments under operating lease contracts are recognized as expenses on a straight-line basis. Cash flows for operating leases are classified within operating activities on the consolidated statements of cash flows. Leased assets and finance lease payables are recognized for contracts classified as finance leases.

The Group will apply IFRS 16 retrospectively with the cumulative effect of the initial application recognized on January 1, 2019 but will not restate comparative information.

The Group as lessor

Except for sublease transactions, the Group will not make any adjustments for leases in which it is a lessor and will account for leases under IFRS 16 starting from January 1, 2019.

The Group subleased its leasehold assets to a third party. Such sublease is classified as an operating lease under IAS 17. The Group will assess the sublease classification on the basis of the remaining contractual terms and conditions of the head lease and sublease on January 1, 2019.

Anticipated impact on assets, liabilities and equity as of January 1, 2019

	Carrying Amount as of December 31, 2018	**Adjustments Arising from Initial Application**	**Adjusted Carrying Amount as of January 1, 2019**
Prepayments for leases - current	$ 3,463	$ (3,463)	$ -
Prepayments for leases - non-current	35,129	(35,129)	-
Right-of-use assets	-	577,763	577,763
Total effect on assets	$ 38,592	$ 539,171	$ 577,763
Lease liabilities - current	$ -	$ 99,733	$ 99,733
Lease liabilities - non-current	-	439,438	439,438
Total effect on liabilities	$ -	$ 539,171	$ 539,171
Retained Earnings	$ 1,426,005	$ -	$ 1,426,005

2) IFRIC 23 "Uncertainty over Income Tax Treatments"

IFRIC 23 clarifies that when there is uncertainty over income tax treatments, the Group should assume that the taxation authority will have full knowledge of all related information when making related examinations. If the Group concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the Group should determine the taxable profit, tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatments used or planned to be used in its income tax filings. If it is not probable that the taxation authority will accept an uncertain tax treatment, the Group should make estimates using either the most likely amount or the expected value of the tax treatment, depending on which method the Group expects to better predict the resolution of the uncertainty. The Group has to reassess its judgments and estimates if facts and circumstances change.

Upon initial application of IFRIC 23, the Group will recognize the cumulative effect of retrospective application in retained earnings on January 1, 2019.

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020 (Note 2)
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
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020 (Note 3)

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 Group shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note 3: The Group shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

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 consolidated 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 and issued into effect by the FSC.

Basis of Preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments and defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets 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 December 31 2018	% of Ownership December 31 2017
The Company	Nuvoton Electronics Technology (H.K.) Limited ("NTHK")	Sales of semiconductor	100	100
	Pigeon Creek Holding Co., Ltd. ("PCH")	Investment holding	100 (Note)	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
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 and service of semiconductor	100	100

Note: PCH is proceeding with liquidation and legal procedure.

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

Financial assets and financial liabilities are recognized when an entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities other than financial assets and financial liabilities at fair value through profit or loss(ie.FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

a. Measurement category

   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.

   <u>2018</u>

   Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost, and equity instruments at FVTOCI.

   1) Financial asset at FVTPL

      Financial asset is classified as at FVTPL when the financial asset is mandatorily classified or it is designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Note 26.

2) Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

a) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost are measured at amortized cost, which equals to gross carrying amount determined by the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for:

a) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset; and

b) Financial assets that are not credit-impaired on purchase or origination but have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

3) Investments in equity instruments at FVTOCI

On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments as at FVOCI. Designation at FVOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Group’s right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

2017

The categories of financial assets held by the Group are financial assets at FVTPL, available-for-sale financial assets, and loans and receivables.

1) Financial assets at fair value through profit or loss

Financial assets are classified as at FVTPL 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.

2) Available-for-sale financial assets

Listed shares held by the Group that are traded in an active market are classified as available-for-sale financial assets and are stated at fair value at the end of each reporting period. Changes in the fair value 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.

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established.

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 profit or loss or other comprehensive income on financial assets. Any impairment losses are recognized in profit and loss.

3) 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.

b. Impairment of financial assets

2018

At the end of each reporting period, the Group recognizes a loss allowance for expected credit losses ("ECL") for financial assets at amortized cost (including accounts receivable).

The loss allowance for accounts receivable is measured at an amount equal to lifetime expected credit losses. For other financial assets when the credit risk on the financial instrument has not increased significantly since initial recognition, a loss allowance is recognized at an amount equal to 12-month ECL. If, on the other hand, there has been a significant increase in credit risk since initial recognition, a loss allowance is recognized at an amount equal to lifetime ECL.

ECL reflect the weighted average of credit losses with the respective risks of a default occurring as the weights. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Group recognizes an impairment loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

2017

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, an increase in the number of delayed payments past the average credit period, the information which correlates with default on receivables, as well as observable changes in national or local economic conditions that correlate with default on receivables. 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 objective 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, impairment loss previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of available-for-sale debt securities, impairment loss are 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 current market rate of return for a similar financial asset. 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 accounts receivable where the carrying amount is reduced through the use of an allowance account. When accounts receivable are considered uncollectable, 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 financial asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the financial asset to another entity. Before 2018, 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 which had been recognized in other comprehensive income is recognized in profit or loss. Starting from 2018, on derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the cumulative gain or loss that had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through 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.

Other financial liabilities are measured at amortized cost using the effective interest method.

e. Dercognition of financial liabilities

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 a variety of derivative financial instruments to manage its exposure to foreign exchange rate risks, including foreign exchange forward contracts and cross currency swaps.

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 or assets related to contract cost 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

2018

The Group identifies the performance obligations in the contract with customers, allocates the transaction price to the performance obligations in the contracts and recognises revenue when (or as) the entity satisfies a performance obligation.

2017

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. Allowances for sales returns are recognized at the time of sale based on the seller's reliable estimate of future returns; Liabilities for returns are recognized based on previous experience and other relevant factors. Sale of goods is recognized when the goods are delivered and the ownership of goods is transferred to the buyer.

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.

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 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 liabilities are settled or the assets are 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:

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.

6. CASH AND CASH EQUIVALENTS

	December 31 2018	December 31 2017
Cash and cash in bank	$ 1,420,618	$ 1,372,679
Repurchase agreements collateralized by bonds	123,300	44,350
	$ 1,543,918	$ 1,417,029

a. The Group has time deposits pledged to secure land leases and customs tariff obligations which are reclassified as “refundable deposits paid” as follows:

	December 31 2018	December 31 2017
Time deposits	$ 72,074	$ 62,213

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” as follows (Note 9):

	December 31 2018	December 31 2017
Time deposits	$ 145,654	$ 339,541

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31 2018	December 31 2017
Financial assets at FVTPL - current		
Foreign exchange forward contracts	$ 763	$ 1,710

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)
December 31, 2018			
Sell forward exchange contracts	USD/NTD	2019.01.04-2019.02.21	USD17,000/NTD521,731
December 31, 2017			
Sell forward exchange contracts	USD/NTD	2018.01.05-2018.01.25	USD11,000/NTD329,070

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

	December 31	
	2018	2017
Notes receivable	$ -	$ -
Accounts receivable		
At amortized cost		
Gross carrying amount	1,017,582	810,766
Less: Allowance for impairment loss	(20,499)	(16,388)
	$ 997,083	$ 794,378

2018

The average credit period of sales of goods was 30-60 days. No interest was charged on accounts receivable. The Group adopted a policy of only dealing with entities that are rated the equivalent of investment grade or higher and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group uses other publicly available financial information or its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored. Credit exposure is controlled by counterparty limits that are reviewed and approved by the financial department annually.

In order to minimize credit risk, the management of the Group has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Group's credit risk was significantly reduced.

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all accounts receivable. The expected credit losses on accounts receivable are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The Group estimates expected credit losses based on past due days. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

The Group writes off accounts receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For accounts receivable that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of accounts receivable based on the Group's provision matrix.

December 31, 2018

	Not Overdue	Overdue under 30 Days	Overdue 31-90 Days	Overdue 91-180 Days	Over 180 Days	Total
Expected credit loss rate	2%	2%	10%	20%	50%	
Gross carrying amount	$ 1,004,975	$ 12,607	$ -	$ -	$ -	$ 1,017,582
Loss allowance (lifetime ECL)	(20,246)	(253)	-	-	-	(20,499)
Amortized cost	$ 984,729	$ 12,354	$ -	$ -	$ -	$ 997,083

The movements of the loss allowance of accounts receivable were as follows:

	2018
Balance at January 1 (IAS 39)	$ 16,388
Adjustment on initial application of IFRS 9	-
Balance at January 1 (IFRS 9)	16,388
Net remeasurement of expected credit loss allowance	3,855
Effect of exchange rate changes	256
Balance at December 31	$ 20,499

2017

The Group applied the same credit policy in 2018 and 2017. Allowance for doubtful accounts is based on estimated uncollectable amounts determined by reference to the aging of receivables, past dealing experience with the counterparties and an analysis of their respective financial positions.

The aging of accounts receivable was as follows:

	December 31, 2017
Not overdue	$ 723,029
Overdue under 30 days	36,623
Overdue 31-90 days	-
Overdue 91 days and longer	-
	$ 759,652

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

	For the Year Ended December 31, 2017
Balance at January 1	$ 16,743
Provision (reversed)	66
Effect of exchange rate changes	(421)
Balance at December 31	$ 16,388

The Group's provision losses on accounts receivable were recognized on a collective basis.

9. OTHER RECEIVABLES

	December 31	
	2018	2017
Time deposits (Note 6)	$ 145,654	$ 339,541
Business tax refund receivable	26,477	26,325
Others	9,266	10,379
	$ 181,397	$ 376,245

10. INVENTORIES

	December 31	
	2018	2017
Raw materials and supplies	$ 123,949	$ 86,115
Work-in-process	1,062,207	1,128,123
Finished goods	342,307	338,558
Inventories in transit	32,475	81,522
	$ 1,560,938	$ 1,634,318

a. As of December 31, 2018 and 2017, the allowance for inventory devaluation was $329,049 thousand and $297,684 thousand, respectively.

b. The operating cost for the years ended December 31, 2018 and 2017 was $6,127,054 thousand and $5,502,875 thousand, respectively. The cost of goods sold included inventory write-downs and obsolescence and abandonment of inventories in the amounts of $44,388 thousand and $33,349 thousand for the years ended December 31, 2018 and 2017, respectively.

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME, - 2018

Equity instruments at FVTOCI:

	December 31, 2018
Domestic listed and emerging stocks	
Nyquest Technology Co., Ltd.	$ 120,209
Brightek Optoelectronic Co., Ltd.	341
Non-listed stocks	
United Industrial Gases Co., Ltd.	396,000
Yu-Ji Venture Capital Co., Ltd.	22,733
	$ 539,283

These investments in equity instruments are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes. These investments in equity instruments were classified as available-for-sale and financial assets measured at cost under IAS 39. Refer to Note 3, Note 12 and Note 13 for information relating to their reclassification and comparative information for 2017.

In 2018, the Group sold part of its shares of Nyquest Technology Co., Ltd. based on the fair value amounted to $5,850 thousand in order to manage its investment concentration risk, and it transferred $3,228 thousand from other equity to retained earnings, refer to Note 19 for related information.

The Group recognized dividend income $73,322 thousand for the year ended December 31, 2018. To elaborate, the amount related to investments derecognition for the year ended December 31, 2018 was $648 thousand. The amount related to investments held at the end of the year was $72,674 thousand for the year ended December 31, 2018.

12. AVAILABLE-FOR-SALE FINANCIAL ASSETS - 2017

	December 31, 2017
Domestic listed investment (Note 11)	
Nyquest Technology Co., Ltd.	$ 289,789

13. FINANCIAL ASSETS MEASURED AT COST - 2017

	December 31, 2017
Non-listed investment (Note 11)	
United Industrial Gases Co., Ltd.	$ 280,000
Brightek Optoelectronic Co., Ltd.	493
Yu-Ji Venture Capital Co., Ltd.	21,000
	$ 301,493

Management believed that the above non-listed 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.

14. PROPERTY, PLANT AND EQUIPMENT

	December 31 2018	December 31 2017
Land and buildings	$ 198,813	$ 182,637
Machinery and equipment	393,283	354,819
Other equipment	105,821	85,040
Construction in progress and prepayments for purchase of equipment	-	20,167
	$ 697,917	$ 642,663

	Land and Buildings	Machinery and Equipment	Other Equipment	Construction in Progress and Prepayments for Purchase of Equipment	Total
Cost					
Balance at January 1, 2018	$ 3,608,264	$ 11,443,998	$ 394,138	$ 20,167	$ 15,466,567
Additions	41,376	146,815	13,272	16,222	217,685
Disposals	-	(185,617)	(55,991)	-	(241,608)
Reclassified	23	797	35,762	(36,582)	-
Effect of foreign currency exchange differences	-	(2,721)	(5,991)	193	(8,519)
Balance at December 31, 2018	3,649,663	11,403,272	381,190	-	15,434,125
Accumulated depreciation and impairment					
Balance at January 1, 2018	3,425,627	11,089,179	309,098	-	14,823,904
Disposals	-	(185,121)	(55,800)	-	(240,921)
Depreciation expenses	25,200	107,917	26,188	-	159,305
Reclassified	23	-	(23)	-	-
Effect of foreign currency exchange differences	-	(1,986)	(4,094)	-	(6,080)
Balance at December 31, 2018	3,450,850	11,009,989	275,369	-	14,736,208
Carrying amounts at December 31, 2018	$ 198,813	$ 393,283	$ 105,821	$ -	$ 697,917
Cost					
Balance at January 1, 2017	$ 3,471,902	$ 11,543,130	$ 358,143	$ 35,795	$ 15,408,970
Additions	101,379	107,067	38,563	20,132	267,141
Disposals	(750)	(206,554)	(2,351)	-	(209,655)
Reclassified	35,733	-	62	(35,795)	-
Effect of foreign currency exchange differences	-	355	(279)	35	111
Balance at December 31, 2017	3,608,264	11,443,998	394,138	20,167	15,466,567
Accumulated depreciation and impairment					
Balance at January 1, 2017	3,404,613	11,192,725	285,465	-	14,882,803
Disposals	(750)	(206,547)	(2,081)	-	(209,378)
Depreciation expenses	21,764	102,851	25,869	-	150,484
Effect of foreign currency exchange differences	-	150	(155)	-	(5)
Balance at December 31, 2017	3,425,627	11,089,179	309,098	-	14,823,904
Carrying amounts at December 31, 2017	$ 182,637	$ 354,819	$ 85,040	$ 20,167	$ 642,663

15. INVESTMENT PROPERTIES

	December 31	
	2018	2017
Investment properties	$ 50,527	$ 56,278

The investment properties are located in Shenzhen, China. As of December 31, 2018 and 2017, the fair value of such investment properties was both approximately $200,000 thousand, by reference to neighboring area transactions.

	Investment Properties
Cost	
Balance at January 1, 2018	$ 104,460
Effect of foreign currency exchange differences	(2,127)
Balance at December 31, 2018	102,333
Accumulated depreciation and impairment	
Balance at January 1, 2018	48,182
Depreciation expenses	4,696
Effect of foreign currency exchange differences	(1,072)
Balance at December 31, 2018	51,806
Carrying amount at December 31, 2018	$ 50,527
Cost	
Balance at January 1, 2017	$ 105,650
Effect of foreign currency exchange differences	(1,190)
Balance at December 31, 2017	104,460
Accumulated depreciation and impairment	
Balance at January 1, 2017	43,977
Depreciation expenses	4,641
Effect of foreign currency exchange differences	(436)
Balance at December 31, 2017	48,182
Carrying amount at December 31, 2017	$ 56,278

16. INTANGIBLE ASSETS

	December 31	
	2018	2017
Deferred technical assets	$ 144,044	$ 202,634
Other intangible assets	710	978
	$ 144,754	$ 203,612

	Deferred Technical Assets	Other Intangible Assets	Total
Cost			
Balance at January 1, 2018	$ 1,020,816	$ 4,057	$ 1,024,873
Additions	27,986	105	28,091
Disposals	-	(535)	(535)
Effect of foreign currency exchange differences	(5,613)	(69)	(5,682)
Balance at December 31, 2018	1,043,189	3,558	1,046,747
Accumulated amortization and impairment			
Balance at January 1, 2018	818,182	3,079	821,261
Disposals	-	(535)	(535)
Amortization expenses	86,446	361	86,807
Effect of foreign currency exchange differences	(5,483)	(57)	(5,540)
Balance at December 31, 2018	899,145	2,848	901,993
Carrying amounts at December 31, 2018	$ 144,044	$ 710	$ 144,754
Cost			
Balance at January 1, 2017	$ 984,710	$ 4,103	$ 988,813
Additions	33,609	-	33,609
Effect of foreign currency exchange differences	2,497	(46)	2,451
Balance at December 31, 2017	1,020,816	4,057	1,024,873
Accumulated amortization and impairment			
Balance at January 1, 2017	728,184	2,689	730,873
Amortization expenses	87,819	414	88,233
Effect of foreign currency exchange differences	2,179	(24)	2,155
Balance at December 31, 2017	818,182	3,079	821,261
Carrying amounts at December 31, 2017	$ 202,634	$ 978	$ 203,612

17. OTHER PAYABLES

	December 31	
	2018	2017
Payable for salaries or employee benefits	$ 399,259	$ 415,638
Payable for royalties	99,273	85,909
Payable for purchase of equipment	70,133	50,914
Payable for software	55,363	19,634
Others	254,301	302,847
	$ 878,329	$ 874,942

18. 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.

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 of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. In 2018 and 2017, 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	
	2018	**2017**
Present value of defined benefit obligation	$ 1,282,657	$ 1,248,983
Fair value of plan assets	(988,230)	(942,876)
Net defined benefit liability	$ 294,427	$ 306,107

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, 2017	$ 1,194,714	$ (842,676)	$ 352,038
Service cost			
Current service cost	34,105	-	34,105
Net interest expense (income)	29,618	(16,465)	13,153
Others	4,257	(4,834)	(577)
Recognized in profit or loss	67,980	(21,299)	46,681

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability (Asset)
Remeasurement			
Actuarial (gain) loss - difference between the discount rate and the realized rate of return	$ -	$ 4,585	$ 4,585
Actuarial (gain) loss - changes in financial assumptions	44,912	(22,347)	22,565
Actuarial (gain) loss - experience adjustments	(4,942)	(3,262)	(8,204)
Recognized in other comprehensive income	39,970	(21,024)	18,946
Contributions from the employer	-	(109,984)	(109,984)
Plan assets paid	(59,959)	59,561	(398)
Liabilities extinguished on settlement	(1,276)	-	(1,276)
Effect of foreign currency exchange difference	7,554	(7,454)	100
Balance at December 31, 2017	1,248,983	(942,876)	306,107
Service cost			
Current service cost	31,010	-	31,010
Net interest expense (income)	25,773	(15,991)	9,782
Others	(3,692)	3,189	(503)
Recognized in profit or loss	53,091	(12,802)	40,289
Remeasurement			
Actuarial (gain) loss - the discount rate more (less) than the realized rate of return	-	(13,703)	(13,703)
Actuarial (gain) loss - changes in financial assumptions	3,748	15,497	19,245
Actuarial (gain) loss - experience adjustments	60,878	903	61,781
Recognized in other comprehensive income	64,626	2,697	67,323
Contributions from the employer	-	(109,539)	(109,539)
Plan assets paid	(56,637)	55,135	(1,502)
Settlement of pension liabilities	(8,060) -	-	(8,060)
Effect of foreign currency exchange difference	(19,346)	19,155	(191)
Balance at December 31, 2018	$ 1,282,657	$ (988,230)	$ 294,427

(Concluded)

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

	For the Year Ended December 31	
	2018	2017
Analysis by function		
Operating costs	$ 6,932	$ 7,833
Selling expenses	105	96
General and administrative expenses	5,334	6,714
Research and development expenses	27,918	32,038

	$ 40,289	$ 46,681

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	
	2018	**2017**
Discount rate(s)	1.25%-3.58%	1.50%-4.68%
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	
	2018	**2017**
Discount rate(s)		
0.25% increase	$ (28,655)	$ (29,625)
0.25% decrease	$ 31,173	$ 33,284
Expected rate(s) of salary increase		
0.25% increase	$ 29,060	$ 30,320
0.25% decrease	$ (26,038)	$ (26,839)

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	
	2018	**2017**
The expected contributions to the plan for the next year	$ 117,978	$ 121,702
The average duration of the defined benefit obligation	9.4-13.17 years	9.8-13.46 years

19. EQUITY

a. Share capital

	December 31	
	2018	2017
Authorized shares (in thousands)	300,000	300,000
Authorized capital	$ 3,000,000	$ 3,000,000
Issued and paid shares (in thousands)	207,554	207,554
Issued capital	$ 2,075,544	$ 2,075,544
Par value (in New Taiwan dollars)	$ 10	$ 10

As of December 31, 2018 and 2017, the balance of the Company’s capital account amounted to $2,075,544 thousand, divided into 207,554 thousand ordinary shares at a par of NT$10.

b. Capital surplus

	December 31	
	2018	2017
May be used to offset a deficit, distributed as cash dividends, or transferred to capital*		
Additional paid-in capital	$ 63,485	$ 63,485
May not be used for any purpose		
Employee share options	13	13
	$ 63,498	$ 63,498

* Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, it can 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

Under the dividends policy as set forth in the Company’s Articles of Incorporation (the “Articles”), if the Company has surplus earnings at the end of a fiscal year, after covering all losses incurred in previous 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, 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.

The appropriations of the Company's earnings for 2017 and 2016 had been approved in the shareholders' meetings on June 12, 2018 and June 14, 2017, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		Dividends Per Share (NT$)	
	For Year 2017	For Year 2016	For Year 2017	For Year 2016
Legal reserve	$ 68,813	$ 61,316		
Cash dividends	518,886	498,131	$2.50	$2.40
	$ 587,699	$ 559,447		

The appropriations of the Company's earnings for 2018 had been approved in the Board of Directors' meeting on February 1, 2019. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT$)
Legal reserve	$ 71,063	
Cash dividends	518,886	$2.50

The appropriations of earnings for 2018 will be presented for approval in the shareholders' meeting to be held on June 24, 2019.

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, 2018 and 2017, other comprehensive loss was $10,370 thousand and $29,445 thousand, respectively.

2) Unrealized gain/(loss) on financial assets at FVTOCI

	For the Year Ended December 31, 2018
Balance at January 1, 2018 (IAS 39)	$ -
Adjustment on initial application of IFRS 9	379,242
Balance at January 1, 2018 (IFRS 9)	379,242
Recognized for the year	(196,160)
Cumulative unrealized gain/(loss) of equity instruments transferred to retained earnings due to disposal	(3,228)
Balance at December 31, 2018	$ 179,854

3) Unrealized gain (loss) on available-for-sale financial assets

	Amounts
Balance at January 1, 2018 (IAS 39)	$ 226,224
Adjustment on initial application of IFRS 9	(226,224)
Balance at January 1, 2018 (IFRS 9)	$ -
Balance at January 1, 2017	$ 83,348
Unrealized gains (losses) on revaluation of available-for-sale financial assets	142,876
Balance at December 31, 2017	$ 226,224

20. REVENUE

Refer to Note 32 for the Group's revenue.

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	
	2018	2017
Current income tax expense		
In respect of the current year	$ 102,725	$ 113,083
Adjustment for prior years' tax and effects of estimated difference	41,220	(14)
Deferred income tax		
In respect of the current year	(3,658)	(1,771)
Effect of tax rate changes	(12,000)	-
Income tax expense recognized in profit or loss	$ 128,287	$ 111,298

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

	For the Year Ended December 31	
	2018	2017
Income tax expense from continuing operations at the statutory rate	$ 167,031	$ 143,973
Tax effect of adjustment item		
Permanent differences	(27,964)	(22,102)
Tax-exempt income	(14,000)	(10,000)
Others	17,658	21,212
Additional income tax on unappropriated earnings	8,149	1,967
Current income tax credit	(48,149)	(21,967)
Current income tax	102,725	113,083
Deferred income tax	(15,658)	(1,771)

(Continued)

	For the Year Ended December 31	
	2018	2017
Adjustment for prior year's income tax	$ 23	$ (14)
Adjustment for prior year's income tax assessed by the authorities	41,197	-
Tax expense recognized in profit or loss	$ 128,287	$ 111,298

(Concluded)

In 2017, the applicable corporate income tax rate used by the group entities in the ROC is 17%. However, the Income Tax Act was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%, effective in 2018. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings will be reduced from 10% to 5%. 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 shareholders meeting haven't resolved the appropriation of earnings for 2018, the potential income tax consequences of the 2018 unappropriated earnings are not reliably determinable.

c. Current tax assets and liabilities

	December 31	
	2018	2017
Tax refund receivable	$ 2,361	$ 2,184
Income tax payable	$ 84,963	$ 88,934

d. Deferred income tax assets

	December 31	
	2018	2017
Deferred income tax assets		
Allowance for inventory valuation and obsolescence loss and others	$ 109,790	$ 95,318

e. Information about unused tax-exemption

As of December 31, 2018, profit attributable to the following expansion projects was exempted from income tax for a five-year period:

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

f. Income tax assessments

The Company's tax returns through 2016 have been assessed by the tax authorities.

g. Information about investment credits

The Company applies the Statute for Industrial Innovation Article 10, and up to 10% of its R&D expenses may be credited against the profit-seeking enterprise income tax payable in each of the three years following the then current year.

22. EMPLOYEE BENEFITS EXPENSE, DEPRECIATION AND AMORTIZATION

	For the Year Ended December 31							
	2018				2017			
	Classified as Operating Costs	Classified as Operating Expenses	Classified as Non-operating Income and Losses	Total	Classified as Operating Costs	Classified as Operating Expenses	Classified as Non-operating Income and Losses	Total
Employee benefits expense								
Short-term employment benefits	$ 727,045	$ 1,861,539	$ -	$ 2,588,584	$ 725,076	$ 1,799,438	$ -	$ 2,524,514
Post-employment benefits	31,212	140,475	-	171,687	32,121	139,810	-	171,931
Depreciation	97,217	62,088	4,696	164,001	95,807	54,677	4,641	155,125
Amortization	33,330	53,477	-	86,807	33,294	54,939	-	88,233

To be in compliance with the Company Act, 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 for 2018 and 2017 which have been approved in the Board of Directors' meetings on February 1, 2019 and January 26, 2018, respectively, were as follows:

	For the Year Ended December 31			
	2018		2017	
	Amount	%	Amount	%
Employees' cash compensation	$ 50,428	6	$ 49,360	6
Remuneration of directors	8,405	1	8,227	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, 2017 and 2016.

Information on the employees' compensation and remuneration to directors resolved by the Company's Board of Directors in 2019 and 2018 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, 2018			
Net profit	$ 710,633		
Basic EPS			
Earnings used in the computation of basic EPS	710,633	207,554	$ 3.42
Effect of potentially dilutive ordinary shares			
Employee's compensation	-	1,270	
Diluted EPS			
Earnings used in the computation of diluted EPS	$ 710,633	208,824	$ 3.40

(Continued)

Shares

	Amounts (Numerator)	(Denominator) (In Thousands)	EPS (NT$)
For the year ended December 31, 2017			
Net profit	$ 688,133		
Basic EPS			
Earnings used in the computation of basic EPS	688,133	207,554	$ 3.32
Effect of potentially dilutive ordinary shares			
Employee’s compensation	-	771	
Diluted EPS			
Earnings used in the computation of diluted EPS	$ 688,133	208,325	3.30

(Concluded)

If the Company offered to settle compensation paid to employees in cash or shares, the Company assumed the entire amount of the compensation 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 EPS, as the effect is dilutive. The number of shares used in the computation of diluted EPS is estimated by the amount of compensation 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 EPS until the number of shares to be distributed to employees is resolved in the following year.

24. OPERATING LEASE ARRANGEMENTS

The Group as Lessee

a. Lease arrangements

The Company leased land from Science Park Administration, and the lease term will expire in December 2027, but can be extended after the expiration of the lease.

The Company leased land from Taiwan Sugar Corporation under a twenty-year term from October 2014 to September 2034, which can be extended after the expiration of the lease. The chairman of the Company is a joint guarantor of such lease; please refer to Note 27.

The Group leased some of offices in the United States, China, Israel, India and Taiwan, and these leases will expire between 2020 and 2026, but can be extended after the expiration of the lease periods.

As of December 31, 2018 and 2017, deposits paid under operating leases amounted to $36,168 thousand and $36,221 thousand, respectively.

b. Prepayments for lease obligations

	December 31	
	2018	2017
Current (recorded as “other current assets”)	$ 3,463	$ 3,445
Non-current (recorded as “other non-current assets”)	35,129	37,510
	$ 38,592	$ 40,955

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	
	2018	2017
Lease expenditure	$ 108,879	$ 109,315

The Group as Lessor

Operating lease agreements

Operating leases relate to the leasing of investment property with lease terms of 3 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, 2018 and 2017, refundable deposits received under operating leases amounted to $2,137 thousand and $2,181 thousand, respectively (recorded as "other non-current liabilities").

25. 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.

26. FINANCIAL INSTRUMENT

a. Categories of financial instruments

	December 31			
	2018		2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Measured at amortized cost				
Cash and cash equivalents	$ 1,543,918	$ 1,543,918	$ -	$ -
Notes and accounts receivable	934,777	934,777	-	-
Accounts receivable due from related parties	62,306	62,306	-	-
Other receivables	152,446	152,446	-	-
Refundable deposits paid	81,435	81,435	-	-
Loans and receivables				
Cash and cash equivalents	-	-	1,417,029	1,417,029
Notes and accounts receivable	-	-	743,264	743,264
Accounts receivable due from related parties	-	-	51,114	51,114
Other receivables	-	-	347,645	347,645
Refundable deposits paid	-	-	71,571	71,571

(Continued)

	December 31			
	2018		2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets at FVTPL				
Derivative financial instruments	$ 763	$ 763	$ 1,710	$ 1,710
Financial assets at FVTOCI	539,283	539,283	-	-
Available-for-sale financial assets	-	-	289,789	289,789
Financial assets measured at cost, non-current	-	-	301,493	301,347
Financial liabilities				
Measured at amortized cost				
Accounts payable	888,700	888,700	934,901	934,901
Other payables	874,820	874,820	871,525	871,525
Guarantee deposits (recorded in other non-current liabilities)	37,906	37,906	44,482	44,482
Long-term contract payable (recorded in other non-current liabilities)	-	-	10,551	10,551

(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 listed shares and emerging shares).

   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) Domestic unlisted equity instrument at FVTOCI were all measured based on Level 3. Fair values of the above equity instruments were determined using comparable listed company approach, refer to strike price of similar business at active market, implied value multiple of the price and relevant information. Significant unobservable inputs included PE ratio, value multiple and market liquidity discount.

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, 2018			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets at FVTPL				
Derivatives	$ -	$ 763	$ -	$ 763
Financial assets at FVTOCI				
Domestic listed and emerging securities	$ 120,550	$ -	$ -	$ 120,550
Domestic unlisted securities	$ -	$ -	$ 418,733	$ 418,733

	December 31, 2017			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets at FVTPL				
Derivatives	$ -	$ 1,710	$ -	$ 1,710
Available-for-sale financial assets				
Domestic listed equity securities	$ 289,789	$ -	$ -	$ 289,789

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

	December 31, 2017				
	Carrying Amount	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at cost					
Domestic emerging equity securities	$ 493	$ -	$ 347	$ -	$ 347

The emerging securities held by the Group were determined as active market, and were transferred from Level 2 to Level 1 this year.

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 $4,077 thousand and $2,429 thousand decrease for the years ended December 31, 2018 and 2017, 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, 2018 and 2017, the carrying amount of the Group's floating rate deposits with exposure to interest rates was $108,266 thousand and $8,319 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, 2018 and 2017 would have increased by $1,083 thousand and $83 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, 2018			
	Within 1 Year	1-2 Years	Over 2 Years	Total
Non-derivative financial liabilities				
Non-interest bearing	$ 1,763,520	$ -	$ -	$ 1,763,520

	December 31, 2017			
	Within 1 Year	1-2 Years	Over 2 Years	Total
Non-derivative financial liabilities				
Non-interest bearing	$ 1,806,426	$ 10,551	$ -	$ 1,816,977

26. 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 Corporation America ("WECA")	Associate
Winbond Electronics Corporation Japan ("WECJ")	Associate
Techdesign Corporation	Associate
Callisto Holding Limited	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

b. Operating activities

	For the Year Ended December 31	
	2018	2017
1) Operating revenue		
Related party in substance	$ 247,388	$ 232,397
Associate	85,611	100,912
	$ 332,999	$ 333,309
2) Purchase		
Parent company	$ 103,274	$ 164,475
3) Selling expenses		
Associate	$ 667	$ 670

	For the Year Ended December 31	
	2018	2017
4) General and administrative expenses		
Related party in substance	$ 10,538	$ 10,538
Parent company	7,818	20,724
Associate	664	670
	$ 19,020	$ 31,932
5) Research and development expenses		
Associate	$ 6,798	$ 6,875
Parent company	453	9,106
	$ 7,251	$ 15,981
6) Other income		
Related party in substance		
Nyquest	$ 15,898	$ 13,635

	December 31	
	2018	2017
7) Accounts receivable due from related parties		
Related party in substance	$ 44,298	$ 33,546
Associate	18,008	17,568
	$ 62,306	$ 51,114
8) Other receivables		
Parent company	$ 347	$ 745
Associate	343	307
	$ 690	$ 1,052
9) Refundable deposits paid		
Related party in substance	$ 1,722	$ 1,722
10) Accounts payable to related parties		
Parent company	$ 15,700	$ 24,174
11) Other payables		
Parent company	$ 3,215	$ 3,006
Associate	249	-
	$ 3,464	$ 3,006

	December 31	
	2018	2017
12) Guarantee deposits		
Parent company	$ 545	$ 545
Associate	-	151
	$ 545	$ 696

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.

c. Guarantee

As of December 31, 2018 the chairman of the Company is a joint guarantor of the land-lease from Taiwan Sugar Corporation. Refer to Note 24.

d. Compensation of key management personnel

	For the Year Ended December 31	
	2018	2017
Short-term employment benefits	$ 74,644	$ 82,043
Post-employment benefits	2,728	3,573
	$ 77,372	$ 85,616

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

28. PLEDGED AND COLLATERALIZED ASSETS

Please refer to Note 6.

29. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

As of December 31, 2018 and 2017, amounts available under unused letters of credit were approximately US$180 thousand and US$254 thousand, respectively.

30. SUBSEQUENT EVENTS

In January 2019 Microchip Technology Inc. (Listed Company in United States) filed a first Amended Complaint in the District Court for the District of Delaware. Microchip alleges that the Company and NTCA infringe Microchip's patents. The case is still in its initial stage, and its impact on the Company is uncertain for the moment.

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					
	2018			2017		
	Foreign Currencies (Thousand)	Exchange Rate (Note)	New Taiwan Dollars (Thousand)	Foreign Currencies (Thousand)	Exchange Rate (Note)	New Taiwan Dollars (Thousand)
Financial assets						
Monetary items						
USD	$ 31,623	30.715	$ 971,292	$ 27,775	29.76	$ 826,589
ILS	12,398	8.1494	101,037	11,707	8.5791	100,433
EUR	83	35.2	2,905	13	35.57	470
Financial liabilities						
Monetary items						
USD	17,674	30.715	542,864	18,753	29.76	558,087
ILS	12,365	8.1494	100,770	13,725	8.5791	117,745
EUR	536	35.2	18,868	152	35.57	5,396

Note: Foreign currencies are exchanged to New Taiwan dollars and displayed as a rate.

The total of realized and unrealized net foreign exchange gains and losses was a net gain of $20,475 thousand and a net loss of $3,894 thousand for the years ended December 31, 2018 and 2017, 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) General IC product segment general IC product

The general IC product segment engages mainly in research, design, manufacturing, sale and after-sales service.

b) OEM wafer product segment

The OEM wafer product segment engages mainly in research, design, manufacturing and sale.

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	
	2018	2017	2018	2017
General IC products	$ 8,117,960	$ 7,364,114	$ 869,894	$ 768,149
OEM wafter products	1,901,899	1,853,824	617,940	659,386
Total of segment revenue	10,019,859	9,217,938	1,487,834	1,427,535
Other revenue	20,362	17,444	13,782	13,334
Operating revenue	$ 10,040,221	$ 9,235,382	1,501,616	1,440,869
Unallocated expenditure				
Administrative and supporting expense			(398,485)	(407,029)
Sales and other common expenses			(348,472)	(320,277)
Total operating profit			754,659	713,563
Interest income			12,105	13,197
Dividend income			73,322	65,216
Other gains and losses			7,516	5,380
Gains (losses) on disposal of property, plant and equipment			1,254	638
Foreign exchange gains (losses)			20,475	(3,894)
Gains (losses) on financial instruments at fair value through profit or loss			(30,411)	5,331
Profit before income tax			$ 838,920	$ 799,431

c. Geographical information

The Group operate mainly in Asia, the 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 For the Year Ended December 31		Non-current Assets December 31	
	2018	2017	2018	2017
Asia	$ 9,598,222	$ 8,816,462	$ 899,763	$ 912,090
United States	144,201	169,507	29,538	29,159
Europe	135,310	123,796	-	-
Others	162,488	125,617	-	-
	$ 10,040,221	$ 9,235,382	$ 929,301	$ 941,249

d. Major customer information

Individual customer which exceeded 10% of the Group's operating revenue for the years ended December 31, 2018 and 2017 was as follows:

	For the Year Ended December 31			
	2018		2017	
	Amount	%	Amount	%
Client V	$ 2,662,123	27	$ 2,018,438	22
Client C	1,097,428	11	964,426	10
	$ 3,759,551	38	$ 2,982,864	32

V. Individual accountant-audited 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, 2018 and 2017, 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, 2018 and 2017, 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 audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the 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, 2018. 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.

Validity of Sales Revenues

There is significant risk of revenue recognition. In addition, customers' line of credits are highly correlated to delivery of products and recognition of sales revenue. We therefore considered that the validity of sales revenue from the twenty largest customers with changes in credit lines and temporary increase in credit lines in 2018 is a key audit matter for 2018. Refer to Note 4 to the financial statements for the Company's revenue recognition policies.

Our audit procedures in response to the validity of sales revenue included understanding the design and the implementation of internal control of sales revenue and selecting samples of revenue items to ensure the occurrence of transactions.

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 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, 2018 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 Hung-Bin Yu and Kenny Hong.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 1, 2019

<u>*Notice to Readers*</u>

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, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018		2017	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 960,293	16	$ 607,505	10
Financial assets at fair value through profit or loss, current (Notes 4 and 7)	763	-	1,710	-
Notes and accounts receivable, net (Notes 4 and 8)	602,000	10	542,941	9
Accounts receivable due from related parties, net (Notes 4, 8 and 25)	332,028	5	228,732	4
Other receivables (Notes 6 and 25)	28,016	-	346,972	6
Inventories (Notes 4 and 9)	1,557,510	26	1,625,931	27
Other current assets (Note 22)	162,333	3	215,110	3
Total current assets	3,642,943	60	3,568,901	59
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income, non-current (Notes 4 and 10)	493,166	8	-	-
Available-for-sale financial assets, non-current (Notes 4 and 11)	-	-	183,199	3
Financial assets measured at cost, non-current (Notes 4 and 12)	-	-	301,493	5
Investments accounted for using equity method (Notes 4 and 13)	1,009,874	17	1,137,627	19
Property, plant and equipment (Notes 4 and 14)	612,248	10	569,765	9
Intangible assets (Notes 4 and 15)	122,967	2	163,499	3
Deferred income tax assets (Notes 4 and 19)	80,000	1	67,000	1
Refundable deposits paid (Note 6)	75,707	1	65,737	1
Other non-current assets (Note 22)	35,129	1	37,510	-
Total non-current assets	2,429,091	40	2,525,830	41
TOTAL	$ 6,072,034	100	$ 6,094,731	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Accounts payable	$ 888,249	15	$ 934,066	16
Other payables (Notes 16 and 25)	917,252	15	923,354	15
Current tax liabilities (Notes 4 and 19)	83,748	1	73,283	1
Other current liabilities	52,093	1	77,446	1
Total current liabilities	1,941,342	32	2,008,149	33
NON-CURRENT LIABILITIES				
Products guarantee based on commitment (Note 4)	101,891	1	101,891	2
Accrued pension liabilities (Notes 4 and 17)	292,862	5	302,086	5
Other non-current liabilities	1,573	-	19,644	-
Total non-current liabilities	396,326	6	423,621	7
Total liabilities	2,337,668	38	2,431,770	40
EQUITY				
Share capital (Note 18)	2,075,544	34	2,075,544	34
Capital surplus				
Additional paid-in capital	63,485	1	63,485	1
Employee share options	13	-	13	-
Retained earnings				
Legal reserve	470,659	8	401,846	6
Unappropriated earnings	955,346	16	896,014	15
Exchange differences on translation of foreign operations (Notes 4 and 18)	(10,535)	-	(165)	-
Unrealized gains (losses) on financial assets at fair value through other comprehensive income (Notes 4 and 18)	179,854	3	-	-
Unrealized gains (losses) on available-for-sale financial assets (Notes 4 and 18)	-	-	226,224	4
Total equity	3,734,366	62	3,662,961	60
TOTAL	$ 6,072,034	100	$ 6,094,731	100

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

NUVOTON TECHNOLOGY CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUE	$ 9,798,594	100	$ 9,000,394	100
OPERATING COST	6,116,544	63	5,490,445	61
GROSS PROFIT	3,682,050	37	3,509,949	39
OPERATING EXPENSES				
Selling expenses	148,532	1	136,536	1
General and administrative expenses	370,922	4	381,513	4
Research and development expenses	2,457,238	25	2,323,442	26
Total operating expenses	2,976,692	30	2,841,491	31
PROFIT FROM OPERATIONS	705,358	7	668,458	8
NON-OPERATING INCOME AND LOSSES				
Share of profit of subsidiaries accounted for using equity method	17,004	-	27,940	-
Interest income	6,624	-	6,057	-
Dividend income	67,547	1	60,266	1
Other gains and losses	470	-	83	-
Gains (losses) on disposal of property, plant and equipment	1,163	-	905	-
Foreign exchange gains (losses)	13,882	-	(3,952)	-
Gains (losses) on financial instruments at fair value through profit or loss	(30,411)	-	5,331	-
Total non-operating income and losses	76,279	1	96,630	1
PROFIT BEFORE INCOME TAX	781,637	8	765,088	9
INCOME TAX EXPENSE (Notes 4 and 19)	(71,004)	(1)	(76,955)	(1)
NET PROFIT	710,633	7	688,133	8

(Continued)

NUVOTON TECHNOLOGY CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	**%**	**Amount**	**%**
OTHER COMPREHENSIVE INCOME (LOSSES)				
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit plans (Notes 4 and 17)	$ (69,908)	(1)	$ (21,978)	-
Unrealized gains (losses) on investment in equity instruments at fair value through other comprehensive income	(135,687)	(1)	-	-
Share of other comprehensive income(loss) of subsidiaries accounted for using equity method	(57,888)	(1)	3,032	-
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translation of foreign operations	(10,370)	-	(29,445)	-
Unrealized gains (losses) on available-for-sale financial assets	-	-	90,323	1
Share of comprehensive income of subsidiaries accounted for using equity method	-	-	52,553	-
Other comprehensive income (loss)	(273,853)	(3)	94,485	1
TOTAL COMPREHENSIVE INCOME	$ 436,780	4	$ 782,618	9
EARNINGS PER SHARE (Notes 4 and 21)				
From continuing operations				
Basic	$ 3.42		$ 3.32	
Diluted	$ 3.40		$ 3.30	

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, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

		Capital Surplus		Retained Earnings		Other Equity			
	Share Capital	Additional Paid-in Capital	Employee Share Options	Legal Reserve	Unappropriated Earnings	Exchange Differences on Translation of Foreign Operations	Unrealized Gain (Losses) on Financial Assets at Fair Value Through Other Comprehensive Income	Unrealized Gain (Losses) on Available-for-sale Financial Assets	Total Equity
BALANCE, JANUARY 1, 2017	$ 2,075,544	$ 63,485	$ 13	$ 340,530	$ 786,274	$ 29,280	$ -	$ 83,348	$ 3,378,474
Net profit in 2017	-	-	-	-	688,133	-	-	-	688,133
Other comprehensive income (loss) in 2017	-	-	-	-	(18,946)	(29,445)	-	142,876	94,485
Total comprehensive income (loss) in 2017	-	-	-	-	669,187	(29,445)	-	142,876	782,618
Appropriation of 2016 earnings (Note 18)									
Legal reserve	-	-	-	61,316	(61,316)	-	-	-	-
Cash dividends	-	-	-	-	(498,131)	-	-	-	(498,131)
BALANCE, DECEMBER 31, 2017	2,075,544	63,485	13	401,846	896,014	(165)	-	226,224	3,662,961
Adjustment on initial application of IFRS 9 (Note 3)	-	-	-	-	493	-	379,242	(226,224)	153,511
BALANCE, JANUARY 1, 2018 AFTER ADJUSTMENTS	2,075,544	63,485	13	401,846	896,507	(165)	379,242	-	3,816,472
Net profit in 2018	-	-	-	-	710,633	-	-	-	710,633
Other comprehensive income (loss) in 2018	-	-	-	-	(67,323)	(10,370)	(196,160)	-	(273,853)
Total comprehensive income (loss) in 2018	-	-	-	-	643,310	(10,370)	(196,160)	-	436,780
Appropriation of 2017 earnings (Note 18)									
Legal reserve	-	-	-	68,813	(68,813)	-	-	-	-
Cash dividends	-	-	-	-	(518,886)	-	-	-	(518,886)
Disposals of investments in equity instruments at fair value through other comprehensive income (Notes 10 and 18)	-	-	-	-	3,228	-	(3,228)	-	-
BALANCE, DECEMBER 31, 2018	$ 2,075,544	$ 63,485	$ 13	$ 470,659	$ 955,346	$ (10,535)	$ 179,854	$ -	$ 3,734,366

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

NUVOTON TECHNOLOGY CORPORATION

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	$ 781,637	$ 765,088
Adjustments for:		
Depreciation expense	140,681	132,392
Amortization expense	68,518	72,988
Expected credit loss recognized (reversed) on accounts receivables	1,403	-
(Reversal of) provision for allowance for doubtful accounts	-	1,609
Interest income	(6,624)	(6,057)
Dividend income	(67,547)	(60,266)
Share of profit of subsidiaries accounted for using equity method	(17,004)	(27,940)
Unrealized gain or loss	673	(310)
Net (gain) loss on fair value change of financial assets and liabilities designated as at fair value through profit or loss	947	(2,417)
(Gain) loss on disposal of property, plant and equipment	(1,163)	(905)
Changes in operating assets and liabilities		
(Increase) decrease in notes and accounts receivable	(60,462)	(72,104)
(Increase) decrease in accounts receivable due from related parties	(103,296)	(87,969)
(Increase) decrease in other receivables	318,924	(320,893)
(Increase) decrease in inventories	68,421	(456,962)
(Increase) decrease in other current assets	52,777	(5,253)
(Increase) decrease in other non-current assets	2,381	2,382
Increase (decrease) in accounts payable	(45,817)	29,580
Increase (decrease) in other payables	(49,635)	(3,761)
Increase (decrease) in other current liabilities	(25,353)	(19,454)
Increase (decrease) on accrued pension liabilities	(79,132)	(69,709)
Increase (decrease) in other non-current liabilities	(7,520)	7,243
Cash generated from (used in) operations	972,809	(122,718)
Income tax paid	(73,539)	(14,781)
Interest received	6,656	6,534
Dividends received	67,547	60,266
Net cash generated from (used in) operating activities	973,473	(70,699)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of intangible assets	(23,750)	(22,025)
Proceeds from disposal of financial assets at fair value through other comprehensive income	5,850	-
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	3,500	-
Proceeds from capital reduction of financial assets measured at cost	-	4,000
Acquisition of investment accounted for using equity method	-	(2,072)

(Continued)

NUVOTON TECHNOLOGY CORPORATION

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018	2017
Proceeds from capital reduction of investments accounted for using equity method	$ 75,826	$ -
Acquisition of property, plant and equipment	(154,894)	(263,518)
Proceeds from disposal of property, plant and equipment	1,639	915
(Increase) decrease in refundable deposits paid	(9,970)	(856)
Net cash generated from (used in) investing activities	(101,799)	(283,556)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash dividends	(518,886)	(498,131)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	352,788	(852,386)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	607,505	1,459,891
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 960,293	$ 607,505

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

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 research, design, development, manufacture, and sale of logic integrated circuits ("ICs") and the manufacturing, testing and OEM of 6-inch wafers.

For the specialization and division of labor 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 business in July 2008. WEC held approximately 61% of the ownership interest in the Company as of December 31, 2018 and 2017.

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 1, 2019.

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

a. Initial application of the 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) (collectively, the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC)

   Except for the following, whenever applied, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC would not have any material impact on the Company's accounting policies:

   1) IFRS 9 "Financial Instruments" and related amendment

      IFRS 9 supersedes IAS 39 "Financial Instruments: Recognition and Measurement", with consequential amendments to IFRS 7 "Financial Instruments: Disclosures" and other standards. IFRS 9 sets out the requirements for classification, measurement and impairment of financial assets and hedge accounting. Refer to Note 4 for information relating to the relevant accounting policies.

      The requirements for classification, measurement and impairment of financial assets have been applied retrospectively from January 1, 2018, and the requirements for hedge accounting have been applied prospectively. IFRS 9 is not applicable to items that have already been derecognized at December 31, 2017.

Classification, measurement and impairment of financial assets

On the basis of the facts and circumstances that existed as at January 1, 2018, the Company has performed an assessment of the classification of recognized financial assets and has elected not to restate prior reporting periods.

The following table shows the original measurement categories and carrying amount under IAS 39 and the new measurement categories and carrying amount under IFRS 9 for each class of the Company's financial assets and financial liabilities as at January 1, 2018.

	Measured items		Carrying amount	
Financial assets	**IAS 39**	**IFRS 9**	**IAS 39**	**IFRS 9**
Cash and cash equivalents	Loans and receivables	Amortized cost	$ 607,505	$ 607,505
Equity securities	Available-for-sale financial assets	Fair value through other comprehensive income (i.e. FVTOCI) - equity instrument	484,692	638,203
Notes receivable, accounts receivable and other receivables	Loans and receivables	Amortized cost	1,092,320	1,092,320
Refundable deposits paid	Loans and receivables	Amortized cost	65,737	65,737

	IAS 39 Carrying Amount as of January 1, 2018	Reclassifi-cations	Remeasure-ments	IFRS 9 Carrying Amount as of January 1, 2018	Retained Earnings Effect on January 1, 2018	Other Equity Effect on January 1, 2018
FVTOCI						
- Equity instruments	$ -	$ 484,692	$ 153,511	$ 638,203	$ 493	$ 153,018
Add: From available-for-sale financial assets (IAS 39)	484,692	(484,692)	-	-	-	-
Total	$ 484,692	$ -	$ 153,511	$ 638,203	$ 493	$ 153,018

a) The Company elected to designate all its investments in equity securities previously classified as available-for-sale under IAS 39 as at FVTOCI under IFRS 9, because these investments are not held for trading. As a result, the related other equity - unrealized gain on available-for-sale financial assets of $226,224 thousand was reclassified to other equity - unrealized gain on financial assets at FVTOCI.

   Investments in unlisted shares previously measured at cost under IAS 39 have been designated as at FVTOCI under IFRS 9 and were remeasured at fair value. Consequently, an increase of $153,018 thousand was recognized in both financial assets at FVTOCI and other equity - unrealized gain on financial assets at FVTOCI on January 1, 2018.

   The Company recognized under IAS 39 impairment loss on certain investments in equity securities previously classified as measured at cost and the loss was accumulated in retained earnings. Since those investments were designated as at FVTOCI under IFRS 9 and no impairment assessment is required, an adjustment was made that resulted in a decrease of $493 thousand in other equity - unrealized gain on financial assets at FVTOCI and an increase of $493 thousand in retained earnings on January 1, 2018.

b) Notes receivable, accounts receivable, other receivables and refundable deposits paid that were previously classified as loans and receivables under IAS 39 were classified as measured at amortized cost with an assessment of expected credit losses under IFRS 9.

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. Refer to Note 4 for related accounting policies.

3) 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 applied IFRIC 22 prospectively to all assets, expenses and income recognized on or after January 1, 2018 within the scope of the Interpretation.

b. Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed by the FSC for application starting from 2019

New, Amended or Revised Standards and Interpretations (the "New IFRSs")	**Effective Date Announced by IASB (Note 1)**
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 "Prepayment Features with Negative Compensation"	January 1, 2019 (Note 2)
IFRS 16 "Leases"	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019 (Note 3)
Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures"	January 1, 2019
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019

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 FSC permits the election for early adoption of the amendments starting from 2018.

Note 3: The Company shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

1) IFRS 16 "Leases"

IFRS 16 sets out the accounting standards for leases agreements of lessor and lessee that will supersede IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", and a number of related interpretations.

Definition of a lease

Upon initial application of IFRS 16, the Company will elect to apply IFRS 16 only to contracts entered into (or changed) on or after January 1, 2019 in order to determine whether those contracts are, or contain, a lease. Contracts identified as containing a lease under IAS 17 and IFRIC 4 will not be reassessed and will be accounted for in accordance with the transitional provisions under IFRS 16.

The Company as lessee

Upon initial application of IFRS 16, except for payments for low-value assets and short-term leases which will be recognized as expenses on a straight-line basis, the Company will recognize right-of-use assets and lease liabilities for all leases on the balance sheets. On the statements of comprehensive income, the Company will present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities and computed using the effective interest method. On the statements of cash flows, cash payments for the principal portion of lease liabilities will be classified within financing activities; cash payments for the interest portion will be classified within operating activities. Currently, payments under operating lease contracts are recognized as expenses on a straight-line basis. Cash flows for operating leases are classified within operating activities on the statements of cash flows. Leased assets and finance lease payables are recognized for contracts classified as finance leases.

The Company will apply IFRS 16 retrospectively with the cumulative effect of the initial application recognized on January 1, 2019 but will not restate comparative information.

The Company as lessor

Except for sublease transactions, the Company will not make any adjustments for leases in which it is a lessor and will account for leases under IFRS 16 starting from January 1, 2019.

The Company subleased its leasehold assets to a third party. Such sublease is classified as an operating lease under IAS 17. The Company will assess the sublease classification on the basis of the remaining contractual terms and conditions of the head lease and sublease on January 1, 2019.

Anticipated impact on assets, liabilities and equity as of January 1, 2019

	Carrying Amount as of December 31, 2018	**Adjustments Arising from Initial Application**	**Adjusted Carrying Amount as of January 1, 2019**
Prepayments for leases - current	$ 3,463	$ (3,463)	$ -
Prepayments for leases - non-current	35,129	(35,129)	-
Right-of-use assets	-	326,794	326,794
Total effect on assets	$ 38,592	$ 288,202	$ 326,794
Lease liabilities - current	$ -	$ 43,487	$ 43,487
Lease liabilities - non-current	-	244,715	244,715
Total effect on liabilities	$ -	$ 288,202	$ 288,202
Retained earnings	$ 1,426,005	$ -	$ 1,426,005

2) IFRIC 23 “Uncertainty over Income Tax Treatments”

IFRIC 23 clarifies that when there is uncertainty over income tax treatments, the Company should assume that the taxation authority will have full knowledge of all related information when making related examinations. If the Company concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the Company should determine the taxable profit, tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatments used or planned to be used in its income tax filings. If it is not probable that the taxation authority will accept an uncertain tax treatment, the Company should make estimates using either the most likely amount or the expected value of the tax treatment, depending on which method the Company expects to better predict the resolution of the uncertainty. The Company has to reassess its judgments and estimates if facts and circumstances change.

Upon initial application of IFRIC 23, the Company will recognize the cumulative effect of retrospective application in retained earnings on January 1, 2019.

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	**Effective Date Announced by IASB (Note 1)**
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020 (Note 2)
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
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020 (Note 3)

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 Company shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note 3: The Company shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

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 and defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets 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

Financial assets and financial liabilities are recognized when an entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities other than financial assets and financial liabilities at fair value through profit or loss(ie.FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

a. Measurement category

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.

2018

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost, and equity instruments at FVTOCI.

1) Financial asset at FVTPL

Financial asset is classified as at FVTPL when the financial asset is mandatorily classified or it is designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Note 24.

2) Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

a) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost are measured at amortized cost, which equals to gross carrying amount determined by the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for:

a) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset; and

b) Financial assets that are not credit-impaired on purchase or origination but have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

3) Investments in equity instruments at FVTOCI

On initial recognition, the Company may make an irrevocable election to designate investments in equity instruments as at FVOCI. Designation at FVOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

2017

The categories of financial assets held by the Company are financial assets at FVTPL, available-for-sale financial assets, and loans and receivables.

1) Financial assets at fair value through profit or loss

Financial assets are classified as at FVTPL 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.

2) Available-for-sale financial assets

Listed shares held by the Company that are traded in an active market are classified as available-for-sale financial assets and are stated at fair value at the end of each reporting period. Changes in the fair value 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.

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established.

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 profit or loss or other comprehensive income on financial assets. Any impairment losses are recognized in profit and loss.

3) 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 paid 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.

b. Impairment of financial assets

2018

At the end of each reporting period, the Company recognizes a loss allowance for expected credit losses ("ECL") for financial assets at amortized cost (including accounts receivable).
The loss allowance for accounts receivable is measured at an amount equal to lifetime expected credit losses. For other financial assets when the credit risk on the financial instrument has not increased significantly since initial recognition, a loss allowance is recognized at an amount equal to 12-month ECL. If, on the other hand, there has been a significant increase in credit risk since initial recognition, a loss allowance is recognized at an amount equal to lifetime ECL.

ECL reflect the weighted average of credit losses with the respective risks of a default occurring as the weights. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Company recognizes an impairment loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

2017

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 objective 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, impairment loss previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of available-for-sale debt securities, impairment loss are 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 current market rate of return for a similar financial asset. 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 accounts receivable where the carrying amount is reduced through the use of an allowance account. When accounts receivable are considered uncollectable, 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 financial asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the financial asset to another entity. Before 2018, 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 which had been recognized in other comprehensive income is recognized in profit or loss. Starting from 2018, on derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the cumulative gain or loss that had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through 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.

Other financial liabilities are measured at amortized cost using the effective interest method.

e. Dercognition of financial liabilities

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 a variety of derivative financial instruments to manage its exposure to foreign exchange rate risks, including foreign exchange forward contracts and cross currency swaps.

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 or assets related to contract cost 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

<u>2018</u>

The Company identifies the performance obligations in the contract with customers, allocates the transaction price to the performance obligations in the contracts and recognises revenue when (or as) the entity satisfies a performance obligation.

<u>2017</u>

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. Allowances for sales returns are recognized at the time of sale based on the seller's reliable estimate of future returns; liabilities for returns are recognized based on previous experience and other relevant factors. Sale of goods is recognized when the goods are delivered and the ownership of good is transferred to the buyer.

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 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 liabilities are settled or the assets are 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:

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.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2018	**2017**
Cash and cash in bank	$ 836,993	$ 563,155
Repurchase agreements collateralized by bonds	123,300	44,350
	$ 960,293	$ 607,505

a. The Company has time deposits pledged to secure land leases and customs tariff obligations which are reclassified as "refundable deposits paid" as follows:

	December 31	
	2018	**2017**
Time deposits	$ 72,074	$ 62,213

b. The Company has time deposits which are not held for the purpose of meeting short-term cash commitments and are reclassified to “other receivables” as follows:

	December 31 2018	December 31 2017
Time deposits	$ -	$ 318,600

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31 2018	December 31 2017
Financial assets at FVTPL - current		
Foreign exchange forward contracts	$ 763	$ 1,710

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)
December 31, 2018			
Sell forward exchange contracts	USD/NTD	2019.01.04-2019.02.21	USD17,000/NTD521,731
December 31, 2017			
Sell forward exchange contracts	USD/NTD	2018.01.05-2018.01.25	USD11,000/NTD329,070

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 2018	December 31 2017
Notes receivable	$ -	$ -
Accounts receivable		
At amortized cost		
Gross carrying amount	947,716	783,958
Less: Allowance for impairment loss	(13,688)	(12,285)
	$ 934,028	$ 771,673

2018

The average credit period of sales of goods was 30-60 days. No interest was charged on accounts receivable. The Company adopted a policy of only dealing with entities that are rated the equivalent of investment grade or higher and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company uses other publicly available financial information or its own trading records to rate its major customers. The Company's exposure and the credit ratings of its counterparties are continuously monitored. Credit exposure is controlled by counterparty limits that are reviewed and approved by the financial department annually.

In order to minimize credit risk, the management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Company reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Company's credit risk was significantly reduced.

The Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all accounts receivable. The expected credit losses on accounts receivable are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The Company estimates expected credit losses based on past due days. As the Company's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Company's different customer base.

The Company writes off accounts receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For accounts receivable that have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of accounts receivable based on the Company's provision matrix.

December 31, 2018

	Not Overdue	**Overdue under 30 Days**	**Overdue 31-90 Days**	**Overdue 91-180 Days**	**Over 180 Days**	**Total**
Expected credit loss rate	2%	2%	10%	20%	50%	
Gross carrying amount	$939,082	$ 8,634	$ -	$ -	$ -	$947,716
Loss allowance (lifetime ECL)	(13,514)	(174)	-	-	-	(13,688)
Amortized cost	$925,568	$ 8,460	$ -	$ -	$ -	$934,028

The movements of the loss allowance of accounts receivable were as follows:

	2018
Balance at January 1 (IAS 39)	$ 12,285
Adjustment on initial application of IFRS 9	-
Balance at January 1 (IFRS 9)	12,285
Net remeasurement of expected credit loss allowance	1,403
Balance at December 31	$ 13,688

2017

The Company applied the same credit policy in 2018 and 2017. The average credit period for sales of goods was 30-60 days. Allowance for doubtful accounts is based on estimated uncollectable amounts determined by reference to the aging of receivables, past dealing experience with the counterparties and an analysis of their respective financial positions.

The aging of accounts receivable was as follows:

	December 31, 2017
Not overdue	$ 528,110
Overdue under 30 days	27,116
Overdue 31-90 days	-
Overdue 91 days and longer	-
	$ 555,226

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

	For the Year Ended December 31, 2017
Balance at January 1	$ 10,676
Provision (reversed)	1,609
Balance at December 31	$ 12,285

The Company’s provision losses on accounts receivable were recognized on a collective basis.

9. INVENTORIES

	December 31	
	2018	2017
Raw materials and supplies	$ 123,949	$ 86,115
Work-in-process	1,061,800	1,124,060
Finished goods	339,286	334,234
Inventories in transit	32,475	81,522
	$ 1,557,510	$ 1,625,931

a. As of December 31, 2018 and 2017, the allowance for inventory devaluation was $327,476 thousand and $294,728 thousand, respectively.

b. The operating cost for the years ended December 31, 2018 and 2017 was $6,116,544 thousand and $5,490,445 thousand, respectively. The operating cost included inventory write-downs and obsolescence and abandonment losses of inventories in the amounts of $45,385 thousand and $32,066 thousand for the years ended December 31, 2018 and 2017, respectively.

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - 2018

Equity instruments at FVTOCI:

	December 31, 2018
Domestic listed and emerging stocks	
Nyquest Technology Co., Ltd.	$ 74,092
Brightek Optoelectronic Co., Ltd.	341
Non-listed stocks	
United Industrial Gases Co., Ltd.	396,000
Yu-Ji Venture Capital Co., Ltd.	22,733
	$ 493,166

These investments in equity instruments are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Company's strategy of holding these investments for long-term purposes. These investments in equity instruments were classified as available-for-sale and financial assets measured at cost under IAS 39. Refer to Note 3, Note 11 and Note 12 for information relating to their reclassification and comparative information for 2017.

In 2018, the Company sold part of its shares of Nyquest Technology Co., Ltd. on the fair value amounted to $5,850 thousand in order to manage its investment concentration risk. and it transferred $3,228 thousand from other equity to retained earnings, refer to Note 18 for related information.

The Company recognized dividend income of $67,547 thousand for the year ended December 31, 2018. To elaborate, the amount related to investment derecognition for the year ended December 31, 2018 was $648 thousand. The amount related to investments held at the end of the year was $66,899 thousand for the year ended December 31, 2018 .

11. AVAILABLE-FOR-SALE FINANCIAL ASSETS - 2017

	December 31, 2017
Domestic listed investment	
Nyquest Technology Co., Ltd. (Note 10)	$ 183,199

12. FINANCIAL ASSETS MEASURED AT COST - 2017

	December 31, 2017
Non-listed investment (Note 10)	
United Industrial Gases Co., Ltd.	$ 280,000
Brightek Optoelectronic Co., Ltd.	493
Yu-Ji Venture Capital Co., Ltd.	21,000
	$ 301,493

Management believed that the above non-listed 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.

13. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31	
	2018	2017
Investments in subsidiaries	$ 1,009,874	$ 1,137,627

	December 31			
	2018		2017	
	Carrying Value	Ownership Percentage	Carrying Value	Ownership Percentage
Non-listed companies				
Marketplace Management Ltd. ("MML")	$ 78,279	100	$ 78,963	100
Pigeon Creek Holding Co., Ltd. ("PCH")	178,644	100	167,031	100
Nuvoton Investment Holding Ltd. ("NIH")	217,761	100	317,953	100
Nuvoton Electronics Technology (H.K.) Limited ("NTHK")	452,809	100	434,414	100
Song Yong Investment Corporation ("SYI")	60,600	100	115,322	100
Nuvoton Technology India Private Ltd. ("NTIPL")	21,781	100	23,944	100
	$ 1,009,874		$ 1,137,627	

In 2017, the Company increased the additional capital of MML and PCH in the amount of $1,150 thousand and $922 thousand, respectively.

In 2018, the Company received capital reduction of $75,826 thousand from NIH.

14. PROPERTY, PLANT AND EQUIPMENT

	December 31 2018	December 31 2017
Land and buildings	$ 198,813	$ 182,637
Machinery and equipment	368,727	329,204
Other equipment	44,708	57,127
Construction in progress and prepayments for purchase of equipment	-	797
	$ 612,248	$ 569,765

	Land and Buildings	Machinery and Equipment	Other Equipment	Construction in Progress and Prepayments for Purchase of Equipment	Total
Cost					
Balance at January 1, 2018	$ 3,608,264	$ 11,356,715	$ 192,634	$ 797	$ 15,158,410
Additions	41,375	138,827	3,438	-	183,640
Disposals	-	(179,432)	(8,784)	-	(188,216)
Reclassified	23	797	(23)	(797)	-
Balance at December 31, 2018	3,649,662	11,316,907	187,265	-	15,153,834
Accumulated depreciation and impairment					
Balance at January 1, 2018	3,425,627	11,027,511	135,507	-	14,588,645
Disposals	-	(178,956)	(8,784)	-	(187,740)
Depreciation expenses	25,199	99,625	15,857	-	140,681
Reclassified	23	-	(23)	-	-
Balance at December 31, 2018	3,450,849	10,948,180	142,557	-	14,541,586
Carrying amount at December 31, 2018	$ 198,813	$ 368,727	$ 44,708	$ -	$ 612,248
Cost					
Balance at January 1, 2017	$ 3,471,902	$ 11,462,145	$ 168,785	$ 35,733	$ 15,138,565
Additions	101,379	100,457	24,582	797	227,215
Disposals	(750)	(205,887)	(733)	-	(207,370)
Reclassified	35,733	-	-	(35,733)	-
Balance at December 31, 2017	3,608,264	11,356,715	192,634	797	15,158,410
Accumulated depreciation and impairment					
Balance at January 1, 2017	3,404,613	11,137,798	121,202	-	14,663,613
Disposals	(750)	(205,881)	(729)	-	(207,360)
Depreciation expenses	21,764	95,594	15,034	-	132,392
Reclassified	-	-	-	-	-
Balance at December 31, 2017	3,425,627	11,027,511	135,507	-	14,588,645
Carrying amount at December 31, 2017	$ 182,637	$ 329,204	$ 57,127	$ 797	$ 569,765

(Concluded)

15. INTANGIBLE ASSETS

	December 31 2018	December 31 2017
Deferred technical assets	$ 122,967	$ 163,499

	Deferred Technical Assets
Cost	
Balance at January 1, 2018	$ 876,878
Addition	27,986
Balance at December 31, 2018	904,864
Accumulated amortization and impairment	
Balance at January 1, 2018	713,379
Amortization expenses	68,518
Balance at December 31, 2018	781,897
Carrying amount at December 31, 2018	$ 122,967
Cost	
Balance at January 1, 2017	$ 866,355
Addition	10,523
Balance at December 31, 2017	876,878
Accumulated amortization and impairment	
Balance at January 1, 2017	640,391
Amortization expenses	72,988
Balance at December 31, 2017	713,379
Carrying amount at December 31, 2017	$ 163,499

16. OTHER PAYABLES

	December 31	
	2018	2017
Payable for salaries or employee benefits	$ 365,098	$ 380,779
Payable for subsidiaries service fees (Note 25)	102,323	120,435
Payable for royalties	99,273	85,909
Payable for purchase of equipment	68,022	39,276
Payable for software	55,363	19,634
Others	227,173	277,321
	$ 917,252	$ 923,354

17. 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 of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. In 2018 and 2017, 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	
	2018	**2017**
Present value of defined benefit obligation	$ 923,106	$ 872,507
Fair value of plan assets	(630,244)	(570,421)
Net defined benefit liability	$ 292,862	$ 302,086

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, 2017	$ 884,494	$ (534,677)	$ 349,817
Service cost			
Current service cost	10,022	-	10,022
Net interest expense (income)	15,100	(9,766)	5,334
Recognized in profit or loss	25,122	(9,766)	15,356
Remeasurement			
Actuarial (gain) loss - the discount rate more (less) than the realized rate of return	-	4,585	4,585
Actuarial (gain) loss - changes in financial assumptions	20,840	-	20,840
Actuarial (gain) loss - experience adjustments	(3,447)	-	(3,447)
Recognized in other comprehensive income	17,393	4,585	21,978
Contributions from the employer	-	(83,789)	(83,789)
Plan assets paid	(53,226)	53,226	-
Others	(1,276)	-	(1,276)
Balance at December 31, 2017	872,507	(570,421)	302,086

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability (Asset)
Service cost			
Current service cost	$ 8,597	$ -	$ 8,597
Net interest expense (income)	12,758	(8,901)	3,857
Recognized in profit or loss	21,355	(8,901)	12,454
Remeasurement			
Actuarial (gain) loss - the discount rate more (less) than the realized rate of return	-	(13,703)	(13,703)
Actuarial (gain) loss - changes in financial assumptions	21,231	-	21,231
Actuarial (gain) loss - experience adjustments	62,380	-	62,380
Recognized in other comprehensive income	83,611	(13,703)	69,908
Contributions from the employer	-	(83,526)	(83,526)
Plan assets paid	(46,307)	46,307	-
Settlement of pension liabilities	(8,060)	-	(8,060)
Balance at December 31, 2018	$ 923,106	$ (630,244)	$ 292,862

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

	For the Year Ended December 31	
	2018	2017
Analysis by function		
Operating costs	$ 6,932	$ 7,833
Selling expenses	105	96
General and administrative expenses	1,054	1,558
Research and development expenses	4,363	5,869
	$ 12,454	$ 15,356

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	
	2018	2017
Discount rate(s)	1.25%	1.50%
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	
	2018	2017
Discount rate(s)		
0.25% increase	$ (21,231)	$ (20,840)
0.25% decrease	$ 21,977	$ 21,597
Expected rate(s) of salary increase		
0.25% increase	$ 21,830	$ 21,505
0.25% decrease	$ (21,195)	$ (20,853)

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	
	2018	2017
The expected contributions to the plan for the next year	$ 86,365	$ 90,000
The average duration of the defined benefit obligation	9.4 years	9.8 years

18. EQUITY

a. Share capital

	December 31	
	2018	2017
Authorized shares (in thousands)	300,000	300,000
Authorized capital	$ 3,000,000	$ 3,000,000
Issued and paid shares (in thousands)	207,554	207,554
Issued capital	$ 2,075,544	$ 2,075,544
Par value (in New Taiwan dollars)	$ 10	$ 10

As of December 31, 2018 and 2017, the balance of the Company’s capital account amounted to $2,075,544 thousand, divided into 207,554 thousand ordinary shares at a par of NT$10.

b. Capital surplus

	December 31	
	2018	2017
May be used to offset a deficit, distributed as cash dividends, or transferred to capital*		
Additional paid-in capital	$ 63,485	$ 63,485
May not be used for any purpose		
Employee share options	13	13
	$ 63,498	$ 63,498

* Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, it can 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

Under the dividends policy as set forth in the Company's Articles of Incorporation (the "Articles"), if the Company has surplus earnings at the end of a fiscal year, after covering all losses incurred in previous 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, refer to Note 20 "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.

The appropriations of the Company's earnings for 2017 and 2016 had been approved in the shareholders' meetings on June 12, 2018 and June 14, 2017, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		Dividends Per Share (NT$)	
	For Year 2017	For Year 2016	For Year 2017	For Year 2016
Legal reserve	$ 68,813	$ 61,316		
Cash dividends	518,886	498,131	$ 2.50	$ 2.40
	$ 587,699	$ 559,447		

The appropriations of the Company's earnings for 2018 had been approved in the Board of Directors' meeting on February 1, 2019. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT$)
Legal reserve	$ 71,063	
Cash dividends	518,886	$ 2.50

The appropriations of earnings for 2018 will be presented for approval in the shareholders' meeting to be held on June 24, 2019.

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, 2018 and 2017, other comprehensive loss was $10,370 thousand and $29,445 thousand, respectively.

2) Unrealized gain (loss) on financial assets at FVTOCI

	For the Year Ended December 31, 2018
Balance at January 1, 2018 (IAS 39)	$ -
Adjustment on initial application of IFRS 9	379,242
Balance at January 1, 2018 (IFRS 9)	379,242
Recognized for the year	(196,160)
Cumulative unrealized gain (losses) of equity instruments transferred to retained earnings due to disposal	(3,228)
Balance at December 31, 2018	$ 179,854

3) Unrealized gain (loss) on available-for-sale financial assets

	Amounts
Balance at January 1, 2018 (IAS 39)	$ 226,224
Adjustment on initial application of IFRS 9	(226,224)
Balance at January 1, 2018 (IFRS 9)	$ -
Balance at January 1, 2017	$ 83,348
Unrealized gains (losses) on revaluation of available-for-sale financial assets	90,323
Share of unrealized gains (losses) on revaluation of available-for-sale financial assets of subsidiaries accounted for using the equity method	52,553
Balance at December 31, 2017	$ 226,224

19. 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	
	2018	**2017**
Current income tax expense		
In respect of the current year	$ 84,000	$ 80,000
Adjustment for prior years' tax and effects of estimated difference	4	(1,045)
Deferred income tax		
In respect of the current year	(1,000)	(2,000)
Effect of tax rate changes	(12,000)	-
Income tax expense recognized in profit or loss	$ 71,004	$ 76,955

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

	For the Year Ended December 31	
	2018	**2017**
Income tax expense from continuing operations at the statutory rate	$ 156,000	$ 130,000
Tax effect of adjustment item		
Permanent differences	(27,000)	(20,000)
Tax-exempt income	(14,000)	(10,000)
Others	9,000	-
Additional income tax on unappropriated earnings	8,149	1,967
Current income tax credit	(48,149)	(21,967)
Current income tax	84,000	80,000
Deferred income tax	(13,000)	(2,000)
Adjustment for prior year's tax	4	(1,045)
Tax expense recognized in profit or loss	$ 71,004	$ 76,955

In 2017, the applicable corporate income tax rate used by the Company entities is 17%. However, the Income Tax Act was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%, effective in 2018. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings will be reduced from 10% to 5%.

As the shareholders meeting have not resolved the appropriation of earnings for 2018, the potential income tax consequences of the 2018 unappropriated earnings are not reliably determinable.

c. Current tax liabilities

	December 31	
	2018	**2017**
Income tax payable	$ 83,748	$ 73,283

d. Deferred income tax assets

	December 31	
	2018	2017
Deferred income tax assets		
Allowance for inventory valuation and obsolescence loss and others	$ 80,000	$ 67,000

e. Information about unused tax-exemption

As of December 31, 2018, profit attributable to the following expansion projects was exempted from income tax for a five-year period:

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

f. Income tax assessments

The Company's tax returns through 2016 have been assessed by the tax authorities.

g. Information about investment credits

The Company applies the Statute for Industrial Innovation Article 10, and up to 10% of its R&D expenses may be credited against the profit-seeking enterprise income tax payable in each of the three years following the then current year.

20. EMPLOYEE BENEFITS EXPENSE, DEPRECIATION, AND AMORTIZATION

	For the Year Ended December 31					
	2018			2017		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee benefits expense						
Short-term employment benefits	$ 727,045	$ 1,108,670	$ 1,835,715	$ 725,076	$ 1,061,894	$ 1,786,970
Post-employment benefits	31,212	47,505	78,717	32,121	46,808	78,929
Remuneration to directors	-	10,325	10,325	-	10,147	10,147
Depreciation	97,217	43,464	140,681	95,807	36,585	132,392
Amortization	33,330	35,188	68,518	33,294	39,694	72,988

To be in compliance with the Company Act, 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 for 2018 and 2017 which have been approved in the Board of Directors' meetings on February 1, 2019 and January 26, 2018, respectively, were as follows:

	For the Year Ended December 31			
	2018		2017	
	Amount	%	Amount	%
Employees' cash compensation	$ 50,428	6	$ 49,360	6
Remuneration of directors	8,405	1	8,227	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, 2017 and 2016.

Information on the employees' compensation and remuneration to directors resolved by the Company's Board of Directors in 2019 and 2018 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

21. 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, 2018			
Net profit	$ 710,633		
Basic EPS			
Earnings used in the computation of basic EPS	710,633	207,554	$ 3.42
Effect of potentially dilutive ordinary shares			
Employee's compensation	-	1,270	
Diluted EPS			
Earnings used in the computation of diluted EPS	$ 710,633	208,824	3.40
For the year ended December 31, 2017			
Net profit	$ 688,133		
Basic EPS			
Earnings used in the computation of basic EPS	688,133	207,554	3.32
Effect of potentially dilutive ordinary shares			
Employee's compensation	-	771	
Diluted EPS			
Earnings used in the computation of diluted EPS	$ 688,133	208,325	3.30

If the Company offered to settle compensation paid to employees in cash or shares, the Company assumed the entire amount of the compensation 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 EPS, as the effect is dilutive. The number of shares used in the computation of diluted EPS is estimated by the amount of compensation 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 EPS until the number of shares to be distributed to employees is resolved in the following year.

22. 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 2027, but can be extended after the expiration of the lease.

The Company leased land from Taiwan Sugar Corporation under a twenty-year term from October 2014 to September 2034, which can be extended after the expiration of the lease. The chairman of the Company is a joint guarantor of such lease; refer to Note 25.

The Company leased some of offices, and these leases will expire between 2020 and 2022, but can be extended after the expiration of the lease periods.

As of December 31, 2018 and 2017, refundable deposits paid under operating leases amounted to $30,845 thousand and $30,783 thousand, respectively.

b. Prepayments for lease obligations

	December 31	
	2018	2017
Current (recorded as "other current assets")	$ 3,463	$ 3,445
Non-current (recorded as "other non-current assets")	35,129	37,510
	$ 38,592	$ 40,955

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	
	2018	2017
Lease expenditure	$ 38,096	$ 38,380

23. 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.

24. FINANCIAL INSTRUMENT

a. Categories of financial instruments

	December 31			
	2018		2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Measured at amortized cost				
Cash and cash equivalents	$ 960,293	$ 960,293	$ -	$ -
Notes and accounts receivable	602,000	602,000	-	-
Accounts receivable due from related parties	332,028	332,028	-	-
Other receivables	1,626	1,626	-	-
Refundable deposits paid	75,707	75,707	-	-
Loans and receivables				
Cash and cash equivalents	-	-	607,505	607,505
Notes and accounts receivable	-	-	542,941	542,941
Accounts receivable due from related parties	-	-	228,732	228,732
Other receivables	-	-	320,647	320,647
Refundable deposits paid	-	-	65,737	65,737
Financial assets at FVTPL				
Derivative financial instruments	763	763	1,710	1,710
Financial assets at FVTOCI	493,166	493,166	-	-
Available-for-sale financial assets	-	-	183,199	183,199
Financial assets measured at cost	-	-	301,493	301,347
Financial liabilities				
Measured at amortized cost				
Accounts payable	888,249	888,249	934,066	934,066
Other payables	914,410	914,410	920,765	920,765
Guarantee deposits (recorded in other non-current liabilities)	1,573	1,573	9,093	9,093
Long-term contract payable (recorded in other non-current liabilities)	-	-	10,551	10,551

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 listed shares and emerging shares).

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) Domestic unlisted equity instrument at FVTOCI were all measured based on Level 3. Fair values of the above equity instruments were determined using comparable listed company approach, refer to strike price of similar business at active market, implied value multiple of the price and relevant information. Significant unobservable inputs included PE ratio, value multiple and market liquidity discount.

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, 2018			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets at FVTPL				
Derivatives	$ -	$ 763	$ -	$ 763
Financial assets at FVTOCI				
Domestic listed and emerging securities	$ 74,433	$ -	$ -	$ 74,433
Domestic unlisted securities	$ -	$ -	$ 418,733	$ 418,733

	December 31, 2017			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets at FVTPL				
Derivatives	$ -	$ 1,710	$ -	$ 1,710
Available-for-sale financial assets				
Domestic listed equity securities	$ 183,199	$ -	$ -	$ 183,199

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

	December 31, 2017				
	Carrying Amount	Level 1	Level 2	Level 3	Total
Financial assets measured at cost					
Domestic emerging equity securities	$ 493	$ -	$ 347	$ -	$ 347

The emerging securities held by the Company were determined as active market, and were transferred from Level 2 to Level 1 this year.

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 29.

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 $4,069 thousand and $2,449 thousand decrease for the years ended December 31, 2018 and 2017, 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, 2018 and 2017, the carrying amount of the Company's floating rate deposits with exposure to interest rates was $105,566 thousand and $5,619 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, 2018 and 2017 would have increased by $1,056 thousand and $56 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, 2018			
	Within 1 Year	**1-2 Years**	**Over 2 Years**	**Total**
Non-derivative financial liabilities				
Non-interest bearing	$ 1,802,659	$ -	$ -	$ 1,802,659

	December 31, 2017			
	Within 1 Year	**1-2 Years**	**Over 2 Years**	**Total**
Non-derivative financial liabilities				
Non-interest bearing	$ 1,854,831	$ 10,551	$ -	$ 1,865,382

25. RELATED PARTY TRANSACTIONS

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

Related Party	Relationship with the Company
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

(Continued)

Related Party	Relationship with the Company
Techdesign Corporation (“Techdesign”)	Associate
Winbond Electronics Corporation Japan (“WECJ”)	Associate
Callisto Holding Limited	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

(Concluded)

b. Operating activities

	For the Year Ended December 31	
	2018	2017
1) Operating revenue		
Subsidiary		
NTHK	$ 3,790,977	$ 3,388,590
Others	122,169	143,812
Related party in substance	247,388	232,397
Associate	85,611	100,912
	$ 4,246,145	$ 3,865,711
2) Purchase		
Parent company	$ 103,274	$ 164,475
3) Selling expenses		
Subsidiary	$ 2,092	$ -
Associate	2	-
	$ 2,094	$ -
4) General and administrative expenses		
Subsidiary		
NTIL	$ 49,582	$ 51,012
Others	34,202	36,359
Parent company	7,818	20,724
Related party in substance	10,538	10,538
	$ 102,140	$ 118,633
5) Research and development expenses		
Subsidiary		
NTIL	$ 604,928	$ 619,919
NTCA	257,911	251,653
Parent company	453	9,106
	$ 863,292	$ 880,678

	For the Year Ended December 31	
	2018	2017
6) Other income		
Related party in substance		
Nyquest	$ 9,926	$ 8,508

	December 31	
	2018	2017
7) Accounts receivable due from related parties		
Subsidiary		
NTHK	$ 233,440	$ 148,165
Others	36,282	29,453
Related party in substance	44,298	33,546
Associate	18,008	17,568
	$ 332,028	$ 228,732
8) Other receivables		
Parent company	$ 347	$ 745
Associate	7	-
	$ 354	$ 745
9) Refundable deposits paid		
Related party in substance	$ 1,722	$ 1,722
10) Accounts payable to related parties		
Parent company	$ 15,700	$ 24,174
11) Other payables		
Subsidiary		
NTIL	$ 100,770	$ 117,745
Others	1,553	2,690
Parent company	3,215	3,006
	$ 105,538	$ 123,441
12) Guarantee deposits		
Parent company	$ 545	$ 545
Associate	-	151
	$ 545	$ 696

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) Guarantee

As of December 31, 2018, the chairman of the Company is a joint guarantor of the land-lease from Taiwan Sugar Corporation. Refer to Note 22.

14) Compensation of key management personnel

	For the Year Ended December 31	
	2018	2017
Short-term employment benefits	$ 54,725	$ 58,305
Post-employment benefits	1,261	1,683
	$ 55,986	$ 59,988

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

26. PLEDGED AND COLLATERALIZED ASSETS

Refer to Note 6.

27. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

As of December 31, 2018 and 2017 amounts available under unused letters of credit were approximately US$180 thousand and $254 thousand, respectively.

28. SUBSEQUENT EVENTS

In January 2019 Microchip Technology Inc. (Listed Company in United States) filed a first Amended Complaint in the District Court for the District of Delaware. Microchip alleges that the Company and NTCA infringe Microchip’s patents. The case is still in its initial stage, and its impact on the Company is uncertain for the moment.

29. 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					
	2018			2017		
	Foreign Currencies (Thousand)	Exchange Rate	New Taiwan Dollars (Thousand)	Foreign Currencies (Thousand)	Exchange Rate	New Taiwan Dollars (Thousand)
Financial assets						
Monetary items						
USD	$ 31,570	30.715	$ 969,674	$ 27,701	29.76	$ 824,394
ILS	12,375	8.1494	100,846	11,553	8.5791	99,111
EUR	83	35.20	2,905	13	35.57	470
Investments accounted for using equity method						
USD	14,831	30.715	455,532	14,666	29.76	436,464
INR	49,650	0.4387	21,781	51,361	0.4662	23,944
Financial liabilities						
Monetary items						
USD	17,674	30.715	542,864	18,753	29.76	558,087
ILS	12,365	8.1494	100,770	13,725	8.5791	117,745
EUR	536	35.20	18,868	152	35.57	5,396

The significant realized and unrealized foreign exchange gains (losses) were as follows:

	For the Year Ended December 31			
	2018		2017	
Foreign Currencies	Exchange Rate	Net Foreign Exchange Gain (Loss)	Exchange Rate	Net Foreign Exchange Gain (Loss)
USD	30.150 (USD:NTD)	$ 16,900	30.43 (USD:NTD)	$ (3,002)
ILS	8.3914 (ILS:NTD)	(2,705)	8.4539 (ILS:NTD)	(1,019)
EUR	35.61 (EUR:NTD)	(22)	34.35 (EUR:NTD)	(84)
		$ 14,173		$ (4,105)

30. OPERATING SEGMENTS INFORMATION

The Company has provided the operating segments disclosure in its consolidated financial statements; therefore, the Company does not provided relevant information in these parent company only financial statements.

VI. Financial difficulties and corporate events encountered by the Company and affiliates for the most recent year and up to the date of report that have material impact on the financial status of the Company: N/A

Chapter 5. Financial Position, Financial Performance and Risk Analysis

I. Analysis of financial status

Unit: thousand NT$

Item\Year	2018	2017	Difference	
			Change (amount)	Change (%) %
Current assets	4,457,859	4,449,412	8,447	-
Property, plant and equipment	697,917	642,663	55,254	9
Intangible assets	144,754	203,612	(58,858)	(29)
Other assets	817,138	853,145	(36,007)	(4)
Gross assets	6,117,668	6,148,832	(31,164)	(1)
Current liabilities	1,915,178	1,987,326	(72,148)	(4)
Non-current liabilities	468,124	498,545	(30,421)	(6)
Total indebtedness	2,383,302	2,485,871	(102,569)	(4)
Capital Stock	2,075,544	2,075,544	-	-
Additional paid-in capital	63,498	63,498	-	-
Retained earnings	1,426,005	1,297,860	128,145	10
Other equity interest	169,319	226,059	(56,740)	(25)
Total equity	3,734,366	3,662,961	71,405	2
Primary reasons for changes exceeding 20%: 1. Intangible assets: Caused mainly by amortization of intangible assets in 2018. 2. Other equity interest: Mainly due to decrease in unrealized gains on financial assets.				

II. Analysis of financial performance

Unit: thousand NT$

Item\Year	2018	2017	Change (amount)	Change (%)
Operating revenue	10,040,221	9,235,382	804,839	9
Operating cost	6,127,054	5,502,875	624,179	11
Operating profit	3,913,167	3,732,507	180,660	5
Operating expenditures	3,158,508	3,018,944	139,564	5
Operating profits	754,659	713,563	41,096	6
Non-operating income and expenditure	84,261	85,868	(1,607)	(2)
Profit before tax	838,920	799,431	39,489	5
Income tax expense	128,287	111,298	16,989	15
Net profit of the term	710,633	688,133	22,500	3
Other comprehensive income of the term	(273,853)	94,485	(368,338)	(390)
Total comprehensive income of the term	436,780	782,618	(345,838)	(44)

Analysis of reasons for changes exceeding 20%:
Increase in other comprehensive income of the term and decrease in total comprehensive income of the term are mainly due to decrease 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 2019 remain optimistic with regards to the industry outlook, future market demand and the Company's capacity.

III. Cash flow analysis

Unit: thousand NT$

Cash balance at the beginning of the period	Annual net cash flow from operating activities	Cash outflow due to investing and financing activities	Cash surplus (deficit)	Remedial measures for cash inadequacy	
				Investment plans	Financing plans
1,417,029	873,147	(746,258)	1,543,918	-	-

1. Analysis on the cash flow changes of the current year:
   (1) Operating activities: Mainly caused by operating profits in this period.
   (2) Investing activities: Net cash outflow mainly caused by purchases of property, plant and equipment.
   (3) Financing activities: Net cash outflow mainly caused by distribution of cash dividend.
2. Remedial action for cash deficit and liquidity analysis: Not applicable.
3. Cash flow analysis for the coming year (note):
   (1) Cash inflow from operating activities amounted to NT$1 billion: Mainly from operating net profit, add back depreciation and amortization of non-cash expenses.
   (2) Cash outflow from investing activities amounted to NT$390 million: Mainly from capital expenditures.
   (3) Cash outflow from financing activities amounted to NT$620 million: Main due to distribution of cash dividends and payment of principal of lease liabilities.

Note: Unaudited figures

IV. The effects that significant capital expenditures have on financial operations in the recent year: N/A.

1. Major capital expenditures and its implementation status: N/A.
2. Anticipated benefit: N/A.

V. Investment policy for the most recent 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 for the most recent year and will formulate plans in the future as required by company operations.

VI. Risk management and evaluation

(I) Impact of interest rate and exchange rate changes and inflation on Company's profit and 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:

Nuvoton's exchange rate risks are mainly derived from operating activities. Regarding the exchange rate risks associated with purchases or sales in currency valuation, the Company offsets foreign currency assets and liabilities to achieve balance and maintains close communication with financial institutions to continue to observe changes in exchange rates and lower exchange rate variation risks. The Company will continue to adopt the following response actions for exchange rate risks:

A. Engage in financial derivatives transactions for the main purpose of hedging risks derived from business operations and choose financial derivative products to primarily hedge the risks associated with the Company's business operations. In the selection of trading counterparty, give primary consideration to credit risk to avoid loss arising from counterparty's failure to perform its contractual obligation. In addition, the Company shall choose as its partners the financial institutions with low credit risk, good relationship with the Company, and the capability to provide the Company with professional information.

B. The Company keeps abreast of financial market information, predicts market trends, gets familiar with financial products and related regulations and trading techniques, and provides full and timely information to the management and relevant departments for reference.

C. The Company sets the limit of unrealized loss on all financial derivatives contracts to 20% of the contract values or 3% of owners' equity, whichever is lower. The Company's finance unit evaluates the Company's position on financial derivatives every month and produces a report therefor, which is submitted to the head of finance and senior management authorized by the Board of Directors for review in the hope to predict the risk of each transaction and potential loss.

3. Inflation:

The Company shall continue to actively manage and control cost and operating expenditures to reduce the impact of inflation on operations. There has been no severe inflation in Taiwan or across the world and therefore there has been no significant impact on the Company.

(II) Policies, main causes of gain or loss and future response measures with respect to high-risk, high-leverage investments, fund loans to others or endorsement guarantees, and derivatives transactions:

The Company has not engaged in any high-risk, high-leverage investment, loans to other parties, or provided any endorsement or guarantee. The Company's derivatives trading policy aims to hedge against the risks derived from business operations and reduce 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 "Regulations Governing the Acquisition or Disposal of Assets Procedures," "Procedures for Lending Funds to Other Parties," "Regulations Governing Endorsements and Guarantees", and "Procedures for Engaging in Derivatives Transactions" as the basis for related transactions to control and manage financial transaction risks. 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.

(III) Future R&D Programs and Expected R&D Expenses

The Company's future R&D undertaking will focus on the research of more advanced process platform, low-voltage, low-power, information security, 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 2019 R&D expenditure for the preceding application products is estimated at NT$2.9 billion.

(VI) Major changes in government policies and laws at home and broad, the impact on Company finance and business, and response measures:

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.

(V) 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.

(VI) 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 has been free of events that affect corporate image.

(XII) The expected benefits and possible risks of mergers and acquisitions as well as the responding measures: Not applicable.

(VIII) Expected benefits and possible risks of factory expansions as well as the response measures: Not applicable.

(IX) Risks associated with over-concentration in purchase or sale and response measures:

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.

(X) Impact of mass transfer of equity by or change of directors, supervisors, or shareholders holding more than 10% interest on the Company, associated risks and response measures: N/A

(XI) The effects that change in management has on the Company as well as risk and responding measures: Not applicable.

(XII) 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:

Microchip Technology Inc. filed a patent infringement suit in the United States District Court for the District of Delaware against the Company and our subsidiary in North America and delivered the statement of claims in January 2019. The Company cannot as yet predict the outcome of the suit or reliably estimate contingent liabilities. With the exception of the aforementioned legal case, there were no major legal cases in which the Company is a principal as of the publication date of the Annual Report.

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:

Microchip Technology Inc. filed a patent infringement suit in the United States District Court for the District of Delaware against the Company and our subsidiary in North America and delivered the statement of claims in January 2019. The Company cannot as yet predict the outcome of the suit or reliably estimate contingent liabilities. With the exception of the aforementioned legal case, there were no other major legal cases that involved the Company's Directors, Supervisors, President, de facto responsible person, or major shareholders holding more than 10% interest as of the publication date of the Annual Report.

(XIII) 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.

(XIV) Other significant risks and response measures:

1. Information Security Policy

Nuvoton has established the "Nuvoton Security Policy" and "Information Security Management Regulations" which are used as the basis for the establishment of management and control measures for protecting Nuvoton's information and information system from theft, computer crimes, industrial espionage, or other forms of harm or damage.

2. Information security management

The Company adopted the Cybersecurity Framework proposed by the National Institute of Standards and Technology (NIST) and the security control measures established by the Center for Internet Security (CIS). We convene regular information security management meetings to analyze and evaluate information security risks and establish management plans for potential risks for regular follow-up.

3. Information security and network risk assessment

The Company has established network and computer security protection systems to ensure the normal operations of the Company's information system. The systems include firewall/intrusion detection/intrusion prevention system, and the Security Information and Event Management system to strengthen defenses against information security incidents.

Numerous types of cyberattacks have emerged in recent years. They include encryption ransomware and malicious acts involving data theft or destruction through social engineering. The Company has established defense systems for common forms attack such as: malicious websites and malicious emails. In addition, we also use system audits, backup recovery, remote backup, and emergency response drills to effectively reduce information security risks and protect the Company's information assets.

4. Impact of material information security incidents and response measures

The Company has found no material information security incidents that have caused or may cause material negative impact on the Company's business and operations in 2018 and this year as of the publication date of the Annual Report.

VII. Other important matters: N/A.

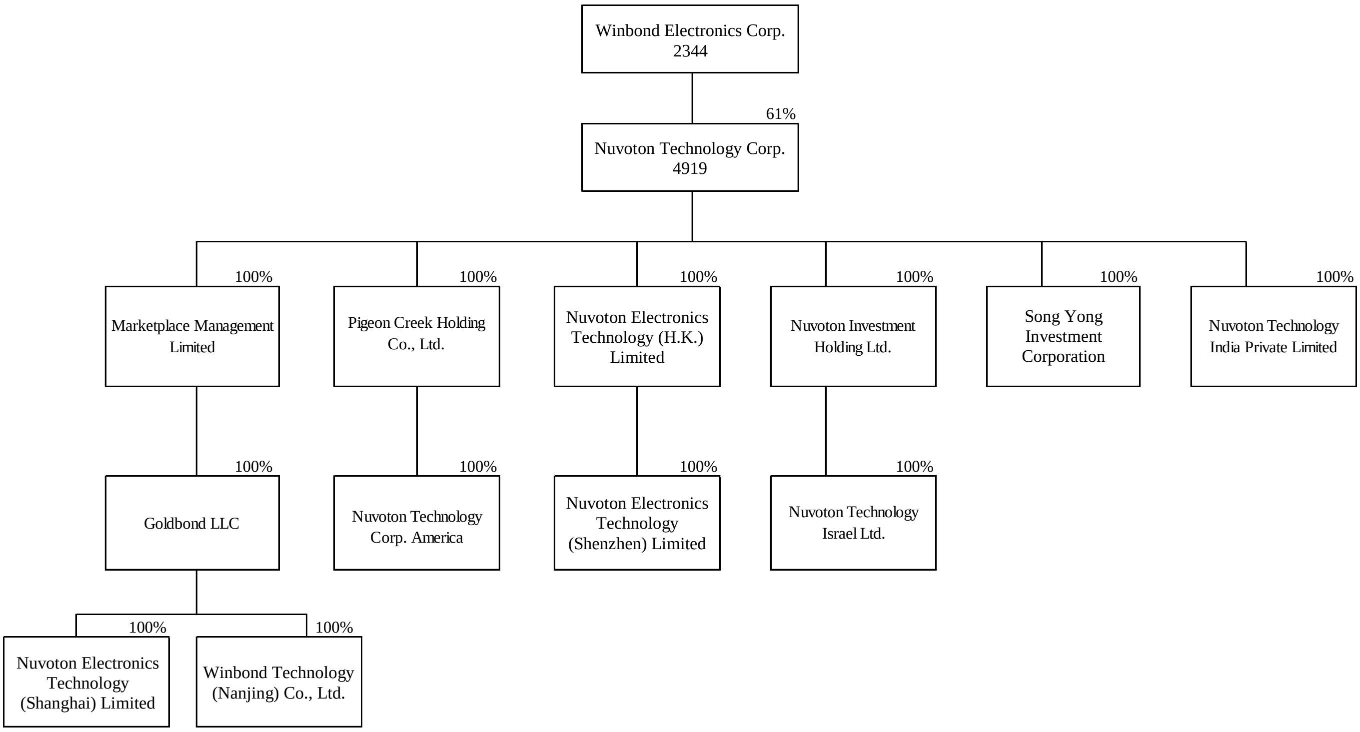
Chapter 6. Special disclosures

I. Profiles of affiliates and subsidiaries

(I) Consolidated Affiliate Business Report

1. Affiliate organization chart

December 31, 2018



2. Basic information of the various affiliated enterprises

December 31, 2018; Unit: thousand NT$/thousand foreign currency

Enterprise name	Date of establishment	Address	Paid-in capital	Primary businesses/products
Winbond Electronics Corp.	1987.09.29	No. 8, Keya 1st Road, Daya District, Taichung City, Taiwan	39,800,002	Research & development, production, and sale of all types of semiconductor parts and components used in integrated circuits and other system products
Nuvoton Technology Corp.	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$8,791	Investment business
Goldbond LLC	2000.09.22	1912 Capitol Ave, Cheyenne, WY 82001	US$44,727	Investment business
Nuvoton Electronics Technology (Shanghai) Limited	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$13,898	Investment business
Nuvoton Technology Corporation America	2008.05.01	251 Little Falls Drive, Wilmington, DE 19808, Delaware	US$6,050	Design, sales and service of semiconductor components

Enterprise name	Date of establishment	Address	Paid-in capital	Primary businesses/products
Nuvoton Electronics Technology (H.K.) Limited	1989.04.04	Unit 9-11, 22F, Millennium City 2, No 378 Kwun Tong Road, Kowloon, Hong Kong	HKD107,400	Semiconductor component sales services
Nuvoton Electronics Technology (Shenzhen) Limited	2007.02.16	Room 801, 8F Microprofit Building, Gaoxinnan 6 Road, High-Tech Industrial Park, Nanshan District, 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$17,420	Investment business
Nuvoton Technology Israel Ltd.	2005.03.22	8 Hasadnaot Street, Herzliya B, 4672835 Israel	ILS1	Design and service of semiconductor parts and components
Song Yong Investment Corporation	2014.04.09	3F, No. 192, Jingye 1st Road, Zhongshan District, Taipei City, Taiwan	38,500	Investment business
Nuvoton Technology India Private Limited	2014.09.26	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: N/A
4. Basic information of Directors, Supervisors, and Presidents of affiliates

December 31, 2018; Unit: shares

Enterprise name	Title	Name or representative	Shares held	
			No. of shares	Shareholding ratio
Winbond Electronics Corp.	Chairman	Yu-Cheng Chiao	63,472,995	2%
	Vice Chairman	Yuan-Mow Su	963,279	-
	Director	Matthew Feng-Chiang Miau	108,938	-
	Director	Yung Chin	11,778,797	-
	Director	Walsin Lihwa Corporation Institutional Representative - Sophi Pan	883,848,423	22%
	Director	Wei-Hsin Ma	-	-
	Director	Chih-Chen Lin	-	-
	Independent Director	Francis Tsai	-	-
	Independent Director	Shan-Kio Hsu	-	-
	Independent Director	Jie-Li Hsu	-	-
	Independent Director	Shan-Cheng Chang	-	-
	President	Tung-Yi Chan	901,000	-
Nuvoton Technology Corp.	Chairman	Winbond Electronics Corp. Institutional Representative - Yu-Cheng Chiao	126,620,087	61%
	Vice Chairman	Robert Hsu	152,328	-
	Director	Keh-Shew Lu	-	-
	Director	Yung Chin	-	-
	Director	Chi-Lin Wea	-	-
	Independent Director	Shan-Kio Hsu	-	-
	Independent Director	Royce Hong	-	-
	Independent Director	David Tu	-	-
	Independent Director	Jie-Li Hsu	-	-
	President	Sean Tai	40,000	-

Enterprise name	Title	Name or representative	Shares held	
			No. of shares	Shareholding ratio
Marketplace Management Limited	Director Director Director	Nuvoton Technology Corp. Institutional Representative - Yu-Cheng Chiao Nuvoton Technology Corp. Institutional Representative - Robert Hsu Nuvoton Technology Corp. Institutional Representative - Tung-Yi Chan	8,790,789	100%
Goldbond LLC	Managerial officer (Note 1) Managerial officer (Note 1) Managerial officer (Note 1)	Marketplace Management Limited institutional appointee: Yu-Cheng Chiao Marketplace Management Limited institutional appointee: Chiu-Yi Huang Marketplace Management Limited institutional appointee: Hsiang-Yun Fan	Note 2	100%
Nuvoton Electronics Technology (Shanghai) Limited	Chairman Director Director Supervisor	Goldbond LLC institutional representative: Sean Tai Goldbond LLC institutional representative: Ren-Lie Lin Goldbond LLC institutional representative: Hsiang-Yun Fan Goldbond LLC institutional representative: Yung Chin	Note 2	100%
	President	Jo-Wei Fu	Note 2	-
Winbond Technology (Nanjing) Co., Ltd.	Chairman Director Director	Goldbond LLC institutional representative: Ren-Lie Lin Goldbond LLC institutional representative: Sean Tai Goldbond LLC institutional representative: James Wen	Note 2	100%
	President	Bosco Law	Note 2	-
Pigeon Creek Holding Co., Ltd.	Director Director Director	Nuvoton Technology Corp. Institutional Representative - Yu-Cheng Chiao Nuvoton Technology Corp. Institutional Representative - Tung-Yi Chan Nuvoton Technology Corp. Institutional Representative - Robert Hsu	13,897,925	100%
Nuvoton Technology Corporation America	Chairman Director Director Director Director	Pigeon Creek Holding Co., Ltd. institutional representative: Wei-Chan Hsu Pigeon Creek Holding Co., Ltd. institutional representative: Hsi-Jung Tsai Pigeon Creek Holding Co., Ltd. institutional representative: Sean Tai Pigeon Creek Holding Co., Ltd. institutional representative: Ren-Lie Lin Pigeon Creek Holding Co., Ltd. institutional representative: Hsiang-Yun Fan	60,500	100%
	President	Aditya Raina	-	-
Nuvoton Electronics Technology (H.K.) Limited	Chairman Director Director Director	Nuvoton Technology Corporation Institutional Representative - Sean Tai Nuvoton Technology Corp. Institutional Representative - Yung Chin Nuvoton Technology Corporation Institutional representative - Hsiang-Yun Fan Nuvoton Technology Corp. Institutional Representative - Patrick Wang	107,400,000	100%
	President	Patrick Wang	-	-
Nuvoton Electronics Technology (Shenzhen) Limited	Chairman Director Director Supervisor	Nuvoton Electronics Technology (H.K.) Limited Institutional Representative - Sean Tai Nuvoton Electronics Technology (H.K.) Limited Institutional Representative - Robert Hsu Nuvoton Electronics Technology (H.K.) Limited Institutional Representative - Hsiang-Yun Fan Nuvoton Electronics Technology (H.K.) Limited Institutional Representative - Ren-Lie Lin	Note 2	100%
	President	Jo-Wei Fu	-	-
Nuvoton Investment Holding Ltd.	Director	Nuvoton Technology Corp. Institutional Representative - Yu-Cheng Chiao	17,420,000	100%
	Director	Nuvoton Technology Corp. Institutional Representative - Robert Hsu		

Enterprise name	Title	Name or representative	Shares held	
			No. of shares	Shareholding ratio
	Director	Nuvoton Technology Corp. Institutional Representative - Jessica Huang		
Nuvoton Technology Israel Ltd.	Chairman Director Director Director Director Director	Nuvoton Investment Holding Ltd. institutional representative: Hsin-Lung Yang Nuvoton Investment Holding Ltd. institutional representative: Robert Hsu Nuvoton Investment Holding Ltd. institutional representative: Sean Tai Nuvoton Investment Holding Ltd. institutional representative: Hsiang-Yun Fan Nuvoton Investment Holding Ltd. institutional representative: Biranit Levany Nuvoton Investment Holding Ltd. institutional representative: Erez Naory	1,000	100%
	President	Biranit Levany	-	-
Song Yong Investment Corporation	Chairman Director Director Supervisor	Nuvoton Technology Corporation Institutional representative - Hsiang-Yun Fan Nuvoton Technology Corp. Institutional Representative - Yu-Cheng Chiao Nuvoton Technology Corporation Institutional Representative - Sean Tai Nuvoton Technology Corp. Institutional Representative - Ren-Lie Lin	3,850,000	100%
Nuvoton Technology India Private Limited	Chairman Director Director	Nuvoton Technology Corporation Institutional representative - Hsiang-Yun Fan Nuvoton Technology Corporation institutional representative: Jitendra Patil Nuvoton Technology Corp. Institutional Representative - Fu-Yuan Lee	600,000	100%
	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. Businesses covered by the affiliated enterprises' overall operations

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. Business overview of affiliates

December 31, 2018; Unit: thousand NT$

Enterprise name	Capital	Gross assets	Total indebtedness	Net worth	Operating revenue	Operating statement (profit/loss)	Profit and loss for the period	Earnings (loss) per share (NT$)
Winbond Electronics Corp.	39,800,002	92,173,829	29,729,458	62,444,371	40,733,527	6,943,927	7,446,496	1.87
Nuvoton Technology Corp.	2,075,544	6,072,034	2,337,668	3,734,366	9,798,594	705,358	710,633	3.42
Marketplace Management Limited	270,009	78,533	254	78,279	1,280	958	958	0.11

Enterprise name	Capital	Gross assets	Total indebtedness	Net worth	Operating revenue	Operating statement (profit/loss)	Profit and loss for the period	Earnings (loss) per share (NT$)
Goldbond LLC	1,373,785	80,616	2,115	78,501	1,658	1,280	1,280	註
Nuvoton Electronics Technology (Shanghai) Limited	74,033	89,663	9,321	80,342	65,256	652	1,656	註
Winbond Technology (Nanjing) Co., Ltd.	18,092	1,355	3,130	(1,775)	0	0	0	註
Pigeon Creek Holding Co., Ltd.	426,875	191,970	13,326	178,644	6,409	5,807	5,807	0.42
Nuvoton Technology Corporation America	185,826	244,062	52,092	191,970	428,640	13,585	6,408	105.91
Nuvoton Electronics Technology (H.K.) Limited	421,115	726,286	270,754	455,532	3,989,562	9,379	17,041	0.16
Nuvoton Electronics Technology (Shenzhen) Limited	207,653	229,560	17,796	211,764	129,848	969	8,187	註
Nuvoton Investment Holding Ltd.	535,055	233,632	15,871	217,761	7,169	(11,752)	(11,752)	(0.67)
Nuvoton Technology Israel Ltd.	8	290,829	57,947	232,882	657,374	28,226	(2,955)	(2,955)
Song Yong Investment Corporation	38,500	60,730	130	60,600	6,001	5,787	5,750	1.49
Nuvoton Technology India Private Limited	26,322	21,879	98	21,781	2,090	(1,830)	(800)	(1.33)

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.

(II) Consolidated financial statement of affiliates: Please refer to pages 86 to 137

(III) Affiliation Report:

1. Statement of Affiliation Report

Statement of Affiliation Report

The Company's 2018 (from January 1 to December 31, 2018) affiliation report was 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.

It is hereby declared

Name of Company: Nuvoton Technology Corp.

Legal Representative: Yu-Cheng Chiao

February 1, 2019

2. 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 professional managers	
		Number of shares held	Shareholding ratio	Pledged shares	Title	Name
Winbond Electronics Corp.	Holds over 50% of shares of the Company and retains control	126,620,087	61%	N/A	Chairman	Yu-Cheng Chiao

3. Transaction status

(1) Procurement and sales transaction status

Unit: thousand NT$, %

Transaction status with control company				Transaction conditions with control company		Regular transaction terms		Reason for difference	Accounts receivable (payable) and notes		Overdue accounts receivable			Note
Purchase /sale	Amount	Ratio of total procurement (sales)	Gross margin	Unit price (NT$)	Loan period	Unit price (NT$)	Credit period		Balance	Ratio of total accounts receivable (payable) and notes	Amount	Processing method	Allowance for bad debts	
Procurements	103,274	3%	-	-	30 days on a monthly basis	-	30 to 120 days on a monthly basis	-	15,700	2%	-	-	-	

(2) Property transaction status: N/A

(3) Financing status: N/A

(4) Property rental status: N/A

(5) Endorsements and guarantees: N/A

II. Progress of private placement of securities during the latest year and up to the date of annual report publication: N/A

III. Holding or disposal of stocks of the Company by subsidiaries for the most recent year and up to the date of report: N/A

IV. Other supplemental information: N/A

V. Corporate events with material impact on shareholders' equity or stock prices set forth in Article 36, Paragraph 3, Subparagraph 2 of Securities and Exchange Act for the most recent year and up to the date of report: N/A

Nuvoton Technology Corp.

Legal Representative: Yu-Cheng Chiao