

(English Translation)

# **Nuvoton Technology Corporation**

## **2018 Annual General Shareholders Meeting**

### **Agenda Handbook<sup>1</sup>**

**Meeting Date: June 12, 2018 (Tuesday)**

**Meeting Time: 9:00 A.M.**

**Meeting Venue: Room 102, No. 4, Creation Rd. III, Hsinchu Science Park,  
Taiwan, R.O.C.**

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

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## **Matters to be reported:**

### **I. To report the business of fiscal year 2017**

The Company's 2017 business report and financial report are hereby presented (please refer to Attachment 1). Please examine.

### **II. To report the Audit Committee's review of 2017 final accounts**

The Audit Committee's Review Report is hereby presented (please refer to Attachment 3). Please examine.

### **III. To report the distribution of the remuneration of employees and directors for fiscal year 2017**

According to the Company's 2017 earnings audited by the certified public accountants, the Company has no accumulated losses to be made up. It is proposed to, in accordance with Article 24-1 of the Company's Articles of Incorporation, allot 1% of the earnings to be the remuneration of directors, which is NT\$8,226,747 in total, and allot 6% of the earnings to be the remuneration of employees, which is NT\$49,360,483 in total. The above amounts will all be paid in cash. The aforesaid ratios and amounts for allocation have been approved by the Eighth Meeting of the Board of Directors of the Fifth Term.

### **IV. Other matters to be reported**

#### **(I) Report on shareholdings of all directors**

1. In accordance with Article 26 of the Securities and Exchange Act and the Rules and Review Procedures for Share Ownership Ratios of Directors and Supervisors of Public Companies, the minimum combined shareholding of all directors required by laws and regulations is 12,000,000 shares. The Company has set up an Audit Committee and thus the requirement on the minimum shareholdings of all supervisors is not applicable.
2. Please refer to Attachment 4 for the shareholding of each director and the shareholdings of all directors as of the record date for determining the shareholders eligible to attend this 2018 annual general shareholders meeting.
3. The aggregate shareholdings of all directors meet the minimum shareholding required by laws and regulations.

#### **(II) During the period for accepting shareholders' proposals (from March 30, 2018 to April 9, 2018), no shareholders submitted any written proposal to the Company for the 2018 annual general shareholders meeting in accordance with Article 172-1 of the Company Act.**

## Matters to be acknowledged and discussed

### Motion I

Proposed by the Board of Directors

Proposal: The business report and financial report of fiscal year 2017 are hereby presented. Please acknowledge and recognize the same.

Explanation:

1. Please refer to Attachment 1 for the business report and financial report of fiscal year 2017.
2. The aforementioned financial report has been approved by the Eighth Meeting of the Board of Directors of the Fifth Term and after audited by the certified public accountants, together with the business report, have been submitted to and reviewed by the Audit Committee.

### Motion II

Proposed by the Board of Directors

Proposal: The proposal for distribution of 2017 profit of the Company is presented. Please acknowledge and recognize the same.

Explanation:

1. The Company has a net profit after tax of NT\$688,132,681 for the year of 2017. The proposed statement of profit distribution is as follows.
2. The proposal was approved by the Eighth Meeting of the Board of Directors of the Fifth Term.

Nuvoton Technology Corporation  
Statement of Profit Distribution  
For the year ended December 31, 2017

(Unit: NT\$)

Items	Total
Undistributed Surplus Earnings of Previous Fiscal Years	226,826,793
Minus: Losses on Remeasurement of Defined Benefit Plans	(21,978,000)
Plus: Adjustment Made to Retained Earnings for Investments under the Equity Method	3,032,293
Plus: Net Income of 2017	688,132,681
Minus: 10% Legal Reserve Appropriated	(68,813,268)
Retained Earnings Available for Distribution as of December 31, 2017	827,200,499
Distributable items:	

Cash Dividends to Common Shares (NT\$2.5 per share)(Note)	(518,886,000)
Undistributed earnings, End of Year	308,314,499

(Note: Cash dividends will be calculated and distributed in whole New Taiwan Dollar. Any fractional amount less than one New Taiwan Dollar will be accounted in the Company's other income.)

Chairman: Arthur Yu-Cheng Chiao      Manager: Sean Tai      Accounting Officer: Hung-Wen, Huang

### **Motion III**

Proposed by the Board of Directors

Proposal: To discuss the issuance of new common shares for cash to sponsor GDR offering.

Explanation:

1. For the purpose of increasing the Company's working capital or meeting the capital needs for its long-term development, and diversifying the fund raising channels, the Company plans to raise funds by offering GDRs through issuance of new common shares for cash to increase capital within one year. It is proposed to the shareholders meeting that the Board of Directors be authorized to identify optimal timing and adjust the number of new common shares to be issued, up to 50 million, depending upon the prevailing financial market conditions within one year from the date of resolution by the shareholders meeting in order to raise funds.
2. Pursuant to Article 267 of the Company Act, 10% of the new shares shall be reserved for employee subscription, and it is proposed to the shareholders meeting that the shareholders waive their pre-emptive rights to subscribe the remaining 90% of the new shares and such remaining shares shall be allocated for public offering in accordance with Article 28-1 of the Securities and Exchange Act and serve as the underlying securities of this offering of GDRs. The Chairman of the Board is authorized to arrange specific persons to subscribe the unsubscribed shares left by the Company's employees, or to include the unsubscribed shares as underlying securities to sponsor the offering of GDRs depending on market demand.
3. The issue price of the new shares for cash capital increase for sponsoring the offering of GDRs shall not be lower than 90% of the Reference Price (which means (i) the closing price of the Company's common shares listed on the Taiwan Stock Exchange on the pricing date, or (ii) the simple arithmetic closing price of the Company's common shares listed on the Taiwan Stock Exchange for any of the period of one, three or five days prior to the pricing date) after adjusting for distribution of cash and stock dividends (or distribution of stock after capital reduction); provided that, the aforesaid pricing formula may be adjusted in accordance with changes to relevant domestic laws and regulations. In view of the short-term dramatic volatility of domestic

share prices, the Chairman is authorized to determine the issue price within the aforesaid extent in consultation with the underwriter(s), based on international practice, market conditions and aggregate book building status, so as to enhance the attractiveness to overseas investors. Given the above, the method to determine the issue price should be reasonable. Equity dilution due to issuance of new common shares for cash capital increase for sponsoring the offering of GDRs will not exceed 19.4%. Although the offering of GDRs will have a slight dilutive effect on the original shareholding, in consideration of the effect generated from this capital increase, the Company's competitiveness will be enhanced and financial flexibility of the Company will further increased which would allow the Company to undertake the financial market's uncertain risks. In addition, the offering of GDRs will boost the Company's visibility overseas and thus benefit the development of new business in the future, increase the Company's competitiveness on the market and lower the operation risks. Accordingly, this offering of GDRs will benefit existing shareholders and should not have material impact on existing shareholders' rights and interests.

4. Proceeds from the issuance of common shares for cash capital increase for sponsoring the GDRs are expected to be used for one or multiple purpose(s), such as equipment procurement, working capital augmentation and re-investment within around three years after completion of such issuance. The execution of this plan is expected to bolster the Company's competitiveness, enhance operating efficiency and have a positive effect on the shareholders' rights and interests.
5. It is proposed to the shareholders meeting that the Board of Directors be authorized to adjust, decide and handle, in view of market condition, all material matters in connection with the issuance of new common shares for cash capital increase to sponsor the offering of GDRs, including issue price, number of shares to be issued, the amount to be raised, offering plan, items for the funds usage plan, schedule, expected benefits, and other relevant processes, including necessary amendments to be made per the instructions of the competent authority or in consideration of objective changes in market conditions.
6. For the purpose of cash capital increase by issuing new common shares to sponsor the offering of GDRs, it is proposed to the shareholders meeting to authorize the Chairman or the person designated by the Chairman with full power and authority to approve and execute on behalf of the Company any and all documents regarding the cash capital increase by issuing new common shares to sponsor the offering of GDRs and conduct all matters in connection with such offering for the Company.
7. After obtaining approval from the competent authority for cash capital increase by issuing new common shares to sponsor the offering of GDRs, it is proposed to the shareholders meeting that the Board of Directors be authorized to handle relevant matters regarding the issuance of new common shares.

8. It is proposed to the shareholders meeting to authorize the Chairman of the Board with full power and authority to handle, in accordance with applicable laws, any and all matters not mentioned above in connection with the cash capital increase by issuing new common shares to sponsor the offering of GDRs.

**Motion VI**

Proposed by the Board of Directors

Proposal: Proposal: It is proposed to amend certain provisions of the Articles of Incorporation of the Company. Please review and approve the same.

Explanation:

1. It is proposed to amend Articles of Incorporation of the Company to reflect the Company's actual operation needs.
2. Please see Attachment 5 to this handbook for the comparison chart showing the amendments.

**Motion V**

Proposed by the Board of Directors

Proposal: It is proposed to amend certain provisions of the Procedures for Engaging in Financial Derivatives Transactions of the Company. Please review and approve the same.

Explanation:

1. It is proposed to amend these procedures in accordance with the letter dated May 15, 2017 issued by the Taiwan Securities Exchange (Ref. No.: Tai-Cheng-Shang-(1)-Tze-1061802264) and practical needs.
2. Please see Attachment 6 to this handbook for the comparison chart showing the amendments.

**Motion VI**

Proposed by the Board of Directors

Proposal: It is proposed to release the director from the non-competition restrictions. Please review and approve the same.

Explanation:

1. It is conducted in accordance with Paragraph 1 of Article 209 of the Company Act which provides that "A director who acts for himself/herself or on behalf of another person in a manner that is within the scope of the company's business shall explain to the shareholders meeting the essential contents of such act and secure its approval."

2. Please refer to Attachment 7 to this handbook for the description that the current director of the Company concurrently act as directors or managers in companies engaging in the same business as the Company.
3. It is proposed to the shareholders meeting, in accordance with Paragraph 1 of Article 209 of the Company Act, to release the current director from the non-competition restrictions starting from the day the director entered office as the director or managers of the companies that engages in the same business as the Company, and to waive the Company's right to request disgorgement of profits against such director from the day when the director entered office as the director or managers of those companies.

**Voting by Poll on the above acknowledged and discussed matters:**

**Other Matters and Motions**

**Adjournment**

# Attachments

Nuvoton Technology Corporation  
2017 Business Report

Global semiconductor industry in 2017 saw a slight decline in PC markets, a flat growth in telecommunication and consumer electronics products and an increase in the demand of automobile, industrial and internet of things applications. Therefore, 2017 was a fruitful year for global semiconductor markets. In response to the market trends, the Company has rolled out new products and services, thereby breaking new records for the operating results, which demonstrates the Company's solid operational strengths.

### **Financial Performance**

The overall financial results show that, during the year 2017, the total consolidated revenue was NT\$9,235 million with an annual growth rate of 11%; the net profit after tax was NT\$688 million with an annual growth rate of 12%; the earnings per share after tax was NT\$3.32.

### **Products, Markets and Technological Developments**

The Company's business mainly consists of two major segments--R&D and sale of IC products and wafer foundry. The major achievements are summarized as follows:

The third-generation new BMC (baseboard management controller) products support Intel's Purley server platform, use high-performance Cortex A9 dual-core processors and support BMC security boot, to prevent the firmware from being attacked. These product series have been adopted by international major manufacturers one after another. Another new high-performance TPM2.0 chip (NPCT75x) has also been launched, which supports the latest specifications of TCG 2017 and has passed through Microsoft Win10 RS3 Security Chip Performance test, showing that the quality and reliability of Company's safety protection products has been in conformity with international standards.

With respect to the microcontrollers, the successful development of the 32-bit Cortex®-M0 high-performance micro-controller applicable to the industrial control and smart meters offers high-precision control and improves the algorithm computing speed. The product has high anti-interference ability and is very suitable for industrial control, smart meter devices and motor control applications, fully meeting the customers' current development needs and future innovation plans. In addition, high-specification low-pin 1T 8051 was introduced, which can support multiple functional designs and provide accurate internal reference voltage and a variety of technology solutions for program updates, including ICP (In-circuit programming), ISP (In-system Programming) and IAP (In-application programming), enabling users to easily conduct finished firmware updates.

For the wafer foundry segment, for the year 2017, the Company developed a 0.5um UHV

manufacturing process, which can be extensively applied to the LED lighting drive IC and AC/DC power management IC markets. At the same time, the Company also added a number of new components in the 0.35um BCD/HVIC process platform, which can enrich the power management applications for customers and improve their product competitiveness.

### **Honors and Awards**

The Company has outstanding performance in its main business field and aims to become a green enterprise that pursues sustainable development. The Company received "Excellent Dedicated Personnel for Environmental Protection" and "2017 Environmental Education Partner" awards from the Hsinchu Science Park Administration, demonstrating the Company's commitment to corporate social responsibility. The Company is also committed to protecting the natural environment and cherishing the Earth's resources. It is also dedicated to protection of natural environment and treasure of earth resources and it pioneers that have started energy-saving campaigns and introduced advanced ice machine systems. The electricity conservation done by the Company for 2017 totaled 1 million KWH, highlighting its commitment to reach a balanced economic, social and environmental development while operating its business.

### **Corporate Operation and Outlook**

Looking into the future, in the face of emerging technology developments such as artificial intelligence, big data, Internet of things and cloud computing, the Company will strengthen its own R&D power, continuously develop new product applications and services and deepen its customer base, committed to becoming an indispensable and important partner for customers. We believe that, in the future, we will be able to open up more business opportunities and create long-term, stable returns for our shareholders, customers and employees.

Finally, I would like to deeply appreciate every shareholder's support and confirmation on behalf of Nuvoton Technology Corporation.

Chairman: Arthur Yu-Cheng Chiao    President: Sean Tai    Accounting Manager: Hung-Wen, Huang

# NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2017 AND 2016

(In Thousands of New Taiwan Dollars)

ASSETS	2017		2016	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 1,417,029	23	\$ 1,898,827	32
Financial assets at fair value through profit or loss, current (Notes 4 and 7)	1,710	-	-	-
Notes and accounts receivable, net (Notes 4 and 8)	743,264	12	769,488	13
Accounts receivable due from related parties, net (Notes 4 and 27)	51,114	1	57,063	1
Other receivables (Note 9)	376,245	6	256,603	4
Inventories (Notes 4 and 10)	1,634,318	26	1,178,437	20
Other current assets (Note 24)	<u>225,732</u>	<u>4</u>	<u>222,881</u>	<u>4</u>
Total current assets	<u>4,449,412</u>	<u>72</u>	<u>4,383,299</u>	<u>74</u>
<b>NON-CURRENT ASSETS</b>				
Available-for-sale financial assets, non-current (Notes 4 and 11)	289,789	5	146,913	3
Financial assets measured at cost, non-current (Notes 4 and 12)	301,493	5	305,493	5
Property, plant and equipment (Notes 4 and 13)	642,663	10	526,167	9
Investment properties (Notes 4 and 14)	56,278	1	61,673	1
Intangible assets (Notes 4 and 15)	203,612	3	257,940	4
Deferred income tax assets (Notes 4 and 20)	95,318	2	104,627	2
Refundable deposits (Note 6)	71,571	1	70,671	1
Other non-current assets (Note 24)	<u>38,696</u>	<u>1</u>	<u>41,498</u>	<u>1</u>
Total non-current assets	<u>1,699,420</u>	<u>28</u>	<u>1,514,982</u>	<u>26</u>
<b>TOTAL</b>	<u>\$ 6,148,832</u>	<u>100</u>	<u>\$ 5,898,281</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Financial liabilities at fair value through profit or loss, current (Notes 4 and 7)	\$ -	-	\$ 707	-
Accounts payable	934,901	15	906,542	15
Other payables (Notes 16 and 27)	874,942	14	917,461	16
Current tax liabilities (Notes 4 and 20)	88,934	2	16,558	-
Other current liabilities	<u>88,549</u>	<u>1</u>	<u>108,513</u>	<u>2</u>
Total current liabilities	<u>1,987,326</u>	<u>32</u>	<u>1,949,781</u>	<u>33</u>
<b>NON-CURRENT LIABILITIES</b>				
Products guarantee based on commitment (Note 4)	101,891	2	101,891	2
Accrued pension liabilities (Notes 4 and 17)	306,107	5	352,038	6
Other non-current liabilities	<u>90,547</u>	<u>1</u>	<u>116,097</u>	<u>2</u>
Total non-current liabilities	<u>498,545</u>	<u>8</u>	<u>570,026</u>	<u>10</u>
Total liabilities	<u>2,485,871</u>	<u>40</u>	<u>2,519,807</u>	<u>43</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT</b>				
Common stock (Note 18)	2,075,544	34	2,075,544	35
Capital surplus				
Additional paid-in capital	63,485	1	63,485	1
Employee share options	13	-	13	-
Retained earnings				
Legal reserve	401,846	6	340,530	6
Unappropriated earnings	896,014	15	786,274	13
Exchange differences on translation of foreign operations (Note 4)	(165)	-	29,280	1
Unrealized gains (losses) on available-for-sale financial assets	<u>226,224</u>	<u>4</u>	<u>83,348</u>	<u>1</u>
Total equity	<u>3,662,961</u>	<u>60</u>	<u>3,378,474</u>	<u>57</u>
<b>TOTAL</b>	<u>\$ 6,148,832</u>	<u>100</u>	<u>\$ 5,898,281</u>	<u>100</u>

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

# NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

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

	2017		2016	
	Amount	%	Amount	%
OPERATING REVENUE (Note 19)	\$ 9,235,382	100	\$ 8,329,286	100
OPERATING COST	<u>5,502,875</u>	<u>60</u>	<u>4,920,966</u>	<u>59</u>
GROSS PROFIT	<u>3,732,507</u>	<u>40</u>	<u>3,408,320</u>	<u>41</u>
OPERATING EXPENSES				
Selling expenses	223,903	3	232,213	3
General and administrative expenses	407,029	4	355,741	4
Research and development expenses	<u>2,388,012</u>	<u>26</u>	<u>2,215,524</u>	<u>26</u>
Total operating expenses	<u>3,018,944</u>	<u>33</u>	<u>2,803,478</u>	<u>33</u>
PROFIT FROM OPERATIONS	<u>713,563</u>	<u>7</u>	<u>604,842</u>	<u>8</u>
NON-OPERATING INCOME AND LOSSES				
Interest income	13,197	-	16,135	-
Dividend income	65,216	1	57,354	1
Other gains and losses	5,380	-	9,926	-
Gains (losses) on disposal of property, plant and equipment	638	-	(34)	-
Gains on disposal of investments	-	-	18,874	-
Foreign exchange gains (losses)	(3,894)	-	6,583	-
Gains (losses) on financial instruments at fair value through profit or loss	<u>5,331</u>	<u>-</u>	<u>(4,730)</u>	<u>-</u>
Total non-operating income and losses	<u>85,868</u>	<u>1</u>	<u>104,108</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	799,431	8	708,950	9
INCOME TAX EXPENSE (Notes 4 and 20)	<u>(111,298)</u>	<u>(1)</u>	<u>(95,785)</u>	<u>(1)</u>
NET PROFIT	<u>688,133</u>	<u>7</u>	<u>613,165</u>	<u>8</u>
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit plans (Notes 4 and 17)	(18,946)	-	(34,045)	(1)

(Continued)

# NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

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

	2017		2016	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translation of foreign operations	\$ (29,445)	-	\$ (32,197)	-
Unrealized gains (losses) on available-for-sale financial assets	<u>142,876</u>	<u>1</u>	<u>83,348</u>	<u>1</u>
Other comprehensive income (loss)	<u>94,485</u>	<u>1</u>	<u>17,106</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 782,618</u>	<u>8</u>	<u>\$ 630,271</u>	<u>8</u>
EARNINGS PER SHARE (Notes 4 and 22)				
From continuing operations				
Basic	<u>\$ 3.32</u>		<u>\$ 2.95</u>	
Diluted	<u>\$ 3.30</u>		<u>\$ 2.94</u>	

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

(Concluded)

**NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016  
(In Thousands of New Taiwan Dollars)**

	Equity Attributable to Owners of the Parent					Other Equity		Total Equity
	Common Stock	Capital Surplus		Retained Earnings		Exchange Differences on Translation of Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	
		Additional Paid-in Capital	Employee Share Options	Legal Reserve	Unappropriated Earnings			
BALANCE, JANUARY 1, 2016	\$ 2,075,544	\$ 63,485	\$ 13	\$ 293,628	\$ 627,654	\$ 61,477	\$ -	\$ 3,121,801
Net profit in 2016	-	-	-	-	613,165	-	-	613,165
Other comprehensive income in 2016	-	-	-	-	(34,045)	(32,197)	83,348	17,106
Total comprehensive income (loss) in 2016	-	-	-	-	579,120	(32,197)	83,348	630,271
Appropriation of 2015 earnings (Note 18)								
Legal reserve	-	-	-	46,902	(46,902)	-	-	-
Cash dividends	-	-	-	-	(373,598)	-	-	(373,598)
BALANCE, DECEMBER 31, 2016	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 in 2017	-	-	-	-	(18,946)	(29,445)	142,876	94,485
Total comprehensive income 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	<u>\$ 2,075,544</u>	<u>\$ 63,485</u>	<u>\$ 13</u>	<u>\$ 401,846</u>	<u>\$ 896,014</u>	<u>\$ (165)</u>	<u>\$ 226,224</u>	<u>\$ 3,662,961</u>

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

# NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars)

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax	\$ 799,431	\$ 708,950
Adjustments for:		
Depreciation expenses	155,125	148,754
Amortization expenses	88,233	86,704
(Reversal of) provision for allowance for doubtful accounts	66	(1,174)
Interest income	(13,197)	(16,135)
Dividend income	(65,216)	(57,354)
Net (gain) loss on fair value change of financial assets and liabilities designated as at fair value through profit or loss	(2,417)	(672)
(Gain) loss on disposal of property, plant and equipment	(638)	34
(Gain) loss on disposal of investments	-	(18,874)
Changes in operating assets and liabilities		
(Increase) decrease in notes and accounts receivable	26,579	(124,408)
(Increase) decrease in accounts receivable due from related parties	5,949	(671)
(Increase) decrease in other receivables	(132,070)	(19,470)
(Increase) decrease in inventories	(455,881)	(141,005)
(Increase) decrease in other current assets	(2,851)	(132,003)
(Increase) decrease in other non-current assets	2,802	2,245
Increase (decrease) in accounts payable	28,359	240,469
Increase (decrease) in other payables	(18,538)	67,603
Increase (decrease) in other current liabilities	(19,964)	65,627
Increase (decrease) on accrued pension liabilities	(64,877)	(62,742)
Increase (decrease) in other non-current liabilities	(13,233)	21,105
Cash generated from (used in) operations	317,662	766,983
Income tax paid	(23,466)	(102,664)
Interest received	19,478	11,477
Dividend received	65,216	57,354
Net cash generated from operating activities	<u>378,890</u>	<u>733,150</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for intangible assets	(45,111)	(111,444)
Proceeds from sale of financial assets measured at cost	-	8,243
Proceeds from capital reduction of financial assets measured at cost	4,000	5,000
Net cash inflow from disposal of subsidiaries (Note 24)	-	14,702
Payments for property, plant and equipment	(291,937)	(176,189)
Proceeds from disposal of property, plant and equipment	915	539
(Increase) decrease in refundable deposits	(900)	(1,452)
Net cash used in investing activities	<u>(333,033)</u>	<u>(260,601)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Cash dividends	<u>(498,131)</u>	<u>(373,598)</u>

(Continued)

# NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars)

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	2017	2016
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	\$ (29,524)	\$ (25,796)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(481,798)	73,155
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,898,827</u>	<u>1,825,672</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,417,029</u>	<u>\$ 1,898,827</u>

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

(Concluded)

# NUVOTON TECHNOLOGY CORPORATION

## BALANCE SHEETS

DECEMBER 31, 2017 AND 2016

(In Thousands of New Taiwan Dollars)

ASSETS	2017		2016	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 607,505	10	\$ 1,459,891	25
Financial assets at fair value through profit or loss, current (Notes 4 and 7)	1,710	-	-	-
Notes and accounts receivable, net (Notes 4 and 8)	542,941	9	472,446	8
Accounts receivable due from related parties, net (Notes 4 and 24)	228,732	4	140,763	2
Other receivables (Note 6)	346,972	6	26,556	1
Inventories (Notes 4 and 9)	1,625,931	27	1,168,969	20
Other current assets (Note 21)	<u>215,110</u>	<u>3</u>	<u>209,857</u>	<u>4</u>
Total current assets	<u>3,568,901</u>	<u>59</u>	<u>3,478,482</u>	<u>60</u>
<b>NON-CURRENT ASSETS</b>				
Available-for-sale financial assets, non-current (Notes 4 and 10)	183,199	3	92,876	2
Financial assets measured at cost, non-current (Notes 4 and 11)	301,493	5	305,493	5
Investments accounted for using equity method (Notes 4 and 12)	1,137,627	19	1,081,165	18
Property, plant and equipment (Notes 4 and 13)	569,765	9	474,952	8
Intangible assets (Notes 4 and 14)	163,499	3	225,964	4
Deferred income tax assets (Notes 4 and 18)	67,000	1	72,000	1
Refundable deposits (Note 6)	65,737	1	64,881	1
Other non-current assets (Note 21)	<u>37,510</u>	<u>-</u>	<u>39,892</u>	<u>1</u>
Total non-current assets	<u>2,525,830</u>	<u>41</u>	<u>2,357,223</u>	<u>40</u>
<b>TOTAL</b>	<u>\$ 6,094,731</u>	<u>100</u>	<u>\$ 5,835,705</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Financial liabilities at fair value through profit or loss, current (Notes 4 and 7)	\$ -	-	\$ 707	-
Accounts payable	934,066	16	904,486	16
Other payables (Notes 15 and 24)	923,354	15	962,603	16
Current tax liabilities (Notes 4 and 18)	73,283	1	16,109	-
Other current liabilities	<u>77,446</u>	<u>1</u>	<u>96,900</u>	<u>2</u>
Total current liabilities	<u>2,008,149</u>	<u>33</u>	<u>1,980,805</u>	<u>34</u>
<b>NON-CURRENT LIABILITIES</b>				
Products guarantee based on commitment (Note 4)	101,891	2	101,891	2
Accrued pension liabilities (Note 16)	302,086	5	349,817	6
Other non-current liabilities	<u>19,644</u>	<u>-</u>	<u>24,718</u>	<u>-</u>
Total non-current liabilities	<u>423,621</u>	<u>7</u>	<u>476,426</u>	<u>8</u>
Total liabilities	<u>2,431,770</u>	<u>40</u>	<u>2,457,231</u>	<u>42</u>
<b>EQUITY</b>				
Common stock (Note 17)	2,075,544	34	2,075,544	36
Capital surplus				
Additional paid-in capital	63,485	1	63,485	1
Employee share options	13	-	13	-
Retained earnings				
Legal reserve	401,846	6	340,530	6
Unappropriated earnings	896,014	15	786,274	13
Exchange differences on translation of foreign operations (Note 4)	(165)	-	29,280	1
Unrealized gains (losses) on available-for-sale financial assets	<u>226,224</u>	<u>4</u>	<u>83,348</u>	<u>1</u>
Total equity	<u>3,662,961</u>	<u>60</u>	<u>3,378,474</u>	<u>58</u>
<b>TOTAL</b>	<u>\$ 6,094,731</u>	<u>100</u>	<u>\$ 5,835,705</u>	<u>100</u>

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

# NUVOTON TECHNOLOGY CORPORATION

## STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

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

	2017		2016	
	Amount	%	Amount	%
OPERATING REVENUE	\$ 9,000,394	100	\$ 8,046,760	100
OPERATING COST	<u>5,490,445</u>	<u>61</u>	<u>4,908,265</u>	<u>61</u>
GROSS PROFIT	<u>3,509,949</u>	<u>39</u>	<u>3,138,495</u>	<u>39</u>
OPERATING EXPENSES				
Selling expenses	136,536	1	129,723	1
General and administrative expenses	381,513	4	324,258	4
Research and development expenses	<u>2,323,442</u>	<u>26</u>	<u>2,087,744</u>	<u>26</u>
Total operating expenses	<u>2,841,491</u>	<u>31</u>	<u>2,541,725</u>	<u>31</u>
PROFIT FROM OPERATIONS	<u>668,458</u>	<u>8</u>	<u>596,770</u>	<u>8</u>
NON-OPERATING INCOME AND LOSSES				
Share of profit of subsidiaries accounted for using equity method	27,940	-	7,332	-
Interest income	6,057	-	7,404	-
Dividend income	60,266	1	54,384	1
Other gains and losses	83	-	3,819	-
Gains (losses) on disposal of property, plant and equipment	905	-	445	-
Gains (losses) on disposal of investments	-	-	18,874	-
Foreign exchange gains (losses)	(3,952)	-	6,760	-
Gains (losses) on financial instruments at fair value through profit or loss	<u>5,331</u>	<u>-</u>	<u>(4,730)</u>	<u>-</u>
Total non-operating income and losses	<u>96,630</u>	<u>1</u>	<u>94,288</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	765,088	9	691,058	9
INCOME TAX EXPENSE (Notes 4 and 18)	<u>(76,955)</u>	<u>(1)</u>	<u>(77,893)</u>	<u>(1)</u>
NET PROFIT	<u>688,133</u>	<u>8</u>	<u>613,165</u>	<u>8</u>

(Continued)

# NUVOTON TECHNOLOGY CORPORATION

## STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

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

	2017		2016	
	Amount	%	Amount	%
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>				
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit plans (Notes 4 and 16)	\$ (21,978)	-	\$ (37,209)	(1)
Share of other comprehensive income of subsidiaries accounted for using equity method	3,032	-	3,164	-
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translation of foreign operations	(29,445)	-	(32,197)	-
Unrealized gains (losses) on available-for-sale financial assets	90,323	1	52,691	1
Share of comprehensive income of subsidiaries accounted for using equity method	<u>52,553</u>	<u>-</u>	<u>30,657</u>	<u>-</u>
Other comprehensive income (loss)	<u>94,485</u>	<u>1</u>	<u>17,106</u>	<u>-</u>
<b>TOTAL COMPREHENSIVE INCOME</b>	<u>\$ 782,618</u>	<u>9</u>	<u>\$ 630,271</u>	<u>8</u>
<b>EARNINGS PER SHARE (Notes 4 and 20)</b>				
From continuing operations				
Basic	<u>\$ 3.32</u>		<u>\$ 2.95</u>	
Diluted	<u>\$ 3.30</u>		<u>\$ 2.94</u>	

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

(Concluded)

**NUVOTON TECHNOLOGY CORPORATION**

**STATEMENT OF CHANGES IN EQUITY**

**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

**(In Thousands of New Taiwan Dollars)**

	Common Stock	Capital Surplus		Retained Earnings		Other Equity		Total Equity
		Additional Paid-in Capital	Employee Share Options	Legal Reserve	Unappropriated Earnings	Exchange Differences on Translation of Foreign Operations	Unrealized Gain (loss) on Available-for-sale Financial Assets	
BALANCE, JANUARY 1, 2016	\$ 2,075,544	\$ 63,485	\$ 13	\$ 293,628	\$ 627,654	\$ 61,477	\$ -	\$ 3,121,801
Net profit in 2016	-	-	-	-	613,165	-	-	613,165
Other comprehensive income (loss) in 2016	-	-	-	-	(34,045)	(32,197)	83,348	17,106
Total comprehensive income (loss) in 2016	-	-	-	-	579,120	(32,197)	83,348	630,271
Appropriation of 2015 earnings (Note 17)								
Legal reserve	-	-	-	46,902	(46,902)	-	-	-
Cash dividends	-	-	-	-	(373,598)	-	-	(373,598)
BALANCE, DECEMBER 31, 2016	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 in 2017	-	-	-	-	669,187	(29,445)	142,876	782,618
Appropriation of 2016 earnings (Note 17)								
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

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

# NUVOTON TECHNOLOGY CORPORATION

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars)

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax	\$ 765,088	\$ 691,058
Adjustments for:		
Depreciation expenses	132,392	126,063
Amortization expenses	72,988	72,705
(Reversal of) provision for allowance for doubtful accounts	1,609	(1,316)
Interest income	(6,057)	(7,404)
Dividend income	(60,266)	(54,384)
Share of profit of subsidiaries accounted for using equity method	(27,940)	(7,332)
Unrealized gain or loss	(310)	6
Net (gain) loss on fair value change of financial assets and liabilities designated as at fair value through profit or loss	(2,417)	(672)
(Gain) loss on disposal of property, plant and equipment	(905)	(445)
(Gain) loss on disposal of investments	-	(18,874)
Changes in operating assets and liabilities		
(Increase) decrease in notes and accounts receivable	(72,104)	(122,821)
(Increase) decrease in accounts receivable due from related parties	(87,969)	(18,093)
(Increase) decrease in other receivables	(320,893)	(9,624)
(Increase) decrease in inventories	(456,962)	(143,754)
(Increase) decrease in other current assets	(5,253)	(130,771)
(Increase) decrease in other non-current assets	2,382	2,381
Increase (decrease) in accounts payable	29,580	239,652
Increase (decrease) in other payables	(3,761)	70,325
Increase (decrease) in other current liabilities	(19,454)	64,825
Increase (decrease) on accrued pension liabilities	(69,709)	(66,125)
Increase (decrease) in other non-current liabilities	7,243	(12)
Cash generated from (used in) operations	(122,718)	685,388
Income tax paid	(14,781)	(92,669)
Interest received	6,534	8,170
Dividend received	60,266	57,584
Net cash generated from (used in) operating activities	<u>(70,699)</u>	<u>658,473</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for intangible assets	(22,025)	(110,645)
Proceeds from sale of financial assets measured at cost	-	8,243
Proceeds from capital reduction of financial assets measured at cost	4,000	5,000
Acquisition of investment accounted for using equity method	(2,072)	(798)
Net cash inflow from disposal of subsidiaries (Note 12)	-	49,850
Payments for property, plant and equipment	(263,518)	(159,016)
Proceeds from disposal of property, plant and equipment	915	534
(Increase) decrease in refundable deposits	(856)	(501)
Net cash generated from (used in) investing activities	<u>(283,556)</u>	<u>(207,333)</u>

(Continued)

## NUVOTON TECHNOLOGY CORPORATION

### STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars)

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	2017	2016
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash dividends	\$ (498,131)	\$ (373,598)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(852,386)	77,542
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,459,891</u>	<u>1,382,349</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 607,505</u>	<u>\$ 1,459,891</u>

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

(Concluded)

< Attachment 2 >



**勤業眾信**

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## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders  
Nuvoton Technology Corporation

### **Opinion**

We have audited the accompanying consolidated financial statements of Nuvoton Technology Corporation and its subsidiaries (the "Group"), which comprise the consolidated balance sheets as of December 31, 2017 and 2016, 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, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### **Basis for Opinion**

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

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters of the Group's consolidated financial statements for the year ended December 31, 2017 are described below:

#### Impairment of Accounts Receivable

As of December 31, 2017, the carrying amount of the Group's notes and accounts receivable was \$743,264 thousand (net of the allowance for doubtful accounts of \$16,388 thousand); please refer to Notes 5 and 8. Since determining uncollectible amount of accounts receivable is subject to management's judgement, we focused on material and slow-collecting balances of accounts receivable to evaluate the rationale of impairment loss provisioned by management. Our audit procedures in response to impairment of accounts receivable consisted of the following:

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

#### Valuation of Inventory

As of December 31, 2017, the carrying amount of the Group's inventories was \$1,634,318 thousand (net of inventory write-down of \$297,684 thousand); please refer to Notes 5 and 10. The accounting policy of provisioning impairment loss included obsolescent loss by reviewing monthly the ageing information contained net realization value of slow-moving inventory items estimated by management based on actual selling records, technology development and the physical quality of inventory. In addition, according to the requirements of IAS 2, inventory other than obsolescent items should be stated at lower of cost or net realization value, and evaluated and recognized appropriate devaluation loss. Our audit procedures in response to valuation of inventory consisted of the following:

1. Obtained and tested the ageing report of inventory, compared and analyzed the impairment loss of current year with prior year, selected samples of impairment sheet and inspected the latest selling prices with the sales ledger to assess the appropriateness of the inventory impairment provision policy of the Group.
2. Compared the year-end quantity of inventory items with the inventory count report to confirm the existence and completeness of inventory. Moreover by attending year-end inventory counting, we assessed the condition of inventory and evaluated the adequacy of inventory provision for obsolete and damaged goods.

#### **Other Matter**

We have also audited the parent company only financial statements of Nuvoton Technology Corporation as of and for the years ended December 31, 2017 and 2016 on which we have issued an unmodified opinion.

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

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

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

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

## **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 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 Ker-Chang Wu.



Deloitte & Touche  
Taipei, Taiwan  
Republic of China

January 26, 2018

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.*



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## **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, 2017 and 2016, 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, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### **Basis for Opinion**

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

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2017. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters of the Company's financial statements for the year ended December 31, 2017 are described below:

#### Impairment of Accounts Receivable

As of December 31, 2017, the carrying amount of the Company's notes and accounts receivable was \$542,941 thousand (net of allowance for doubtful accounts of \$12,285 thousand); please refer to Notes 5 and 8. Since determining uncollectible amount of accounts receivable is subject to management's judgement, we focused on material and slow-collecting balances of accounts receivable to evaluate the rationale of impairment loss provisioned by management. Our audit procedures in response to impairment of accounts receivable consisted of the following:

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

#### Valuation of Inventory

As of December 31, 2017, the carrying amount of the Company's inventory was \$1,625,931 thousand (net of inventory write-down of \$294,728 thousand); please refer to Notes 5 and 9. The accounting policy of provisioning impairment loss included obsolescent loss by reviewing monthly the ageing information contained net realization value of slow-moving inventory items estimated by management based on actual selling records, technology development and the physical quality of inventory. In addition, according to the requirements of IAS 2, inventory other than obsolescent items should be stated at lower of cost or net realization value, and evaluated and recognized appropriate devaluation loss. Our audit procedures in response to valuation of inventory consisted of the following:

1. Obtained and tested the ageing report of inventory, compared and analyzed the impairment loss of current year with prior year, selected samples of impairment sheet and inspected the latest selling prices with the sales ledger to assess the appropriateness of the inventory impairment provision policy of the Company.
2. Compared the year-end quantity of inventory items with the inventory count report to confirm the existence and completeness of inventory. Moreover by attending year-end inventory counting, we assessed the condition of inventory and evaluated the adequacy of inventory provision for obsolete and damaged goods.

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

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

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

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

### **Auditors' Responsibilities for the Audit of the Financial Statements**

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

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

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

The image shows two handwritten signatures in black ink. The signature on the left is 'Hung-Bin Yu' and the signature on the right is 'Ker-Chang Wu'. Both are written in a cursive, flowing style.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

January 26, 2018

Notice to Readers

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

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

< Attachment 3 >

## Audited Report by Audit Committee

The Board of Directors has prepared the Company's 2017 Business Report, financial statements (including consolidated financial statements) and profit distribution proposal. The Board of Directors had engaged CPA Hung-Bin Yu and CPA Kenny Hong from KPMG to audit the financial statements, who issued an audited report containing an unqualified opinion. The above business report, financial statements and profit distribution proposal have been examined by the Audit Committee and are in conformity with the requirements. We hereby report as above in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act. Please review the same.

To

2018 Annual General Meeting of Nuvoton Technology Corporation

Convener of the Audit Committee: Allen Hsu

Date: January 26, 2018

**Nuvoton Technology Corporation**  
**Shareholding of All Directors of the Fifth Term<sup>2</sup>**

April 14, 2018

Title	Name	Current shareholding (Shares)	Shareholding ratio (%)
Chairman	Winbond Electronics Corporation Representative: Arthur Yu-Cheng Chiao	126,620,087 shares	61.01%
Vice Chairman	Robert Hsu	152,328 shares	0.07%
Director	Yung Chin	0	0.00%
Director	Ken-Shew Lu	0	0.00%
Director	Chi-Lin Wea	0	0.00%
Independent Director	Royce Yu-Chun Hong	0	0.00%
Independent Director	Allen Hsu	0	0.00%
Independent Director	David Shu-Chyuan Tu	0	0.00%
Independent Director	Jerry Hsu	0	0.00%
Shareholdings of All Directors		126,772,415 shares	61.08%

- Note: (1) The Company has a total of 207,554,400 issued shares as of April 14, 2018. Shareholdings of all directors are 126,772,415 shares and is in compliance with Article 26 of the Securities and Exchange Act.
- (2) The Company has set up the Audit Committee and thus the requirement on the minimum shareholdings of all supervisors is not applicable.

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<sup>2</sup> This translation is for reference only. In the event of any discrepancy between the Chinese version and this translation, the Chinese version shall prevail.

**Nuvoton Technology Corporation (the "Company")  
Comparison Table of Amendments to the Articles of Incorporation<sup>3</sup>**

Article After Amendment	Article Before Amendment	Note
<p>Article 24-1</p> <p>The Board of Directors is authorized to determine the "employees of subsidiaries of the Company meeting certain criteria" above or the Board of Directors may authorize the Chairman of the Board of Directors to ratify the "employees of subsidiaries of the Company meeting certain criteria" set forth above.</p>	<p>Article 24-1</p> <p>The Board of Directors is authorized to determine the "employees of subsidiaries of the Company meeting certain criteria" above or the Board of Directors may authorize the Chairman of the Board of Directors to ratify the "employees of subsidiaries of the Company meeting certain criteria" set forth above.</p> <p><del>Before establishment of the audit committee, the remuneration of directors and supervisors shall be handled in accordance with the distribution percentage ceiling of remuneration of directors provided in Paragraph 1.</del></p>	<p>Amended based on practical needs.</p>
<p>Article 26</p> <p>The Company's dividend distribution policy is made in accordance with the Company Act and the Articles of Incorporation in consideration of factors including capital and financial structure, operating status, retained earnings, industry characteristics and economic cycle. The dividends shall be distributed in a steady manner. Distributable earnings may be retained undistributed or distributed in cash dividend or the combination of stock dividend and cash dividend, so as to maintain sustainable</p>	<p>Article 26</p> <p>The Company's dividend distribution policy is made in accordance with the Company Act and the Articles of Incorporation in consideration of factors including capital and financial structure, operating status, retained earnings, industry characteristics and economic cycle. The dividends shall be distributed in a steady manner. Distributable earnings may be retained undistributed or distributed in cash dividend or the combination of stock dividend and cash dividend, so as to maintain sustainable</p>	<p>Amended based on practical needs.</p>

<sup>3</sup> This translation is for reference only. In the event of any discrepancy between the Chinese version and this translation, the Chinese version shall prevail.

Article After Amendment	Article Before Amendment	Note
<p>management and development. With respect to distribution of dividends, in consideration of future operating scale and cash flow requirements, no less than 50% of the <u>remaining amount of the net profit after tax of the current year, after covering the accumulative losses and setting aside the legal reserve and the special reserve,</u> shall be distributed to shareholders as dividends. The conditions, timing, amounts and types of retained earnings and distribution of dividends may be adjusted on proper occasions based on the needs to deal with changes in economic and industrial trends and in view of the Company's future development needs and profitability.</p>	<p>management and development. With respect to distribution of dividends, in consideration of future operating scale and cash flow requirements, no less than 50% of the <del>distributable retained earnings of the current year</del> shall be distributed to shareholders as dividends. The conditions, timing, amounts and types of retained earnings and distribution of dividends may be adjusted on proper occasions based on the needs to deal with changes in economic and industrial trends and in view of the Company's future development needs and profitability.</p>	
<p>Article 29  These Articles of Incorporation were enacted on March 14, 2008.  The first amendment was made on September 1, 2008.  The second amendment was made on November 17, 2009.  The third amendment was made on June 10, 2011.  The fourth amendment was made on June 5, 2012.  The fifth amendment was made on June 10, 2015.  The sixth amendment was made on June 15, 2016.  The seventh amendment was made on June 12, 2018.</p>	<p>Article 29  These Articles of Incorporation were enacted on March 14, 2008.  The first amendment was made on September 1, 2008.  The second amendment was made on November 17, 2009.  The third amendment was made on June 10, 2011.  The fourth amendment was made on June 5, 2012.  The fifth amendment was made on June 10, 2015.  The sixth amendment was made on June 15, 2016.</p>	<p>Date of this amendment was added.</p>

**NUVOTON TECHNOLOGY CORPORATION  
COMPARISON TABLE FOR THE AMENDMENT TO THE  
PROCEDURES FOR ENGAGING IN FINANCIAL DERIVATIVES  
TRANSACTIONS**

Articles After Amendment	Article Before Amendment	Note
<p>Article 2: Strategy of Operation <u>or</u> Hedge In principle, to engage in financial derivatives transactions should be for hedging the risk <u>resulting from the operation of the Company.</u></p>	<p>Article 2: Strategy of Operation <u>and</u> Hedge The main <del>economic substantial</del> purpose to engage in financial derivatives transactions should be for hedging purposes. <del>The Company should choose the derivatives transaction, which may hedge the risk resulting from the operation of the Company. To avoid the risk of default, credit risk should be considered when choosing counter party. The goal is to choose among the financial institutions with higher credit rating and having a solid working relation with the Company and capable of providing professional knowledge to the Company. Before engaging in exchange rate and interest rate transactions, the Company should clearly classify whether such transaction complies with the condition of hedging accounting and hedging relations in advance for booking and evaluating purposes.</del></p>	<p>To simplify the article</p>
<p>Article 3: Separation of Powers and Obligations 1. Finance Division: a. (deleted)</p>	<p>Article 3: Separation of Powers and Obligations 1. The Finance Division: a. <del>Financial Risk Management Subdivision: This Subdivision consists of the trading officers under the Finance Division, department managers, the chief of the Finance Division and the center chief. The Finance Division is the pivot of the financial risks management system and shall conduct all matters with regard to gathering financial market information,</del></p>	<p>1. To amend the article according to the actual practice. 2. To modify the numeral order of the article.</p>

<p>a. The Finance Division shall have officers of <u>trading, telephone confirmation and settlement for financial derivatives. The trading officer should be responsible for trading financial derivatives; the telephone confirmation officer should be responsible for transaction confirmation with banks by telephone; and the settlement personnel are responsible for arranging the settlement matters pursuant to the transaction agreement.</u></p> <p>b. <u>The respective functions of trading, confirmation and settlement shall be performed by different officers.</u></p> <p>c. Setting up risk-assessment, risk-supervision, and risk-control personnel <u>who should belong to a different department from the above personnel,</u> and report to the higher level chiefs who are not involved with in trading or its relevant position policy implementation.</p> <p>2. Accounting Division: This division should be responsible for the written confirmation of derivatives.</p>	<p><del>trend analysis, familiarization with financial instruments, rules and regulations and transaction method and should also provide sufficient and in-time information to the management level, and related departments for their reference. In addition, the Finance Division shall be under the supervision and management of the center chief and shall take financial risk measures based on the Company's policies.</del></p> <p>b. The Finance Division shall have <del>one oral</del> confirmation officer and <del>one</del> settlement officer <del>based on its needs.</del> The confirmation officer should be responsible for transaction confirmation with banks by telephone. <u>The settlement officer should be responsible for the key in of the front end debt system and arranging the settlement matters based on the transaction confirmation upon the expiration date of the transaction agreement.</u></p> <p>c. <del>Non-trading officers in Finance Division should be responsible for risk-assessment, risk-supervision, and risk-control and auditing of the remaining balance and report to the higher level chiefs who are not involved with trading or its relevant position policy implementation.</del></p> <p>2. Accounting Division: This division should be responsible for the <del>back-end bookkeeping and</del> written confirmation of derivatives.</p>	
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(deleted)	<p><del>Article 4: Type of Hedging Relations</del>  <del>Based on the definition of the terms provided in relevant laws and regulations promulgated or published by the Financial Supervisory Commission and the Accounting Research and Development Foundation, the types of hedging relation should be divided into:</del></p> <ol style="list-style-type: none"> <li><del>1. Hedging Risk to Fair Value: means a hedge of the exposure to changes in fair value of the recognized assets, liabilities, previously unrecognized firm commitments or a hedge of the exposure to changes in fair value of the identified portion of the abovementioned assets, liabilities or firm commitment, that is attributable to a specific risk and could affect profit and loss</del></li> <li><del>2. Hedging Risk to Cash Flow: means a hedge of the exposure to variability in cash flows that (i) is attributable to the recognized assets or liabilities (such as all or some future interest payments on variable rate debts) or a specific risk associated with a highly probable forecast transaction and (ii) could affect profit or loss.</del></li> <li><del>3. The hedges that are defined as net investment in a foreign operation by International Financial Reporting Standards (IFRSs).</del></li> </ol>	To delete Article 4.
<p><u>Article 4: Trading Limit</u>  The total amount of contracts for derivative transactions engaged by the Company <u>which are not offset</u> should not exceed <u>50%</u> of the shareholders' equity.</p> <p><u>Article 5: Set Stop Loss Limit</u></p> <ol style="list-style-type: none"> <li>1. The maximum amount of unrealized losses for all contracts of derivatives transaction in which the Company engages in should be the lesser of the amount of <u>20%</u> of the total amount of contracts or <u>3%</u> of the</li> </ol>	<p><del>Article 5: The Upper Limits of the Amount of Total Contracts and of Losses in All Contracts or One Single Contract</del></p> <ol style="list-style-type: none"> <li>1. The maximum amount of unrealized losses for all contracts of derivatives transaction in which the Company engages in should be the lesser of the amount of <del>30%</del> of the total amount of contracts or <del>3%</del> of the</li> </ol>	<ol style="list-style-type: none"> <li>1. The ceiling of the transaction amount is revised from 70% to 50%.</li> <li>2. The maximum amount of the unrealized losses in all contracts in the transactions is</li> </ol>

<p>shareholders' equity.</p> <p>2. <u>The maximum amount of the unrealized losses in one single contract of financial derivatives transactions which the Company engages in shall be 20% of the transaction amount.</u></p> <p>3. <u>If unrealized losses on all contracts or one single contract in the financial derivatives transactions engaged by the Company reach the foregoing ceiling, the Company should announce the material information in accordance with the relevant regulations and report to the Board of Directors after the announcement.</u></p>	<p>shareholders' equity.</p> <p>2. The <del>unrealized</del> amount of all contracts in the financial derivatives transactions engaged by the Company shall not exceed <del>70%</del> of the shareholder' equity.</p> <p>3. <del>Ceilings of losses in one single contract of exchange rate and interest rate transaction</del> It shall be reported to the responsible chief, by written (or through e-mail) and oral communication, the purpose of the transaction, the existing risk and the model of possible gains (losses) in connection with this transaction before engaging in the transaction. It should be confirmed that the responsible chief completely understands the risk of this transaction before giving his/her authorization. Whenever the losses of each transaction reach 5% of the transaction amount, it should be reported to the center chief for his/her approval of the settlement of the position. Whenever the losses of each transaction exceed 5% of the transaction amount, it should be reported to the Chairman for his approval of the settlement of the position. The maximum of losses should be 10% of the transaction amount. If the losses reach the said amount, the Company should announce the material information in accordance with the relevant regulations and report to the Boards of Directors after the announcement. However, the total amount of the valuing losses recognized for financial assets, in accordance with fair value, shall not exceed USD1,000,000 every week. If it exceeds the said amount, the position should be settled immediately,</p>	<p>revised to from 30% to 20% of the total amount of the contracts.</p> <p>3.The maximum amount of the losses on one single contract in the financial derivatives transactions conducted by the Company is revised to 20%.</p> <p>4.The reporting procedures are added.</p> <p>5.To modify the numeral order of the article.</p>
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~~unless prior approval from the Chairman was obtained, in order to efficiently control the risks.~~

~~4. The maximum amount of acceptable losses for each contract of securities transaction It shall be reported to the responsible chief, by written (or through e-mail) and oral communication, the purpose of the transaction, the existing risk and the model of possible remuneration (loss) in connection with this transaction before its undertaking. It should be confirmed that the responsible chief completely understands the risk of this transaction before giving his authorization.~~

~~(1) If the evaluation loss of at least 90% of the principal guaranteed products upon maturity reaches USD300,000, it should be reported to the Chairman.~~

~~(2) Except for the said principal guaranteed product, the maximum acceptable loss of each transaction should be 10% of the transaction amount. Upon reaching the said amount, the position should be settled unless prior approval from the chief of the Finance Center was obtained. However, the total amount of the valuing loss recognized for financial assets, in accordance with the fair value, for each week (except for the principal guaranteed products of which at least 90% of the principal is guaranteed) may not exceed USD 1,000,000. If it exceeds the said amount, in order to effectively control the risk, the position should be settled unless prior approval from the Chairman was obtained.~~

~~5. The maximum of the total transaction~~

	<p>amount in foreign exchange forward transactions are as follows:</p> <p>(1) <del>For the substantial economic purpose of hedging the foreign exchange risks associated with raw material imports: the total transaction amount shall not exceed the foreign exchange position for the import volume for the upcoming six months.</del></p> <p>(2) <del>For the substantial economic purpose of hedging the foreign exchange risks associated with payments for exports: the total transaction amount shall not exceed the foreign exchange position received from exports.</del></p> <p>(3) <del>For the substantial economic purpose of hedging the foreign exchange risks associated with the acquisition of project equipment: the total transaction amount shall not exceed the foreign exchange position for the purchase of the fixed assets for the upcoming year.</del></p>	
<p><u>Article 6 Performance Assessment</u>  <u>The performance evaluation shall be based on the evaluation of hedging effect on the financial derivatives transactions engaged by the Company.</u></p>	<p>To modify the order of the article.</p>	<p>To move the current Article 18 of Chapter VII to become the amended Article 6.</p>
<p><b>Chapter II Operating Procedures</b>  Article 7: Authorized Amount and Level of Transactions  (deleted)</p>	<p><b>Chapter II Operating Procedures</b>  Article 6: Authorized Amount and Level of Transactions</p> <p><del>1. The authorized amount of transaction is made based on the growth of the sales revenue and the change of risk position. It should be submitted to the shareholders' meeting for its approval after its ratification by the board and amendment thereof should also be submitted to the shareholders'</del></p>	<p>1. It is revised according to the practical operation.  2. In Paragraph 2, the amount in an individual transaction is deleted and</p>

<p>1. The authorized amount and level of hedging foreign exchange forward transactions are as follows:</p>			<p><del>meeting for its approval as well, after its ratification by the board.</del></p> <p>2. The authorized amount and level of hedging foreign exchange forward transactions are as follows:</p>				<p>the authorization level is revised.</p> <p>3. The numeral order of the article is adjusted.</p>
Unit: USD	Total Amount Per Day	Aggregate Net Position		Individual Transaction	Total Amount Per Day	Aggregate Net Position	
<u>Approver who is one level higher than Center Chief</u>	USD 20,000,000 or more	USD 30,000,000 or more	<del>President</del>	<del>USD 10,000,000 or more</del>	USD 20,000,000 or more	USD 30,000,000 or more	
Center Chief	USD 20,000,000 (inclusive)	USD 30,000,000 (inclusive)	Center Chief	<del>USD 10,000,000 (inclusive)</del>	USD 20,000,000 (inclusive)	USD 30,000,000 (inclusive)	
Chief of Finance Division	USD 10,000,000 (inclusive)	USD 15,000,000 (inclusive)	Chief of Finance Division	<del>USD 5,000,000 (inclusive)</del>	USD 10,000,000 (inclusive)	USD 15,000,000 (inclusive)	
Manager of Finance Department	USD 2,000,000 (inclusive)	USD 3,000,000 (inclusive)	Manager of Finance Department	<del>USD 1,000,000 (inclusive)</del>	USD 2,000,000 (inclusive)	USD 3,000,000 (inclusive)	
<p>(deleted)</p> <p>2. Except for the hedging foreign exchange forward transactions, other products, such as financial transactions, option transactions and composite products shall be reported to the Chairman for approval prior to the execution thereof.</p> <p>(deleted)</p> <p>3. Except that the hedging derivatives transactions shall be conducted according</p>			<p><del>3. If the total amount of aggregated net position for the hedging foreign exchange forward transactions reaches USD 60,000,000, such transaction should be reported to the Chairman after its completion.</del></p> <p>4. Except for the hedging foreign exchange forward transactions, other products, such as financial transactions, option transactions and composite products shall be reported to the Chairman for approval prior to the execution thereof.</p> <p><del>5. Corresponding banks may be notified of the authorization threshold if the Company deems it necessary for the purpose of supervision and management. If there is any change in the authorization threshold, the above provision will be applied as well.</del></p> <p>Article 6-1: Except that the hedging foreign exchange forward transactions shall be</p>				

<p>to <u>the foregoing two paragraphs</u>, any major derivatives transactions to be executed by the Company shall be approved by one-half or more of the total members of the Audit Committee and be submitted to the Board of Directors meeting for resolution.</p> <p>Such transactions, without being approved by one-half or more of the total members of the audit committee, may be conducted with the consent of two-thirds of the total directors, and the resolution of the audit committee shall be recorded in the board meeting minutes. The total members of the audit committee and total directors as referred to in this paragraph shall be the actual incumbent members or directors.</p>	<p>conducted according to the provisions of <del>Article 6</del>, any major derivatives transactions to be engaged by the Company shall be approved by one-half or more of the total members of the Audit Committee and be submitted to the Board of Directors meeting for resolution.</p> <p>Such transactions, without being approved by one-half or more of the total members of the audit committee, may be conducted with the consent of two-thirds of the total directors, and the resolution of the audit committee shall be recorded in the board meeting minutes. The total members of the audit committee and total directors as referred to in this paragraph shall be the actual incumbent members or directors.</p>	
(Deleted)	<p><del>Article 7: The Decision of Transaction Amount and Reference Basis</del></p> <p><del>The trading officer should confirm if the transaction price is reasonable through an on line price reporting system (i.e., Reuters) before executing the transaction.</del></p>	Article 7 is deleted.
(Deleted)	<p><del>Article 8: Execution of Transaction</del></p> <p><del>1. Execution units: In consideration of special characters of derivatives transactions with rapid change, huge amount and complicated calculation, the transaction of derivatives and their management shall be handled by highly capable professionals. Therefore, all derivatives transactions should be executed by the relevant authorized officers of the Finance Division.</del></p> <p><del>2. Execution of Contracts: The Board of Directors authorizes the Chairman to sign the relevant transaction contracts with financial institutions in connection with derivatives transactions.</del></p> <p><del>3. Execution Procedures: The Company should strictly obey the Procedures Chart I as</del></p>	Article 8 is deleted.

	attached.	
<p><b>Chapter III Procedures of Public Announcement and Report</b></p> <p>Article 8: The Company should make announcements and reports in accordance with the "Procedures for Handling Acquisition or Disposal of Properties" of the Company.</p>	<p><b>Chapter III Procedures of Public Announcement and Report</b></p> <p>Article 9: The Company should make announcements and reports in accordance with the "Procedures for Handling Acquisition or Disposal of Properties" of the Company.</p>	The numerical order of the article is amended.
<p><b>Chapter IV Accounting Method</b></p> <p>Article 9: The financial derivatives transactions shall be conducted in accordance with <u>the generally accepted accounting principles (GAAP) and</u> relevant laws and regulations.</p>	<p><b>Chapter IV Accounting Method</b></p> <p>Article 10: The financial derivatives transactions shall be conducted in accordance with relevant laws and regulations <del>promulgated or published by the Financial Supervisory Commission and the Accounting Research and Development Foundation, and the book-keeping shall be based on the opinion of the Company's CPA.</del></p>	To amend the wording..
<p><b>Chapter V Internal Control System</b></p> <p>Article 10: Risk Management</p> <p>1. Credit risk: When the Company chooses the counterparty of the transaction, the counterparty chosen shall be limited to financial institutions with lower credit risks in order to avoid the risk of breach of contract by the counterparty.</p> <p>(Deleted)</p> <p>2. Market risk: <u>In relation to derivative products, the risks of changes in market prices arising from the changes in interest</u></p>	<p><b>Chapter V Internal Control System</b></p> <p>Article 11: Risk Management</p> <p>1. <del>In consideration of</del> credit risk: When the Company chooses the counterparty of the transaction, the counterparty chosen shall be limited to financial institutions with lower credit risks in order to avoid the risk of breach of contract by the counterparty.</p> <p>2. <del>In consideration of maintaining a good relationship with banks: Among the financial institutions with lower credit risk, the counterparty should have a good working relationship with, the Company, as well as being able to provide professional information.</del></p> <p>3. <del>In consideration of</del> market risk: <del>The transaction should be mainly conducted through the OTC market.</del></p>	<p>1. Adjusted according to the practical operation.</p> <p>2. The numeral orders of the article and paragraphs are adjusted.</p>

<p><u>rates and foreign exchange rates or other factors.</u></p> <p>3. Liquidity risk: To ensure the market liquidity, the trading <u>counterparty</u> shall be equipped with adequate facilities, information, capital and the ability to trade in any major international market.</p> <p>4. Operating risk: The Company shall ensure the full compliance the authorized trading amount and the rules of operating process in order to avoid the operating risk.</p> <p>5. Legal risk: The documents that the Company executes with the <u>counterparties</u> shall be reviewed by internal legal personnel or professional lawyers before the formal execution in order to avoid the legal risk.</p> <p>(Deleted)</p> <p>6. Cash <u>flow</u> risk: The authorized transaction officer should monitor the cash flow of the Company, in order to make sure that there is sufficient <u>cash</u>.</p>	<p>4. <del>In consideration of</del> liquidity risk: To ensure the market liquidity, the trading <u>financial institutions</u> shall be equipped with adequate facilities, information, capital and the ability to trade in any major international market.</p> <p>5. <del>In consideration of</del> operating risk: The Company shall ensure the full compliance the authorized trading amount and the rules of operating process in order to avoid the operating risk.</p> <p>6. <del>In consideration of</del> legal risk: The documents that the Company executes with the <del>banks</del> shall be reviewed by internal legal personnel or professional lawyers before the formal execution in order to avoid the legal risk.</p> <p>7. <del>In consideration of products risk: The internal transaction officers and counterparty should have sufficient and correct professional knowledge of derivatives transactions and should request financial institutions to fully disclose risks to avoid any possible loss resulting from derivatives transactions.</del></p> <p>8. <del>In consideration of cash settlement</del> risk: The authorized transaction officer, <del>in addition to obeying the rules in each chart about the authorized trading amount,</del> should monitor the cash flow of the Company at <del>ordinary periods</del> in order to make sure that there is sufficient cash <del>to pay at the settlement. In addition, he/she should also monitor the credit conditions of the counterparty.</del></p>	
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<p>Article <u>11</u>: Internal Control</p> <p>1. Trading officials shall obtain both the oral and written (or through email) authorization of their supervisors before any transaction. If only oral consent is obtained from the supervisor prior to a transaction, a written or email authorization shall be obtained in the next working day at the latest.</p> <p>2. After each transaction is completed, trading officer shall fill out the transaction record in the next working day at the latest and attach thereto the paper-backed written or email authorization. When the transaction record is approved, it is delivered to the written confirmation officer, who examines the confirmation sent from the bank and the transaction record made by the Company and then affixes a seal to the confirmation if the confirmation is correct. A receipt is mailed back to the bank, and the other receipt is retained at the Accounting Division.</p> <p>3. The contents of transaction records should specifically state, including but not limited to, the transaction date, counterparty, number, currency, amount, price, mature date, settlement date, approved authorization, the stop-loss limit, the limitation of the total transaction amount, the conditions of the current position and other items meeting the characteristic of each product. The transaction records are prepared to</p>	<p>Article <u>12</u>: Internal Control</p> <p>1. Trading officials shall obtain both the oral and written (or through email) authorization of their supervisors before any transaction. If only oral consent is obtained from the supervisor prior to a transaction, a written or email authorization shall be obtained in the next working day at the latest.</p> <p><del>2. The respective functions of confirmation/settlement and trading shall be performed by different officers.</del></p> <p>3. After each transaction is completed, trading officer shall fill out the transaction record in the next working day at the latest and attach thereto the paper-backed written or email authorization. When the transaction record is approved, it is delivered to the written confirmation officer, who examines the confirmation sent from the bank and the transaction record made by the Company and then affixes a seal to the confirmation if the confirmation is correct. A receipt is mailed back to the bank, and the other receipt is retained at the Accounting Division.</p> <p>4. The contents of transaction records should specifically state, including but not limited to, the transaction date, counterparty, number, currency, amount, price, mature date, settlement date, approved authorization, the stop-loss limit, the limitation of the total transaction amount, the conditions of the current position and other items meeting the characteristic of each product. The transaction records are prepared to correspond with the</p>	<p>1. The current Paragraph 2 of Article 12 is moved to become Subparagraph 2 of Paragraph 1 of Article 3.</p> <p>2. The numerals of the article/paragraphs are adjusted.</p>
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<p>correspond with the characteristic of the transaction.</p> <p>4. The written confirmation officer shall maintain the account book and issue written verification regularly with the corresponding bank. They shall also assist the non-trading department of the Finance Division to conduct its auditing.</p> <p>5. The trading officer should examine whether the total transaction amount exceeds the authorized amount on a regular basis and whenever there is any change to the transactions, should produce lists or charts to the chiefs responsible based on the authorized standard for their review.</p>	<p>characteristic of the transaction.</p> <p>5. The written confirmation officer shall maintain the account book and issue written verification regularly with the corresponding bank. They shall also assist the non-trading department of the Finance Division to conduct its auditing.</p> <p>6. The trading officer should examine whether the total transaction amount exceeds the authorized amount on a regular basis and whenever there is any change to the transactions, should produce lists or charts to the chiefs responsible based on the authorized standard for their review.</p>	
<p>Article <u>12</u>: Periodical Evaluation</p> <p>The center chief should supervise the financial department to mark derivatives to market on a weekly basis. However, evaluation on the hedging transactions <u>arising out of hedging business operating risks</u> shall be taken at least twice a month and spreadsheet of such evaluation is required and submitted to the center chief and high-level managers authorized by the Board of Directors.</p>	<p>Article <u>13</u>: Periodical Evaluation</p> <p>The center chief should supervise the financial department to mark derivatives to market on a weekly basis. However, evaluation on the hedging transactions <del>which are of economic substance pursuant to business needs</del> shall be taken at least twice a month and spreadsheets of such evaluation are required and submitted to the center chief and high-level managers authorized by the Board of Directors.</p>	<p>1. To adjust the wording.</p> <p>2. The numeral order of the article is adjusted.</p>
<p>Article 13: The Company, when engaging in derivatives transactions, shall establish a log book in which details of the types and amounts of derivatives trading engaged in, Board of Directors approval dates, and periodical evaluation reports shall be recorded in detail for future reference.</p>	<p>Article 14: The Company, when engaging in derivatives transactions, shall establish a log book in which details of the types and amounts of derivatives trading engaged in, Board of Directors approval dates, and periodical evaluation reports shall be recorded in detail for future reference.</p>	<p>The numeral order of the article is adjusted.</p>

<p style="text-align: center;"><b>Chapter VI Supervision and Management of the Board of Directors</b></p> <p>Article <u>14</u>: When the Company engages in derivatives transactions, its Board of Directors shall faithfully supervise and manage such transactions in accordance with the following principles:</p> <ol style="list-style-type: none"> <li>1. Designate senior management personnel to pay continuous attention to monitoring and controlling derivatives trading risk.</li> <li>2. Periodically evaluate whether derivatives trading performance is consistent with established operational strategy and whether the risk undertaken is within the company's permitted scope of tolerance.</li> </ol>	<p style="text-align: center;"><b>Chapter VI Supervision and Management of the Board of Directors</b></p> <p>Article <u>15</u>: When the Company engages in derivatives transactions, its Board of Directors shall faithfully supervise and manage such transactions in accordance with the following principles:</p> <ol style="list-style-type: none"> <li>1. Designate senior management personnel to pay continuous attention to monitoring and controlling derivatives trading risk.</li> <li>2. Periodically evaluate whether derivatives trading performance is consistent with established operational strategy and whether the risk undertaken is within the company's permitted scope of tolerance.</li> </ol>	<p>The numeral order of the article is adjusted.</p>
<p>Article <u>15</u>: Senior management personnel authorized by the Board of Directors shall manage derivatives trading in accordance with the following principles:</p> <ol style="list-style-type: none"> <li>1. Periodically evaluate the risk management measures currently employed are appropriate and are faithfully conducted in accordance with relevant laws and regulations and these Procedures.</li> <li>2. When irregular circumstances are found in the course of supervision of trading and profit-loss circumstances, appropriate measures shall be adopted and a report immediately made to the Board of Directors; where the Company has independent directors, an independent director shall be present at the meeting and express an opinion.</li> </ol>	<p>Article <u>16</u>: Senior management personnel authorized by the Board of Directors shall manage derivatives trading in accordance with the following principles:</p> <ol style="list-style-type: none"> <li>1. Periodically evaluate the risk management measures currently employed are appropriate and are faithfully conducted in accordance with relevant laws and regulations and these Procedures.</li> <li>2. When irregular circumstances are found in the course of supervision of trading and profit-loss circumstances, appropriate measures shall be adopted and a report immediately made to the Board of Directors; where the Company has independent directors, an independent director shall be present at the meeting and express an opinion.</li> </ol>	<p>The numeral order of the article is adjusted.</p>

<p>Article <u>16</u>: The Company shall report to the nearest meeting of the Board of Directors after it authorizes the relevant personnel to handle derivatives trading in accordance with these Procedures.</p>	<p>Article <del>17</del>: The Company shall report to the nearest meeting of the Board of Directors after it authorizes the relevant personnel to handle derivatives trading in accordance with these Procedures.</p>	<p>The numeral order of the article is adjusted.</p>
	<p><b><del>Chapter VII Performance Assessment</del></b>  Article <del>18</del>: The <del>trading officer's</del> performance should be evaluated based on the calculation of profit or loss resulting from derivatives transactions and analysis of future potential risks <del>and reported to the center chief each month.</del></p>	<p>The current article is moved to become the amended Article 6.</p>
<p><b>Chapter <u>VII</u> Internal Audit</b>  Article <u>17</u>: The internal auditor should periodically check whether the internal control is proper or not. In addition, the internal auditor shall examine each month whether the trading department complies with the Procedures or not and make an audit report. Once Upon finding any material violation, the internal auditor shall give written notice to the audit committee.</p>	<p><b><del>Chapter VIII Internal Audit</del></b>  Article <u>19</u>: The internal auditor should periodically check whether the internal control is proper or not. In addition, the internal auditor shall examine each month whether the trading department complies with the Procedures or not and make an audit report. Once Upon finding any material violation, the internal auditor shall give written notice to the audit committee.</p>	<p>The numeral order of the article is adjusted.</p>
<p><b>Chapter <u>VIII</u> Penalty</b>  Article <u>18</u>: It is handled in accordance with the "Procedures of for Handling Acquisition or Disposal of Properties" of the Company.</p>	<p><b><del>Chapter IX Penalty</del></b>  Article <u>20</u>: It is handled in accordance with the "Procedures of for Handling Acquisition or Disposal of Properties" of the Company.</p>	<p>The numeral order of the article is adjusted.</p>

<p><b>IV. PROMULGATION AND AMENDMENT</b></p> <p>These Procedures were formulated on July 14, 2008.</p> <p>The first amendment was made on December 19, 2008.</p> <p>The second amendment was made on September 22, 2009.</p> <p>The third amendment was made on June 14, 2013.</p> <p>The fourth amendment was made on June 12, 2014.</p> <p>The fifth amendment was made on June 15, 2016.</p> <p><u>The sixth amendment was made on June 12, 2018.</u></p>	<p><b>IV. PROMULGATION AND AMENDMENT</b></p> <p>These Procedures were formulated on July 14, 2008.</p> <p>The first amendment was made on December 19, 2008.</p> <p>The second amendment was made on September 22, 2009.</p> <p>The third amendment was made on June 14, 2013.</p> <p>The fourth amendment was made on June 12, 2014.</p> <p>The fifth amendment was made on June 15, 2016.</p>	<p>The date of this amendment is added.</p>
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<English Translation>

**Nuvoton Technology Corporation**

**Procedures for Engaging in Financial Derivatives Transactions (After Amendment)**

**I. PURPOSES**

In accordance with the "Procedures for Handling Acquisition or Disposal of Assets" of the Company, the Company enacts these Procedures for Engaging in Financial Derivatives Transactions (the "Procedures") in order to execute derivative transactions.

**II. OBJECTIVES**

To efficiently manage the income and expenses, assets and liabilities of the Company and to reduce the financial risks resulting from the volatility of the price of financial products (such as, exchange rate and interest rate) and to enhance the competitiveness of the Company and to manage each derivatives transaction, the Company enacts the Procedures to be followed when engaging in derivatives transactions.

**III. CONTENTS**

**Chapter I Principles and Directions of Transactions**

Article 1: Scope of Derivatives

The financial derivatives that the Company may engage in refers to forward contracts, option contracts, future contracts, leverage contracts, swap contracts and compound contracts combining the above products, whose value is derived from the underlying assets, interest rates, exchange rates, indices or other interests. The term "forward contracts" does not include insurance contracts, performance contracts, after-sale service contracts, long-term leasing contracts or long-term purchase/sales contracts

Article 2: Strategy of Operation or Hedge

In principle, to engage in financial derivatives transactions should be for hedging the risk resulting from the operation of the Company.

Article 3: Separation of Powers and Obligations

1. Finance Division:

a. The Finance Division shall have officers of trading, telephone confirmation and settlement for financial derivatives. The trading officer should be responsible for trading financial derivatives; the telephone confirmation officer should be responsible for transaction confirmation with banks by telephone; and the settlement personnel are

responsible for arranging the settlement matters pursuant to the transaction agreement.

b. The respective functions of trading, confirmation and settlement shall be performed by different officers.

c. Setting up risk-assessment, risk-supervision, and risk-control personnel who should belong to a different department from the above personnel, and report to the higher level chiefs who are not involved with in trading or its relevant position policy implementation.

2. Accounting Division: This division should be responsible for the written confirmation of derivatives.

#### Article 4: Trading Limit

The total amount of contracts for derivative transactions engaged by the Company which are not offset should not exceed 50% of the shareholders' equity.

#### Article 5: Set Stop Loss Limit

1. The maximum amount of unrealized losses for all contracts of derivatives transaction in which the Company engages in should be the lesser of the amount of 20% of the total amount of contracts or 3% of the shareholders' equity.

2. The maximum amount of the unrealized losses in one single contract of financial derivatives transactions which the Company engages in shall be 20% of the transaction amount.

3. If unrealized losses on all contracts or one single contract in the financial derivatives transactions engaged by the Company reach the foregoing ceiling, the Company should announce the material information in accordance with the relevant regulations and report to the Board of Directors after the announcement.

#### Article 6 Performance Assessment

The performance evaluation shall be based on the evaluation of hedging effect on the financial derivatives transactions engaged by the Company.

## **Chapter II Operating Procedures**

#### Article 7: Authorized Amount and Level of Transactions

1. The authorized amount and level of hedging foreign exchange forward transactions are as follows:

Unit: USD	Total Amount P er Day	Aggregate Net Position
<u>Approver who is one level higher than Center Chief</u>	USD20,000,000 or more	USD30,000,000 or more
Center Chief	USD20,000,000 (inclusive)	USD30,000,000
Chief of Finance Division	USD10,000,000 (inclusive)	USD15,000,000 (inclusive)
Manager of Finance Department	USD2,000,000 (inclusive)	USD3,000,000 (inclusive)

2. Except for the hedging foreign exchange forward transactions, other products, such as financial transactions, option transactions and composite products shall be reported to the Chairman for approval prior to the execution thereof.
3. Except that the hedging derivatives transactions shall be conducted according to the foregoing two paragraphs, any major derivatives transactions to be executed by the Company shall be approved by one-half or more of the total members of the Audit Committee and be submitted to the Board of Directors meeting for resolution. Such transactions, without being approved by one-half or more of the total members of the audit committee, may be conducted with the consent of two-thirds of the total directors, and the resolution of the audit committee shall be recorded in the board meeting minutes. The total members of the audit committee and total directors as referred to in this paragraph shall be the actual incumbent members or directors.

### **Chapter III Procedures of Public Announcement and Report**

Article 8: The Company should make announcements and reports in accordance with the "Procedures for Handling Acquisition or Disposal of Properties" of the Company.

### **Chapter IV Accounting Method**

Article 9: The financial derivatives transactions shall be conducted in accordance with the generally accepted accounting principles (GAAP) and relevant laws and regulations.

## Chapter V Internal Control System

### Article 10: Risk Management

1. Credit risk: When the Company chooses the counterparty of the transaction, the counterparty chosen shall be limited to financial institutions with lower credit risks in order to avoid the risk of breach of contract by the counterparty.
2. Market risk: In relation to derivative products, the risks of changes in market prices arising from the changes in interest rates and foreign exchange rates or other factors.
3. Liquidity risk: To ensure the market liquidity, the trading counterparty shall be equipped with adequate facilities, information, capital and the ability to trade in any major international market.
4. Operating risk: The Company shall ensure the full compliance the authorized trading amount and the rules of operating process in order to avoid the operating risk.
5. Legal risk: The documents that the Company executes with the counterparties shall be reviewed by internal legal personnel or professional lawyers before the formal execution in order to avoid the legal risk.
6. Cash flow risk: The authorized transaction officer should monitor the cash flow of the Company, in order to make sure that there is sufficient cash.

### Article 11: Internal Control

1. Trading officials shall obtain both the oral and written (or through email) authorization of their supervisors before any transaction. If only oral consent is obtained from the supervisor prior to a transaction, a written or email authorization shall be obtained in the next working day at the latest.
2. After each transaction is completed, trading officer shall fill out the transaction record in the next working day at the latest and attach thereto the paper-backed written or email authorization. When the transaction record is approved, it is delivered to the written confirmation officer, who examines the confirmation sent from the bank and the transaction record made by the Company and then affixes a seal to the confirmation if the confirmation is correct. A receipt is mailed back to the bank, and the other receipt is retained at the Accounting Division.
3. The contents of transaction records should specifically state, including but not limited to, the transaction date, counterparty, number, currency, amount, price, mature date, settlement date, approved authorization, the stop-loss limit, the limitation of the total transaction amount, the conditions of the

current position and other items meeting the characteristic of each product. The transaction records are prepared to correspond with the characteristic of the transaction.

4. The written confirmation officer shall maintain the account book and issue written verification regularly with the corresponding bank. They shall also assist the non-trading department of the Finance Division to conduct its auditing.
5. The trading officer should examine whether the total transaction amount exceeds the authorized amount on a regular basis and whenever there is any change to the transactions, should produce lists or charts to the chiefs responsible based on the authorized standard for their review.

Article 12: Periodical Evaluation

The center chief should supervise the financial department to mark derivatives to market on a weekly basis. However, evaluation on the hedging transactions arising out of hedging business operating risks shall be taken at least twice a month and spreadsheet of such evaluation is required and submitted to the center chief and high-level managers authorized by the Board of Directors.

Article 13: The Company, when engaging in derivatives transactions, shall establish a log book in which details of the types and amounts of derivatives trading engaged in, Board of Directors approval dates, and periodical evaluation reports shall be recorded in detail for future reference.

**Chapter VI      Supervision and Management of the Board of Directors**

Article 14: When the Company engages in derivatives transactions, its Board of Directors shall faithfully supervise and manage such transactions in accordance with the following principles:

1. Designate senior management personnel to pay continuous attention to monitoring and controlling derivatives trading risk.
2. Periodically evaluate whether derivatives trading performance is consistent with established operational strategy and whether the risk undertaken is within the company's permitted scope of tolerance.

Article 15: Senior management personnel authorized by the Board of Directors shall manage derivatives trading in accordance with the following principles:

1. Periodically evaluate the risk management measures currently employed are appropriate and are faithfully conducted in accordance with relevant laws and regulations and these Procedures.
2. When irregular circumstances are found in the course of supervision of

trading and profit-loss circumstances, appropriate measures shall be adopted and a report immediately made to the Board of Directors; where the Company has independent directors, an independent director shall be present at the meeting and express an opinion.

Article 16: The Company shall report to the nearest meeting of the Board of Directors after it authorizes the relevant personnel to handle derivatives trading in accordance with these Procedures.

#### **Chapter VII Internal Audit**

Article 17: The internal auditor should periodically check whether the internal control is proper or not. In addition, the internal auditor shall examine each month whether the trading department complies with the Procedures or not and make an audit report. Once Upon finding any material violation, the internal auditor shall give written notice to the audit committee.

#### **Chapter VIII Penalty**

Article 18: It is handled in accordance with the "Procedures of for Handling Acquisition or Disposal of Properties" of the Company.

### **IV. PROMULGATION AND AMENDMENT**

The Procedures shall be approved by one-half or more of all members of the audit committee and submitted to the board of directors for resolution. The Procedures will take effect after being approved by the shareholders' meeting. Any amendments thereto shall follow the above procedures. If any director has objections to the Procedures and the objection is recorded or made in the form of the written claim, the information about the objections shall be sent to the audit committee. The board of the directors shall fully take account of the opinion of each independent director when the board of the directors discusses the Procedures, and the consent of, or the opinion and reason of objections raised by independent directors shall be recorded in the minutes.

If the aforesaid matter as provided in the preceding paragraph was not approved by one-half or more of the full audit committee members, it may be approved by two-thirds or more of the members of the full board of directors, and the audit committee's resolution shall be recorded in the minutes. Full audit committee members and the members of a full board of directors, as mentioned in this paragraph, shall be calculated on the basis of actual incumbency.

### **V. HISTORY**

These Procedures were formulated on July 14, 2008.

The first amendment was made on December 19, 2008.

The second amendment was made on September 22, 2009.

The third amendment was made on June 14, 2013.

The fourth amendment was made on June 12, 2014.

The fifth amendment was made on June 15, 2016.

The sixth amendment was made on June 12, 2018.

<Attachment 7>

## Conduct by Directors for Themselves or Others within the Company's Business Scope

Title	Name	Involved Companies		
		Name	Title	Business Items Identical or Similar to the Company
Independent Director	Jerry Hsu	The Eslite Spectrum Corporation	Director	F401010 International Trade I301010 Information Software Service I501010 Product Design
		Kang Exhibition Electronics (Dongguan) Co., Ltd.	Director	The company mainly engages in the processing, manufacturing and sale of power supplies.
		AcBel Polytech (Dongguan) Co., Ltd.	Director	The company mainly engages in the processing, manufacturing and sale of power supplies.
		AcBel Polytech (Wuhan) Co., Ltd.	Director and General Manager	The company mainly engages in the processing, manufacturing and sale of power suppliers.
		AcBel (USA) Polytech Inc.	Director	The company mainly engages in providing the after-sale maintenance services.
		AcBel Polytech (SAMOA) Investment Inc.	Director	The company mainly engages in general investments.
		AcBel Polytech (Singapore) Pte Ltd.	Director	The company mainly engages in general investments.
		AcBel Polytech (UK) Limited	Director	The company mainly engages in providing the after-sale maintenance services.
		AcBel Polytech Japan Inc.	Director	The company mainly engages in marketing and services of electronic products.
		Power Station Holdings Ltd.	Director	The company mainly engages in general investments.

# Appendix

<Appendix 1>

(English Translation)

**Nuvoton Technology Corporation**  
**Rules Governing the Conduct of Shareholders Meeting<sup>4</sup>**

Amended and enacted by the Shareholders Meeting on June 15th 2016

Article 1

These Rules were created for the specific purpose of establishing a good shareholders meeting governance system to strengthen the supervisory and management functions of the Company.

Article 2

Unless otherwise provided relevant laws, regulations and Article of Incorporation, all shareholders meetings of the Company shall be conducted in accordance with these Rules.

With the exceptions of Article 3 and Article 4 of these Rules, in which the term "shareholder" refers to shareholders themselves, "shareholder" as used in these Rules refers to shareholders themselves or a legally commissioned proxy attending on behalf of a shareholder.

Article 3

The shareholders meetings of the Company shall be convened by the Board of Directors unless otherwise provided by laws and regulations.

All shareholders shall be served with the convention notice of annual shareholders meeting at least 30 days prior to each meeting, except for those shareholders each holding less than 1,000 registered shares who may be notified by means of an announcement on the Market Observation Post System at least 30 days prior to the meeting as according to relevant laws. All shareholders shall be served with the convention notice of special shareholders meetings at least 15 days prior to the meeting, except for those shareholders each holding less than 1,000 registered shares who may be notified by means of an announcement on the Market Observation Post System at least 15 days prior to the meeting as according to relevant laws.

Convention notices and announcements shall state the reasons for the meeting. The convention notice may, as an alternative, be given by means of electronic transmission, after obtaining the prior consent of shareholders.

The election or discharge of directors, amendment of the Company's Articles of Incorporation, dissolution, merger, or spin-off of the Company, or the matters specified in Paragraph 1 of Article 185 of the Company Act, or Article 26-1 or Article 43-6 of the Securities and

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<sup>4</sup> This translation is for reference only. In the event of any discrepancy between the Chinese version and this translation, the Chinese version shall prevail.

Exchange Act, or Article 56-1 or Article 60-2 of the Regulations Governing Offering and Issuance of Securities by Issuers shall be listed among the reasons for the meeting, and may not be proposed as extemporary motions.

The Company shall prepare the agenda handbook for shareholders meeting prior to the meeting in accordance with the relevant laws and regulations.

A shareholder holding 1 percent or more of the total number of issued shares may propose in writing to the Company a proposal for discussion at an annual shareholders meeting; provided that only one matter shall be allowed in each single proposal. In case a proposal submitted by shareholder(s) contains more than one matter, such proposal shall not be included in the agenda of the shareholders meeting. In addition, if any of the circumstances listed in Paragraph 4 of Article 172-1 of the Company Act occurs to the proposal submitted by any shareholder, the Board of Directors of the Company may ignore that proposal.

The Company shall announce the acceptance of shareholders' proposal, the place and the period for shareholders to submit proposals to be discussed at the shareholders meeting prior to the commencement of the close period for share transfer. The period for accepting such proposals shall not be less than 10 days.

Shareholder-submitted proposals are limited to 300 words, and no proposal containing more than 300 words will be included in the meeting agenda. The 300 words limit includes reasons and punctuation marks. Shareholders submit proposals to be discussed at the shareholders meeting shall attend the shareholders meeting in person or by proxy, and participate in discussion of those proposals.

Prior to the date for issuance of notice of a shareholders meeting, the Company shall inform the shareholders who submitted proposals of the proposal screening results, and shall list in the meeting notice the proposals that conform to the provisions of these Rules. At the shareholders meeting the Board of Directors shall explain the reasons for the exclusion of any shareholder proposals not included in the agenda.

#### Article 4

Prior to any shareholders meeting, a shareholder may appoint a proxy to attend the meeting by issuing a power of attorney in the proxy form provided by the Company stating the scope of authorization.

Each shareholder may issue one proxy form, and may only appoint one person to serve as a proxy. The power of attorney must be delivered to the Company at least five days prior to each shareholders meeting. If two or more written proxy forms are received from a shareholder, the first one received by the Company shall prevail; unless an explicit statement to revoke the previous written proxy is made in the proxy which comes later.

After the Company receives a proxy form, in the case that a shareholder who has issued a power of attorney intends to attend the shareholders meeting in person or to exercise

his/her/its voting power in writing or by way of electronic transmission, a written proxy rescission notice need be delivered to the Company two days prior to the date of the shareholders meeting; otherwise, the voting right exercised by the authorized proxy at the meeting shall prevail.

#### Article 5

Shareholders meetings shall be held at the Company's premises or at another place that is convenient for shareholders to attend and suitable for such meetings. Shareholders meetings shall not start earlier than 9:00 AM or later than 3:00 PM. About the opinions of each attending independent directors shall be taken into full consideration.

#### Article 6

This Company shall prepare an attendance book for attending shareholders or proxies of shareholders ("Shareholders") to sign in, or Shareholders present may hand in an attendance card in lieu of signing on the attendance book. Each Shareholder attending the shareholders meeting in person (or proxy) shall wear an attendance pass.

The Company shall hand in the agenda booklet, annual report, attendance pass, speech note, ballot and other meeting documents to the Shareholders attending the shareholders meeting. If there is an election of directors, the Company shall hand in election ballot as well.

Shareholders or their proxies (collectively, "shareholders") shall attend shareholders meetings based on attendance cards, sign-in cards, or other certificates of attendance. The Company may not arbitrarily add requirements for other documents beyond those showing eligibility to attend presented by shareholders. Solicitors shall also bring identification documents for verification.

When a government or legal entity is a shareholder, said shareholder may be represented by more than one proxy at a shareholders meeting. A legal entity serving as proxy to attend a shareholders meeting may designate only one representative to attend such meeting.

#### Article 7

If a shareholders meeting is convened by the Board of Directors, the Chairman of the Board of Directors shall serve as chair for the meeting. If the Chairman of the Board of Directors is on leave or for any reason unable to perform his duties as Chairman, the Vice-Chairman shall act in place of the chairman. If the Company does not have a Vice-Chairman or the Vice-Chairman is also on leave or for any reason unable to perform the necessary duties, the Chairman of the Board of Directors shall appoint a managing director to serve on his behalf. If there are no managing directors, the Chairman of the Board of Directors shall appoint a director to serve on his behalf. Where the Chairman does not make such a designation, the managing directors or the directors shall select from among themselves one person to serve as chair for the meeting.

If a shareholders meeting is convened by a party other than the Board of Directors, the convening party shall chair the meeting. When there are two or more individuals within such convening parties, the convening parties shall select a chair from among themselves in mutual agreement.

The Company may appoint lawyer(s) or certified public accountant(s) engaged by the Company, or relevant persons, to attend a shareholders meeting.

#### Article 8

The process of the shareholders meeting shall be audio recorded or video recorded in its entirety and these records shall be preserved for at least one year. If the Company allows shareholders to exercise their voting right in writing or by way of electronic transmission, the related written and media data shall also be preserved for at least one year. However, if a lawsuit has been filed by any shareholder pursuant to Article 189 of the Company Act, all records and data involved shall be kept by the Company until the legal proceedings of the lawsuit have been concluded.

#### Article 9

Attendance and voting at the shareholders meeting shall be determined based on the number of shares. The number of shares represented by shareholders at the meeting shall be calculated as the number of shares represented by those present in person as indicated by the attendance book or attendance cards, plus the number of shares in which voting rights are exercised in writing or by way of electronic transmission.

The chairman shall announce the commencement of the shareholders meeting at the time scheduled for the meeting. But if the number of shares represented by the shareholders present at the meeting is less than one-half of all issued shares of the Company at the time scheduled for the meeting, the chairman may announce the postponement of the meeting. The shareholders meeting can only be postponed twice and the time of the postponement shall not be more than one hour in total.

If after two postponements as aforementioned, the number of shares represented by the shareholders present at the meeting is still less than one-half of all issued shares of the Company but the shareholders present at the meeting represent more than one-third of all issued shares, tentative resolutions may be made in accordance with paragraph 1 of Article 175 of the Company Act. A notice of such tentative resolution shall be given to each of the shareholders, and the shareholders meeting shall be reconvened within one months.

If the number of the shares represented by the shareholders present at the shareholders meeting reaches one-half of all issued shares of the Company prior to the end of the meeting, the chairman may submit the aforementioned tentative resolutions to the shareholders meeting for approval in accordance with Article 174 of the Company Act.

## Article 10

The agenda of the meeting shall be set by the Board of Directors if the meeting is convened by the Board of Directors. The shareholders meeting shall be conducted according to the agenda, and unless otherwise provided by these Rules herein, or laws and regulations, the agenda shall not be changed without resolution from the shareholders meeting.

The above provision also applies to shareholders meetings convened by any parties that are not the Board of Directors but have the power to convene such meetings.

Unless otherwise resolved at the meeting, the chairman cannot announce adjournment of the meeting before all the items (including extemporaneous motions) listed in the agenda made according to the preceding two paragraphs are completed.

After the meeting is adjourned, shareholders cannot designate another person as chairman and continue the meeting at the same or other place.

When the chairman sees the discussion over a motion, an amendment, or extemporaneous motion as having proceeded to the extent necessary to make a resolution, he may announce discontinuance of the discussion and submit the motion for resolution.

## Article 11

When a shareholder present at the meeting wishes to speak, he/she shall fill in a speech note specifying the summary of his/her speech, the shareholder's account number (or the attendance pass number) and the account name of the shareholder. The chairman shall determine the sequence of shareholders' speeches.

If any shareholder present at the meeting submits a speech note but does not speak, no speech should be deemed to have been made by the shareholder. In case the contents of the speech of a shareholder are inconsistent with the contents of the speech note submitted by such shareholder, the contents of the actual speech shall prevail. Conduct for proxy's speeches shall comply with the letter of the proxy forms, documents of public solicitation and advertisement. Unless otherwise provided by laws and regulations, the shareholders appointing a proxy to attend the shareholders meeting shall agree with any speeches and voting made by the proxy in the shareholders meeting.

The same shareholder may not speak more than twice on the same motion without the chairman's permission, and each speech time may not exceed 5 minutes. The chairman may halt the speech of any shareholder who violates the above provision or when the content of such speech is outside the scope of the ongoing discussion.

When a shareholder speaks at the meeting, unless otherwise permitted by the chairman and the speaking shareholder, no other shareholders shall interrupt the speech of the speaking shareholder; the chair shall stop any violations.

When a legal-entity shareholder has appointed two or more representatives to attend the

shareholders meeting, only one representative can speak for each motion.

After the speeches of the shareholders present at the shareholders meeting, the chairman may respond in person or designate relevant persons to respond to the speech.

## Article 12

Attendance and voting at the shareholders meeting shall be determined based on the number of shares.

The shares held by shareholders having no voting right shall not be counted in the total number of issued shares while adopting a resolution at a meeting of shareholders.

A shareholder who has a personal interest in the matter under discussion at a meeting, which may impair the interest of the company, shall not vote nor exercise the voting right on behalf of another shareholder.

The preceding shares for which voting right cannot be exercised shall not be counted in the number of votes of shareholders present at the meeting.

Except for trust enterprises or stock agencies approved by the competent authority, when a person who acts as the proxy for two or more shareholders, the number of voting power represented by him/her shall not exceed 3% of the total number of voting shares of the company, otherwise, the portion of excessive voting power shall not be counted.

## Article 13

A shareholder shall be entitled to one vote for each share held, except when the shares are restricted shares or are deemed non-voting shares under Article 179, paragraph 2 of the Company Act.

When the Company holds a shareholders meeting, it may allow the shareholders to exercise voting rights by correspondence or electronic transmission. When voting rights are exercised by correspondence or electronic means, the method of exercise shall be specified in the shareholders meeting notice. A shareholder exercising voting rights by correspondence or electronic transmission will be deemed to have attended the meeting in person, but to have waived his/her rights with respect to the extraordinary motions and amendments to original proposals of that meeting; it is therefore advisable that the Company avoid the submission of extemporaneous motions and amendments to original proposals.

A shareholder intending to exercise voting rights by correspondence or electronic transmission under the preceding paragraph shall deliver a written declaration of intent to this Corporation before 2 days before the date of the shareholders meeting. When duplicate declarations of intent are delivered, the one received earliest shall prevail, except when a declaration is made to cancel the earlier declaration of intent.

After a shareholder has exercised voting rights by correspondence or electronic transmission,

in the event the shareholder intends to attend the shareholders meeting in person, a written declaration of intent to retract the voting rights already exercised under the preceding paragraph shall be made known to the Company, by the same means of which the voting rights were exercised, and by 2 business days before the date of the shareholders meeting. If the notice of retraction is submitted after that time, the voting rights already exercised by correspondence or electronic transmission shall prevail. When a shareholder has exercised voting rights both by correspondence or electronic transmission and by appointing a proxy to attend a shareholders meeting, the voting rights exercised by the proxy in the meeting shall prevail.

If the Company allows its shareholders to exercise their voting rights in writing or by way of electronic transmission, the Company shall finish the counting and verification of the votes cast in writing or by way of electronic transmission prior to the convening of the shareholders meeting.

If the Company allows its shareholders to exercise their voting rights in writing or by way of electronic transmission, the Company shall compile the number of votes cast in writing or by way of electronic transmission and prepare a statement of information and disclose such statement of information in an explicit manner at the place of the shareholders meeting.

Unless otherwise provided by the Company Act or the Company's Articles of Incorporation, resolutions agreed upon through majority vote of the votes represented by shareholders present at the meeting shall be adopted. The voting rights of shareholders shall be calculated according to the voting rights of represented shares that shareholders may exercise in accordance with the Company Act or the Company's Articles of Incorporation. At the time of a vote, for each proposal, the chair or a person designated by the chair shall first announce the total number of voting rights represented by the attending shareholders.

A motion may be resolved by way of vote, or shall be deemed passed if no objection to the motion is expressed by all of the shareholders present at the meeting after the solicitation of the chairman, and shall have the same effect as if it was voted through ballot casting.

If there is an amendment or alternative to a motion, the chairman shall combine the amendment or alternative with the original motion to determine their orders for resolution. In addition, if the proposal submitted by shareholders according to Article 3 of these Rules is conflicting or amending or substituting against the proposal of the Board of Directors, the chairman shall combine the proposal of shareholders with that of the Board of Directors to decide the order for resolution. If any one of the above motions is passed, the others shall be deemed as rejected, upon which no further resolution shall be required. But where the Company allows its shareholders to exercise their voting rights in writing or by way of electronic transmission, unless the number of votes cast in writing or by way of electronic transmission have reached a majority vote for the motion, the passing of a motion may not occur through the "passed if no objection to the motion is expressed by all of the shareholders present at the meeting" clause.

Vote monitoring and counting personnel for the voting on a motion shall be appointed by the

chair.

Counting of the votes shall be completed at the site of the shareholders meeting. The result of the votes shall be announced and recorded on the spot.

The persons responsible for checking ballots must be shareholders and shall monitor the voting procedure to prevent the occurrence of inappropriate voting behavior, examine ballots and monitor the records of the persons responsible for counting ballots. A ballot will be deemed invalid and shall not be calculated under any of the following conditions:

1. Where a ballot is not placed on the form provided by the Company.
2. Where a ballot is not placed in the ballot box.
3. Where a ballot is blank without any words written or without any writing expressing opinion regarding the motion.
4. Where a ballot is found to have words thereon other than those required to be filled in.
5. Where the handwriting on a ballot is too blurred or indistinct to be readable or has been altered.
6. Where a ballot is used by a proxy in violation of "Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies."
7. Where any violation of laws or regulations or voting guidelines made by the Company is found.

The standard for recognition of invalid ballots in cases of shareholders exercising voting rights in writing is carried out in conformity with the subparagraphs 1, 3, 4, 5 and 7 of the preceding paragraph. In the case of doubts or disputes, the Company's verification unit is authorized to arbitrate the dispute. In addition, the standard for recognition of invalid ballots in cases of shareholder voting rights being exercised through electronic transmission is carried out in conformity with Sub-paragraph 7 of the preceding paragraph, as well as in compliance with the regulations of the relevant authority.

#### Article 14

If the shareholders shall elect directors at the shareholders meeting, the election shall be handled in accordance with the rules related to election of directors and supervisors of the Company and the results of the election shall be announced on the spot.

The ballots for the election of the preceding paragraph shall be properly preserved in envelopes with seals and signatures of the persons responsible for checking ballots thereon and shall be preserved for at least one year; provided that if any shareholder files a lawsuit according to Article 189 of the Company Act, such ballots shall be preserved until end of the litigation.

## Article 15

Resolutions adopted at a shareholders meeting shall be recorded in the minutes of the meeting, which shall be affixed with the signature or seal of the chairman of the meeting and shall be distributed to all shareholders of the company within 20 days after the close of the meeting. The minutes of the meeting may be prepared and distributed in electronic form.

The Company may distribute the meeting minutes of the preceding paragraph by means of a public announcement made through the MOPS.

The meeting minutes shall accurately record the year, month, day, and place of the meeting, the chair's full name, the methods by which resolutions were adopted, and a summary of the deliberations and their results, and shall be retained for the duration of the existence of the Company.

## Article 16

On the day of a shareholders meeting, the Company shall compile in the prescribed format a statistical statement of the number of shares obtained by solicitors through solicitation and the number of shares represented by proxies, and shall make an express disclosure of the same at the place of the shareholders meeting.

## Article 17

Staff handling administrative affairs of a shareholders meeting shall wear identification cards or arm bands.

The chair may direct the proctors or security personnel to help maintain order at the meeting place. Proctors or security personnel helping to maintain order at the meeting place shall wear an identification card or armband bearing the word "Proctor."

At the place of a shareholders meeting, if a shareholder attempts to speak through any device other than the public address equipment set up by this Corporation, the chair may prevent the shareholder from so doing.

When a shareholder violates the rules of procedure and defies the chair's correction, obstructing the proceedings and refusing to heed calls to stop, the chair may direct the proctors or security personnel to escort the shareholder from the meeting.

## Article 18

When a meeting is in progress, the chair may announce a break based on time considerations. If a force majeure event occurs, the chair may rule the meeting temporarily suspended and announce a time when, in view of the circumstances, the meeting will be resumed.

## Article 19

Any concerning matter that is not addressed in these Rules shall be handled in accordance with the Company Act and other related laws and regulations, and the relevant provisions of the Articles of Incorporation of the Company.

#### Article 20

These Rules shall be effective from the date it is approved by the shareholders meeting. The same applies in the case of amendments.

#### Article 21

These Rules were enacted on June 10, 2009.

The first amendment was made on June 5, 2012.

The second amendment was made on June 10, 2015.

The third amendment was made on June 15, 2016.

<Appendix 2>

<English Translation>

**Nuvoton Technology Corporation**  
**Articles of Incorporation<sup>5</sup>(After Amendment)**

The seventh amendment will be submitted to the annual general shareholders meeting on June 12, 2018 for approval

**I. General Provisions**

Article 1

The Company is incorporated as a Company limited by shares under the Company Act and shall have the named NUVOTON TECHNOLOGY CORPORATION (hereinafter “the Company”).

Article 2

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

1. CC01080 Electronic Parts and Components Manufacturing
2. CC01110 Computers and Computing Peripheral Equipment Manufacturing
3. CC01120 Data Storage Media Manufacturing and Duplicating
4. F401010 International Trade
5. I301010 Software Design Services
6. I501010 Product Designing

Research and development, designing, manufacturing and selling the following products and technologies:

1. Consumer Logic IC Products
2. Computer Logic IC Products
3. Production, testing, and foundry service of 6-inch wafers

Article 3

The Company may provide endorsement and guarantee and act as a guarantor.

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<sup>5</sup> This translation is for reference only. In the event of any discrepancy between the Chinese version and this translation, the Chinese version shall prevail.

#### Article 4

The total amount of the Company's investments shall not be subject to the restriction of not more than 40% of the Company's paid-up capital.

#### Article 5

The Company has its head-office in Hsinchu Science Park, Taiwan. Subject to the approval of the Board of Directors and government authority, the Company may, if necessary, set up branches or business offices within and outside of the Republic of China.

#### Article 6

Public announcements of the Company shall be made in accordance with Article 28 of the Company Act.

### **II. Shares**

#### Article 7

The total capital of the Company shall be in the amount of NT\$ 3000000000 New Taiwan Dollar, divided into 300 million shares, at ten New Taiwan Dollars each, and may be paid-up by installments. The Board of Directors may pay the unpaid shares whenever it deems necessary. In the aforesaid total capital, shares within the scope of NT\$ 180 million may be reserved for warrants, preferred shares with warrants or corporate bonds with warrants, consisting of NT\$ 18 million shares, with a par value of NT\$ 10 per share, which may be issued by separate installments. The respective amount of stock options with warrants, preferred shares with warrants or corporate bonds with warrants be adjusted by the Board of Directors in consideration of factors concerning capital market and operation needs.

#### Article 8

Shares certificates of the Company shall be in registered form and shall be signed or sealed by at least three directors and then be printed in the form as requested by the government authority and be legally authenticated before being issued in accordance with laws and regulations. In the case where issuance of shares does not require issuing of share certificates, the Company shall register the shares with the central securities depository institution.

#### Article 9

The transfer, registration, loss or destruction of share certificates shall be handled in accordance with the Company Act and relevant regulations. Taiwan Securities Central Depository Co., Ltd. may request the Company to combine its share certificates in exchange for issuance of share certificates of large denomination.

### **III. Shareholders Meeting**

#### Article 10

Shareholders meetings of the Company are of two types: regular meetings and special meetings. Regular meetings shall be convened, by the Board of Directors, within six (6) months after the close of each fiscal year. Special meetings shall be convened in accordance with the relevant laws, whenever necessary.

#### Article 11

Shareholders may designate a proxy to attend a shareholders meeting with a power of attorney stating the scope of authority in accordance with the Company Act and relevant laws, promulgated by government authorities.

#### Article 12

Each share of stock shall be entitled to one vote, unless otherwise provided by applicable laws or regulations.

#### Article 13

Except otherwise provided by the laws and regulations, a resolution of the shareholders meeting shall be adopted by the consent of a majority of the votes represented by those in attendance at the meeting, in person or by proxy, by shareholders who represent a majority of the total issued shares.

#### Article 13-1

After the public issuance of its shares of the company the revocation of public issuance shall be reported to the shareholders meeting for a resolution, and shall not be changed while the Company is publicly listed or OTC-listed.

#### Article 14

In the case that the Company is organized by a single government shareholder or a single juristic person shareholder, the functional duties and power of the shareholders meeting of such company shall be exercised by its Board of Directors, to which the provisions governing the shareholders meeting as set out in this Act shall not apply.

### **IV Board of Directors and Audit Committee**

#### Article 15

The Company shall have nine directors, whose term of office is three years. Among the

directors there should be not less than three independent directors. Election of directors shall adopt the candidates nomination system prescribed in Article 192-1 of the Company Act. All of the directors are elected by the shareholders meeting from the candidate list of directors and are eligible for re-election. Independent and non-independent directors shall be elected at the same time, but the quota shall be calculated separately. The method of candidate nomination and election of directors, professional qualifications, requirements relating to shareholdings, restrictions on concurrent positions held, and other compliance matters with respect to independent directors shall conform to the Company Act, the Securities and Exchange Act, and other relevant rules and regulations. The board of directors may resolve to purchase liability insurance for directors of the Company.

#### Article 15-1

The Company, pursuant to Article 14-4 of the Securities and Exchange Act, establish an audit committee. The audit committee shall be formed by all independent directors and shall have no less than three members and one of the members shall be the convener and at least one member shall be a professional on accounting or finance. The member of the audit committee shall be responsible for performing the functions and duties provided under the Company Act, Securities and Exchange Act and other laws and regulations and shall comply with relevant laws and regulations and the Company's rules and regulations.

#### Article 16

The Board of Directors shall consist of the directors of the Company; the chairman of the board of directors shall be elected from among the directors by a majority of directors in attendance at a meeting attended by at least two-thirds of the directors. A Vice chairman may be appointed to assist the chairman.

#### Article 17

Meetings of the Board of Directors are convened by the Chairman of the Board of Directors. When convening a meeting of the Board of Directors, a meeting notice specifying the reasons for convening such meeting shall be sent to each directors seven days prior to the meeting; provided that a meeting may be convened at any time in case of emergency.

The meeting notice set forth in the preceding paragraph may be in writing or e-mail or by fax.

Unless otherwise provided by law, resolutions adopted at a meeting of the Board of Directors must be approved by a majority vote of the directors being present, who shall represent no less than half of the total number of directors. Directors may designate other directors as their proxies to attend the meetings of the Board of Directors; provided that each director may act as proxy for one other director only. The Board of Directors shall meet at least once every three months.

## Article 18

In the case where the Chairman of the Board is on leave or otherwise unable to perform his/her duties, matters conducted on behalf of the Chairman shall be handled in accordance with Article 208 of the Company Act.

## Article 19

The Board of Directors is authorized to determine the remuneration of directors based on their contribution and involvement in the operations of the Company and by reference to standard compensation levels in similar industries both domestically and internationally.

## Article 20

The authorities of the Board of Directors are as follows:

1. Review operation principles, and long term and short term development plans.
2. Review and implement annual business plans.
3. Approve budget and review the results at year-end;
4. Propose to increase or decrease Company capital.
5. Propose profit distribution or a plan for recovery of losses.
6. Review, approve, amend and terminate material contracts and contracts relating to procurement, transfer, licensing of important technology and patents and of important technical cooperation.
7. Propose and review plans in connection with using transfer as security, sale, lease, pledge, mortgage, or other disposal of all or a substantial portion of assets of the Company.
8. Propose to revise the Articles of Incorporation.
9. Review and approve the Company's organizational structures and business rules.
10. Decide the establishment, reorganization, or removal of branch or business offices.
11. Review capital expenditure projects whose values are over NT\$100 million (included). The chairman is authorized to review and approve capital expenditure projects whose values are below the aforesaid amount.
12. Appoint or remove corporate officials at the level of vice presidents and higher.
13. Convene shareholders meetings and make business report.
14. Approve the Company's re-investments or transfers of shares whose value is above NT\$100 million (included). The chairman is authorized to review and approve

investments or transfers of shares whose values are below the aforesaid amount.

15. Appoint or dismiss auditing certified public accountant of the Company.
16. Apply for financing, provide guarantees, acceptances and credit extension, and raise debts from and to financial institutions or third persons, whose value is above NT\$100 million (included). The chairman is authorized to review and approve those whose values are less than the aforesaid amount.
17. Decide in the name of the Company the amount of endorsements, guarantees, and acceptances.
18. Examine and approve major business transactions between relevant parties (including relevant enterprises).
19. Perform such other duties and responsibilities prescribed by law or authorized by shareholders meetings.

The chairman may review, approve, or implement the aforementioned paragraphs which meet practical requirements and the laws before reporting to the Board of Directors. When used for the same purposes, the regulations specified in item 11, 14, and 16 of this Article shall not be divided for contracting, applied for, or arbitrarily implemented.

## **V. Managers**

### Article 22

The Company may have chief executive officer, president and several vice presidents according to the resolution of the Board of Directors. Appointment, removal, and remuneration of the president and vice presidents shall be handled in accordance with Article 29 of the Company Act. The Board of Directors is authorized to determine the duties and functions of the said managers or the Board of Directors may authorize the Chairman of the Board of Directors to determine the duties and functions of the said managers.

## **VI. Financial Reports**

### Article 23

The fiscal year for the Company shall be from January 1 of each year to December 31 of the same year.

### Article 24

After the end of each fiscal year, the Board of Directors shall have the following documents prepared: (1) business report, (2) financial statements, and (3) proposal for allocation of surplus profit or making up losses, and submit the same for recognition at the shareholders meeting in accordance with the legal process.

#### Article 24-1

If the Company has net profit, 1% or more of the net profit shall be allocated as remuneration of employees and 1% or less as remuneration of directors; provided that if the Company has accumulated losses, the Company shall first set aside an amount for making up losses.

The remuneration of employees may be distributed in stock or cash upon resolution of the majority of the directors representing two thirds of the directors of the Board of Directors, and shall be reported to the shareholders meeting of the Company.

The remuneration of employees may be distributed to the employees of subsidiaries of the Company meeting certain criteria. The Board of Directors is authorized to determine the "employees of subsidiaries of the Company meeting certain criteria" above or the Board of Directors may authorize the Chairman of the Board of Directors to ratify the "employees of subsidiaries of the Company meeting certain criteria" set forth above.

#### Article 25

If the Company has pre-tax profit at the end of the current fiscal year, after paying all taxes and covering all accumulated losses, 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. If there is any distributable profit after aggregating the balance of above and undistributed earnings of previous years or aggregating the losses of the current fiscal year and undistributed earnings of previous years, special reserve shall be set aside or reversed according to laws and regulations or rules of competent authority. If there is any remaining amount, after setting aside a special reserve or retaining as undistributed earnings. The Board of Directors may submit a proposal for allocation of the remaining balance and the accumulated undistributed earnings to the shareholders meeting for resolution on distributing bonus and dividends to shareholders. The percentage of cash dividends to shareholders shall not be less than 10% of the total amount of dividends to shareholders.

#### Article 26

The Company's dividend distribution policy is made in accordance with the Company Act and the Articles of Incorporation in consideration of factors including capital and financial structure, operating status, retained earnings, industry characteristics and economic cycle. The dividends shall be distributed in a steady manner. Distributable earnings may be retained undistributed or distributed in cash dividend or the combination of stock dividend and cash dividend, so as to maintain sustainable management and development. With respect to distribution of dividends, in consideration of future operating scale and cash flow requirements, no less than 50% of the remaining amount of the net profit after tax of the current year, after covering the accumulative losses and setting aside the legal reserve and the special reserve, shall be distributed to shareholders as dividends. The conditions, timing, amounts and types of retained earnings and distribution of dividends may be adjusted on proper occasions based on the needs to deal with changes in economic and industrial trends

and in view of the Company's future development needs and profitability.

## **VII. Supplementary Provisions**

### *Article 27*

Any matters not sufficiently provided for in these Articles of Incorporation shall be handled in accordance with the Company Act and other applicable laws or regulations.

### *Article 28*

All kinds of rules and operational regulations of the Company shall be otherwise made.

### *Article 29*

These Articles of Incorporation were enacted on March 14, 2008.

The first amendment was made on September 1, 2008.

The second amendment was made on November 17, 2009.

The third amendment was made on June 10, 2011.

The fourth amendment was made on June 5, 2012.

The fifth amendment was made on June 10, 2015.

The sixth amendment was made on June 15, 2016.

The seventh amendment was made on June 12, 2018.