

(English Translation)

# **Nuvoton Technology Corporation**

## **2020 Annual General Shareholders Meeting**

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

**Meeting Date:** May 29, 2020 (Friday)  
**Meeting Time:** 9:00 A.M.  
**Meeting Venue:** 1F., No. 539, Sec. 2, Wenxing Rd., Jhubei City, Hsinchu County, Taiwan, R.O.C. (Auditorium Hall)

---

<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.

# Table of Contents

## I. Meeting Procedure and Agenda

## II. Attachments

Attachment 1. 2019 Business Report and Financial Report

Attachment 2. Certified Public Accountants' Report

Attachment 3. Audit Committee's Review Report

Attachment 4. Shareholdings of All Directors of the Sixth Term

Attachment 5. Comparison Table of Amendments to Articles of Incorporation

Attachment 6 Long-term Fund Raising Project – Method and Principles of Fund Raising

Attachment 7. Comparison Table of Amendments to Rules Governing the Conduct of Shareholders Meeting

Attachment 8. Comparison Table of Amendments to Operating Procedures for Loaning of Funds and Full Text of the Procedures after Amendment

Attachment 9. Comparison Table of Amendments to Operating Procedures for Endorsements and Guarantees and Full Text of the Procedures after Amendment

Attachment 10. Comparison Table of Amendments to Procedures for Engaging in Financial Derivatives Transactions and Full Text of the Procedures after Amendment

Attachment 11. Explanations of Involvement of the Director in Acts for Himself or Others Which Fall into the Scope of the Company's Business

## III. Appendixes

Appendix 1 Rules Governing the Conduct of Shareholders Meetings (After Amendment)

Appendix 2 Articles of Incorporation (After Amendment)

# **Meeting Procedure and Agenda of 2020 Annual General Shareholders Meeting of Nuvoton Technology Corporation**

- I. Announcement of the Opening of the Meeting
- II. Opening Speech of the Chairman
- III. Meeting Agenda
  - (I) Matters to Be Reported
    - 1. 2019 business report
    - 2. Audit Committee's review report of 2019 final accounts
    - 3. 2019 distribution of employee and director compensations
    - 4. 2019 cash dividend distribution report
    - 5. Other matters to be reported
  - (II) Matters to Be Recognized and Discussed
    - 1. Recognition of 2019 business report and financial report
    - 2. Recognition of the 2019 profit distribution proposal
    - 3. Discussion on the Company's acquisition of the semiconductor related businesses of Panasonic Corporation
    - 4. Discussion on the amendments to the Company's Articles of Incorporation
    - 5. Discussion on the Company's long-term fund raising proposal
    - 6. Discussion on the amendments to the Company's rules
      - (1) Rules Governing the Conduct of Shareholders Meeting
      - (2) Operating Procedures for Loaning of Funds
      - (3) Operating Procedures for Endorsements and Guarantees
      - (4) Procedures for Engaging in Financial Derivatives Transactions
    - 7. Discussion on the release of the director from non-competition restrictions
- IV. Extempore Motions
- V. Adjournment of Meeting

## **Matters to Be Reported:**

### **I. 2019 business report:**

Please review and approve the Company's 2019 business report and financial report (please refer to Attachment 1).

### **II. Audit Committee's review report of 2019 final accounts:**

Please review and approve the Audit Committee's review report of 2019 final accounts (please refer to Attachment 3).

### **III. 2019 distribution of employee and director compensations:**

According to the Company's 2019 earnings audited by the certified public accountants, the Company has no accumulated losses to be offset against earnings. 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 compensation of directors, which is NT\$6,811,392 in total, and allot 6% of the earnings to be the compensation of employees, which is NT\$40,868,352 in total; in each case, all compensations will be paid in cash. The aforesaid ratios and amounts for allocation have been approved by the Compensation Committee and the Board of Directors of the Company.

### **IV. 2019 cash dividend distribution report:**

- (I) In accordance with Article 240 of the Company Act and as authorized by Article 26 of the Company's Articles of Incorporation, the Board of Directors of the Company resolved on March 12, 2020 to pay out cash dividends of NT\$345,065,280, with NT\$1.2 per common share, for the year of 2019. Such cash dividends will be paid by rounding down to the nearest New Taiwan Dollar, and the remaining fractional cash dividend less than NT\$1 will be credited as other revenue of the Company.
- (II) After the resolution of the Board of Directors of the Company was passed on March 12, 2020, the Chairman of the Board of Directors is authorized to set an ex-dividend record date and an ex-dividend date; in the event of any subsequent change in the amount of dividend payout per share due to changes in the number of shares outstanding, for example, as a result of the

Company's repurchase of shares, the Chairman is also authorized to adjust the dividend amount based on the actual number of shares outstanding on the ex-dividend record date.

## V. Other Matters to Be Reported:

### (I) Report on the first domestic issuance of unsecured convertible corporate bonds:

Bond Name	First Domestic Unsecured Convertible Bonds Issued by Nuvoton Technology Corporation
Amount	Up to NT\$2 billion
Tenor	Seven years
Interest Rate per annum	The coupon rate shall be 0%.
Method of principal repayment	The Bonds will be repaid in cash in one lump sum at 109.09% of the face value of the Bonds at maturity (i.e., at 1.25% yield to maturity), unless the Bonds are converted into common shares of the Company in accordance with Article 10 of the Bond Terms, redeemed at the option of holders in accordance with Article 18 of the Bond Terms, redeemed by the Company in accordance with Article 17 of the Bond Terms, or repurchased and cancelled by the Company on the Taipei Exchange.
Approval Letter No.	Jin-Guan-Zheng-Fa-Zi-1090336393
Reasons for Bonds Offering	To finance the Company's acquisition of the semiconductor related businesses of Panasonic Corporation

### (II) Report on shareholdings of all directors:

1. According to 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 should be 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 2020 annual general shareholders meeting.
3. The aggregate shareholdings of all directors meet the minimum shareholding required by laws and regulations.

### (III) During the period for accepting shareholders' proposals (from March 16, 2020 to March 26, 2020), no shareholders submitted any written proposal to the Company for the 2020 annual general shareholders meeting in accordance with Article 172-1 of the Company Act.

## **Matters to Be Recognized and Discussed:**

### **Motion I**

Proposed by the Board of Directors

Proposal: 2019 business report and financial report have been prepared. Please acknowledge and recognize the same.

Explanations:

1. For the Company's 2019 business report and financial report, please refer to Attachment 1.
2. The aforementioned financial report had been resolved by the Board of Directors 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 Company's 2019 profit distribution proposal is presented. Please acknowledge and recognize the same.

Explanations:

1. The Company has a net profit after tax of NT\$558,459,456 for the year of 2019. The proposed statement of profit distribution is as follows.
2. The proposal was approved by the Meeting of the Board of Directors on March 12, 2020.

Nuvoton Technology Corporation  
Statement of Profit Distribution  
For the year ended December 31, 2019

(Unit: NT\$)

Items	Total
<b>Undistributed Surplus Earnings of Previous Fiscal Years</b>	<b>\$ 365,396,830</b>
Plus: Disposals of investments in equity instruments at fair value through other comprehensive income	49,702,932
Minus: Losses on remeasurement of defined benefit plans	(46,150,000)
Minus: Adjustment made to retained earnings for investment under equity method	(10,179,886)
Plus: Net income of 2019	558,459,456
Minus: 10% legal reserve appropriated	(55,183,250)
<b>Retained Earnings Available for Distribution as of December 31, 2019</b>	<b>862,046,082</b>
Distributable items:	
Cash Dividends to Common Shares (NT\$1.2 per share) <sup>(Note1)</sup>	(345,065,280)
<b>Unappropriated Earnings, End of Year</b>	<b>\$ 516,980,802</b>

(Note 1: 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:

Manager:

Accounting Officer:

### **Motion III**

Proposed by the Board of Directors

Proposal: The Company intends to acquire the semiconductor business of Panasonic Corporation and exercise the land purchase option. Please review and approve the same.

Explanations:

1. The Company has entered into a Stock and Asset Purchase Agreement with Panasonic Corporation on November 28, 2019 to acquire by cash the semiconductor business mainly operated by Panasonic Semiconductor Solutions, Ltd. ("PSCS"), a subsidiary of Panasonic Corporation. The transaction was resolved by the Board of Directors of the Company on November 28, 2019 and a press conference for material information publication was held on the same day and the related material information was released on the Market Observation Post System.
2. Pursuant to the Stock and Asset Purchase Agreement, the Company intends to acquire 100% shareholding in PSCS, certain operating assets such as equipment and inventory of semiconductor-related businesses used by Panasonic Semiconductor (Suzhou) Co., as well as specific operating assets such as assets, liabilities and contracts of Panasonic Industrial Devices Semiconductor Asia. The total transaction price will be approximately US\$250 million (excluding working capital and land), but the final total transaction price will be adjusted according to the price adjustment mechanism upon closing and post-closing as set out in the Stock and Asset Purchase Agreement.
3. According to the Stock and Asset Purchase Agreement, regarding the five PSCS sites located in Nagaokakyo, Kyoto; Utsunomiya, Tochigi; Arai, Myoko, Niigata; Uozu Toyama; and Tonami, Toyama (collectively, the "PSCS Land"), the Company may decide whether to exercise the option to purchase the PSCS Land (the "Land Purchase Option") within three months after receiving the environmental assessment report of the PSCS Land, and the total purchase price of the Land Purchase Option will not exceed US\$50 million. The PSCS Land is currently used primarily as office and factory land for PSCS. Therefore, the Board of Directors of the Company resolved on

April 14, 2020 to exercise the Land Purchase Option to acquire the PSCS Land for its own business use. However, the actual total purchase price of such land and related matters will be otherwise resolved by the Board of Directors after the Company has obtained the appraisal reports from two professional appraisers. The relevant material information has been released on the Market Observation Post System after the Board meeting.

4. It is proposed that the shareholders' meeting agree to authorize the Board of Directors to adjust, decide and handle the key matters relating to this stock and assets purchase in light of the market conditions, including the final total transaction price, the purchase price of the PSCS Land, the scheduled closing timetable and all other related matters. It is also proposed that the shareholders' meeting authorize the Board of Directors to deal with any matters relating to this proposal not specified herein, if there is a need to change the above matters upon the instructions of the competent authorities of the relevant countries or in the light of any changes in the subjective and objective circumstances.

#### **Motion IV**

Proposed by the Board of Directors

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

Explanations:

1. In order to raise funds for the long-term development of the Company, it is proposed to amend the Articles of Incorporation to increase the authorized capital and to add provisions relating to the preferred shares in response to the Company's future development. The Board of Directors is authorized to determine the name, issuance date and specific issuance terms of the preferred shares upon actual issuance thereof at its sole discretion after considering the situation of the then capital market in accordance with these Articles of Incorporation and related laws and regulations.
2. Please see Attachment 5 to this Handbook for the comparison table showing the amendments to the Company's Articles of Incorporation and Appendix 2 for the full text of the Articles of Incorporation after amendment.

## **Motion V**

Proposed by the Board of Directors

Proposal: It is proposed to discuss the Company's long-term capital raising. Please review and approve the same.

Explanations:

1. In order to meet its long-term capital needs (including but not limited to investments, purchase of machinery and equipment, repayment of bank loans, sound financial structure and sufficient working capital), the Company proposes that the shareholders' meeting authorize the Board of Directors to select an appropriate time and fund-raising instruments to raise its long-term capital by one or more public offering(s) or private placement(s) of common shares, preferred shares and/or global depository receipts through issuance of new common shares by capital increase via cash (as the case may be, or any combination thereof), with the total number of shares to be issued not exceeding 100,000,000 depending on market conditions and the Company's needs, in accordance with relevant laws and regulations and the fund-raising methods and principles described in Attachment 6.
2. The proceeds from the offering(s) are expected to be used for one or more purposes, such as investment, purchase of machinery and equipment, repayment of bank loans, sound financial structure and enrichment of working capital. The implementation of this financing plan is expected to enhance the Company's competitiveness, strengthen the shareholders' structure and increase its operating scale, which should be beneficial to shareholders' rights and interests.
3. The key matters of the offering(s), including but not limited to the actual number of shares to be issued, the terms of the issuance, the plan of the issuance, the project, the sources of funds, the uses of proceeds, the expected progress, the expected benefits and other related matters, as well as all other matters related to the plan of the issuance will be adjusted, determined and handled depending on the market conditions; also, if there are any changes in the law, the competent authority requires any amendments, or any change is required due to the operational evaluation or by the objective circumstances, it is proposed that the shareholders' meeting authorize the Board of Directors to handle the same at its sole discretion.

4. In addition to the scope of authorization mentioned above or in accordance with laws and regulations, it is planned to authorize the chairman or his designated person to handle all matters related to this issuance case and sign relevant contracts and documents on behalf of the company.
5. If there are any unresolved matters, it is planned to authorize the board of directors to administer it in accordance with relevant laws.
6. The case was approved by the board of directors and submitted to the shareholders' general meeting for approval.

## **Motion VI**

Proposed by the Board of Directors

Proposal: It is proposed to amend the rules of the Company. Please review and approve the same.

Explanations: The amendments to the Company's rules are as follows:

### **(I) Rules Governing the Conduct of Shareholders Meeting**

1. The amendments thereto have been made in accordance with the interpretation letter issued by the Ministry of Economic Affairs dated March 10, 2015 (Ref. No.: Jin-Shan-Zi-10402404570).
2. These amendments to the Company's Rules Governing the Conduct of Shareholders Meeting mainly focus on the provision regarding the number of representatives that a corporate shareholder may appoint at a shareholders' meeting.
3. Please see Attachment 7 to this Handbook for the comparison table showing the amendments to the Rules Governing the Conduct of Shareholders Meeting and Appendix 1 for the full text of such Rules after amendment.

### **(II) Operating Procedures for Loaning of Funds**

1. The amendments thereto have been made in accordance with Item 19 of Article 20 of the Company's Articles of Incorporation and based on practical needs.
2. The main purpose of these amendments to the Company's Operating Procedures for Loaning of Funds is to increase flexibility in the use of funds within the corporate group.
3. Please see Attachment 8 to this Handbook for the comparison table showing the amendments to the Operating Procedures for Loaning of Funds and the full text thereof after amendment.

### **(III) Operating Procedures for Endorsements and Guarantees**

1. The amendments thereto have been made in accordance with Item 19 of Article 20 of the Company's Articles of Incorporation and based on practical needs.
2. In order to increase the corporate group's flexibility in the internal financing, these amendments mainly focus on the adjustment to the maximum amount of guarantee and endorsement under Article 3(1) of the Operating Procedures for Endorsements and

## Guarantees.

3. According to Article 12 of the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies, if the aggregate amount of endorsements/guarantees that is set as the ceiling for the public company and its subsidiaries as a whole reaches 50% or more of the net worth of the public company, an explanation of the necessity and reasonableness thereof shall be given at the shareholders' meeting.

(1) Necessity: The Company and its subsidiaries can only provide endorsement and guarantee in favor of the Company's subsidiaries. In order to avoid restricting the normal financial activities of the Group, it is necessary to retain appropriate flexibility in the endorsements/guarantees provided by the Company or its subsidiaries to banks for the application of bank credit facilities.

(2) Reasonableness: The aggregate amount that the Company and its subsidiaries as a whole may make guarantees/endorsements should be reasonable within a cap not exceeding the net worth of the Company.

4. Please see Attachment 9 to this Handbook for the comparison table showing the amendments to the Operating Procedures for Endorsements and Guarantees and the full text thereof after amendment.

## (IV) Procedures for Engaging in Financial Derivatives Transactions

1. The amendments thereto have been made in accordance with Item 19 of Article 20 of the Company's Articles of Incorporation and based on practical needs.

2. The main purpose of these amendments to the Company's Procedures for Engaging in Financial Derivatives Transactions is to revise the total amount of financial derivatives trading conducted by the Company.

3. Please see Attachment 10 to this Handbook for the comparison table showing the amendments to the Procedures for Engaging in Financial Derivatives Transactions and the full text thereof after amendment.

**Motion VII**

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.

Explanations:

1. It is conducted in accordance with Paragraph 1 of Article 209 of the Company Act.
2. Please refer to Attachment 11 to this Handbook for the description of competitive conduct of the director of the Company who concurrently act as a director or an official manager in other companies engaging in the same business as the Company.
3. It is proposed to release the director stated above from the non-competition restrictions on engaging in any conduct that is within the scope of business of 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 of such peer company.

**Voting by Poll for the Above Motions:**

**Extempore motions:**

**Adjournment of the meeting.**

# **Attachments**

Nuvoton Technology Corporation  
2019 Business Report

In 2019, the global semiconductor market was disturbed by the US-China trade war, and the overall market growth slowed down. However, the effect of adjustments to supply chains that it has driven created new market opportunities for the Company under the backdrop of overall recession. In this environment full of challenges and opportunities, the Company continues to develop new applications, launch new technologies, products and services, and optimize the product and customer mix, thereby demonstrating its solid operating strength.

### **Financial Performance**

In terms of the overall financial performance in 2019, Nuvoton's total consolidated revenue was NT\$10,367,000,000, a 3.26% year-on-year growth; its net income was NT\$558,000,000, a 21.41% year-on-year reduction, mainly due to rising research and development costs; its earnings per share after tax was NT\$2.53.

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

Nuvoton's business lines mainly include four main areas: micro-control applications, smart home, cloud security and wafer foundry. Important achievements are summarized as follows:

- We successfully demonstrated the world's first microcontroller based on Arm® Cortex® -M23 that passes Arm® PSA Certified Level 1 and is PSA Functional API Certified in the field of micro-control applications, with the goal of serving global IoT security markets. We also launched a brand new Arm® Cortex® -M0 MCU NUC029 series for industrial control application markets.
- For smart homes, Nuvoton has launched a new series of NSPxx voice chips to provide a brand-new sound quality experience in the consumer product market and released the first smart power amplifier product, which have been gradually introduced into the main customer base.
- For cloud security, we continued to ship the baseboard management controller (BMC) for servers which uses the highest performing Arm® Cortex® A9 dual-core processor and supports the Intel Purley server platform, and participated in the OCP seminar that showcased "RUN BMC," with a view to providing customers with solutions to rapid design of modules. In conformity with the latest specifications of TPM 2.0 for PC clients developed by the Trusted Computing Group (TCG), the latest TPM2.0 security chip products pass the Common Criteria (CC) EAL 4+ security level certification and US Federal Information Processing Standard (FIPS 140-2 level 2) password security certification, and are directly adopted by OEM brands of major global computer platforms (such as notebooks, desktops and servers).

- In terms of wafer foundry, Nuvoton continued to cultivate the power supply market in 2019. UHV entered the process for mass production, and we continued to develop new customers for the new generation BCD process and Half bridge HVIC process, while optimizing and customizing our products. In addition to expanding the range of Nuvoton's customers in the power supply market, we also enhance the competitiveness of our customers' products to meet their diverse demands.

### **Honors and Awards**

Nuvoton continues to grow steadily in its main business areas and adheres to sustainable operation. In 2019, we obtained the occupational health and safety management system certification in conformity with ISO 45001-2018. For the long-term goal of sustainable development for the environment, Nuvoton continued to invest in energy-saving or green energy-related environmentally-friendly and sustainable major machinery and equipment. The introduction of ice machine system and the addition of LED lamps helped save electricity up to 2 million kWh in 2019, clearly demonstrating the excellent results of our continuous commitment to corporate social responsibility. In addition, in terms of corporate governance, Nuvoton continued to shoulder its responsibilities as a corporate operator. In 2019, Nuvoton was assessed by TWSE in its Fifth Corporate Governance Evaluation as the top 5% of all listed companies.

### **Corporate Operation and Outlook**

In the face of fierce competitions in the global semiconductor industry, the Company still adheres to the principles of sustainable development and globalization, continues to develop various new product applications and services, and works with customers to promote innovative applications and services to the global markets.

The development of artificial intelligence, 5G network, Internet of Things and other related structures will facilitate the realization of relevant application products in the fields of smart cities, smart home appliances, smart medical care and smart cars. Related technology demands will surely drive the vigorous development of the technology industry and push the semiconductor industry to the next level. In response to future trends, Nuvoton will seize the opportunity to create a strategic competitive position that is conducive to its growth as the industry grows by developing the semiconductor business, expanding global sales channels, augmenting human capital, and acquiring stronger R&D capacity. In the future, the Company will continue to strengthen its own strength, actively innovate, sustainably operate, and expand its influence in the global semiconductor industry, to create maximum value for its shareholders, customers, and employees.

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

Chairman of the Board: Pei-Ming Chen    Managerial Officer: Sean Tai    Accounting Manager:  
Hung-Wen Huang

# NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

ASSETS	2019		2018	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 4,859,223	44	\$ 1,543,918	25
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	6,037	-	763	-
Notes and accounts receivable, net (Notes 4 and 8)	1,010,722	9	934,777	15
Accounts receivable from related parties, net (Notes 4, 8 and 27)	67,394	1	62,306	1
Other receivables (Notes 9 and 27)	496,881	4	181,397	3
Inventories (Notes 4 and 10)	1,604,658	14	1,560,938	26
Other current assets (Note 13)	142,442	1	173,760	3
Total current assets	<u>8,187,357</u>	<u>73</u>	<u>4,457,859</u>	<u>73</u>
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 11)	1,117,410	10	539,283	9
Property, plant and equipment (Notes 4 and 12)	760,321	7	697,917	11
Right-of-use assets (Notes 4, 13 and 27)	600,288	5	-	-
Investment properties (Notes 4 and 14)	44,207	1	50,527	1
Intangible assets (Notes 4 and 15)	261,230	2	144,754	2
Deferred tax assets (Notes 4 and 21)	97,919	1	109,790	2
Refundable deposits (Note 6)	86,879	1	81,435	1
Other non-current assets (Note 13)	618	-	36,103	1
Total non-current assets	<u>2,968,872</u>	<u>27</u>	<u>1,659,809</u>	<u>27</u>
<b>TOTAL</b>	<u>\$11,156,229</u>	<u>100</u>	<u>\$ 6,117,668</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	\$ 1,129,375	10	\$ 888,700	15
Other payables (Notes 17 and 27)	951,058	8	878,329	14
Current tax liabilities (Notes 4 and 21)	78,732	1	84,963	1
Lease liabilities - current (Notes 4 and 13)	114,308	1	-	-
Other current liabilities	68,411	1	63,186	1
Total current liabilities	<u>2,341,884</u>	<u>21</u>	<u>1,915,178</u>	<u>31</u>
<b>NON-CURRENT LIABILITIES</b>				
Long-term borrowings (Note 16)	500,000	4	-	-
Products guarantee based on commitment (Note 4)	101,891	1	101,891	2
Lease liabilities - non-current (Notes 4 and 13)	452,715	4	-	-
Net defined benefit liabilities - non-current (Notes 4 and 18)	287,565	3	294,427	5
Other non-current liabilities	80,143	1	71,806	1
Total non-current liabilities	<u>1,422,314</u>	<u>13</u>	<u>468,124</u>	<u>8</u>
Total liabilities	<u>3,764,198</u>	<u>34</u>	<u>2,383,302</u>	<u>39</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>				
Share capital (Note 19)	2,875,544	26	2,075,544	34
Capital surplus (Note 19)	2,906,976	26	63,498	1
Retained earnings (Note 19)				
Legal reserve	541,722	5	470,659	8
Unappropriated earnings	917,229	8	955,346	15
Exchange differences on translation of foreign financial statements (Notes 4 and 19)	(18,984)	-	(10,535)	-
Unrealized gains (losses) on financial assets at fair value through other comprehensive income (Notes 4 and 19)	169,544	1	179,854	3
Total equity	<u>7,392,031</u>	<u>66</u>	<u>3,734,366</u>	<u>61</u>
<b>TOTAL</b>	<u>\$11,156,229</u>	<u>100</u>	<u>\$ 6,117,668</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, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	%	Amount	%
OPERATING REVENUE (Note 20)	\$ 10,367,269	100	\$ 10,040,221	100
OPERATING COST	<u>6,239,380</u>	<u>61</u>	<u>6,127,054</u>	<u>61</u>
GROSS PROFIT	<u>4,127,889</u>	<u>39</u>	<u>3,913,167</u>	<u>39</u>
OPERATING EXPENSES				
Selling expenses	249,968	2	231,683	3
General and administrative expenses	468,518	5	398,485	4
Research and development expenses	2,822,825	27	2,524,485	25
Expected credit loss (gain)	<u>2,257</u>	<u>-</u>	<u>3,855</u>	<u>-</u>
Total operating expenses	<u>3,543,568</u>	<u>34</u>	<u>3,158,508</u>	<u>32</u>
PROFIT FROM OPERATIONS	<u>584,321</u>	<u>5</u>	<u>754,659</u>	<u>7</u>
NON-OPERATING INCOME AND EXPENSES				
Interest expense	(14,279)	-	-	-
Interest income	17,777	-	12,105	-
Dividend income	70,529	1	73,322	1
Other gains and losses	12,203	-	7,516	-
Gains (losses) on disposal of property, plant and equipment	62	-	1,254	-
Foreign exchange gains (losses)	(2,791)	-	20,475	-
Gains (losses) on financial instruments at fair value through profit or loss	<u>(253)</u>	<u>-</u>	<u>(30,411)</u>	<u>-</u>
Total non-operating income and expenses	<u>83,248</u>	<u>1</u>	<u>84,261</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	667,569	6	838,920	8
INCOME TAX EXPENSE (Notes 4 and 21)	<u>(109,110)</u>	<u>(1)</u>	<u>(128,287)</u>	<u>(1)</u>
NET PROFIT FOR THE YEAR	<u>558,459</u>	<u>5</u>	<u>710,633</u>	<u>7</u>

(Continued)

# NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	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 18)	\$ (56,330)	-	\$ (67,323)	(1)
Unrealized gains (losses) on investments in equity instruments at fair value through other comprehensive income	39,393	-	(196,160)	(2)
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	<u>(8,449)</u>	<u>-</u>	<u>(10,370)</u>	<u>-</u>
Other comprehensive income (loss)	<u>(25,386)</u>	<u>-</u>	<u>(273,853)</u>	<u>(3)</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<u>\$ 533,073</u>	<u>5</u>	<u>\$ 436,780</u>	<u>4</u>
<b>EARNINGS PER SHARE (Notes 4 and 24)</b>				
From continuing operations				
Basic	<u>\$ 2.53</u>		<u>\$ 3.42</u>	
Diluted	<u>\$ 2.52</u>		<u>\$ 3.40</u>	

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

# NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company				Other Equity			Total Equity
	Ordinary Share	Capital Surplus	Retained Earnings		Exchange Differences on Translation of Foreign Financial Statements	Unrealized Gains (Losses) on Financial Assets at Fair Value Through Other Comprehensive Income	Unrealized Gains (Losses) on Available-for-sale Financial Assets	
			Legal Reserve	Unappropriated Earnings				
BALANCE AT JANUARY 1, 2018	\$ 2,075,544	\$ 63,498	\$ 401,846	\$ 896,014	\$ (165)	\$ -	\$ 226,224	\$ 3,662,961
Effect of retrospective application and retrospective restatement	-	-	-	493	-	379,242	(226,224)	153,511
BALANCE AT JANUARY 1, 2018 AS RESTATED	<u>2,075,544</u>	<u>63,498</u>	<u>401,846</u>	<u>896,507</u>	<u>(165)</u>	<u>379,242</u>	<u>-</u>	<u>3,816,472</u>
Appropriation of 2017 earnings (Note 19)								
Legal reserve	-	-	68,813	(68,813)	-	-	-	-
Cash dividends	-	-	-	(518,886)	-	-	-	(518,886)
Net profit for the year ended December 31, 2018	-	-	-	710,633	-	-	-	710,633
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	(67,323)	(10,370)	(196,160)	-	(273,853)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	<u>643,310</u>	<u>(10,370)</u>	<u>(196,160)</u>	<u>-</u>	<u>436,780</u>
Disposals of investments in equity instruments designated as at fair value through other comprehensive income (Notes 11 and 19)	-	-	-	3,228	-	(3,228)	-	-
BALANCE AT DECEMBER 31, 2018	2,075,544	63,498	470,659	955,346	(10,535)	179,854	-	3,734,366
Appropriation of 2018 earnings (Note 19)								
Legal reserve	-	-	71,063	(71,063)	-	-	-	-
Cash dividends	-	-	-	(518,886)	-	-	-	(518,886)
Net profit for the year ended December 31, 2019	-	-	-	558,459	-	-	-	558,459
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	(56,330)	(8,449)	39,393	-	(25,386)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	<u>502,129</u>	<u>(8,449)</u>	<u>39,393</u>	<u>-</u>	<u>533,073</u>
Compensation cost of employee share options (Note 19 and 23)	-	49,920	-	-	-	-	-	49,920
Unclaimed dividends from claims extinguished by prescriptions	-	52	-	-	-	-	-	52
Disposals of investments in equity instruments designated as at fair value through other comprehensive income (Notes 11 and 19)	-	-	-	49,703	-	(49,703)	-	-
Issuance of ordinary shares for cash (Note 19)	800,000	2,793,506	-	-	-	-	-	3,593,506
BALANCE AT DECEMBER 31, 2019	<u>\$ 2,875,544</u>	<u>\$ 2,906,976</u>	<u>\$ 541,722</u>	<u>\$ 917,229</u>	<u>\$ (18,984)</u>	<u>\$ 169,544</u>	<u>\$ -</u>	<u>\$ 7,392,031</u>

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

# NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax	\$ 667,569	\$ 838,920
Adjustments for:		
Depreciation expense	290,277	164,001
Amortization expense	89,569	86,807
Interest expense	14,279	-
Expected credit loss (gain) recognized on accounts receivable	2,257	3,855
Interest income	(17,777)	(12,105)
Dividend income	(70,529)	(73,322)
Compensation cost of employee share options	49,920	-
Net (gains) losses on financial assets at fair value through profit or loss	(5,274)	947
(Gains) losses on disposal of property, plant and equipment	(62)	(1,254)
Changes in operating assets and liabilities		
(Increase) decrease in notes and accounts receivable	(78,012)	(195,624)
(Increase) decrease in accounts receivable from related parties	(5,088)	(11,192)
(Increase) decrease in other receivables	(308,916)	194,234
(Increase) decrease in inventories	(43,720)	73,380
(Increase) decrease in other current assets	26,911	51,972
(Increase) decrease in other non-current assets	356	2,593
Increase (decrease) in accounts payable	240,675	(46,201)
Increase (decrease) in other payables	6,315	(30,619)
Increase (decrease) in other current liabilities	5,225	(25,363)
Increase (decrease) on accrued pension liabilities	(63,192)	(79,003)
Increase (decrease) in other non-current liabilities	8,337	(8,190)
Cash flows from operations	809,120	933,836
Income tax paid	(103,362)	(146,907)
Interest received	11,101	12,896
Interest paid	(12,240)	-
Dividend received	70,529	73,322
Net cash flows from (used in) operating activities	<u>775,148</u>	<u>873,147</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of intangible assets	(163,513)	(23,855)
Proceeds from disposal of financial assets at fair value through other comprehensive income	87,266	5,850
Acquisition of financial assets at fair value through other comprehensive income	(630,000)	-
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	4,000	3,500
Acquisition of property, plant and equipment	(214,755)	(198,466)
Proceeds from disposal of property, plant and equipment	233	1,941
(Increase) decrease in refundable deposits paid	(5,444)	(9,864)

(Continued)

# NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
Net cash flows from (used in) investing activities	<u>(922,213)</u>	<u>(220,894)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from long-term borrowings	500,000	-
Repayments of the principal portion of lease liabilities	(102,217)	-
Dividends paid to owners of the Company	(518,886)	(518,886)
Proceeds from issuance of ordinary shares	3,593,506	-
Other financing activities	<u>52</u>	<u>-</u>
Net cash flows from (used in) financing activities	<u>3,472,455</u>	<u>(518,886)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(10,085)</u>	<u>(6,478)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,315,305	126,889
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,543,918</u>	<u>1,417,029</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 4,859,223</u>	<u>\$ 1,543,918</u>

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

# NUVOTON TECHNOLOGY CORPORATION

## BALANCE SHEETS

DECEMBER 31, 2019 AND 2018

(In Thousands of New Taiwan Dollars)

ASSETS	2019		2018	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 4,451,201	41	\$ 960,293	16
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	6,037	-	763	-
Notes and accounts receivable, net (Notes 4 and 8)	717,356	7	602,000	10
Accounts receivable from related parties, net (Notes 4, 8 and 25)	144,686	1	332,028	5
Other receivables (Notes 6 and 25)	288,980	3	28,016	-
Inventories (Notes 4 and 9)	1,600,433	15	1,557,510	26
Other current assets (Note 13)	133,420	1	162,333	3
Total current assets	<u>7,342,113</u>	<u>68</u>	<u>3,642,943</u>	<u>60</u>
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 10)	1,056,690	10	493,166	8
Investments accounted for using equity method (Notes 4 and 11)	1,102,658	10	1,009,874	17
Property, plant and equipment (Notes 4 and 12)	673,029	6	612,248	10
Right-of-use assets (Notes 4 and 13)	351,336	3	-	-
Intangible assets (Notes 4 and 14)	192,005	2	122,967	2
Deferred tax assets (Notes 4 and 19)	73,000	-	80,000	1
Refundable deposits (Note 6)	81,289	1	75,707	1
Other non-current assets (Note 13)	-	-	35,129	1
Total non-current assets	<u>3,530,007</u>	<u>32</u>	<u>2,429,091</u>	<u>40</u>
<b>TOTAL</b>	<u>\$ 10,872,120</u>	<u>100</u>	<u>\$ 6,072,034</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	\$ 1,128,398	10	\$ 888,249	15
Other payables (Notes 16 and 25)	1,028,249	9	917,252	15
Current tax liabilities (Notes 4 and 19)	68,556	1	83,748	1
Lease liabilities - current (Notes 4 and 13)	53,885	-	-	-
Other current liabilities	55,249	1	52,093	1
Total current liabilities	<u>2,334,337</u>	<u>21</u>	<u>1,941,342</u>	<u>32</u>
<b>NON-CURRENT LIABILITIES</b>				
Long-term borrowings (Note 15)	500,000	5	-	-
Products guarantee based on commitment (Note 4)	101,891	1	101,891	1
Lease liabilities - non-current (Notes 4 and 13)	262,054	2	-	-
Net defined benefit liabilities - non-current (Notes 4 and 17)	266,795	3	292,862	5
Other non-current liabilities	15,012	-	1,573	-
Total non-current liabilities	<u>1,145,752</u>	<u>11</u>	<u>396,326</u>	<u>6</u>
Total liabilities	<u>3,480,089</u>	<u>32</u>	<u>2,337,668</u>	<u>38</u>
<b>EQUITY</b>				
Share capital (Note 18)	2,875,544	26	2,075,544	34
Capital surplus (Note 18)	2,906,976	27	63,498	1
Retained earnings (Note 18)				
Legal reserve	541,722	5	470,659	8
Unappropriated earnings	917,229	8	955,346	16
Exchange differences on translation of foreign financial statements (Notes 4 and 18)	(18,984)	-	(10,535)	-
Unrealized gains (losses) on financial assets at fair value through other comprehensive income (Notes 4 and 18)	169,544	2	179,854	3
Total equity	<u>7,392,031</u>	<u>68</u>	<u>3,734,366</u>	<u>62</u>
<b>TOTAL</b>	<u>\$ 10,872,120</u>	<u>100</u>	<u>\$ 6,072,034</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, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	%	Amount	%
OPERATING REVENUE	\$ 10,123,801	100	\$ 9,798,594	100
OPERATING COST	<u>6,232,121</u>	<u>61</u>	<u>6,116,544</u>	<u>63</u>
GROSS PROFIT	<u>3,891,680</u>	<u>39</u>	<u>3,682,050</u>	<u>37</u>
OPERATING EXPENSES				
Selling expenses	162,030	2	147,129	1
General and administrative expenses	442,135	4	370,922	4
Research and development expenses	2,790,622	28	2,457,238	25
Expected credit loss (gain)	<u>2,876</u>	<u>-</u>	<u>1,403</u>	<u>-</u>
Total operating expenses	<u>3,397,663</u>	<u>34</u>	<u>2,976,692</u>	<u>30</u>
PROFIT FROM OPERATIONS	<u>494,017</u>	<u>5</u>	<u>705,358</u>	<u>7</u>
NON-OPERATING INCOME AND EXPENSES				
Interest expense	(7,327)	-	-	-
Share of profit of subsidiaries and associates accounted for using equity method	65,476	-	17,004	-
Interest income	10,864	-	6,624	-
Dividend income	66,899	1	67,547	1
Other gains and losses	5,433	-	470	-
Gains (losses) on disposal of property, plant and equipment	225	-	1,163	-
Foreign exchange gains (losses)	(1,875)	-	13,882	-
Gains (losses) on financial instruments at fair value through profit or loss	<u>(253)</u>	<u>-</u>	<u>(30,411)</u>	<u>-</u>
Total non-operating income and expenses	<u>139,442</u>	<u>1</u>	<u>76,279</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	633,459	6	781,637	8
INCOME TAX EXPENSE (Notes 4 and 19)	<u>(75,000)</u>	<u>(1)</u>	<u>(71,004)</u>	<u>(1)</u>
NET PROFIT FOR THE YEAR	<u>558,459</u>	<u>5</u>	<u>710,633</u>	<u>7</u>

(Continued)

# NUVOTON TECHNOLOGY CORPORATION

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	%	Amount	%
<b>OTHER COMPREHENSIVE INCOME</b>				
<b>(LOSSES)</b>				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Notes 4 and 17)	\$ (46,150)	-	\$ (69,908)	(1)
Unrealized gains (losses) on investments in equity instruments at fair value through other comprehensive income	24,790	-	(135,687)	(1)
Share of other comprehensive income (loss) of subsidiaries and associates accounted for using equity method	4,423	-	(57,888)	(1)
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating of foreign operations	(8,449)	-	(10,370)	-
Other comprehensive income (loss)	(25,386)	-	(273,853)	(3)
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<u>\$ 533,073</u>	<u>5</u>	<u>\$ 436,780</u>	<u>4</u>
<b>EARNINGS PER SHARE (Notes 4 and 22)</b>				
From continuing operations				
Basic	<u>\$ 2.53</u>		<u>\$ 3.42</u>	
Diluted	<u>\$ 2.52</u>		<u>\$ 3.40</u>	

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

(Concluded)

# NUVOTON TECHNOLOGY CORPORATION

## STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	Share Capital	Capital Surplus	Retained Earnings		Exchange Differences on Translation of Foreign Financial Statements	Other Equity		Total Equity
			Legal Reserve	Unappropriated Earnings		Unrealized Gains (Losses) on Financial Assets at Fair Value Through Other Comprehensive Income	Unrealized Gains (Losses) on Available-for-sale Financial Assets	
BALANCE AT JANUARY 1, 2018	\$ 2,075,544	\$ 63,498	\$ 401,846	\$ 896,014	\$ (165)	\$ -	\$ 226,224	\$ 3,662,961
Effect of retrospective application and retrospective restatement (Note 3)	-	-	-	493	-	379,242	(226,224)	153,511
BALANCE AT JANUARY 1, 2018 AS RESTATED	<u>2,075,544</u>	<u>63,498</u>	<u>401,846</u>	<u>896,507</u>	<u>(165)</u>	<u>379,242</u>	<u>-</u>	<u>3,816,472</u>
Appropriation of 2017 earnings (Note 18)								
Legal reserve	-	-	68,813	(68,813)	-	-	-	-
Cash dividends	-	-	-	(518,886)	-	-	-	(518,886)
Net profit for the year ended December 31, 2018	-	-	-	710,633	-	-	-	710,633
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	(67,323)	(10,370)	(196,160)	-	(273,853)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	<u>643,310</u>	<u>(10,370)</u>	<u>(196,160)</u>	<u>-</u>	<u>436,780</u>
Disposals of investments in equity instruments designated as at fair value through other comprehensive income (Notes 10 and 18)	-	-	-	3,228	-	(3,228)	-	-
BALANCE AT DECEMBER 31, 2018	<u>2,075,544</u>	<u>63,498</u>	<u>470,659</u>	<u>955,346</u>	<u>(10,535)</u>	<u>179,854</u>	<u>-</u>	<u>3,734,366</u>
Appropriation of 2018 earnings (Note 18)								
Legal reserve	-	-	71,063	(71,063)	-	-	-	-
Cash dividends	-	-	-	(518,886)	-	-	-	(518,886)
Net profit for the year ended December 31, 2019	-	-	-	558,459	-	-	-	558,459
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	(56,330)	(8,449)	39,393	-	(25,386)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	<u>502,129</u>	<u>(8,449)</u>	<u>39,393</u>	<u>-</u>	<u>533,073</u>
Compensation cost of employee share options (Notes 18 and 21)	-	49,920	-	-	-	-	-	49,920
Unclaimed dividends extinguished by prescriptions	-	52	-	-	-	-	-	52
Disposals of investments in equity instruments designated as at fair value through other comprehensive income (Notes 10 and 18)	-	-	-	49,703	-	(49,703)	-	-
Issuance of ordinary shares for cash (Note 18)	800,000	2,793,506	-	-	-	-	-	3,593,506
BALANCE AT DECEMBER 31, 2019	<u>\$ 2,875,544</u>	<u>\$ 2,906,976</u>	<u>\$ 541,722</u>	<u>\$ 917,229</u>	<u>\$ (18,984)</u>	<u>\$ 169,544</u>	<u>\$ -</u>	<u>\$ 7,392,031</u>

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

# NUVOTON TECHNOLOGY CORPORATION

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax	\$ 633,459	\$ 781,637
Adjustments for:		
Depreciation expense	200,994	140,681
Amortization expense	75,706	68,518
Interest expense	7,327	-
Expected credit loss (gain) recognized on accounts receivable	2,876	1,403
Interest income	(10,864)	(6,624)
Dividend income	(66,899)	(67,547)
Compensation cost of employee share options	49,920	-
Share of profit of subsidiaries and associates accounted for using equity method	(65,476)	(17,004)
Unrealized gain or loss	268	673
Net (gains) losses on financial assets at fair value through profit or loss	(5,274)	947
(Gains) losses on disposal of property, plant and equipment	(225)	(1,163)
Changes in operating assets and liabilities		
(Increase) decrease in notes and accounts receivable	(118,232)	(60,462)
(Increase) decrease in accounts receivable from related parties	187,342	(103,296)
(Increase) decrease in other receivables	(257,895)	318,924
(Increase) decrease in inventories	(42,923)	68,421
(Increase) decrease in other current assets	25,450	52,777
(Increase) decrease in other non-current assets	-	2,381
Increase (decrease) in accounts payable	240,149	(45,817)
Increase (decrease) in other payables	54,136	(49,635)
Increase (decrease) in other current liabilities	3,156	(25,353)
Increase (decrease) on accrued pension liabilities	(72,217)	(79,132)
Increase (decrease) in other non-current liabilities	13	(7,520)
Cash flows from (used in) operations	840,791	972,809
Income tax paid	(83,192)	(73,539)
Interest paid	(6,688)	-
Interest received	7,795	6,656
Dividend received	66,999	67,547
Net cash flows from (used in) operating activities	<u>825,705</u>	<u>973,473</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of intangible assets	(113,184)	(23,750)
Proceeds from disposal of financial assets at fair value through other comprehensive income	87,266	5,850
Acquisition of financial assets at fair value through other comprehensive income	(630,000)	-
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	4,000	3,500

(Continued)

# NUVOTON TECHNOLOGY CORPORATION

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
Acquisition of investments accounted for using equity method	(18,277)	-
Proceeds from capital reduction of investments accounted for using equity method	-	75,826
Acquisition of property, plant and equipment	(191,465)	(154,894)
Proceeds from disposal of property, plant and equipment	225	1,639
(Increase) decrease in refundable deposits paid	<u>(5,582)</u>	<u>(9,970)</u>
Net cash flows from (used in) investing activities	<u>(867,017)</u>	<u>(101,799)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from long-term borrowings	500,000	-
Repayments of the principal portion of lease liabilities	(42,452)	-
Dividends paid to owners of the Company	(518,886)	(518,886)
Proceeds from issuance of ordinary shares for cash	3,593,506	-
Other financing activities	<u>52</u>	<u>-</u>
Net cash flows from (used in) financing activities	<u>3,532,220</u>	<u>(518,886)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,490,908	352,788
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>960,293</u>	<u>607,505</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$4,451,201</u>	<u>\$ 960,293</u>

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

(Concluded)



**勤業眾信**

勤業眾信聯合會計師事務所  
11073 台北市信義區松仁路100號20樓

Deloitte & Touche  
20F, Taipei Nan Shan Plaza  
No. 100, Songren Rd.,  
Xinyi Dist., Taipei 11073, Taiwan

Tel :+886 (2) 2725-9988  
Fax:+886 (2) 4051-6888  
www.deloitte.com.tw

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders  
Nuvoton Technology Corporation

### **Opinion**

We have audited the accompanying consolidated financial statements of Nuvoton Technology Corporation and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, 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, 2019 and 2018, 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), International Financial Reporting Interpretations Committee (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### **Basis for Opinion**

We conducted our audits 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, 2019. 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.

#### Occurrence of Sales Revenues

There is a significant risk on revenue recognition, and customers' line of credits and delivery of products are highly correlated to delivery of products and recognition of sales revenue. We therefore considered that the occurrence of sales revenue from the twenty largest customers with changes in credit limits and temporary increase in credit limits in 2019 as a key audit matter for this year. Refer to Note 4 to the consolidated financial statements for the Group's revenue recognition policies.

Our audit procedures in response to the occurrence of sales revenue included understanding the design and the implementation of internal control of sales revenue and selecting samples of revenue items to verify that revenue transactions have indeed occurred.

#### **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, 2019 and 2018 on which we have issued an unmodified opinion.

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

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

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

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

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

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

to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2019 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 Shu-Lin Liu and Hung-Bin Yu.



Deloitte & Touche  
Taipei, Taiwan  
Republic of China

February 6, 2020

#### 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.*

## 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, 2019 and 2018, 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, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### Basis for Opinion

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

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2019. 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.

#### Occurrence of Sales Revenues

There is a significant risk on revenue recognition, and customers' line of credit and delivery of products are highly correlated to recognition of sales revenue. We therefore considered that the occurrence of sales revenue from the twenty largest customers with changes in credit limits and temporary increase in credit limits in 2019 as a key audit matter for this year. Refer to Note 4 to the financial statements for the Company's revenue recognition policies.

Our audit procedures in response to the occurrence of sales revenue included understanding the design and the implementation of internal control of sales revenue and selecting samples of revenue items to verify that revenue transactions have indeed occurred.

### **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 and 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, 2019 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 Shu-Lin Liu and Hung-Bin Yu



Deloitte & Touche  
Taipei, Taiwan  
Republic of China

February 6, 2020

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 >

## **Review Report by the Audit Committee**

The Board of Directors has prepared the Company's 2019 Business Report, financial statements (including consolidated financial statements) and profit distribution proposal. The Board of Directors had engaged CPA ShuLin Liu and CPA Hung-Bin Yu from Deloitte & Touche 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 considered by the Audit Committee to be 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

2020 Annual General Shareholders Meeting of Nuvoton Technology Corporation

Convener of the Audit Committee: Allen Hsu

Date: March 12, 2020

**Nuvoton Technology Corporation**  
**Shareholdings of All Directors of the Sixth Term**

March 31, 2020

Title	Name	Current shareholding (Number of Shares)	Shareholding ratio (%)
Chairman	Winbond Electronics Corporation Representative: Yuan-Mou Su	177,000,000 shares	61.55%
Director	Arthur Yu-Cheng Chiao	0	0.00%
Director	Chin-Xin Investment Co., Ltd Representative: Yung Chin	1,230,816 shares	0.43%
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		178,230,816 shares	61.98%

Notes: (1) The Company has a total of 287,554,400 issued shares as of March 31, 2020. Shareholdings of all directors are 178,230,816 shares and are 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.

**Nuvoton Technology Corporation**  
**Comparison Table of Amended Articles of Incorporation**

Amended Articles	Current Articles	Note
<p>Article 7</p> <p>The total capital of the Company shall be in the amount of five billion New Taiwan Dollars (NT\$5,000,000,000), divided into 500 million shares, at ten New Taiwan Dollars (NT\$10) each, and may be issued in <u>installments and part of which may be preferred shares</u>. The un-issued shares may be issued by a resolution of the Board of Directors whenever it deems necessary. In the aforesaid total capital, up to one hundred eighty million New Taiwan Dollars (NT\$180,000,000) may be reserved for issuance of stock warrants, preferred shares with warrants or corporate bonds with warrants, consisting of 18 million shares, with a par value of ten New Taiwan Dollars (NT\$10) per share, which may be issued in installments. The respective amount of stock warrants, preferred shares with warrants or corporate bonds with warrants may be adjusted by the Board of Directors in consideration of factors concerning capital market and operation needs.</p>	<p>Article 7</p> <p>The total capital of the Company shall be in the amount of five billion New Taiwan Dollars (NT\$5,000,000,000), divided into 500 million shares, at ten New Taiwan Dollars (NT\$10) each, and may be issued in installments. The un-issued shares may be issued by a resolution of the Board of Directors whenever it deems necessary. In the aforesaid total capital, up to one hundred eighty million New Taiwan Dollars (NT\$180,000,000) may be reserved for issuance of stock warrants, preferred shares with warrants or corporate bonds with warrants, consisting of 18 million shares, with a par value of ten New Taiwan Dollars (NT\$10) per share, which may be issued in installments. The respective amount of stock warrants, preferred shares with warrants or corporate bonds with warrants may be adjusted by the Board of Directors in consideration of factors concerning capital market and operation needs.</p>	<p>It is provided that the Company may issue preferred shares as new capital in line with its practical needs.</p>
<p><u>Article 7-1: The rights and obligations and other major issuance terms of the Company's preferred shares are as follows:</u></p> <p>1. <u>The dividend on preferred shares shall be limited to a maximum of 8% per annum and calculated by the issuance price per share, take priority over the dividend and bonus on common shares and be distributed once in cash every</u></p>		<p>The rights and obligations of the preferred shares and the major terms of the issuance thereof have been newly</p>



Amended Articles	Current Articles	Note
<p><u>but inferior to general creditors, provided that the amount of such distribution shall not exceed that of the preference shares then in issue and outstanding calculated at the issuance price.</u></p> <p>5. <u>Holders of preferred shares shall have no right to vote in the shareholders' meeting, but are entitled to be elected as directors. However, such shareholders have voting rights in preferred shareholders' meetings and in the shareholders' meetings that deal with agendas that would be unfavorable to any rights and obligations of preferred shareholders.</u></p> <p>6. <u>Preferred shares may not be converted into common shares.</u></p> <p>7. <u>Preferred shares shall have no maturity, and preferred shareholders shall not request the Company to redeem the preferred shares they hold, but the Company may redeem all or part of the preferred shares at any time on or after the next day following the fifth anniversary of the issuance date at the original issuance price. Unredeemed preferred shares shall continue to enjoy rights and obligations of issuance terms prescribed in the preceding subparagraphs. In the year when the Company resolves to distribute any dividends, the dividends that shall be distributed until the redemption date shall be calculated based on the actual number of issuance days of that year.</u></p> <p>8. <u>The capital reserve from the premium issue of the preferred shares shall not be</u></p>		<p>thereof have been newly added to meet actual needs.</p>

Amended Articles	Current Articles	Note
<p><u>capitalized during the issuance period of the preferred shares. The Board of Directors is authorized to determine the name, issuance date and specific issuance terms of the preferred shares upon actual issuance thereof depending on the conditions of capital markets in accordance with these Articles of Incorporation and related laws and regulations.</u></p>		
<p>Article 9 <u>(Deleted)</u></p>	<p>Article 9 <del>The transfer, registration, loss or destruction of share certificates shall be handled in accordance with the Company Act and relevant regulations. Taiwan Depository &amp; Clearing Corporation may request the Company to combine its share certificates in exchange for issuance of share certificates of large denomination.</del></p>	<p>this article is revised based on actual needs.</p>
<p>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. <u>A preferred shareholders' meeting may be convened in accordance with relevant laws and regulations when necessary.</u></p>	<p>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.</p>	<p>It is newly provided that the Company may convene a preferred shareholders' meeting in accordance with the relevant laws and regulations to meet its actual needs.</p>
<p>Article 13-1 The revocation of public issuance shall be reported to the shareholders meeting for</p>	<p>Article 13-1 <del>After the Company becomes a public issuing company,</del> the revocation of public issuance</p>	<p>the Company has become a public issuing</p>

Amended Articles	Current Articles	Note
resolution.	shall be reported to the shareholders meeting for resolution, <del>and this article shall not be changed while the Company is traded on the Emerging Market Board or Mainboard of Taipei Exchange or listed on Taiwan Stock Exchange.</del>	company, and this article is revised based on actual needs.
Article 14 <u>(Deleted)</u>	Article 14 <del>In the case that the Company is held by a single government shareholder or a single juristic person shareholder, the functional duties and power of the shareholders meeting of the Company shall be exercised by the Board of Directors, to which the provisions governing the shareholders meeting as set out in the Articles of Incorporation shall not apply.</del>	he Company has become a public issuing company, and this article is revised based on actual needs.
Article 26 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 the above and undistributed earnings of previous years or after 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 an amount as undistributed earnings, <u>and after distributing the dividends on the preferred shares with</u>	Article 26 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 the above and undistributed earnings of previous years or after 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 an amount as undistributed earnings, the Board of Directors may submit a proposal for	In line with the provisions of Article 7-1 ( <i>Preferred Shares</i> ), the order of distribution of dividends on the preferred shares has been newly added, and the distribution of dividend bonuses has been described in detail.

Amended Articles	Current Articles	Note
<p><u>respect to the remaining amount in accordance with Article 7-1 of these Articles of Incorporation</u>, 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.</p>	<p>allocation of the remaining balance and the accumulated undistributed earnings to the shareholders meeting for resolution on distributing bonus and dividends to shareholders.</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.  The eighth amendment was made on June 24, 2019.  The ninth amendment was made on December 6, 2019.  <u>The tenth amendment was made on May 29, 2020.</u></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.  The eighth amendment was made on June 24, 2019.  The ninth amendment was made on December 6, 2019.</p>	<p>The date of this amendment has been newly added.</p>

## **Long-term Fund Raising Project – Method and Principles of Fund Raising**

### I. Domestic Capital Increase for Cash through Issuance of Common Shares

It is proposed that the shareholders' meeting authorize the Board of Directors to carry out a domestic capital increase for cash through issuance of common shares within the amount of 100,000,000 shares, and to select one of the following two options for the sale of the publicly underwritten common shares of the Company:

#### 1. Book-Building

- (1) Pursuant to Article 267 of the Company Act, except for 10% of the total number of new shares reserved for subscription by the employees of the Company and its controlling company or subsidiaries who meet certain conditions, it is proposed that the shareholders' meeting resolve to waive the pre-emptive rights of the original shareholders in accordance with Article 28-1 of the Securities and Exchange Act, and allocate all of the remaining shares for public underwriting by way of book-building, and in accordance with the Taiwan Securities Association Rules Governing Underwriting and Resale of Securities by Securities Firms. It is also proposed that the Chairman be authorized to contact designated persons to subscribe for the remaining portion of the stock at the issue price, in case of any shortfall in such subscription, such subscription for less than one share or waive of such subscription by the employees of the Company and its controlling company or subsidiaries.
- (2) When filing the case with the Financial Supervisory Commission (the "FSC") and filling the book-building agreement and the underwriting agreement with the Taiwan Securities Association (the "TSA"), the issuance price shall not be less than 90% of the simple arithmetic mean of the closing prices of the Company's common stock on the date falling on either one, three or five business day(s) prior to such filing, net of

the ex-rights by share distribution (or the ex-rights by capital reduction) and ex-dividends in accordance with the Self-Regulatory Rules for Assistance by Member Underwriters of the TSA for Listed Companies in the Offering and Issuance of Securities (the “Self-Regulatory Rules”). It is proposed that the Board of Directors authorize the Chairman to negotiate the actual issuance price in accordance with the aforementioned pricing principles with the lead securities underwriter after taking into account the circumstances surrounding the book-building, issue market conditions and relevant laws and regulations.

## 2. Public Subscription

- (1) Pursuant to Article 267 of the Company Act, 10% of the total number of new shares shall be reserved for subscription by the employees of the Company and its controlling company or subsidiaries who meet certain conditions, and another 10% thereof shall be offered for public underwriting pursuant to Article 28-1 of the Securities and Exchange Act; any remaining shares shall be subscribed by the original shareholders in proportion to the shareholding of each shareholder as recorded in the shareholder register on the record date for the subscription. It is proposed that the Chairman be authorized to contact designated persons to subscribe for the remaining portion of the stock at the issue price, in case of any shortfall in such subscription, such subscription for less than one share or waive of such subscription by the employees of the Company and its controlling company or subsidiaries.
- (2) On the day when the case is filed with the FSC and the day falling on five business days prior to the ex-rights date, the issuance price shall not be less than 70% of the simple arithmetic mean of the closing prices of the Company's common stock on the date falling on either one, three or five business day(s) prior to such day, net of the ex-rights by share distribution (or the ex-rights by capital reduction) and ex-dividends in accordance with the Self-Regulatory Rules. It is proposed that the Board of Directors authorize the Chairman to negotiate the actual issuance price in

accordance with the aforementioned pricing principles with the lead securities underwriter after taking into account the market conditions and relevant laws and regulations.

## II. Global Depository Receipts (“GDRs”) Sponsored by Issuance of New Common Shares by Capital Increase for Cash

1. Pursuant to Article 267 of the Company Act, except for 10% of the total issued common shares shall be reserved for subscription by the employees of the Company and its controlling company or subsidiaries who meet certain conditions, the remaining thereof shall be all allocated for public offering and serve as the underlying securities of this offering of GDRs after the original shareholders waives their pre-emptive rights to such common shares in accordance with Article 28-1 of the Securities and Exchange Act. The Chairman is authorized to contact designated persons to subscribe for the under-subscribed shares after the employees have completed stock subscription, or to use the remaining shares as the underlying securities of GDRs depending on the market demand.
2. The issuance price of the GDRs sponsored by issuance of new common shares by capital increase for cash shall not be less than 90% of the Company's average stock price as calculated by the simple arithmetic mean of the closing price(s) of the common stock on the pricing date and the closing price(s) of the common stock on the date falling on either one, three or five business day(s) before the pricing date, net of the distribution of stock dividends (or distribution of stock dividends via capital reduction) and cash dividends in accordance with the Self-Regulatory Rules. In case of any change in the relevant domestic laws and regulations, the pricing may be changed in line with such changes in the laws and regulations. The capital increase for cash is priced in ways in accordance with the relevant laws and regulations of the competent authority, and therefore should be reasonable. However, in light of dramatic short-term fluctuations in domestic stock prices, the Chairman is authorized to consult with the securities underwriters about the actual issuance price to be decided within the aforesaid extent according to the

international practice, market conditions and book building status, in order to raise the likelihood of the GDRs being accepted by overseas investors. If the maximum issuance of the GDRs sponsored by issuance of new common shares by capital increase for cash is 100,000,000 shares, the Company's shareholding is diluted by approximately 25.80% on the basis of its issued share capital (i.e., 287,554,400 shares) as of March 31, 2020. However, together with the benefits of the capital increase, this will enhance the Company's competitiveness and further improve its financial flexibility to bear the risk of financial market uncertainty. On the other hand, with the issuance of the GDRs, the Company's overseas reputation may be enhanced, which will be conducive to the development of its new business in the future, enhance its market competitiveness, and reduce its operational risk. Therefore, the issuance of the GDRs should not have a material adverse impact on the rights and interests of the original shareholders.

### III. Domestic Capital Increase for Cash through Issuance of Preferred Shares

It is proposed that the shareholders' meeting authorize the Board of Directors to carry out a domestic capital increase for cash through issuance of preferred shares within the amount of 100,000,000 shares, and to select one of the following two options for the sale of the publicly underwritten common shares of the Company:

#### 1. Book-Building

(1) Pursuant to Article 267 of the Company Act, except for 10% of the total number of new shares reserved for subscription by the employees of the Company and its controlling company or subsidiaries who meet certain conditions, it is proposed that the shareholders' meeting resolve to waive the pre-emptive rights of the original shareholders in accordance with Article 28-1 of the Securities and Exchange Act, and allocate all of the remaining shares for public underwriting by way of book-building. It is also proposed that the Chairman be authorized to contact designated persons to subscribe for the remaining portion of the stock at the issue price, in case of any shortfall in such subscription, such subscription for less than one share or waive of such subscription by the employees of the Company and its controlling company or

subsidiaries.

- (2) It is proposed that the Board of Directors authorize the Chairman to negotiate the issuance price of preferred shares within the extent between plus 10% and minus 10% of the theoretical price in accordance with the Self-Regulatory Rules with the lead securities underwriter after taking into account the circumstances surrounding the book-building, issue market conditions and relevant laws and regulations.

## 2. Public Subscription

- (1) Pursuant to Article 267 of the Company Act, 10% of the total number of new shares shall be reserved for subscription by the employees of the Company and its controlling company or subsidiaries who meet certain conditions, and another 10% thereof shall be offered for public underwriting pursuant to Article 28-1 of the Securities and Exchange Act; any remaining shares shall be subscribed by the Company's original shareholders in proportion to the shareholding of each shareholder as recorded in the shareholder register on the record date for the subscription. It is proposed that the Chairman be authorized to contact designated persons to subscribe for the remaining portion of the stock at the issue price, in case of any shortfall in such subscription, such subscription for less than one share or waive of such subscription by the employees of the Company and its controlling company or subsidiaries.
- (2) It is proposed that the Board of Directors authorize the Chairman to negotiate the issuance price of preferred shares within the extent between plus 10% and minus 10% of the theoretical price in accordance with the Self-Regulatory Rules with the lead securities underwriter after taking into account the issue market conditions and relevant laws and regulations.

## IV. Capital Increase for Cash by Issuance of Common Shares, GDRs Sponsored by Issuance of New Shares, or Capital Increase for Cash through Issuance of Preferred Shares, all by way of Private Placement

### 1. Basis of Pricing and its Reasonableness

- (1) The price of privately-placed common shares per share shall not be less than 80% of the reference price, which shall be either of the following prices (whichever is higher):
  - (A) The stock price as calculated by the simple arithmetic mean of the closing price(s) of the common stock on the date falling on either one, three or five business day(s) before the pricing date, net of any distribution of stock dividends and cash dividends, plus any capital reduction; or
  - (B) The stock price as calculated by the simple arithmetic mean of the closing prices of the common stock for the thirty business days before the pricing date, net of any distribution of stock dividends and cash dividends, plus any capital reduction.
- (2) The price of privately-placed preferred shares per share shall not be less than 80% of the theoretical price, which is the price of the securities calculated based on an appropriate pricing model that is selected in light of the various rights under the terms of issuance. The pricing model shall as a whole encompass, and include the concurrent consideration of, the various rights included in the terms of issuance. Any right not included for consideration within the model shall be excluded from the terms of issuance.
- (3) It is proposed that the shareholders' meeting authorize the Board of Directors to determine the pricing date, the actual reference price and the actual issuance price in accordance with the above provisions by taking into account market conditions, objective circumstances and contact with designated persons, within a range not less than the ratio determined by the resolutions of the shareholders' meeting. The price of the private placement will be determined by reference to the above-mentioned reference price or theoretical price in accordance with the laws and regulations of the competent authority. Considering that the Securities and Exchange Act imposes strict restrictions on the time of, the parties receiving, and quantity of, the transfer of privately-placed securities, the conditions of the private placement should be reasonable.

2. The selection, purpose, necessity and anticipated benefit of placees:

- (1) Selection and purpose: Pursuant to Article 43-6 of the Securities and Exchange Act and related rulings, placees to be selected shall be limited to those who (a) may directly or indirectly contribute to the Company's future operations, (b) may assist the Company in developing markets and expanding its operations, and (c) are strategic investors who share the Company's business philosophy.
- (2) Necessity: In order to strengthen the Company's competitive advantage, it is necessary for the Company to introduce strategic investors who can help the Company expand future product sales or promote product development cooperation in view of its long-term development.
- (3) Anticipated benefit: The introduction of strategic investors can help the Company expand its scale of operations and develop new markets, which will benefit its long-term development.
- (4) There are currently no contacted placees. It is proposed that the shareholders' meeting authorize the Board of Directors to carry out matters relating to contact with placees at its sole discretion.

3. Reasons for a necessary private placement

- (1) The Company plans to introduce strategic investors to enhance its future competitiveness, and the private placement of securities is subject to a three-year limitation on transfers, which may ensure a long-term relationship between the Company and its strategic investment partners. Therefore, it intends to raise funds from designated persons through a private placement to enhance the timeliness and flexibility of fund raising.
- (2) Amount of the private placement: It is proposed that the total number of shares to be privately placed will not exceed 100,000,000.
- (3) Purpose and anticipated benefits of the private placement: The private placement(s) will be conducted once or in several times (up to three times) depending on the market conditions and the negotiation with the designated persons. The proceeds will

be used for one or more purposes such as investment, purchase of machinery and equipment, repayment of bank loans, sound financial structure and enhancement of working capital. Each private placement is expected to enhance the Company's competitiveness, strengthen the shareholders' structure, strengthen the Company's financial structure and increase its scale of operations, which should be beneficial to the shareholders' rights and interests.

**NUVOTON TECHNOLOGY CORPORATION**  
**Comparison Table of the Rules Governing the Conduct of Shareholders Meeting**

Article After Amendment	Article Before Amendment	Note
<p>Article 11                      (1)~(4): Omitted</p> <p><u>The number of representatives appointed by a legal-entity shareholder to attend the shareholders meeting should not exceed the number of directors to be elected at the shareholders meeting if there is an election of directors at that shareholders meeting, or the number of directors elected for a term of office if there is no election of directors at that shareholders meeting, and only one representative can speak for the same motion.</u></p> <p>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.</p>	<p>Article 11                      (1)~(4): Omitted</p> <p><del>When a legal-entity shareholder has appointed two or more representatives to attend the shareholders meeting, only one representative can speak for each motion.</del></p> <p>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.</p>	<p>The procedure is amended based on the letter dated March 10, 2015 (Ref. No.: Jing-Shang Zhi 10402404570) issued by the Financial Supervisory Commission.</p>
<p>Article 21</p> <p>These Rules were enacted on June 10, 2009.</p> <p>The first amendment was made on June 5, 2012.</p> <p>The second amendment was made on June 10, 2015.</p> <p>The third amendment was made on June 15, 2016.</p> <p>The fourth amendment was made on June 24, 2019.</p> <p><u>The fifth amendment was made on May 29, 2020.</u></p>	<p>Article 21</p> <p>These Rules were enacted on June 10, 2009.</p> <p>The first amendment was made on June 5, 2012.</p> <p>The second amendment was made on June 10, 2015.</p> <p>The third amendment was made on June 15, 2016.</p> <p>The fourth amendment was made on June 24, 2019.</p>	<p>Date of this amendment was added.</p>

**NUVOTON TECHNOLOGY CORPORATION**  
**Comparison Table of Operating Procedures for Loaning of Funds**

Article After Amendment	Article Before Amendment	Note
<p>Article 2: Maximum amount of loans granted to other parties</p> <p>(1) Aggregate maximum loan amount</p> <p>The aggregate maximum loan amount granted to others may not exceed <u>forty</u> percent of the net worth of the Company shown in its latest financial report.</p> <p>(2) The maximum amount of loans for each borrower</p> <p><u>1.</u> The aggregate amount of loans granted to the same Borrower having business dealings with the Company and short-term financing needs shall not exceed the Borrower's net worth shown in the Borrower's latest financial report or ten percent of the net worth of the Company shown in the Company's latest financial report, whichever is lower. Moreover, in the event of aforementioned loans for business dealings with the Company, the amount of each individual loan offered by the Company may not exceed the total business transaction amount within the latest year between the Borrower and the Company. The business transaction amount shall mean the amount of purchase or sale between the Company and Borrower, whichever is higher.</p>	<p>Article 2: Maximum amount of loans granted to other parties</p> <p>(1) Aggregate maximum loan amount</p> <p>The aggregate maximum loan amount granted to others may not exceed <del>twenty</del> percent of the net worth of the Company shown in its latest financial report.</p> <p>(2) The maximum amount of loans for each borrower</p> <p>The aggregate amount of loans granted to the same Borrower having business dealings with the Company and short-term financing needs shall not exceed the Borrower's net worth shown in the Borrower's latest financial report or ten percent of the net worth of the Company shown in the Company's latest financial report, whichever is lower. Moreover, in the event of aforementioned loans for business dealings with the Company, the amount of each individual loan offered by the Company may not exceed the total business transaction amount within the latest year between the Borrower and the Company. The business transaction amount shall mean the amount of purchase or sale between the Company and Borrower, whichever is higher.</p>	<p>1. Increase flexibility in the use of funds within the corporate group.</p> <p>2. Adjust the order of paragraphs.</p>

Article After Amendment	Article Before Amendment	Note
<p><u>2. The amount of loans granted to a subsidiary in which the Company holds directly or indirectly fifty percent or more of the voting shares shall not exceed the Borrower's net worth shown in the Borrower's latest financial report or forty percent of the net worth of the Company shown in the Company's latest financial report, whichever is lower.</u></p> <p>(3) "Financing amount" used in this article <u>is calculated based on the cumulative balance, that is, cumulative lending amount minus cumulative collections.</u></p> <p>(4) Where changes in circumstances in respect of the Company cause the entity to which the Company gives loans to cease to be an eligible entity under the Operating Procedures or the loan balance exceeds the maximum loan amount, the Company shall draft an improvement plan, submit the same to the independent directors and the Audit Committee and complete the improvement on schedule.</p>	<p>(3) "Financing amount" used in this article <del>means the cumulative balance of the Company's short term financing.</del></p> <p>(4) Where changes in circumstances in respect of the Company cause the entity to which the Company gives loans to cease to be an eligible entity under the Operating Procedures or the loan balance exceeds the maximum loan amount, the Company shall draft an improvement plan, submit the same to the independent directors and the Audit Committee and complete the improvement on schedule.</p>	<p>3. Increase flexibility in the use of funds within the corporate group.</p> <p>4. Clarify the calculation method of financing amount.</p>
<p>Article 3 Operating Procedures of Fund Loaning and Review Process</p> <p>Before loaning funds to others, the Company shall carefully evaluate whether it is in compliance with the "Regulations Governing Loaning of Funds and Providing Endorsements and/or Guarantees by Public Companies" promulgated by the securities authority and these Operating Procedures. The Company may make loans to others only after the results of evaluation have</p>	<p>Article 3 Operating Procedures of Fund Loaning and Review Process</p> <p>Before loaning funds to others, the Company shall carefully evaluate whether it is in compliance with the "Regulations Governing Loaning of Funds and Providing Endorsements and/or Guarantees by Public Companies" promulgated by the securities authority and these Operating Procedures. The Company may make loans to others only</p>	

Article After Amendment	Article Before Amendment	Note
<p>been submitted to and resolved upon by the Board of Directors. The Company shall not authorize any other person to make such decision. Where the independent directors have been installed, when loaning funds to others, the Company shall take into full consideration each independent director's opinions; the independent directors' opinions specifically expressing dissent or dissent and their reasons for dissent shall be included in the minutes of the board meetings. The operating procedures of fund loaning and review process are as follows:</p> <p>(1)~(2): Omitted</p> <p>(3) The procedures of fund loaning will be processed by the Finance Department only after receiving the guarantee notes of the same amount or other collateral as security for applying to the Company for fund loaning. Appraisal of the collateral shall be done carefully by the Finance Division. <u>Provision of collateral may be waived where the Borrower is a subsidiary in which the Company holds directly or indirectly fifty percent or more of the voting shares.</u></p> <p>(4) The funds loaning between the Company and its subsidiaries shall be submitted to the Board of Directors for approval in accordance with this Article and the Chairman of the Board of Directors may be authorized to loan the funds in installments or</p>	<p>after the results of evaluation have been submitted to and resolved upon by the Board of Directors. The Company shall not authorize any other person to make such decision. Where the independent directors have been installed, when loaning funds to others, the Company shall take into full consideration each independent director's opinions; the independent directors' opinions specifically expressing dissent or dissent shall be included in the minutes of the board meetings. The operating procedures of fund loaning and review process are as follows:</p> <p>(1)~(2): Omitted</p> <p>(3) The procedures of fund loaning will be processed by the Finance Department only after receiving the guarantee notes of the same amount or other collateral as security for applying to the Company for fund loaning. Appraisal of the collateral shall be done carefully by the Finance Division.</p> <p>(4) The funds loaning between the Company and its subsidiaries shall be submitted to the Board of Directors for approval in accordance with this Article and the Chairman of the Board of Directors may be authorized to loan the funds</p>	<p>Handled pursuant to practical needs.</p>

Article After Amendment	Article Before Amendment	Note
<p>revolving within a certain amount resolved by the Board of Directors and within one year with respect to the same persons to whom the funds are loaned. The authorized amount of the funds loaned to a single enterprise shall not exceed ten percent of the net worth of the Company shown in the Company's latest financial report.</p> <p>Material fund loaning by the Company shall be approved by at least one half of all audit committee members and submitted to the Board of Directors for resolution. If approval of the majority of all audit committee members is not obtained, such fund loaning may be implemented if approved by more than two-thirds of all directors, and the resolution of the audit committee shall be recorded in the meeting minutes of the Board of Directors. The terms "all audit committee members" and "all directors" in this Paragraph shall be counted as the actual number of persons currently holding those positions.</p>	<p>in installments or revolving within a certain amount resolved by the Board of Directors and within one year with respect to the same persons to whom the funds are loaned. The authorized amount of the funds loaned to a single enterprise shall not exceed ten percent of the net worth of the Company shown in the Company's latest financial report.</p> <p><del>(5) During the period that the Company receives the endorsement/guarantee provided by, or the funds lent by, its parent company. Neither the Company nor any of its Subsidiaries may engage in lending of funds to others.</del></p> <p>Material fund loaning by the Company shall be approved by at least one half of all audit committee members and submitted to the Board of Directors for resolution. If approval of the majority of all audit committee members is not obtained, such fund loaning may be implemented if approved by more than two-thirds of all directors, and the resolution of the audit committee shall be recorded in the meeting minutes of the Board of Directors. The terms "all audit committee members" and "all directors" in this Paragraph shall be counted as the actual number of persons currently holding those positions.</p>	<p>Handled pursuant to practical needs; increase flexibility in the use of funds within the corporate group.</p>
<p>Article 4 The Term of Loan The term of loan shall not exceed one year.</p>	<p>Article 4 The Term of Loan The term of loan shall not exceed one</p>	<p>Handled pursuant to practical</p>

Article After Amendment	Article Before Amendment	Note
<p><u>The term of loan shall not exceed two years if the Borrower is a subsidiary in which the Company holds directly or indirectly fifty percent or more of the voting shares.</u></p>	<p>year.</p>	<p>needs.</p> <p>Increase flexibility in the use of funds within the corporate group.</p>
<p>Article 9 Subsidiary and Parent Company, Net Worth</p> <p>(1) "Subsidiary" and "parent company" as set forth herein shall be determined <u>based on the International Financial Report Standards (IFRS) 10. Subsidiaries shall refer to the Company's subsidiaries at all levels (e.g. second-tier subsidiary, third-tier subsidiary, and so forth) as determined by applying by analogy, but not limited to the first-tier subsidiary.</u></p> <p>(2) "Net worth" as set forth herein means:</p> <p>1. <u>Where the Company grants loans to others for short-term financing needs, its net worth shall be calculated based on the Company's latest financial report audited (reviewed) by the certified public accountants and the amount should be the parent company owner's equity on the consolidated balance sheet.</u></p> <p>2. <u>Where the Company's subsidiary grants loans to others for short-term financing needs, its net worth shall be calculated based on the subsidiary's latest financial report</u></p>	<p>Article 9 Subsidiary and Parent Company, Net Worth</p> <p>(1) "Subsidiary" and "parent company" as set forth in these Procedures shall be determined <del>as per the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</del></p> <p>(2) "Net worth" as set forth herein means parent company owner's equity on the balance sheet <del>under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</del></p>	<p>1. Clearly define the terms "subsidiary" and "parent company" by reference to Q&amp;A of Regulations Governing Loaning of Funds and Making of Endorsements /Guarantees by Public Companies.</p> <p>2. Clearly define the term "net worth" by reference to Q&amp;A of Regulations Governing Loaning of Funds and Making of Endorsements /Guarantees by Public Companies.</p>

Article After Amendment	Article Before Amendment	Note
<u>audited (reviewed) by the certified public accountants, or the net worth audited (reviewed) by the certified public accountants in the latest consolidated financial report into which the subsidiary has been consolidated, whichever is the most recent.</u>		

<English Translation>

**Nuvoton Technology Corporation**  
**Operating Procedures for Loaning of Funds (After Amendment)**

**I. PURPOSE**

To soundly manage the Company's fund loaning and to reduce the risk in management, the Company enacts these Procedures.

**II. OBJECTIVE**

These Procedures were enacted in accordance with the Company Act and other relevant laws and regulations to effectively manage matters concerning loans to others in line with the principles of steady and solid management of the Company.

**III. CONTENTS**

**Article 1: Parties Eligible for Loans from the Company**

- (1) The Company shall not grant loans to any shareholder or anyone except for the following:
  1. Companies which have business dealings with the Company, to the extent that the loan is for their working capital needs only; and
  2. Companies having short-term financing needs in which the Company holds, whether directly or indirectly, fifty percent or more of the voting shares.
- (2) The restrictions set out in Paragraphs 1 and 2 of Article 2 and Article 4 hereof may not apply to the intercompany loans between foreign companies in which the Company holds, whether directly or indirectly, 100% of the voting shares, or the intercompany loans granted by foreign companies in which the Company holds, whether directly or indirectly, 100% of the voting shares, to the Company; provided, however, that the Company shall prescribe the aggregate maximum loan amount that the Company can provide and the maximum loan amount permitted to be lent to a single borrower and specify the term of loan in these Procedures according to the Regulations Governing Loans and Endorsements /Guarantees by Public Companies promulgated by the securities authority.

**Article 2: Maximum amount of loans granted to other parties**

- (1) Aggregate maximum loan amount

The aggregate maximum loan amount granted to others may not exceed forty percent of the net worth of the Company shown in its latest financial report.
- (2) The maximum amount of loans for each borrower
  1. The aggregate amount of loans granted to the same Borrower having business dealings with the Company and short-term financing needs shall not exceed the Borrower's net

worth shown in the Borrower's latest financial report or ten percent of the net worth of the Company shown in the Company's latest financial report, whichever is lower. Moreover, in the event of aforementioned loans for business dealings with the Company, the amount of each individual loan offered by the Company may not exceed the total business transaction amount within the latest year between the Borrower and the Company. The business transaction amount shall mean the amount of purchase or sale between the Company and Borrower, whichever is higher.

2. The amount of loans granted to a subsidiary in which the Company holds directly or indirectly fifty percent or more of the voting shares shall not exceed the Borrower's net worth shown in the Borrower's latest financial report or forty percent of the net worth of the Company shown in the Company's latest financial report, whichever is lower.
- (3) "Financing amount" used in this article is calculated based on the cumulative balance, that is, cumulative lending amount minus cumulative collections.
- (4) Where changes in circumstances in respect of the Company cause the entity to which the Company gives loans to cease to be an eligible entity under the Operating Procedures or the loan balance exceeds the maximum loan amount, the Company shall draft an improvement plan, submit the same to the independent directors and the Audit Committee and complete the improvement on schedule.

### **Article 3: Operating Procedures of Fund Loaning and Review Process**

Before loaning funds to others, the Company shall carefully evaluate whether it is in compliance with the "Regulations Governing Loaning of Funds and Providing Endorsements and/or Guarantees by Public Companies" promulgated by the securities authority and these Operating Procedures. The Company may make loans to others only after the results of evaluation have been submitted to and resolved upon by the Board of Directors. The Company shall not authorize any other person to make such decision. Where the independent directors have been installed, when loaning funds to others, the Company shall take into full consideration each independent director's opinions; the independent directors' opinions specifically expressing assent or dissent and their reasons for dissent shall be included in the minutes of the board meetings. The operating procedures of fund loaning and review process are as follows:

- (1) When the Company handles the matters of fund loaning, the necessary financial information and guarantee shall be provided by the Borrower to the Finance Department of the Company in advance.
- (2) The Finance Department of the Company shall prepare a report specifically stating the borrower, reason, the necessity and reasonableness of loans to others, amount, term, interest rate, method of repayment, source of funds, collateral or other methods of guarantee and other necessary matters.

- (3) The procedures of fund loaning will be processed by the Finance Department only after receiving the guarantee notes of the same amount or other collateral as security for applying to the Company for fund loaning. Appraisal of the collateral shall be done carefully by the Finance Division. Provision of collateral may be waived where the Borrower is a subsidiary in which the Company holds directly or indirectly fifty percent or more of the voting shares.
- (4) The funds loaning between the Company and its subsidiaries shall be submitted to the Board of Directors for approval in accordance with this Article and the Chairman of the Board of Directors may be authorized to loan the funds in installments or revolving within a certain amount resolved by the Board of Directors and within one year with respect to the same persons to whom the funds are loaned. The authorized amount of the funds loaned to a single enterprise shall not exceed ten percent of the net worth of the Company shown in the Company's latest financial report. (5) During the period that the Company receives the endorsement/guarantee provided by, or the funds lent by, its parent company.

Material fund loaning by the Company shall be approved by at least one half of all audit committee members and submitted to the Board of Directors for resolution. If approval of the majority of all audit committee members is not obtained, such fund loaning may be implemented if approved by more than two-thirds of all directors, and the resolution of the audit committee shall be recorded in the meeting minutes of the Board of Directors. The terms "all audit committee members" and "all directors" in this Paragraph shall be counted as the actual number of persons currently holding those positions.

#### **Article 4: The Term of Loan**

The term of loan shall not exceed one year. The term of loan shall not exceed two years if the Borrower is a subsidiary in which the Company holds directly or indirectly fifty percent or more of the voting shares.

#### **Article 5: The Method of Interest Calculation for Loaning of Funds**

The method of interest calculation for fund loaning shall be decided with reference to the interest rate of correspondent financial institutions of the Company and may be adjusted according to the cost of funds. The interest calculation and receipt shall be made once a month except that under special circumstances, adjustment may be made according to the actual need after being approved by the Board of Directors.

#### **Article 6: The Follow-Up Control Measures and the Process of Overdue Loan**

- (1) The Company shall prepare a memorandum book for its fund loaning activities and truthfully record the following information: the borrower, amount, date of approval by the Board of Directors, date of loan, and matters to be carefully evaluated under Article

3 hereof.

- (2) The Finance Department shall be responsible for following and checking the financial conditions, business and related credit conditions of the Borrower and the guarantor and shall also pay attention to whether there is any change to the value of the collateral. If there is any significant change of circumstances, the Finance Division shall immediately report to the Chairman of the Board of Directors and appropriate measures shall be taken in accordance with the instructions.
- (3) When making a repayment on or before the due date, the Borrower shall first calculate the interest payable together with the principle. The Finance Department shall provide a report confirming that all amount of loan has been repaid and is approved by the Chairman of the Board of Directors before return of collateral or guarantee to the Borrower.
- (4) The Borrower shall immediately repay all amount of interest and principle when due; otherwise, the Company may dispose the collateral and/or has a right of recovery to the guarantor.

#### **Article 7: Internal Audit**

The Company's internal auditors shall audit the operating procedures for loaning funds to others and the implementation thereof no less frequently than quarterly and prepare written records accordingly. The Company's internal auditors shall promptly notify the independent directors and the Audit Committee in writing of any material violation found.

#### **Article 8: Procedure for announcement and report**

- (1) The Company shall announce and report the loan balances of the Company and its subsidiaries for the previous month by the tenth day of each month, or conduct the announcement and report in accordance with relevant regulations promulgated by the competent authority.
- (2) If the loan balance reaches any of the following thresholds, the Company shall announce and report within two days from the date of occurrence. The date of occurrence referred to above means the date of execution of the contract, date of payment, date of board resolutions, or other dates that may confirm the party to which the money is lent and loan amount, whichever date is earlier.
  - (i) The balances of the loans granted by the Company and its subsidiaries reaches twenty percent or more of the net worth of the Company as stated in its latest financial statement.
  - (ii) The balances of the loans granted by the Company and its subsidiaries made to a single entity reaches ten percent or more of the net worth of the Company as stated in its latest financial statement.
  - (iii) The amount of new loans granted by the Company or its subsidiaries reaches NT\$10

million and reaches two percent of the net worth of the Company as stated in its latest financial statement.

- (3) Where any subsidiary of the Company is not a domestic public offering company, the Company shall make the required announcement and report on behalf of such subsidiary if the situation prescribed in the preceding Item (iii) occurs.
- (4) The Company shall evaluate the status of loans and make sufficient allowances for bad debts and shall properly disclose relevant information in its financial reports and provide the certified public accountants with the relevant information to conduct necessary audit procedures.

#### **Article 9: Subsidiary and Parent Company, Net Worth**

- (1) "Subsidiary" and "parent company" as set forth herein shall be determined based on the International Financial Report Standards (IFRS) 10. Subsidiaries shall refer to the Company's subsidiaries at all levels (e.g. second-tier subsidiary, third-tier subsidiary, and so forth) as determined by applying by analogy, but not limited to the first-tier subsidiary.
- (2) "Net worth" as set forth herein means:
  1. Where the Company grants loans to others for short-term financing needs, its net worth shall be calculated based on the Company's latest financial report audited (reviewed) by the certified public accountants and the amount should be the parent company owner's equity on the consolidated balance sheet.
  2. Where the Company's subsidiary grants loans to others for short-term financing needs, its net worth shall be calculated based on the subsidiary's latest financial report audited (reviewed) by the certified public accountants, or the net worth audited (reviewed) by the certified public accountants in the latest consolidated financial report into which the subsidiary has been consolidated, whichever is the most recent.

#### **Article 10: Penalty**

- (1) The responsible person of the Company who has violated Paragraph 1 of Article 3 of the Regulations Governing Loaning of Funds and Endorsements/Guarantees by Public Companies shall be liable, jointly and severally with the Borrower, for the repayment of the loan at issue in accordance with Paragraph 6 of the same article of the same regulations, and shall indemnify the Company for any damages suffered by the Company resulted therefrom.
- (2) In order to prevent managers or personnel in charge from taking advantage of their offices to engage in illegal fund loaning, when managers or personnel in charge violate these Operating Procedures or the related laws and regulations, the Human Resource Department shall provide a proposal of penalty to be approved by the head-in-charge according to the severity of violation based on the evidence provided by the division in charge or audit division. Penalty imposed on managers shall be submitted to the

Compensation Committee and the board of directors for approval.

In the event of unrecoverable loss incurred from an individual's violation of these operating procedures or the related laws and regulations with intent or negligence, suspension may be imposed on personnel in charge after being approved by the president and suspension may be imposed on managers after being approved by the head-in-charge.

The aforementioned managers shall mean the ones set up in accordance with the ruling issued by the Securities and Futures Commission dated March 27, 2003 (Ref. No.: Tai-Tsai-Jen-(3)-0920001301) and the aforementioned personnel in charge shall mean personnel involved and relevant supervisors in charge of review and approval of execution.

#### **Article 11: Control procedure to subsidiaries in loaning funds to other parties**

The Company shall require all of its subsidiaries to formulate their own "Procedures for Loaning Funds to Other Parties" in accordance with the "Regulations Governing Loaning Funds and Providing Endorsement and Guarantee by Public Offering Companies" promulgated by the competent authorities and the "Procedures for Loaning Funds to Other Parties" of the Company. Any loan made by the subsidiaries shall comply with their own "Procedures for Loaning Funds to Other Parties", and the internal audit department of the Company shall be responsible for reviewing all self-assessment reports prepared by all subsidiaries.

#### **IV. THE EFFECTIVENESS AND AMENDMENT**

These Procedures shall be approved by at least one half of all the audit committee members and then submitted to the Board of Directors for resolution. After approved by the Board of Directors, these procedures shall be submitted to the shareholders' meeting for approval; where any director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the dissenting opinion to the audit committee and for discussion by the shareholders' meeting. The same shall apply to any amendment to the Procedures. When the Operating Procedures of Fund Loaning are submitted by the Company to the Board of Directors for discussion in accordance with relevant rules, the Board of Directors shall take into full consideration each independent director's opinion; any dissent from or qualification by the independent directors (if any) shall be included in the minutes of the Board of Directors' meetings.

If approval of the majority of all audit committee members as required in the preceding paragraph is not obtained, these Procedures or amendments thereto may be implemented if approved by more than two-thirds of all directors, and the resolution of the audit committee shall be recorded in the meeting minutes of the Board of Directors. The terms "all audit committee members" in this Paragraph and "all directors" in this paragraph shall be counted

as the actual number of persons currently holding those positions.

**V. Reference Documents**

Regulations Governing Loaning of Funds and marking of Endorsements/Guarantees by Public Companies.

**NUVOTON TECHNOLOGY CORPORATION**  
**Comparison Table of Operating Procedures for Endorsements and**  
**Guarantees**

Article After Amendment	Article Before Amendment	Note
<p>Article 3 Amount ceiling for endorsement/guarantee</p> <p>(1) The limit on the aggregate amount of endorsements and/or guarantees</p> <p>The limit on the aggregate amount of endorsements and/or guarantees made by the Company, or the Company and its subsidiaries together, shall not exceed the Company's net assets shown in the Company's latest financial report.</p>	<p>Article 3 Amount ceiling for endorsement/guarantee</p> <p>(1) The limit on the aggregate amount of endorsements and/or guarantees</p> <p>The limit on the aggregate amount of endorsements and/or guarantees made by the Company, or the Company and its subsidiaries together, shall not exceed <del>fifty percent</del> of the Company's net assets shown in the Company's latest financial report.</p>	<p>1. To increase flexibility in the use of funds within the corporate group.</p> <p>2. According to Article 12 of the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies, if the aggregate amount of endorsements/guarantees that is set as the ceiling for the public company and its subsidiaries as a whole reaches 50% or more of the net worth of the public company, an explanation of the necessity and reasonableness thereof shall be provided. The explanation is as follows:</p> <p>A. Necessity: The Company and its subsidiaries can only provide endorsement and guarantee in favor of the Company's subsidiaries. In order to avoid restricting the normal financial activities of the Group, it is necessary to retain appropriate flexibility in the</p>

Article After Amendment	Article Before Amendment	Note
<p>(2) The limit on the total amount of endorsements and/or guarantees for any single entity</p> <p>The total amount of endorsements and/or guarantees made by the Company or the Company and its subsidiaries together for a single enterprise shall not exceed twenty percent of the Company's net assets shown in the Company's latest financial report or the net worth of the endorsee/guarantee company, whichever is lower.</p> <p>If the Company engages in endorsements and/or guarantees because of business relations, the aggregate amount of endorsements and/or guarantees provided by the Company to any single enterprise shall not exceed the total trading amount between the Company and such endorsee/guarantee company in the</p>	<p>(2) The limit on the total amount of endorsements and/or guarantees for any single entity</p> <p>The total amount of endorsements and/or guarantees made by the Company or the Company and its subsidiaries together for a single enterprise shall not exceed twenty percent of the Company's net assets shown in the Company's latest financial report or the net worth of the endorsee/guarantee company, whichever is lower.</p> <p>If the Company engages in endorsements and/or guarantees because of business relations, the aggregate amount of endorsements and/or guarantees provided by the Company to any single enterprise shall not exceed the total trading amount between the Company and such endorsee/guarantee company in</p>	<p>endorsements/guarantees provided by the Company or its subsidiaries to banks for the application of bank credit facilities.</p> <p>B. Reasonableness: The aggregate amount that the Company and its subsidiaries as a whole may make guarantees and endorsements should be reasonable within a cap not exceeding the net worth of the Company.</p> <p>2. To increase flexibility in the use of funds within the corporate group.</p>

Article After Amendment	Article Before Amendment	Note
<p>most recent year. The trading amount referred to above means the higher of the total purchase amount or the total sales amount.</p> <p>The restriction on the amount of endorsements/guarantees that the Company may provide to any single enterprise and the restriction relating to the net worth of the endorsee/guarantee company need not apply to the Company's endorsements/guarantees for its subsidiaries in which the Company directly or indirectly holds <u>50% or more</u> voting shares.</p> <p>(3)~(4): Omitted</p>	<p>the most recent year. The trading amount referred to above means the higher of the total purchase amount or the total sales amount.</p> <p>The restriction on the amount of endorsements/guarantees that the Company may provide to any single enterprise and the restriction relating to the net worth of the endorsee/guarantee company need not apply to the Company's endorsements/guarantees for its subsidiaries in which the Company directly or indirectly holds <del>100%</del> voting shares.</p> <p>(3)~(4): Omitted</p>	
<p>Article 6 Operating Procedures of Making Endorsements and Guarantees and Review Process</p> <p>Before making an endorsement or guarantee for others, the Company shall carefully evaluate whether the endorsement or guarantee is in compliance with the "Regulations Governing Loaning of Funds and Making of Endorsements and/or Guarantees by Public Companies" promulgated by the securities regulator and the Company shall handle and review the endorsement/guarantee matters in accordance with these Operating Procedures.</p> <p>(1)~(9): Omitted</p> <p><u>(10)</u> In the case of a subsidiary with shares having no par value or a par value other than NT\$10, the paid-in capital calculation pursuant to Paragraph (9) of this Article shall be the share capital</p>	<p>Article 6 Operating Procedures of Making Endorsements and Guarantees and Review Process</p> <p>Before making an endorsement or guarantee for others, the Company shall carefully evaluate whether the endorsement or guarantee is in compliance with the "Regulations Governing Loaning of Funds and Making of Endorsements and/or Guarantees by Public Companies" promulgated by the securities regulator and the Company shall handle and review the endorsement/guarantee matters in accordance with these Operating Procedures.</p> <p>(1)~(9): Omitted</p> <p>(10) <del>During the period that the Company receives the endorsement/guarantee or loan provided by its parent company, the Company and each of</del></p>	<p>1. Amended according to practical needs; increase flexibility in the use of funds within the corporate group.</p> <p>2. Adjust the order of paragraphs.</p>

Article After Amendment	Article Before Amendment	Note
<p>plus premium for issuance of shares above par value.</p> <p>(Hereafter Omitted)</p>	<p><del>its Subsidiaries shall not engage in any endorsement/guarantee.</del></p> <p>(11) In the case of a subsidiary with shares having no par value or a par value other than NT\$10, the paid-in capital calculation pursuant to Paragraph (9) of this Article shall be the share capital plus premium for issuance of shares above par value.</p> <p>(Hereafter Omitted)</p>	
<p>Article 11 Subsidiary and parent company net worth</p> <p>(1) "Subsidiary" and "parent company" as set forth in these Operating Procedures shall be determined <u>based on the International Financial Report Standards (IFRS) 10. Subsidiaries shall refer to the Company's subsidiaries at all levels (e.g. second-tier subsidiary, third-tier subsidiary, and so forth) as determined by applying by analogy, but not limited to the first-tier subsidiary.</u></p> <p>(2) "Net worth" as set forth in these Operating Procedures means:</p> <p>1. <u>Where the Company provides endorsement for others, its net worth shall be calculated based on the Company's latest financial report audited (reviewed) by the certified public accountants and the amount should be the equity attributable to owners of the parent company on the consolidated balance sheet.</u></p> <p>2. <u>Where the Company's subsidiary</u></p>	<p>Article 11 Subsidiary and parent company net worth</p> <p>(1) "Subsidiary" and "parent company" as set forth in these Operating Procedures shall be determined <del>as per the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</del></p> <p>(2) "Net worth" as set forth in these Operating Procedures means the equity attributable to owners of the parent company on the balance sheet <del>under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</del></p>	<p>1. Clearly define the terms "subsidiary" and "parent company" by reference to Q&amp;A of Regulations Governing Loaning of Funds and Making of Endorsements/ Guarantees by Public Companies.</p> <p>2. Clearly define the term "net worth" by reference to Q&amp;A of Regulations Governing Loaning of Funds and Making of Endorsements/ Guarantees by Public Companies.</p>

Article After Amendment	Article Before Amendment	Note
<p><u>provides endorsement for others, its net worth shall be calculated based on the subsidiary's latest financial report audited (reviewed) by the certified public accountants, or the net worth audited (reviewed) by the certified public accountants in the latest consolidated financial report into which the subsidiary has been consolidated, whichever is the most recent.</u></p>		

<English Translation>

**Nuvoton Technology Corporation**  
**Operating Procedures for Endorsements and Guarantees (After Amendment)**

**I. PURPOSE**

To soundly manage endorsements and guarantees for others by the Company and to protect the assets and credit of the Company, the Company enacts these Operating Procedures as a basis for the execution of endorsements and guarantees.

**II. OBJECTIVE**

Execution of matters relative to endorsements and guarantees made by the Company for others shall be governed by these Operating Procedures. Any matter not provided for in these Operating Procedures shall be governed by the related laws and regulations to effectively manage endorsements and guarantees and to comply with the Company's goal of steady operation.

**III. CONTENTS**

**Article 1:**

The term "endorsements and/or guarantees" referred to in the Operating Procedures include the following:

- (1) Endorsements and/or guarantees in connection with financing facilities, including:
  1. Financing facilities in connection with discounts on customers' check;
  2. Endorsements and/or guarantees provided in connection with financing facilities for other companies; and
  3. Instruments issued to non-financial enterprises as security in connection with the financing facilities for the Company.
- (2) Endorsements and/or guarantees in connection with customs duty, which mean endorsements and/or guarantees made for the Company or other companies with respect to matters involving customs duty;
- (3) Other endorsements and/or guarantees, which cannot be categorized in items (1) and (2) as mentioned above; and
- (4) When the Company creates a pledge or mortgage on its chattel or real property as security for the loans of another company, the Operating Procedures shall apply.

**Article 2: Parties for whom the Company may provide endorsement/guarantee**

- (1) The Company may provide endorsement/guarantee for the following:
  1. A company who has business relationship with the Company.
  2. A company in which the Company directly and indirectly owns more than fifty

percent of the voting shares.

3. A company that directly and indirectly owns more than fifty percent of the voting shares of the Company.
- (2) The companies in which the Company directly and indirectly owns ninety percent or more of voting shares may provide endorsement/guarantee for one another; provided that, the amount of endorsement/guarantee provided by the Company may not exceed ten percent of the net worth shown in the Company's latest financial report; provided further that, the endorsement/guarantee provided by a company which is directly and indirectly wholly owned by the Company to another company which is also directly and indirectly wholly owned by the Company is not subject to the restriction provided in the immediately preceding proviso.
- (3) Where the Company fulfills its contractual obligations by providing mutual endorsement/guarantee for another company in the same industry or the collaborative builders for purposes of undertaking a construction project, or where all the shareholders make endorsement/guarantee for their jointly invested company in proportion to their shareholding percentages, such endorsement/guarantee may be exempted from the restrictions under the preceding two paragraphs. The investment as mentioned in this paragraph means investment directly made by the Company or made through a company in which the Company owns one hundred percent of the voting shares.

### **Article 3: Amount ceiling for endorsement/guarantee**

- (1) The limit on the aggregate amount of endorsements and/or guarantees  
The limit on the aggregate amount of endorsements and/or guarantees made by the Company, or the Company and its subsidiaries together, shall not exceed the Company's net assets shown in the Company's latest financial report.
- (2) The limit on the total amount of endorsements and/or guarantees for any single entity  
The total amount of endorsements and/or guarantees made by the Company or the Company and its subsidiaries together for a single enterprise shall not exceed twenty percent of the Company's net assets shown in the Company's latest financial report or the net worth of the endorsee/guarantee company, whichever is lower.  
If the Company engages in endorsements and/or guarantees because of business relations, the aggregate amount of endorsements and/or guarantees provided by the Company to any single enterprise shall not exceed the total trading amount between the Company and such endorsee/guarantee company in the most recent year. The trading amount referred to above means the higher of the total purchase amount or the total sales amount.  
The restriction on the amount of endorsements/guarantees that the Company may provide to any single enterprise and the restriction relating to the net worth of the endorsee/guarantee company need not apply to the Company's endorsements/guarantees for its subsidiaries in which the Company directly or indirectly holds 50% or more voting

shares.

- (3) Where the Company needs to exceed the limits set out in these Operating Procedures to satisfy its business needs, it shall obtain approval from the board of directors and half or more of the directors shall act as joint guarantors against loss that may be caused to the company by the excess endorsement and/or guarantee provided that the conditions set out in these Operating Procedures are complied with. It shall also amend the Operating Procedures Governing Endorsements and/or Guarantees accordingly and submit the same to the shareholders' meeting for its ratification. If the shareholders' meeting does not approve, the company shall adopt a plan to discharge the amount in excess within a given time limit. Where there are independent directors in the board, when the Company submits the Operating Procedures Governing Endorsements and/or Guarantees to the board meetings for discussion in accordance with the above provisions, it shall take into full consideration each independent director's opinions, which shall be included in the minutes of the board meetings, regardless of whether it was assenting or dissenting opinion.
- (4) Where changes in circumstances of the Company result in that the entity for which the Company provides endorsement/guarantee ceases to be a qualified entity under Article 2 of the Operating Procedures, or the amount endorsed/guaranteed exceeds the ceiling due to changes in the calculation base for the ceiling, the Company shall adopt rectification plans, submit the relevant rectification plans to independent directors and the Audit Committee and complete the rectification on schedule.

#### **Article 4: Corporate Chops for Endorsements and Guarantees**

The Company shall use the corporate chop registered with the Ministry of Economic Affairs as the dedicated chop for endorsements and/or guarantees.

When making a guarantee for a foreign company, the Company shall have the Guarantee Agreement signed by a person authorized by the board of directors.

#### **Article 5: Custody of Corporate Chops and Notes for Endorsements and Guarantees**

The corporate chops and notes for endorsements and/or guarantees shall be kept in the custody of a designated person (the "Custodian") approved by the board of directors and may be used to seal or issue negotiable instruments only in prescribed procedures. The Company shall submit the Custodian of the seals for endorsements and/or guarantees to the board of directors for its approval. The same shall apply to any change to the Custodian.

#### **Article 6: Operating Procedures of Making Endorsements and Guarantees and Review Process**

Before making an endorsement or guarantee for others, the Company shall carefully evaluate whether the endorsement or guarantee is in compliance with the "Regulations Governing

Loaning of Funds and Making of Endorsements and/or Guarantees by Public Companies" promulgated by the securities regulator and the Company shall handle and review the endorsement/guarantee matters in accordance with these Operating Procedures.

- (1) The guarantee company shall provide detailed financial information to the Finance Department of the Company.
- (2) The Finance Division shall prepare a report specifically stating the financial information of the guarantee company, examining the necessity and reasonableness of endorsements and/or guarantees, credit status and risk assessment of the entity for which the endorsement and/or guarantee is made and the impact on the Company's operational risks, financial condition and shareholders' equity. Such report shall be submitted to the chairman of the board of directors for approval.
- (3) If necessary, the ceiling on the amount of endorsements and/or guarantees proposed to be decided by the board of directors may be decided by the chairman of the board of directors provided the amount is within ten percent of the Company's net worth shown in the Company's latest financial report and then be reported to the upcoming board of directors for ratification. Where there are independent directors in the board, when making an endorsement or guarantee for others, the Company shall take into full consideration each independent director's opinions, which shall be included in the minutes of the board meetings, regardless of whether it was assenting or dissenting opinion.
- (4) The Chairman of the board of directors may approve the endorsement and/or guarantee made for the guarantee company within the ceiling decided by the board of directors and refer to the Finance Department for execution.
- (5) The endorsement and/or guarantee may be made by the Finance Department after receiving the guarantee notes of the same term and same amount and collaterals where necessary. Appraisal of the collateral shall be done carefully by the Finance Department. However, where the subsidiaries are one hundred percent invested directly and indirectly by the Company, receipt of guarantee notes and collateral can exempt.
- (6) The Finance Department shall periodically prepare and report the statement of details of guarantees for the purpose of controlling and monitoring the financial conditions and usage of fund of the guarantee company. Should any significant change regarding the aforementioned matters arise, the Finance Department shall immediately report to the Chairman of the board of directors and appropriate measures shall be taken in accordance with the instructions.
- (7) The Finance Division shall prepare a memorandum book and truthfully record the following information: entities for which the approved endorsements and/or guarantees are made, amount, date of approval by the board of directors or the chairman of the board of directors, endorsement and/or guarantee date, and matters to be carefully evaluated under paragraph (2) of this Article.

- (8) A subsidiary in which the Company owns 90% or more of its voting shares cannot provide any endorsement/guarantee according to Paragraph (2) of Article 2 hereof unless such endorsement/guarantee has been submitted to and approved by the board of director of the Company in advance; provided that the endorsement/guarantee by and among subsidiaries in which the Company directly or indirectly holds 100% voting shares is not subject to the above restrictions.
- (9) The Finance Division shall examine the net worth of the company for which the Company provides endorsement/guarantee at the end of each month. If the net worth of such company is lower than 1/2 of its paid-in capital, the Finance Division shall prepare a valuation report and submit such report to the Chairman in order to determine whether to continue to provide endorsement/guarantee to such company. If the Company will continue to provide endorsement/guarantee for such company, the Finance Division shall obtain a negotiable instrument guaranteed by another person with the issuing amount equivalent to the amount of endorsement/guarantee or other security; provided that, no guaranteed negotiable instrument or security is required if the company for which the Company provides the endorsement/guarantee is directly and indirectly wholly owned by the Company.
- (10) In the case of a subsidiary with shares having no par value or a par value other than NT\$10, the paid-in capital calculation pursuant to Paragraph (9) of this Article shall be the share capital plus premium for issuance of shares above par value.

Provision of material endorsement or guarantee by the Company shall be approved by one-half or more of all members of the Audit Committee and submitted to the board of directors meeting for resolution. If the aforesaid matter was not approved by one-half or more of the all Audit Committee members, it may be approved by two-thirds or more of all directors of the board of directors, and the Audit Committee's resolution shall be recorded in the minutes. All Audit Committee members and all directors in this Paragraph shall mean the actual number of persons currently holding those positions.

#### **Article 7: Renewal of Endorsements and/or Guarantees**

Renewal of endorsements and/or guarantees shall be conducted in accordance with Article 6.

#### **Article 8: Cancellation of Endorsement and Guarantee Record**

When the cancellation of endorsements and/or guarantees is requested by the guarantee company or the Company, the Finance Department shall process it in accordance with the following procedures:

- (1) It shall be confirmed that the guarantee company has cancelled the record of the liability of guarantee.
- (2) A copy of cancellation of the guarantee notes by the guarantee company shall be obtained.

### **Article 9: Internal Audit**

The Company's internal auditors shall audit the procedures for processing endorsements and guarantees and the implementation thereof no less frequently than quarterly and prepare written records accordingly. They shall promptly notify the independent directors and the Audit Committee in writing of any material violation matters.

### **Article 10: Procedures of Announcement and Report**

- (1) The Company shall announce and report the previous month's balance of endorsements and/or guarantees of itself and its subsidiaries by the 10th day of each month.
- (2) If the balance of endorsement/guarantee reaches any of the following thresholds, the Company shall announce and report within two days beginning immediately from the same day of the date of occurrence. The date of occurrence referred to above means the date of contract signing, date of payment, date of board of directors resolutions, or other dates that can confirm the endorsed/guaranteed party and monetary amount of the endorsement/ guarantee, whichever date is earlier.
  1. The balance of endorsement/guarantee of the Company and its subsidiaries reaches fifty percent or more of the net worth of the Company as stated in its latest financial statement.
  2. The balance of endorsement/guarantee of the Company and its subsidiaries provided for a single entity reaches twenty percent or more of the net worth of the Company as stated in its latest financial statement.
  3. The balance of endorsement/guarantee of the Company and its subsidiaries provided for a single entity reaches NT\$10 million or more, and the aggregate balance of endorsement/guarantee provided for, the book value of investment under the equity method in and funds lending to, such entity reaches thirty percent or more of the net worth of the Company as stated in its latest financial statement.
  4. The amount of new endorsement/guarantee provided by the Company or its subsidiaries reaches NT\$30 million and reaches five percent of the net worth of the Company as stated in its latest financial statement.
- (3) Where any subsidiary of the Company is not a domestic public offering company, the Company shall make the required announcement and report on behalf of such subsidiary if the situation prescribed in the preceding Item 4 occurs.
- (4) The Company shall evaluate or record the contingent loss for endorsements and/or guarantees and shall adequately disclose information on endorsements and/or guarantees in its financial reports and provide relevant information to the certified public accountants for them to conduct necessary audit procedures.

### **Article 11: Subsidiary and parent company net worth**

- (1) "Subsidiary" and "parent company" as set forth in these Operating Procedures shall be determined based on the International Financial Report Standards (IFRS) 10. Subsidiaries shall refer to the Company's subsidiaries at all levels (e.g. second-tier subsidiary, third-tier subsidiary, and so forth) as determined by applying by analogy, but not limited to the first-tier subsidiary.
- (2) "Net worth" as set forth in these Operating Procedures means:
  1. Where the Company provides endorsement for others, its net worth shall be calculated based on the Company's latest financial report audited (reviewed) by the certified public accountants and the amount should be the equity attributable to owners of the parent company on the consolidated balance sheet.
  2. Where the Company's subsidiary provides endorsement for others, its net worth shall be calculated based on the subsidiary's latest financial report audited (reviewed) by the certified public accountants, or the net worth audited (reviewed) by the certified public accountants in the latest consolidated financial report into which the subsidiary has been consolidated, whichever is the most recent.

#### **Article 12: Penalty**

In order to prevent managers or personnel in charge from taking advantage of their offices to engage in illegal endorsements and/or guarantees, when managers or personnel in charge violate the Operating Procedures or the related laws and regulations, the Human Resource Department shall provide a proposal of penalty according to the severity of violation based on the evidence provided by the division in charge or audit division and approved by the head-in-charge. Penalty imposed on managers shall be submitted to the Audit Committee and the board of directors for resolution.

In the event of unrecoverable loss incurred from an individual's violation of the Operating Procedures or the related laws and regulations with intent or negligence, suspension may be imposed after being approved by the head-in-charge.

The aforementioned managers shall mean the ones set up in accordance with the ruling issued by the Securities and Futures Commission dated March 27, 2003 (Ref. No.: Tai-Tsai-Jen-(3)-0920001301) and the aforementioned personnel in charge shall mean personnel involved and relevant supervisors in charge of review and approval of execution.

#### **Article 13: Control procedure to subsidiaries in providing endorsement /guarantee**

The Company shall require all of its subsidiaries to formulate their own "Operating Procedures for Endorsement and Guarantee" in accordance with the "Regulations Governing Lending Funds and Providing Endorsement and Guarantee by Public Offering Companies" promulgated by the competent authorities and the "Operating Procedures for Endorsement and Guarantee" of the Company. Any endorsement/guarantee provided by the subsidiaries shall comply with their own "Operating Procedures for Endorsement and Guarantee".

#### **IV. VALIDATION AND AMENDMENTS**

These Operating Procedures shall be approved by at least one half of all the audit committee members and then submitted to the Board of Directors for resolution. After approved by the Board of Directors, the Regulations shall be submitted to the shareholders' meeting for approval. Where any director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the dissenting opinions to the audit committee and for discussion by the shareholders' meeting. The same shall apply to any amendments to the Operating Procedures. When the Operating Procedures are submitted by the Company to the Board of Directors for discussion in accordance with relevant rules, the Board of Directors shall take into full consideration each independent director's opinions; any dissent from or qualification by the independent directors (if any) shall be included in the minutes of the Board of Directors' meetings.

If approval of the majority of all audit committee members as required in the preceding paragraph is not obtained, the Regulations or any amendment hereto may be implemented if approved by more than two-thirds of all directors, and the resolution of the audit committee shall be recorded in the meeting minutes of the Board of Directors. The terms "all audit committee members" and "all directors" in this paragraph shall be counted as the actual number of persons currently holding those positions

#### **V. Reference Documents**

Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies.

**NUVOTON TECHNOLOGY CORPORATION**  
**Comparison Table of Procedures for Engaging in Financial Derivatives Transactions**

Article After Amendment	Article Before Amendment	Note																														
<p>Article 4 Trading Limit</p> <p>The total amount of contracts for derivative transactions engaged by the Company which are not offset should not exceed <u>70%</u> of the shareholders' equity.</p>	<p>Article 4 Trading Limit</p> <p>The total amount of contracts for derivative transactions engaged by the Company which are not offset should not exceed <u>50%</u> of the shareholders' equity.</p>	<p>The amendment would increase the flexibility of engaging in financial derivatives of the group companies.</p>																														
<p>Article 7 Authorized Amount and Level of Transactions</p> <p>1. The authorized amount and level of hedging foreign exchange forward transactions are as follows:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">Unit: USD</th> <th style="text-align: center;">Total Amount Per Day</th> <th style="text-align: center;">Aggregate Net Position</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">Chief Executive Officer</td> <td style="text-align: center;">USD20,000,000 or more</td> <td style="text-align: center;">USD<del>60</del>,000,000 to USD100,000,000 (inclusive)</td> </tr> <tr> <td style="text-align: center;">Center Chief</td> <td style="text-align: center;">USD20,000,000 (inclusive)</td> <td style="text-align: center;">USD<del>60</del>,000,000</td> </tr> <tr> <td style="text-align: center;">Chief of Finance Division</td> <td style="text-align: center;">USD10,000,000 (inclusive)</td> <td style="text-align: center;">USD<del>30</del>,000,000 (inclusive)</td> </tr> <tr> <td style="text-align: center;">Manager of Finance Department</td> <td style="text-align: center;">USD2,000,000 (inclusive)</td> <td style="text-align: center;">USD<del>6</del>,000,000 (inclusive)</td> </tr> </tbody> </table> <p>(Hereafter Omitted)</p>	Unit: USD	Total Amount Per Day	Aggregate Net Position	Chief Executive Officer	USD20,000,000 or more	USD <del>60</del> ,000,000 to USD100,000,000 (inclusive)	Center Chief	USD20,000,000 (inclusive)	USD <del>60</del> ,000,000	Chief of Finance Division	USD10,000,000 (inclusive)	USD <del>30</del> ,000,000 (inclusive)	Manager of Finance Department	USD2,000,000 (inclusive)	USD <del>6</del> ,000,000 (inclusive)	<p>Article 7 Authorized Amount and Level of Transactions</p> <p>1. The authorized amount and level of hedging foreign exchange forward transactions are as follows:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">Unit: USD</th> <th style="text-align: center;">Total Amount Per Day</th> <th style="text-align: center;">Aggregate Net Position</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">Approver who is one level higher than Center Chief</td> <td style="text-align: center;">USD20,000,000 or more</td> <td style="text-align: center;">USD<del>30</del>,000,000 or more</td> </tr> <tr> <td style="text-align: center;">Center Chief</td> <td style="text-align: center;">USD20,000,000 (inclusive)</td> <td style="text-align: center;">USD<del>30</del>,000,000</td> </tr> <tr> <td style="text-align: center;">Chief of Finance Division</td> <td style="text-align: center;">USD10,000,000 (inclusive)</td> <td style="text-align: center;">USD<del>15</del>,000,000 (inclusive)</td> </tr> <tr> <td style="text-align: center;">Manager of Finance Department</td> <td style="text-align: center;">USD2,000,000 (inclusive)</td> <td style="text-align: center;">USD<del>3</del>,000,000 (inclusive)</td> </tr> </tbody> </table> <p>(Hereafter Omitted)</p>	Unit: USD	Total Amount Per Day	Aggregate Net Position	Approver who is one level higher than Center Chief	USD20,000,000 or more	USD <del>30</del> ,000,000 or more	Center Chief	USD20,000,000 (inclusive)	USD <del>30</del> ,000,000	Chief of Finance Division	USD10,000,000 (inclusive)	USD <del>15</del> ,000,000 (inclusive)	Manager of Finance Department	USD2,000,000 (inclusive)	USD <del>3</del> ,000,000 (inclusive)	<p>The adjustment is made in accordance with practical operation.</p>
Unit: USD	Total Amount Per Day	Aggregate Net Position																														
Chief Executive Officer	USD20,000,000 or more	USD <del>60</del> ,000,000 to USD100,000,000 (inclusive)																														
Center Chief	USD20,000,000 (inclusive)	USD <del>60</del> ,000,000																														
Chief of Finance Division	USD10,000,000 (inclusive)	USD <del>30</del> ,000,000 (inclusive)																														
Manager of Finance Department	USD2,000,000 (inclusive)	USD <del>6</del> ,000,000 (inclusive)																														
Unit: USD	Total Amount Per Day	Aggregate Net Position																														
Approver who is one level higher than Center Chief	USD20,000,000 or more	USD <del>30</del> ,000,000 or more																														
Center Chief	USD20,000,000 (inclusive)	USD <del>30</del> ,000,000																														
Chief of Finance Division	USD10,000,000 (inclusive)	USD <del>15</del> ,000,000 (inclusive)																														
Manager of Finance Department	USD2,000,000 (inclusive)	USD <del>3</del> ,000,000 (inclusive)																														
<p>V. History</p> <p>These Procedures were formulated on July</p>	<p>V. History</p> <p>These Procedures were formulated on July</p>	<p>Date of this amendment</p>																														

<p>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 sixth amendment was made on June 12, 2018.</p> <p>The seventh amendment was made on June 24, 2019.</p> <p><u>The eighth amendment was made on May 29, 2020.</u></p>	<p>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 sixth amendment was made on June 12, 2018.</p> <p>The seventh amendment was made on June 24, 2019.</p>	<p>was added.</p>
--	---	-------------------

<English Translation>

**Nuvoton Technology Corporation**

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

**I. PURPOSES**

In accordance with the "Procedures of Acquisition or Disposal of Assets" of the Company, the Company enacts these Procedures for Engaging in Financial Derivatives Transactions (the "Procedures") for serving as the basis for execution of 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, or swap contracts, whose value is derived from a specific interest rate, financial instrument price, commodity price, exchange rates, index of prices or rates, credit rating or credit index, or other variables; or hybrid contracts combining the above contracts, or hybrid contracts or structured products containing embedded derivative products. 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:

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.

2. Accounting Division: This division should be responsible for the written confirmation of derivatives.
3. The respective functions of trading, confirmation and settlement shall be performed by different officers.
4. 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 in trading or its relevant position policy implementation.

#### Article 4: Trading Limit

The total amount of contracts for derivative transactions engaged by the Company which are not offset should not exceed 70% 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 Per Day	Aggregate Net Position
<u>Chief Executive Officer</u>	USD20,000,000 or more	USD <u>60,000,000</u> to USD100,000,000 (inclusive)

Center Chief	USD20,000,000 (inclusive)	USD <u>60</u> ,000,000
Chief of Finance Division	USD10,000,000 (inclusive)	USD <u>30</u> ,000,000 (inclusive)
Manager of Finance Department	USD2,000,000 (inclusive)	USD <u>6</u> ,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 of 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 conduct 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 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 statement, 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 all Audit Committee members, it may be approved by two-thirds or more of all directors of the Board of Directors, and the Audit Committee's resolution shall be recorded in the minutes. All Audit Committee members and all directors in this Paragraph shall mean the actual number of persons currently holding those positions.

### **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.

The seventh amendment was made on June 24, 2019.

The eighth amendment was made on May 29, 2020.

Explanations of Involvement of the Director in Acts for Himself or  
Others Which Fall into the Scope of the Company's Business

Mr. Yuan-Mou Su

Names of other companies Where he served	Title	Business items same or similar to the Company's
Winbond Electronics Corporation	Vice Chairman	CC01080 Electronic Parts and Components Manufacturing CC01110 Computers and Computing Peripheral Equipment Manufacturing CC01120 Data Storage Media Manufacturing and Duplicating F401010 International Trade I301010 Software Design Services I501010 Product Designing

# Appendixes

<Appendix 1>

(English Translation)

**Nuvoton Technology Corporation**  
**Rules Governing the Conduct of Shareholders Meeting (After Amendment)**

The fifth amendment will be submitted to the annual general shareholders meeting on May 29, 2020 for approval

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 the Articles 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 general 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 according to relevant laws and regulations. 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 according to relevant laws and regulations.

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 matters specified in Paragraph 5 of Article 172 of the Company Act, or Article 26-1 or Article 43-6 of the Securities and 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 and explained in the convention notice of the meeting, and may not be proposed as

extemporary motions. The essential contents of the matters specified in Paragraph 5 of Article 172 of the Company Act may be posted on the website designated by the competent authority in charge of securities affairs, and such website shall be indicated in the above notice.

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 submitting 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 this Article. 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 place and time of shareholders meetings, if the Company has independent directors, 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 sign-in 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 handbook, 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 out election ballot as well.

Shareholders shall attend shareholders meetings based on attendance passes, attendance 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 who have solicited proxies 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 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 sing-in 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 month.

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 in the preceding paragraph 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 chairman shall stop any violations.

The number of representatives appointed by a legal-entity shareholder to attend the shareholders meeting should not exceed the number of directors to be elected at the shareholders meeting if there is an election of directors at that shareholders meeting, or the number of directors elected for a term of office if there is no election of directors at that shareholders meeting, and only one representative can speak for the same 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

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 in charge of securities laws, when a person who acts as the proxy for two or more shareholders, the number of voting rights represented by him/her shall not exceed 3% of the total number of voting shares of the Company, otherwise, the portion of excessive voting rights 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 Paragraph 2 of Article 179 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 transmission, 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 extemporaneous motions and amendments to original proposals of that meeting; it is therefore advisable that the Company avoid any 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 the Company 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, 2 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 by correspondence or by way of electronic transmission, the Company shall finish the counting and verification of the votes cast in writing by correspondence 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 by correspondence or by way of electronic transmission, the Company shall compile the number of votes cast in writing by correspondence or by way of electronic transmission and prepare a statement of information and disclose such statement of information in an explicit manner at the venue of the shareholders meeting.

Unless otherwise provided laws and regulations or the Company's Articles of Incorporation, resolutions agreed upon by a majority 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 laws and regulations or the Company's Articles of Incorporation. At the time of a vote, for each proposal, the chairman or a person designated by the chairman 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 by correspondence or by way of electronic transmission, unless the number of votes cast in writing by correspondence 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 chairman.

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 by correspondence 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 doubts or 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 Subparagraph 7 of the preceding Paragraph, as well as in compliance with the regulations of the relevant competent 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 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 Market Observation Post System.

The meeting minutes shall accurately record the date (year, month, day) and venue of the meeting, the chairman's full name, the methods by which resolutions were adopted, and a summary of the deliberations and their results, and shall be preserved 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 venue of the shareholders meeting.

## Article 17

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

The chairman 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 venue of a shareholders meeting, if a shareholder attempts to speak through any device other than the public address equipment set up by the Company, the chair may prevent the shareholder from so doing.

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

## Article 18

When a meeting is in progress, the chairman may announce a break based on time considerations. If an air-raid alarm, an earthquake or a force majeure event occurs, the chairman may unilaterally rule the meeting temporarily suspended for evacuation individually and announce whether, in view of the circumstances, the meeting will be resumed after the reason of suspending the meeting is eliminated.

## 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.

The fourth amendment was made on June 24, 2019.

The fifth amendment was made on May 29, 2020.

<Appendix 2>

**Nuvoton Technology Corporation**  
**Articles of Incorporation (After Amendment)<sup>2</sup>**

The tenth amendment will be submitted to the annual general shareholders meeting on May 29, 2020 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 name 新唐科技股份有限公司 (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 of 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 for the operational needs of the Company.

---

<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.

#### Article 4

The total amount of the Company's investments shall not be subject to the ceiling of 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 five billion New Taiwan Dollars (NT\$5,000,000,000), divided into 500 million shares, at ten New Taiwan Dollars (NT\$10) each, and may be issued in installments and part of which may be preferred shares. The un-issued shares may be issued by a resolution of the Board of Directors whenever it deems necessary. In the aforesaid total capital, up to one hundred eighty million New Taiwan Dollars (NT\$180,000,000) may be reserved for issuance of stock warrants, preferred shares with warrants or corporate bonds with warrants, consisting of 18 million shares, with a par value of ten New Taiwan Dollars (NT\$10) per share, which may be issued in installments. The respective amount of stock warrants, preferred shares with warrants or corporate bonds with warrants may be adjusted by the Board of Directors in consideration of factors concerning capital market and operation needs.

#### Article 7-1:

The rights and obligations and other major issuance terms of the Company's preferred shares are as follows:

1. The dividend on preferred shares shall be limited to a maximum of 8% per annum and calculated by the issuance price per share, take priority over the dividend and bonus on common shares and be distributed once in cash every year. After the Company resolves the distribution of earnings, the Board of Directors will determine the record date on which the distributable dividends for the previous year will be paid. The distribution amount of dividends in the year of issuance and year of redemption shall be calculated based on the actual number of issuance days of the current year. The issuance date shall be defined as the record date for the issuance of the preferred shares for capital increase.
2. The Company has sole discretion over the distribution of dividends on preferred shares, and

may resolve not to distribute dividends on preferred shares. If there are no earnings in the annual final accounts or the shareholders' meeting resolves not to distribute any dividends on preferred shares, any such undistributed dividends shall not be cumulative, and no deferred payment will be paid in subsequent years where there are earnings.

3. Except for receiving the dividends prescribed in subparagraph 2 of this paragraph, preferred shareholders are not entitled to the distribution of cash or stock dividends from earnings or the capital reserve with regard to common shares.
4. Holders of preferred shares shall take priority over holders of common shares with respect to the distribution of the residual property of the Company and rank *pari passu* with shareholders of all kinds of preferred shares issued by the Company in terms of debt repayment but inferior to general creditors, provided that the amount of such distribution shall not exceed that of the preference shares then in issue and outstanding calculated at the issuance price.
5. Holders of preferred shares shall have no right to vote in the shareholders' meeting, but are entitled to be elected as directors. However, such shareholders have voting rights in preferred shareholders' meetings and in the shareholders' meetings that deal with agendas that would be unfavorable to any rights and obligations of preferred shareholders.
6. Preferred shares may not be converted into common shares.
7. Preferred shares shall have no maturity, and preferred shareholders shall not request the Company to redeem the preferred shares they hold, but the Company may redeem all or part of the preferred shares at any time on or after the next day following the fifth anniversary of the issuance date at the original issuance price. Unredeemed preferred shares shall continue to enjoy rights and obligations of issuance terms prescribed in the preceding subparagraphs. In the year when the Company resolves to distribute any dividends, the dividends that shall be distributed until the redemption date shall be calculated based on the actual number of issuance days of that year.
8. The capital reserve from the premium issue of the preferred shares shall not be capitalized during the issuance period of the preferred shares. The Board of Directors is authorized to determine the name, issuance date and specific issuance terms of the preferred shares upon actual issuance thereof depending on the conditions of capital markets in accordance with these Articles of Incorporation and related laws and regulations.

#### Article 8

The shares issued by the Company may be in scripless form and without physical certificates, but the Company shall register the shares with the central securities depository institution.

#### Article 9 (Deleted)

### **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. A preferred shareholders' meeting may be convened in accordance with relevant laws and regulations when 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 regulations, 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 attending shareholders, in person or by proxy, who represent a majority of the total issued shares of the Company.

#### Article 13-1

The revocation of public issuance shall be reported to the shareholders meeting for resolution.

#### Article 14 (Deleted)

### **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 shall conform to the Company Act, the Securities and Exchange Act, and other relevant rules and regulations. The professional qualifications, requirements relating to shareholdings, restrictions on concurrent positions held, and other compliance matters with

respect to independent directors shall conform to 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 members 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

Except as otherwise provided by law, 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 director within the period prescribed by the competent authority in charge of securities laws prior to the meeting; provided that a meeting may be convened at any time in case of emergency without written notice.

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 of Directors 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 the Company's capital.
5. Propose profit distribution or a plan for making up losses.
6. Review, approve, amend and terminate material contracts and contracts relating to procurement, transfer, licensing or technical cooperation of important technology and patents.
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 important 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 of the Board of Directors 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 investments or transfers of shares whose value is above NT\$100 million (included). The Chairman of the Board of Directors 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, providing guarantees, acceptances and credit extension with, and raise debts from, financial institutions or third persons, whose value is above NT\$100 million (included). The Chairman of the Board of Directors is authorized to review and approve those whose values are less than the aforesaid amount.
17. Decide the amount of endorsements, guarantees, and acceptances to be made in the name of the Company.
18. Examine and approve major business transactions between relevant parties (including affiliated enterprises).

19. Perform such other duties and responsibilities prescribed by law or authorized by the shareholders meetings.

When it is necessary and legally permissible, the Chairman of the Board of Directors may review, approve, or implement the matters listed in aforementioned paragraphs before reporting to the Board of Directors. When used for the same purposes, the matters specified in items 11, 14, and 16 of this Article shall not be divided for contracting or applied for, or implemented without prior approval.

Article 21 (Deleted)

## **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, and their appointment, removal, and remuneration 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 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. Accounting**

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 25

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 distribution of employee and director remuneration shall be reported to the shareholders' meeting.

The Company may purchase its shares for transferring such treasury shares, issue employee options, provide pre-emptive right for employees' subscription upon issuing new shares, issue new restricted employee shares, and distribute employee remuneration, to those eligible

employees of the Company's controlling or subordinated companies who meet certain criteria, which shall be determined and resolved by the Board of Directors.

The directors entitled to director's remuneration and relevant matters shall be handled in accordance with relevant laws and regulations and be determined by the Board of Directors.

#### Article 26

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 the above and undistributed earnings of previous years or after 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 an amount as undistributed earnings based on business needs, and after distributing the dividends on the preferred shares with respect to the remaining amount in accordance with Article 7-1 of these Articles of Incorporation., 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 Board of Directors shall be authorized to distribute the profit, the legal reserve and the capital reserve mentioned in the preceding paragraph in cash upon resolution by a majority vote at a board meeting attended by two-thirds or more of the directors, and shall report the same to the shareholders' meeting.

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, 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, and the percentage of cash dividends to shareholders shall not be less than 10% of the total amount of dividends to shareholders. 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 provided for in these Articles of Incorporation shall be handled in accordance

with the Company Act.

#### 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.

The eighth amendment was made on June 24, 2019.

The ninth amendment was made on December 6, 2019.

The tenth amendment was made on May 29, 2020.

**Nuvoton Technology Corporation**

**Chairman: Yuan-Mou Su**