Stock Code: 4919

Nuvoton Technology Corporation

2017

Annual Report

Published on March 31, 2018

Nuvoton Annual Report Website

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

A. Company Spokesperson:

Name: Hsiang-Yun Fan
Title: Vice President of General Administration Center
Telephone: (03)577-0066
Email: HYFan@nuvoton.com

B. Deputy Spokesperson:

Name: Hung-Wen Huang
Title: Director of Administration of General Administration Center
Telephone: (03)577-0066
Email: HWHuang4@nuvoton.com

C. Nuvoton Address and Telephone Number:

Headquarters: No. 4, Creation Rd. III, Hsinchu Science Park, Taiwan
Telephone: (03)577-0066 (main line)

D. Common Stock Transfer Agency:

Name: CTBC Bank Co., Ltd. Transfer Agency Department
Address: 5F, No. 83, Sec.1, Chungking S. Road, Taipei City
Telephone: (02) 6636-5566
Website: http://www.chinatrust.com.tw

E. Auditor:

Name of firm: Deloitte & Touche
Name of auditors: Hung-Bin Yu and Harrison Wu, Accountants
Address: 12F, No. 156, Sec. 3, Minsheng E. Rd., Taipei, Taiwan
Telephone: (02)2545-9988
Website: http://www.deloitte.com.tw

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

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

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I. Letter to Shareholders

Dear Shareholders,

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

Financial Performance

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

Products, Markets and Technological Developments

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

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

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

For the wafer foundry segment, for the year 2017, the Company developed a 0.5um UHV manufacturing process, which can be extensively applied to the LED lighting drive IC and AC/DC power management IC markets. At the same time, the Company also added a number of new components in the 0.35um BCD/HVIC process platform, which can enrich the power management applications for customers and improve their product competitiveness.

Honors and Awards

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

Corporate Operation and Outlook

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

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

Chairman Arthur Yu-Cheng Chiao

II. Company Overview

A. Company profile and history

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

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

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

Apart from outstanding performance in main business, the Company has won many honors and awards, and was named an excellent supplier of computer ICs by world class brand companies in 2012. The Company was also awarded in 2013 the highest green rating in the validated audit process (VAP) under the EICC Code of Conduct. The Company was a winner at the MOEA 3rd National Industrial Innovation Award as well as the 3rd Potential Taiwan Mittelstand Award in 2014. It was also named an excellent exporter/importer by the Bureau of Foreign Trade in 2014. Our winning of the Taiwan Corporate Sustainability Report Award and the Potential Taiwan Mittelstand Award in 2015 and the Excellence in the Occupational Safety and Health Promotion Performance Award from the Hsinchu Science Park Administration in 2016 exemplifies the national-level high regard bestowed upon the Company and our commitment to corporate social responsibilities.

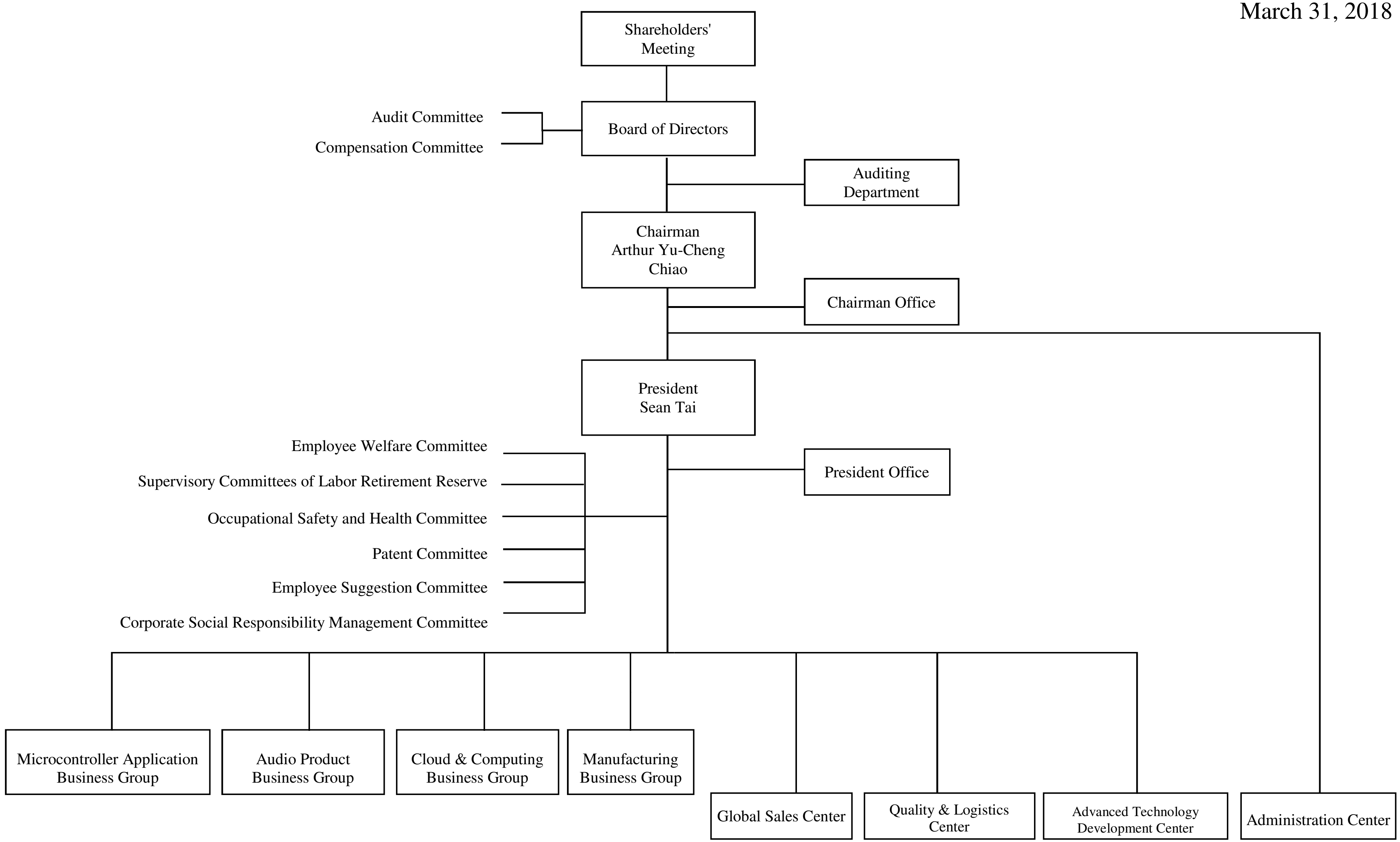
The Company will continue to build up its strength in R&D and focus on the core businesses while establishing itself as a market leader. The Company will aim to achieve sustainability by upholding corporate values, which are "accountability, synergy and innovation" and advance steadily to achieve a world-class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

B. Corporate Governance Report

(A) Organizational structure and major business units

1. Organization structure

March 31, 2018



2. Major business units and their key businesses

Department	Key businesses
President Office	1. Implement and analyze operation performance and provide improvement recommendations to help achieve the operation targets of the Company. 2. Administer the planning and organization of the Company's comprehensive business development strategies. 3. Oversee and execute the operation targets.
Auditing Department	1. Planning and execution of internal audit operations. 2. Planning and execution of internal control self-assessment operations. 3. Review of company codes and rules. 4. Audit and evaluate the overall operation performance of the Company.
Microcontroller Application Business Group	Develop general applications for microcontroller/microprocessor development tools and platforms.
Audio Product Business Group	Planning, R&D, promotion and operation of audio products.
Cloud & Computing Business Group	1. Planning, promotion and operation of computer products. 2. Planning, promotion and operation of cloud-based platforms and devices. 3. Investigation, planning and preparation for future and strategic products.
Manufacturing Business Group	1. Conduct IC manufacturing business to achieve profit goals. 2. Provide competitive manufacturing solutions. 3. Provide IC foundry services. 4. 4. Integrate outsourced businesses and develop IC manufacturing strategies.
Global Sales Center	1. Organize and manage the global sales team. 2. Plan and implement annual operation targets. 3. Sales management and analysis system. 4. Strategic management of major customers and market regions. 5. Develop new businesses in emerging and growing markets.
Quality & Logistics Center	1. Planning, control and management of production and logistics. 2. Cooperation, management and control of outsourced services. 3. Manage outsourced IC foundry services. 4. Define, establish and plan quality policies/systems/management in line with Company targets and customer requirements. 5. Monitor and satisfy customers' requests on product quality. 6. Manage the Company's intellectual property documents and information. 7. Material control/supply chain/logistics/storage management. 8. Provide solutions for costs and efficiency.
Advanced Technology Development Center	1. Early development of the Company's new technologies of the future and advanced research into new businesses. 2. Lead related industrial, academic and governmental collaboration plans with universities, government institutions.
Administration Center	1. Providing a safe working environment in a most cost effective manner and assisting other business units to achieve the overall business goals of the Company. 2. Satisfy the human resource demands for the Company's operations and growth. 3. Planning and execution of accounting system and tax matters. 4. Planning and evaluation of budget and costs. 5. Planning and maneuvering of Company funds and investment management. 6. Review the Company's contracts and process related legal patent matters. 7. Cultivate employee relations and public relations.

(B) Profile of Directors, Supervisors and Managerial Officers

1. Director information (1)

March 31, 2018; Unit: shares

Title	Nationality or place of registration	Name	Gender	Date elected	Term (Year)	First elected date	Shares held during election		No. of shares currently held		Current shares held by spouse and underage children		Shareholding by nominee arrangement		Education and Work Experiences	Other current positions within the Company	Spouse or relatives of second degree or closer acting as Directors, Supervisors, or other department heads		
							No. of shares	Percentage of shares	No. of shares	Shareholding Ratio	No. of shares	Shareholding Ratio	No. of shares	Percentage of shares			Title	Name	Relationship
Director	Taiwan	Winbond Electronics Corporation	-	2016.6.15	3 years	2008.3.14	126,620,087	61.01%	126,620,087	61.01%	-	-	-	-	-	Note 1	N/A	N/A	N/A
Chairman	Taiwan	Winbond Electronics Corporation Representative: Arthur Yu-Cheng Chiao	Male	2016.6.15	3 years	2008.3.14	-	-	-	-	-	-	-	-	Master's degree in Electrical Engineering & Institute of Management, University of Washington Chairman of Walsin Lihwa Corporation, Chairman and Remuneration Committee Member of Capella Microsystems Inc.	Note 2	Director	Yung Chin	Spouse
Vice Chairman	Taiwan	Robert Hsu	Male	2016.6.15	3 years	2010.4.23	191,328	0.09%	152,328	0.07%	-	-	-	-	Doctorate in Electrical Engineering, University of Southern California; President of Winbond Electronics Corp.	Note 3	N/A	N/A	N/A
Director	Taiwan	Yung Chin	Female	2016.6.15	3 years	2008.3.14	-	-	-	-	-	-	-	-	B.A. in Mathematics, National Taiwan University, Master's degree in Applied Mathematics, University of Washington	Note 4	Chairman	Arthur Yu-Cheng Chiao	Spouse
Director	Taiwan	Ken-Shew Lu	Male	2016.6.15	3 years	2008.3.14	-	-	-	-	-	-	-	-	Doctorate in Electrical Engineering, Texas Tech University Senior Vice President of Memory Products, Senior Vice President of Global Mixed and Analog, Signal Logical Products of Texas Instruments Incorporated	Note 5	N/A	N/A	N/A
Director	Taiwan	Chi-Lin Wea	Male	2016.6.15	3 years	2010.4.23	-	-	-	-	-	-	-	-	Master of Management from Imperial College London, United Kingdom, Doctorate in Economics from University of Paris; Director of National Taiwan University College of Management, Secretary general of Executive Yuan, Chairman of Land Bank of Taiwan	Note 6	N/A	N/A	N/A

Title	Nationality or place of registration	Name	Gender	Date elected	Term (Year)	First elected date	Shares held during election		No. of shares currently held		Current shares held by spouse and underage children		Shareholding by nominee arrangement		Education and Work Experiences	Other current positions within the Company	Spouse or relatives of second degree or closer acting as Directors, Supervisors, or other department heads		
							No. of shares	Percentage of shares	No. of shares	Shareholding Ratio	No. of shares	Shareholding Ratio	No. of shares	Percentage of shares			Title	Name	Relationship
Independent Director	Taiwan	Royce Yu-Chun Hong	Male	2016.6.15	3 years	2010.4.23	-	-	-	-	-	-	-	-	Bachelor degree in Industrial Design from Rhode Island School of Design, Bachelor degree in Graphic Design from the Art Center College of Design	Note 7	N/A	N/A	N/A
Independent Director	Taiwan	Allen Hsu	Male	2016.6.15	3 years	2013.6.14	-	-	-	-	-	-	-	-	M.B.A. of National Chengchi University and advanced courses at Wharton School in the U.S. Chairman of Altek Corporation, Myson Century Inc., and Taiwan Mask Corporation	Note 8	N/A	N/A	N/A
Independent Director	Taiwan	David Shu-Chyuan Tu	Male	2016.6.15	3 years	2014.6.12	-	-	-	-	-	-	-	-	Master of Computer Engineering from California State University, Bachelor of Computer Engineering from National Chiao Tung University; President of Planning Department of Synnex Technology International Corp	Note 9	N/A	N/A	N/A
Independent Director	Taiwan	Jie-Li Hsu	Male	2016.6.15	3 years	2016.6.15	-	-	-	-	-	-	-	-	Bachelor of Commerce from the University of Toronto, Master in International Management from Waseda University, MBA from Peking University	Note 10	N/A	N/A	N/A

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

Note 2: Mr. Yu-Cheng Chiao is the Company's Chairman; he serves concurrently as the Chairman and CEO of Winbond Electronics Corp.; Chairman of Gin Hsin Investment Co., Ltd.; Director of Walsin Lihwa Corp., Walsin Lihwa Corp., Walsin Specialty Steel Corporation, Walsin Technology Corporation, United Industrial Gases Co., Ltd., Chin Cheng Construction Corp., Song Yong Investment Corporation, Winbond Electronics Corporation America, Landmark Group Holdings Ltd., Winbond International Corporation, Newfound Asian Corp., Peaceful River Corporation, Baystar Holdings Ltd., Nuvoton Investment Holding Ltd., Marketplace Management Limited, and Pigeon Creek Holding Co., Ltd.; Independent Director, Compensation Committee Convener, and Audit Committee member of Taiwan Cement Corporation and Independent Director, Compensation Committee member, and Audit Committee member of Synnex Technology International; managerial officer of Goldbond LLC; and Supervisor of MiTac International Corp.;

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

Note 4: Director Ms. Yung Chin serves concurrently as Director and Chief Administrative Officer of Winbond Electronics Corp.; Chairman of Winbond (H.K.) and Pine Capital Investment Limited; director of Winbond Electronics Corporation America, Newfound Asian Corporation, Peaceful River Corporation

Newfound Asian Corp., Peaceful River Corp., and Nuvoton Electronics Technology (H.K.) Limited. She also serves concurrently as Supervisor of Qing An Investment Limited, Yau Cheung Investment Limited, Winbond Electronics Corporation Japan, Winbond Electronics (Suzhou) Ltd., and Nuvoton Electronics Technology (Shanghai) Limited.

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

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

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

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

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

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

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

March 31, 2018

Name of institutional shareholder	Major shareholders of institutional shareholders
Winbond Electronics Corporation	Walsin Lihwa Corporation (22.21%), Chin Xin Investment Corp. (5.03%), Labor Pension Fund (New Scheme) (1.60%), Arthur Yu-Cheng Chiao (1.59%), Merrill Lynch International investment account under the trust of HSBC Bank Taipei Branch (1.55%), Vanguard Emerging Markets Stock Index Fund under the trust of Standard Charter (1.27%), Dimension Emerging Market Evaluation Fund under the trust of Citibank (Taiwan) (1.12%), Morgan Stanley Investment Fund under the trust of HSBC (Taiwan) (1.10%), LGT Bank (Singapore) Investment Fund under the custody of JPMorgan Chase Bank N.A. Taipei Branch (1.07%), Pai-Yung Hong (0.98%).

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

March 31, 2018

Name of Institution	Major shareholders of institution
Walsin Lihwa Corporation	LGT Bank (Singapore) Investment Fund under the custody of JPMorgan Chase Bank N.A. Taipei Branch (7.89%), Winbond Electronics Corporation (5.94%), Chin Xin Investment Corp. (5.43%), Yu-Hui Chiao (2.73%), Norges Bank investment account under the custody of Citibank Taiwan Ltd. (1.75%), Yu-Heng Chiao (1.72%), Vanguard FTSE Emerging Markets Stock ETF Account under the trust of Standard Chartered Bank (1.63%), Yu-Chi Chiao (1.52%), Walsin Lihwa Employees' Welfare Committee (1.43%), Pai-Yung Hong (1.42%).
Chin Xin Investment Corp.	Winbond Electronics (37.69%), Walsin Lihwa (37.00%), Oriental Consortium Investment Limited (4.43%), Arthur Chiao (3.14%), Chiao Yu-Lon (3.14%), Chiao Yu-Heng (3.14%), Chiao Yu-Chi (3.14%), Yau Cheung Investment (2.81%), Walsin Technology Co. (1.86%), HannStar Board Corporation (1.34%).

Director information (2)

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

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

(1) Not an employee of the company or any of its affiliates.

(2) Not a Director or Supervisor of the Company of any of its affiliates (excluding Independent Directors set up by the Company, its parent company or subsidiaries in compliance of the local regulations).

(3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the Company or ranks as one of its top ten shareholders;

(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the above persons in the preceding three subparagraphs;

(5) Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of outstanding shares of the Company or that holds shares ranking in the top five in holdings.

(6) Not a Director, Supervisor, managerial officer, or a shareholder that holds more than 5% of shares at a company or institution that has financial or business exchanges with the Company.

(7) Not a professional individual or owner, partner, director (member of the governing board), supervisor (member of the supervising board), or managerial officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting, or consultation services to the company or to any affiliate enterprise, or spouse thereof. Excluding members of compensation committee who exercise power in accordance with Article 7 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter.

(8) Not having a marital relationship, or a relative within the second degree of kinship to any other Director of the Company.
(9) Not been a person of any conditions defined under Article 30 of the Company Act.
(10) Not a governmental, juridical person or its representative as defined under Article 27 of the Company Act.

Director information (3)

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

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

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

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

A. Ability to make sound business judgments.
B. Ability to perform accounting and financial analysis.
C. Ability to manage a business.
D. Ability to handle crisis management.
E. Knowledge of the industry.
F. An international market perspective.
G. Leadership.
H. Decision-making ability.

The Board of Directors shall possess the following abilities:

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

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

March 31, 2018 Unit: shares

Title	Nationality	Name	Gender	Date of appointment	Shares held		Shares held by spouse and underage children		Shareholding by nominee arrangement		Education and Work Experiences	Current job position in other companies	Managerial officer who is a spouse or a relative within second degree		
					No. of shares	Percentage of shares	No. of shares	Percentage of shares	No. of shares	Percentage of shares			Title	Name	Relationship
President	Taiwan	Sean Tai	Male	2014.2.5	40,000	0.00%	-	-	-	-	PhD of Electrical Engineering, Yale University Chief Business Development Officer, Realtek Semiconductor Corp.	Chairman of Nuvoton Electronics Technology (Shanghai) Limited, Nuvoton Electronics Technology (H.K.) Limited, and Nuvoton Electronics Technology (Shenzhen) Limited; Director of Nuvoton Technology Corporation America, Nuvoton Technology Israel Ltd., Song Yong Investment Corporation, Techdesign Corporation, and Winbond Technology (Nanjing) Co., Ltd.	N/A	N/A	N/A
Vice President	Taiwan	Hsi-Jung Tsai	Male	2008.8.20	127,686	0.06%	-	-	-	-	Master of Computer Science, National Chiao Tung University Vice President of Business Development and Sales, Cheertek Inc.	Director of Nuvoton Technology Corporation America; Director of Yuchi Venture Investment Co., Ltd.	N/A	N/A	N/A
Vice President	Taiwan	Hsiang-Yun Fan	Male	2008.7.1	444,979	0.21%	-	-	-	-	Master of Business Administration, National Chung Cheng University Assistant Vice President of Administration Service Center, Winbond Electronics Corp.	Chairman of Song Yong Investment Co., Ltd. and Nuvoton Technology India Private Limited; Director of Nuvoton Electronics Technology (Shanghai) Limited, Nuvoton Electronics Technology (H.K.) Limited, Nuvoton Electronics Technology (Shenzhen) Limited, Nuvoton Technology Corporation America, Nuvoton Technology Israel Ltd., HannStar Board Corporation, Winbond Electronics (H.K.) Limited, Techdesign Corporation, Nyquest Technology Co., Ltd. and Winbond Electronics Corporation Japan; Managerial officer of Goldbond LLC.	N/A	N/A	N/A
Vice President	Taiwan	Jen-Lieh Lin	Male	2008.7.1	152,973	0.07%	-	-	-	-	Master of Electrical Engineering, National Cheng Kung University Assistant Vice President of System Technology Center, Winbond Electronics Corp.	Director of Nuvoton Electronics Technology (Shanghai) Limited, Techdesign Corporation and Nuvoton Technology Corporation America; Supervisor of Nuvoton Electronics Technology (Shenzhen) Limited and Song Yong Investment Corporation; Chairman of Winbond Technology (Nanjing) Co., Ltd. Chairman of Winbond Technology (Nanjing) Ltd.	N/A	N/A	N/A

Title	Nationality	Name	Gender	Date of appointment	Shares held		Shares held by spouse and underage children		Shareholding by nominee arrangement		Education and Work Experiences	Current job position in other companies	Managerial officer who is a spouse or a relative within second degree		
					No. of shares	Percentage of shares	No. of shares	Percentage of shares	No. of shares	Percentage of shares			Title	Name	Relationship
Vice President	Taiwan	Hsin-Lung Yang	Male	2011.1.24	-	-	-	-	-	-	Master of Computer Science, National Tsing Hua University Senior Director of Multimedia R&D Division of Cheertek Inc. Technical Managerial Officer of Product Design and Marketing, Novatek Microelectronics Corp.	Chairman of Nuvoton Technology Israel Ltd.	N/A	N/A	N/A
Vice President	Taiwan	Patrick Wang	Male	2014.5.5	-	-	-	-	-	-	Master of Business Administration, State University of New York, Buffalo Assistant Vice President of International Marketing, Realtek Semiconductor Corp.	Director and President of Nuvoton Electronics Technology (H.K.) Limited	N/A	N/A	N/A
Assistant Vice President (Note 2)	Taiwan	Kuang-Lun Lin	Male	2018.3.1	395	0.00%					MS in Physics, National Tsing Hua University Deputy Plant Managerial Officer of the Micro Imaging Engineering Department of Winbond Electronics Corporation	N/A	N/A	N/A	N/A
Accounting Managerial Officer	Taiwan	Hung-Wen Huang	Male	2015.2.1	2,000	0.00%	-	-	-	-	PhD from the Department of Industrial Engineering and Management, National Chiao Tung University Director of Accounting Department of Winbond Electronics Corporation	N/A	N/A	N/A	N/A

Note 1: Management is defined the same as the interpretation provided in the Ministry of Finance letter Tai-Cai-Zheng-San-Zi No. 0920001301, including the President, Vice President, Assistant Vice President, Chief Financial Officer, and Chief Accounting Officer (or equivalent officers).

Note 2: Mr. Kuang-Lun Lin was promoted to Assistant Vice President on March 1, 2018.

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

3.1 Remuneration to Directors (including Independent Directors)

December 31, 2017; Unit: thousand NT$

Title	Name	Director's remuneration: Remuneration (A) (Note 1) – The Company	Remuneration (A) – All companies in the financial statements (Note 5)	Retirement pension (B) – The Company	Retirement pension (B) – All companies in the financial statements (Note 5)	Director's remuneration (C) (Note 2) – The Company	Director's remuneration (C) – All companies in the financial statements (Note 5)	Fees for conducting business (D) (Note 3) – The Company	Fees for conducting business (D) – All companies in the financial statements (Note 5)	Ratio of total compensation (A+B+C+D) to net income (%) (Note 6) – The Company	Ratio (A+B+C+D) – All companies in the financial statements (Note 5)	Pay received as an employee: Salary, bonuses and allowances (E) (Note 4) – The Company	Salary, bonuses and allowances (E) – All companies in the financial statements (Note 5)	Retirement pension (F) – The Company	Retirement pension (F) – All companies in the financial statements (Note 5)	Remuneration for employees (G) (Note 2) – The Company – Cash value	Remuneration for employees (G) – The Company – Share value	Remuneration for employees (G) – All companies in the financial statements (Note 5) – Cash value	Remuneration for employees (G) – All companies in the financial statements (Note 5) – Share value	Percentage of the total sums of A, B, C, D, E, F, and G on the net profit (Note 6) – The Company	Percentage – All companies in the financial statements (Note 5)	Compensation from investments other than subsidiaries (Note 7)
Director	Representative of Winbond Electronics Corp.: Arthur Yu-Cheng Chiao	960	960	-	-	8,227	8,227	960	960	1.47%	1.47%	1,110	3,860	-	380	725	-	725	-	1.74%	2.20%	96
Director	Robert Hsu																					
	Yung Chin																					
	Ken-Shew Lu																					
	Chi-Lin Wea																					
Independent Director	Royce Yu-Chun Hong																					
	Allen Hsu																					
	David Shu-Chyuan Tu																					
	Jie-Li Hsu																					

* Except as disclosed above, remuneration received by directors in the latest year for on-balance sheet services (e.g. acting as an non-employee consultant) rendered to the Company: N/A.

Range of remuneration table

Remuneration scale applicable to the Company's Directors	Name of Director			
	Total amount for the 4 preceding remunerations (A+B+C+D)		Total amount for the 7 preceding remunerations (A+B+C+D+E+F+G)	
	The Company	All companies in the financial report H	The Company	All investees I
Below NT$2,000,000	Representative of Winbond Electronics Corp.: Yu-Cheng Chiao, Robert Hsu, Yung Chin, Keh-Shew Lu, Chi-Lin Wea, Yu-Chun Hong, Shan-Kio Hsu, Shu-Chyuan Tu, Jie-Li Hsu	Representative of Winbond Electronics Corp.: Yu-Cheng Chiao, Robert Hsu, Yung Chin, Keh-Shew Lu, Chi-Lin Wea, Yu-Chun Hong, Shan-Kio Hsu, Shu-Chyuan Tu, Jie-Li Hsu	Representative of Winbond Electronics Corp.: Yu-Cheng Chiao, Robert Hsu, Yung Chin, Keh-Shew Lu, Chi-Lin Wea, Yu-Chun Hong, Shan-Kio Hsu, Shu-Chyuan Tu, Jie-Li Hsu	Representative of Winbond Electronics Corp.: Yu-Cheng Chiao, Yung Chin, Keh-Shew Lu, Chi-Lin Wea, Yu-Chun Hong, Shan-Kio Hsu, Shu-Chyuan Tu, Jie-Li Hsu
NT$2,000,000 (inclusive) to NT$5,000,000 (exclusive)	-	-	-	-
NT$5,000,000 (inclusive) to NT$10,000,000 (exclusive)	-	-	-	Robert Hsu
NT$10,000,000 (inclusive) to NT$15,000,000 (exclusive)	-	-	-	-
NT$15,000,000 (inclusive) to NT$30,000,000 (exclusive)	-	-	-	-
NT$30,000,000 (inclusive) to NT$50,000,000 (exclusive)	-	-	-	-
NT$50,000,000 (inclusive) to NT$100,000,000 (exclusive)	-	-	-	-
Greater than NT$100,000,000	-	-	-	-
Total	9 persons	9 persons	9 persons	9 persons

Note 1: Remuneration to Directors in the most recent year (include Director salary, additional duty payments, severance pay, various bonuses, or incentive payments).

Note 2: The Company's Board of Directors passed the 2017 remuneration of directors and employees on January 26, 2018. The figures in the table above are estimates, which will be distributed after they are reported to the shareholders' meeting.

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

Note 4: All payments to Directors who are also employees of the Company (including the position of President, Vice President, other managerial officer and staff), including salary, additional pay, severance pay, bonuses, rewards, transportation allowance, special allowance, stipends, dormitory, and car.

Note 5: Total pay to Directors from all companies in the consolidated statements (including the Company).

Note 6: Net profit after tax means the Company's net profit after tax in 2017.

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

3.3 Remunerations to President and Vice President

December 31, 2017; Unit: thousand NT$

<table>
<tr><th rowspan="3">Title</th><th rowspan="3">Name</th><th colspan="2">Salary (A)
(Note 1)</th><th colspan="2">Retirement pension (B)</th><th colspan="2">Bonuses and allowances, etc. (C)
(Note 2)</th><th colspan="4">Employee remuneration (D)
(Note 3)</th><th colspan="2">Ratio of total compensation (A+B+C+D) to net income (%)
(Note 5)</th><th rowspan="3">Compensation from investments other than subsidiaries
(Note 6)</th></tr>
<tr><th rowspan="2">The Company</th><th rowspan="2">All companies in the financial statements (Note 4)</th><th rowspan="2">The Company</th><th rowspan="2">All companies in the financial statements (Note 4)</th><th rowspan="2">The Company</th><th rowspan="2">All companies in the financial statements (Note 4)</th><th colspan="2">The Company</th><th colspan="2">All companies in the financial report(Note 4)</th><th rowspan="2">The Company</th><th rowspan="2">All companies in the financial statements (Note 4)</th></tr>
<tr><th>Cash Amount</th><th>Equities Amount</th><th>Cash Amount</th><th>Equities Amount</th></tr>
<tr><td>CTO</td><td>Robert Hsu (Note 7)</td><td rowspan="8">24,970</td><td rowspan="8">27,160</td><td rowspan="8">1,683</td><td rowspan="8">2,063</td><td rowspan="8">15,241</td><td rowspan="8">15,801</td><td rowspan="8">3,680</td><td rowspan="8">-</td><td rowspan="8">3,680</td><td rowspan="8">-</td><td rowspan="8">6.62%</td><td rowspan="8">7.08%</td><td rowspan="8">14</td></tr>
<tr><td>President</td><td>Sean Tai</td></tr>
<tr><td>Vice President</td><td>Jen-Lieh Lin</td></tr>
<tr><td>Vice President</td><td>Hsi-Jung Tsai</td></tr>
<tr><td>Vice President</td><td>Hsiang-Yun Fan</td></tr>
<tr><td>Vice President</td><td>Jiin-Shiarng Wen (Note 7)</td></tr>
<tr><td>Vice President</td><td>Hsin-Lung Yang</td></tr>
<tr><td>Vice President</td><td>Patrick Wang</td></tr>
</table>

Range of remuneration table

Range of remuneration paid to Presidents and Vice Presidents	Name of President and Vice Presidents: The Company	Name of President and Vice Presidents: All investees E
Below NT$2,000,000	Robert Hsu	-
NT$2,000,000 (inclusive) to NT$5,000,000 (exclusive)	Hsi-Jung Tsai, Patrick Wang	Hsi-Jung Tsai, Patrick Wang
NT$5,000,000 (inclusive) to NT$10,000,000 (exclusive)	Jen-Lieh Lin, Hsiang-Yun Fan, Jiin-Shiarng Wen, Hsin-Lung Yang	Jen-Lieh Lin, Hsiang-Yun Fan, Jiin-Shiarng Wen, Hsin-Lung Yang, Robert Hsu
NT$10,000,000 (inclusive) to NT$15,000,000 (exclusive)	Sean Tai	Sean Tai
NT$15,000,000 (inclusive) to NT$30,000,000 (exclusive)	-	-
NT$30,000,000 (inclusive) to NT$50,000,000 (exclusive)	-	-
NT$50,000,000 (inclusive) to NT$100,000,000 (exclusive)	-	-
Greater than NT$100,000,000	-	-
Total	8 persons	8 persons

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

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

Note 3: The Company's Board of Directors passed the 2017 remuneration of directors, supervisors and employees on January 26, 2018. The figures in the table above are estimates, which will be distributed after they are reported to the shareholders' meeting.

Note 4: The total pay to the President or Vice President from all companies in the consolidated statements (including the Company).

Note 5: Net profit after tax means the Company's net profit after tax in 2017.

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

Note 7: Mr. Robert Hsu served as the Company's CTO until August 1, 2017. Mr. Jiin-Shiarng Wen served as the Company's managerial officer until March 1, 2018.

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

December 31, 2017; Unit: thousand NT$

	Title	Name	Share value	Cash value	Total	Percentage of total bonuses to net profit after tax (%)
Managerial Officerrs	CTO	Robert Hsu (Note 2)	-	3,679	3,679	0.53%
	President	Sean Tai				
	Vice President	Hsi-Jung Tsai				
	Vice President and Chief Financial Officer	Hsiang-Yun Fan				
	Vice President	Jen-Lieh Lin				
	Vice President	Jiin-Shiarng Wen (Note 2)				
	Vice President	Hsin-Lung Yang				
	Vice President	Patrick Wang				
	Accounting Managerial Officer	Hung-Wen Huang				

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

Note 2: Mr. Robert Hsu retired on August 1, 2017 and was relieved of his duties as Chief Technology Officer. Mr. Jiin-Shiarng Wen was relieved of his duties as managerial officer on March 1, 2018.

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

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

Title	2016		2017	
	Analysis of remunerations to Directors, Supervisors, President and Vice Presidents as a percentage of income after tax (%)		Analysis of remunerations to Directors, President and Vice Presidents as a percentage of income after tax	
	The Company	All companies included in the consolidated financial statements	The Company	All companies included in the consolidated financial statements
Director	6.38%	7.29%	8.09%	8.55%
Supervisor				
President and Vice President				

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

A. Director

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

B. President and Vice President

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

(C) Implementation of corporate governance

1. Board of Directors operating status

(1) A total of 4 (A) meetings of the Board of Directors were held in the most recent year. The attendance of Directors was as follows:

Title	Name	Attendance (voting and non-voting) in person (B)	Attendance by proxy	Attendance (voting and non-voting) in person rate (%) [B/A] (Note)	Note
Chairman	Representative of Winbond Electronics Corporation: Arthur Yu-Cheng Chiao	4	0	100%	N/A
Vice Chairman	Robert Hsu	4	0	100%	N/A
Director	Yung Chin	2	2	50%	N/A
Director	Ken-Shew Lu	4	0	100%	N/A
Director	Chi-Lin Wea	4	0	100%	N/A
Independent Director	Royce Yu-Chun Hong	2	2	50%	N/A
Independent Director	Allen Hsu	3	1	75%	N/A
Independent Director	David Shu-Chyuan Tu	2	2	50%	N/A
Independent Director	Jie-Li Hsu	4	0	100%	N/A

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

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

Title	Name	5th-Term Meeting Date			
		2017/2/3	2017/4/27	2017/7/27	2017/10/26
Independent Director	Royce Yu-Chun Hong	*	*	V	V
Independent Director	Allen Hsu	V	*	V	V

Title	Name	5th-Term Meeting Date			
		2017/2/3	2017/4/27	2017/7/27	2017/10/26
Independent Director	David Shu-Chyuan Tu	V	V	*	*
Independent Director	Jie-Li Hsu	V	V	V	V

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

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

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

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

(4) Recusals of Directors due to conflicts of interests:

Name of Director	Agenda item	Reason for recusal	Voting on the agenda item	Note
Robert Hsu	Variable pay of managerial officers	The Director has an interest in the matter	Did not participate in voting	4th Session of 5th Board of Directors
Arthur Yu-Cheng Chiao Robert Hsu Yung Chin Royce Yu-Chun Hong Allen Hsu Jie-Li Hsu	Removal of non-compete clause for the 5th Board of Directors of the Company	The Director has an interest in the matter	Did not participate in voting	5th Session of 5th Board of Directors
Robert Hsu	Retirement benefits for the Company's Chief Technology Officer Robert Hsu	The Director has an interest in the matter	Did not participate in voting	6th Session of 5th Board of Directors

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

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

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

C. The Company has established the Regulations Governing Salary, Remuneration and Performance Evaluation of Directors. To improve performance evaluations, the Company began evaluating the performance of Board operations, personal participation and continuing education in December 2017. The results are compiled by the procedural unit in charge of Board Meetings and submitted to the Compensation Committee and the Board to measure the Board's operations in guiding the strategic direction of the Company and overseeing the Company's operations and management, which should help increase long-term shareholder value.

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

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

2 . 1 State of operations of the Audit Committee

(1) The Auditing Committee convened a total of 4 meetings (A) in the most recent year. The attendance of Independent Directors was as follows:

Title	Name	Attendance in person (B)	Attendance by proxy	Attendance rate (%) (B/A) (Note)	Note
Independent Director	Allen Hsu	3	1	75%	N/A
Independent Director	Royce Yu-Chun Hong	2	2	50%	N/A
Independent Director	David Shu-Chyuan Tu	2	2	50%	N/A
Independent Director	Jie-Li Hsu	4	0	100%	N/A

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

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

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

<table>
<tr><th>Term/Date</th><th colspan="2">Agenda and follow-up</th></tr>
<tr><td rowspan="4">3rd Session of 1st Audit Committee
2017/02/03</td><td>1</td><td>Passed the Company's 2016 financial statements and business report.
Opinions of the Audit Committee: N/A.
The Company's response to Audit Committee opinions: N/A.
Results of resolutions: Passed as proposed.</td></tr>
<tr><td>2</td><td>Passed the Company’s 2016 earnings appropriation.
Opinions of the Audit Committee: N/A.
The Company's response to Audit Committee opinions: N/A.
Results of resolutions: Passed as proposed.</td></tr>
<tr><td>3</td><td>Passed the Company’s 2016 Statement on Internal Control.
Opinions of the Audit Committee: N/A.
The Company's response to Audit Committee opinions: N/A.
Results of resolutions: Passed as proposed.</td></tr>
<tr><td>4</td><td>Passed the annual remuneration paid to accounting firm Deloitte & Touche.
Opinions of the Audit Committee: N/A.
The Company's response to Audit Committee opinions: N/A.
Results of resolutions: Passed as proposed.</td></tr>
<tr><td>4th Session of 1st Audit Committee
2017/04/27</td><td>1</td><td>Passed the amended clauses of the Company's the Procedures for Acquisition or Disposal of Assets.
Opinions of the Audit Committee: N/A.
The Company's response to Audit Committee opinions: N/A.
Results of resolutions: Passed as proposed.</td></tr>
<tr><td>5th Session of 1st Audit Committee
2017/07/27</td><td>1</td><td>Passed the Company’s 2017 Q2 financial statements.
Opinions of the Audit Committee: N/A.
The Company's response to Audit Committee opinions: N/A.
Results of resolutions: Passed as proposed.</td></tr>
<tr><td rowspan="3">6th Session of 1st Audit Committee
2017/10/26</td><td>1</td><td>Passed the Company's Annual Audit Plan for 2018.
Opinions of the Audit Committee: N/A.
The Company's response to Audit Committee opinions: N/A.
Results of resolutions: Passed as proposed.</td></tr>
<tr><td>2</td><td>Passed the Company's Accountant Evaluation and Performance Evaluation Guidelines.
Opinions of the Audit Committee: N/A.
The Company's response to Audit Committee opinions: N/A.
Results of resolutions: Passed as proposed.</td></tr>
<tr><td>3</td><td>Passed the amended clauses of the Company's Regulations Governing the Organization of the Auditing Committee.
Opinions of the Audit Committee: N/A.
The Company's response to Audit Committee opinions: N/A.
Results of resolutions: Passed as proposed.</td></tr>
</table>

Term/Date	Agenda and follow-up	
	4	Passed the amended clauses of the Internal Control Systems, Instruction for Self-Evaluation of Internal Control Systems, and Internal Audit Rules. Opinions of the Audit Committee: N/A. The Company's response to Audit Committee opinions: N/A. Results of resolutions: Passed as proposed.
7th Session of 1st Audit Committee 2018/01/26	1	Passed the Company's 2017 financial statements and business report. Opinions of the Audit Committee: N/A. The Company's response to Audit Committee opinions: N/A. Results of resolutions: Passed as proposed.
	2	Passed the 2017 Statement on Internal Control. Opinions of the Audit Committee: N/A. The Company's response to Audit Committee opinions: N/A. Results of resolutions: Passed as proposed.
	3	Passed the 2017 earnings appropriation. Opinions of the Audit Committee: N/A. The Company's response to Audit Committee opinions: N/A. Results of resolutions: Passed as proposed.
	4	Passed the change of the Company's CPA in 2018 Q1. Opinions of the Audit Committee: N/A. The Company's response to Audit Committee opinions: N/A. Results of resolutions: Passed as proposed.
	5	Passed the annual remuneration paid to accounting firm Deloitte & Touche. Opinions of the Audit Committee: N/A. The Company's response to Audit Committee opinions: N/A. Results of resolutions: Passed as proposed.
	6	Passed the amended Procedures for Engaging in Derivatives Transactions of the Company. Opinions of the Audit Committee: N/A. The Company's response to Audit Committee opinions: N/A. Results of resolutions: Passed as proposed.
8th Session of 1st Audit Committee 2018/03/23	1	Approved fundraising for the Company's long-term capital with plans to issue new common shares and GDRs for cash capital increase. Opinions of the Audit Committee: N/A. The Company's response to Audit Committee opinions: N/A. Results of resolutions: Passed as proposed.

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

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

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

A. The internal auditor chief submitted the completed internal audited report (or follow-up report) to the Audit Committee for examination in the following month, attended the quarterly Audit Committee meetings to report to the Independent Directors on internal audited operations and annual internal control self-inspection operation.
B. The Audit Committee reviews regularly the selection of CPA and the independence and propriety of said CPA. The CPA presented audited reports on financial statements, newly released accounting standards and related regulations to Independent Directors as needed and discuss the details therein. The Company's CPA communicated and discussed related items in financial statements in the Audit Committee meetings this year.

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

Assessed areas:	Implementation status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
A. Has the Company set and disclosed principles for practicing corporate governance according to the "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies?"	V		The Company has established corporate governance principles in accordance with the TWSE Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and disclosed it on the Company website.	In line with Corporate Governance Best-Practice Principles
B. The Company's shareholding structure and shareholders' rights and interests (A) Has the Company set internal operations procedures for dealing with shareholder proposals, doubts, disputes, and litigation as well as implemented those procedures through the proper procedures? (B) Does the Company have a list of major shareholders of companies over which the Company has actual control and the list of ultimate owners of those major shareholders? (C) Has the Company established and implemented risk control/management and firewall mechanisms between it and affiliated corporations? (D) (4) Does the Company have internal regulations in place to prevent its internal staff from trading securities based on information yet to be public on the market?	V V V V		(A) The Company's Shareholders' Affairs Unit (under the Finance Department) is in charge of shareholder services, handling shareholder suggestions, questions, complaints and lawsuits in accordance with the Regulations Governing the Administration of Shareholder Services of Public Companies and the Standards for the Internal Control Systems of Shareholder Service Units, and establishing a complaint mechanism on the Company website. (B) The Company discloses the list of major shareholders and the ultimate controllers of major shareholders in accordance with regulations and maintains favorable communication channels with major shareholders. (C) The Company has established related regulations on internal control mechanisms in accordance with regulations. Business and financial dealings between the Company and an affiliate are treated as dealings with an independent third party, which are handled by the principles of fairness and reasonableness with documented rules established, and pricing and payment terms clearly defined to prevent non-arm's-length transactions. (D) The Company has established Procedures for Handling Major Internal Information and educated the internal staff on the restriction of trading securities based on information yet to be public on the market. The Procedures have been disclosed on the Company's website.	In line with Corporate Governance Best-Practice Principles
C. Composition and responsibilities of the Board of Directors (A) Has the Board of Directors devised and implemented a plan for a more diverse composition of the Board?	V		(A) The Company's corporate governance principles specify that the structure of Board of Directors should take into account Company operations, development and business scale, shareholding of major shareholders and diversity of Board Members, for example, different professional backgrounds, gender or fields of work. The members of the Board of Directors should include female Directors and four Independent Directors who are financial or industrial professionals. The educational background and experience of Directors should provide considerable assistance to the operation of the Company. Please refer to Director Information (3).	Complies with the Corporate Governance Best-Practice Principles
(B) In addition to establishing a Compensation Committee and an Audit Committee, which are required by law, is the company willing to also voluntarily establish other types of functional committees?	V		(B) The Company has established functional committees including the Employees' Welfare Committee, Supervisory Committees of Labor Retirement Reserve, Occupational Health and Safety Committee, Patent Committee, Innovation Proposal Committee and the CSR Management Committee.	

Assessed areas:	Implementation status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
(C) (D) Has the company established and implemented methods for assessing the performance of the Board of Directors and conducted performance evaluation annually?	V		(C) (D) The Company has established the Regulations Governing Salary, Remuneration and Performance Evaluation of Directors and it has been passed by the Board of Directors which performs periodic self-assessments once every year. The Company began evaluating the overall operations of the Board of Directors and issuing individual self-assessment questionnaires to Directors in December 2017. The self-assessment of the overall performance of Nuvoton's Board of Directors include the following five major aspects: a. Participation in the operation of the Company; b. Improvement of the quality of the Board of Directors' decision making; c. Composition and structure of the Board of Directors; d. Election and continuing education of the Directors; e. Internal control. The criteria for evaluating the performance of Board members include the following six primary aspects: a. Familiarity with the goals and missions of the Company; b. Recognition of duties as Directors; c. Participation in Company operations; d. Management of internal relations and communication; e. Directors' professionalism and continuing education; f. Internal control. The Company's stock affairs unit collects the questionnaires, compiles the results, and submits evaluation outcomes to the Compensation Committee and the Board of Directors. The results of the board performance evaluation are as follows: The self-assessment questionnaires filled out by board members in the assessment period were normal; The results from board performance evaluation on attendance rate in shareholders' meetings, attendance rate in board meetings, and the number of continuing education hours indicate that improvement is required.	
(E) Does the company periodically evaluate the level of independence of the CPA?	V		(E) The Company's certifying CPA alternates between accountants. Previous accountants have not served as Company directors nor were they remunerated by the Company and are not interested parties. The Audit Committee conducts regular assessments on the independence and suitability of the auditors and submits the results to the Board of Directors for discussion. Assessment items include the CPA firm's selection and compliance with regulations and supervision of competent authorities, therefore its independence and propriety should be absolute.	

Assessed areas:	Implementation status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
D. Does the Company listed on the TWSE or TPEx have a unit or staff that specializes (or is involved) in corporate governance (including but not limited to providing information necessary for directors and supervisors to perform their duties, organizing board meetings and general shareholders' meetings, handling business registration and any change of registration, and compiling minutes of board meetings and general shareholders' meetings)?	V		The Shareholders' Affairs Unit under the Company's Finance Department is responsible for related affairs for corporate governance. Its responsibilities include company registration, related affairs for board meetings and shareholders' meetings, providing information required for Directors in business operations, update of related corporate governance regulations, related affairs for investor relations, and other related items specified in the Company's Articles of Incorporation or contracts. The status of business developments in 2017 was as follows: (1) Established and amended related corporate governance regulations which were filed to the Board of Directors for resolution and passage. (2) The Group periodically arranges continuing study courses for Directors to choose from. (3) Purchased liability insurance for the Company's Directors and key persons. (4) Formulated the agendas of board meetings and notified the Board seven days in advance. Convened meetings and provided information for meetings. Provide reminders for recusal for conflicts of interest and completed the mailing of the meeting minutes of board meetings within twenty days after the meetings were concluded. (5) To facilitate corporate governance and improve the performance of the Board of Directors, the Shareholders' Affairs Unit periodically evaluates the performance of the Board of Directors and individual Directors each year and submits results to the Compensation Committee and the Board of Directors. (6) The Company organizes one institutional investor conference every six months to report on the Company's financial statistics and overview of business operations. (7) The Company organizes a general shareholders' meeting at the end of June each year and issues meeting notices, proceedings manual, annual report, and meeting minutes within the periods specified by regulations.	Complies with the Corporate Governance Best-Practice Principles
E. Has the Company established channels for communicating with stakeholders (including but not limited to shareholders, employees, customers and suppliers), set up a dedicated stakeholder area on the company website, as well as appropriately responded to important corporate and social responsibility issues of concern to stakeholders?	V		The Company attaches great importance to stakeholder communication and has established diversified channels of communication. The Company has also set up a designated area on the company website for stakeholders and designated related staff to maintain the area.	Complies with the Corporate Governance Best-Practice Principles
F. Has the Company hired a professional agency to handle tasks and issues related to holding the shareholder's meeting?	V		The Company has hired CTBC Bank Co., Ltd. Transfer Agency Department to handle tasks and issues related to holding the shareholder's meeting.	Complies with the Corporate Governance Best-Practice Principles

Assessed areas:	Implementation status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
G. Information disclosure (A) Has the Company established a corporate website to disclose information regarding the Company's financial, business and corporate governance status? (B) Has the Company adopted other means of information disclosure (such as establishing a website in English, appointing specific personnel to collect and disclose company information, implementing a spokesperson system, and disclosing the process of investor conferences on the Company's website)?	V V		(A) The Company discloses financial and business as well as corporate governance information on its Chinese and English websites(http://www.nuvoton.com). (B) The Company maintains an English website and related departments including investor relations, shareholder affairs and public relations collect and disclose related information in accordance with regulations. The Company has also established a spokesperson system and the presentation files and videos of the investor conferences are available on the Company website for external parties.	Complies with the Corporate Governance Best-Practice Principles
H. Does the Company have other information that is helpful for understanding its status of corporate governance (including but not limited to employee rights and interests, employee wellbeing, investor relations, supplier relations, rights of interested parties, further education sought by Directors and Supervisors, implementation of risk management policies and risk evaluation standards, implementation of customer policies, the taking out of liability insurance for Directors and Supervisors)?	V		(A) Employee rights, interests and wellbeing: The Company has established comprehensive regulations governing the rights, obligations and benefits of employees; the Company has also established complaint filing protocols to safeguard employee rights and benefits. The Company has established employee communication channels to encourage the employees to communicate directly with managerial officers (B) Investor relations: The Company holds periodic investor conferences to communicate with investors and has established a designated area for investors and periodically discloses financial information and information related to corporate governance. (C) Supplier relations: The Company has established regulations governing supplier relations. (D) Stakeholder interests: The Directors of the Company recused themselves from voting on agenda items in which they have an interest. (E) Continuing education of directors and supervisors: The Company arranges continuing education courses for directors and supervisors every year, and provides from time to time information on professional courses offered by external institutions to the directors and supervisors. The continuing education courses taken by directors and supervisors are disclosed on the Market Observation Post System. (F) Implementation of risk management policies and risk assessment standards: The Company has established regulations on important managerial targets and implements them in accordance with regulations. (G) The implementation of customer relations policies: The Company strictly adheres to the contracts signed with customers and their statutes to safeguard customers' rights and interests. (H) Status of purchase of liability insurance by the Company for directors and supervisors: The Company has purchased liability insurance for its Directors and Supervisors in accordance with regulations in order to mitigate and diversify the risk of any material damages to the Company and its shareholders caused by any error or negligence of its Directors.	Complies with the Corporate Governance Best-Practice Principles
I. Please described improvements in terms of the results of the Corporate Governance Evaluation System in recent years and propose areas and measures to be given priority where improvement will be needed. Nuvoton's 2017 Corporate Governance Evaluation results ranked among the top 6% to 20% of all public companies. The Company will continue to enhance corporate governance.				

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

(1) Information on members of the Compensation Committee

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

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

(1) Not an employee of the Company or any of its affiliates.

(2) Not a Director or Supervisor of the Company or any of its affiliates. Exception shall apply to independent directors established pursuant to the Securities and Exchange Act or local regulations.

(3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the Company or ranks as one of its top ten shareholders;

(4) Not a spouse, second degree kin or closer, or a direct blood relative of third degree or closer to anyone listed in the three preceding clauses.

(5) Not a Director, Supervisor, or employee of a corporate/institutional shareholder that directly holds five percent or more of the total number of issued shares of the Company or ranks as one of its top five shareholders;

(6) Not a Director, Supervisor, officer, or shareholder holding five percent or more of the shares of a specified company or institution that has a financial or business relationship with the Company.

(7) Not a professional person, business owner, partner, Director, Supervisor, or managerial officer of any sole-proprietorship, partnership, company, or institution providing commercial, legal, financial, or accounting services or consultations to the Company or any of its affiliated companies; nor a spouse of anyone listed herein.

(8) Not been a person of any conditions defined in Article 30 of the Company Act.

(2) Roles and Responsibilities of the Compensation Committee

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

(3) Operation of Compensation Committee

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

B. Current term for the members: June 15, 2016 - June 14, 2019. A total of 4 (A) meetings of the Compensation Committee were held in 2017. The attendance was as follows:

Title	Name	Attended in person (B)	Attendance by proxy	Attendance rate (%) (B/A) (Note)	Note
Convener	David Shu-Chyuan Tu	2	2	50%	N/A
Committee member	Royce Yu-Chun Hong	2	2	50%	N/A
Committee member	Allen Hsu	3	1	75%	N/A
Committee member	Jie-Li Hsu	4	0	100%	N/A
Other matters that require reporting: A. If the Board of Directors did not adopt or revise the recommendations of the compensation committee, it should describe the date of the Board meeting, term of the Board, agenda item, resolutions adopted by the Board, and actions taken by the Company in response to the opinion of the compensation committee: This event did not occur at the Company. B. If a member opposes a resolution the Committee has adopted or has reservations with a written record or a statement, the date and session of the meeting, the resolution, opinions of all the members, and the handling of their opinions shall be indicated: This event did not occur at the Company.					

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

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

Assessed areas:	Implementation status			Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx listed companies and reasons
	Yes	No	Summary	
A. Implementation of corporate governance (A) Does the Company have a corporate social responsibility policy or system in place? Is progress reviewed on a regular basis?	V		(A) The Company has established the regulations governing the implementation of corporate social responsibilities approved by the Board of Directors to ensure that the Company provides a safe working environment, the employees receive respect and dignity from their work, and the Company bears environmental protection responsibilities and follows moral principles in corporate governance to fully implement the Company's CSR policy and statement. The Company also complies with the Code of Conduct of the Responsible Business Alliance (RBA). The Code was previously known as Electronic Industry Code of Conduct (EICC). The Company fully implements internal control mechanisms to institutionalize the Company's focus on the environment, social and corporate governance issues while pursuing sustainable development and profits. The Company has established "Ethical Corporate Management Best Practice Principles" to build an ethical corporate culture and to enhance the conduct, ethics and professional capabilities of the Company and all employees as the foundation of the Company's sustainable development. The Company periodically reviews corporate social responsibility policies and their implementation in the Corporate Social Responsibility Committee.	In line with corporate social responsibility code of practice
(B) Did the Company provide social responsibility training on a regular basis?	V		(B) The Company periodically holds corporate ethics education on corporate social responsibility and ethical management and holds various training courses from time to time.	
(C) Does the Company have a unit that specializes (or is involved) in CSR practices? Is the CSR unit run by senior managerial officers and reports its progress to the Board of Directors?	V		(C) To fulfill our corporate social responsibilities and implement related regulations and international norms, the Company established the Corporate Social Responsibility Committee in July 2012 and the Chairman designated a high-level supervisor to serve as Chair of the Committee to promote affairs related to the Company's corporate social responsibility, formulate and plan corporate social responsibility targets and related affairs. CSR results are reported to the Board of Directors every year, and related information is disclosed on the Company website before the end of the year.	
(D) Did the Company formulate reasonable remuneration policies, integrate employee performance appraisal systems with CSR policies and establish effective reward and punishment systems?	V		(D) The Company has established regulations on salary and compensation and conducts performance evaluations of employees annually with self-assessments and performance evaluation by Supervisors. In addition, the Company has established work regulations and regulations on awards and disciplines governing employees' daily ethical behaviors. The Company has established related regulations on performance management and Supervisors can include daily performance in the performance evaluation of employees.	
B. Fostering a sustainable environment			The Company follows environmental protection regulations and related international norms to protect the natural environment and strive for a balanced development of the economy, society and the environment in conducting business to achieve the goal of a sustainable environment.	
(A) Is the Company committed to improving the efficiency of the various resources and using recycled materials which have a low impact on the environment?	V		(A) To enhance the efficiency in the utilization of energy and resources, the Company stated in the publicly disclosed policy on safety, sanitation and environmental protection to continue improvements for lowering water and electricity consumption and reduce the emission of key chemical materials and main pollutants in accordance with reduction targets that are prescribed each year and followed-up each quarter. The results of these reductions have attained approval from the "Green Factory Label in Clean Production Evaluation System" of the Industrial Development Bureau of the Ministry of Economic Affairs in 2015. The Company was also awarded Outstanding Achievement in Water Conservation by the Ministry of Economic Affairs in 2016.	

Assessed areas:	Implementation status			Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx listed companies and reasons
	Yes	No	Summary	
(B) Has the Company established a proper environmental management system based on the characteristics of the industry?	V		(B) The Company has established an environmental safety and sanitary management system and a hazardous material management system and passed ISO14001, OHSAS18001, and QC080000 certification in 2008. The Company has established a designated department in charge of environmental management and the implementation and management of the environmental management system, and placed professional technical management personnel in accordance with related environmental protection regulations.	In line with corporate social responsibility code of practice
(C) Has the Company taken note of any impacts climate change has had on its operations and engaged in measuring greenhouse gas emissions, establishing a corporate energy conservation and carbon reduction strategy, as well as establishing a greenhouse gas reduction strategy?	V		(C) The Company was certified in the carbon footprint investigation in 2010, which shed light on the distribution of carbon emissions throughout the life cycle of the product. The information is used on strategies for energy conservation and reduction of greenhouse gas. We continue to lower high carbon emission items such as electricity consumption and polyfluorinated chemicals and set reduction targets annually with quarterly follow-ups in accordance with policy requirements to effectively lower the emission of carbon dioxide. Faced with the impacts of climate change on the environment in recent years, the Company established 2010 as the baseline year and started improving consumption of electricity, nitrogen, and water and equivalent carbon dioxide emissions every year. The target is to reduce average annual electricity consumption by 12%, water consumption by 40%, nitrogen consumption by 45% and total greenhouse gas emissions (CO_2 equivalent) by 10% by 2020, and the long term target is to reduce total emissions by 20% by 2030. The Company passed the DNV ISO 14064-1 certification on greenhouse gas emissions in 2011. The Company passed the advanced project review of the Environmental Protection Administration (EPA) in 2013 and became the first semiconductor plant to achieve reduction in greenhouse gas in the project. The Company was also awarded the Hsinchu Science Park and the EPA's Carbon Reduction Award for its performance on reducing carbon emissions, demonstrating our achievements in reducing greenhouse gas. The Company's total greenhouse emissions in 2016 were 75,298 tons CO_2e which was 11% below the total emissions in the baseline year.	
C. Upholding public interests				
(A) Has the Company formulated appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	V		(A) The Company strictly adheres to related labor regulations and respects basic labor rights as stipulated by international norms. The Company establishes regulations on corporate social responsibilities and incorporate these regulations into internal management policies and procedures to safeguard the labor rights of the employees, including freely chosen employment, restriction on child labor, protection of youth labor, follow legal working hours, provide wages and benefits in accordance with laws, humane and non-discriminated treatment and respect for the freedom of association.	
(B) Has the Company set up an employee hotline or grievance mechanism to handle complaints properly?	V		(B) The Company has established clear procedures and multiple channels for filing complaints such as a complaint email address and employee opinion letterbox to ensure the protection of employees' legal rights and non-discrimination of remuneration in hiring policies.	
(C) Does the Company provide a safe and healthy working environment and provide employees with regular safety and health training?	V		(C) The Company has established a department in charge of safety and sanitation, the implementation and management of the safety and sanitation system, periodic safety and health education training to provide employees with a safe and healthy work environment.	
(D) Has the Company set up a channel for communicating with employees on a regular basis, and reasonably inform employees of any significant changes in operations that may have an impact on them?	V		(D) The Company has established mechanisms for communicating with the employees such as periodic Supervisor management meetings, internal communication meetings and the internal website. The Company also communicates with employees through reasonable and effective methods including internal announcements and personal notifications on matters that could result in major changes to operations.	
(E) Has the Company established an effective career development and capability training program for employees?	V		(E) The Company has established development plans in line with employees' needs in accordance with their job description and positions and requests unit Supervisors and senior employees to assist new employees in understanding the Company's market position and future development.	

Assessed areas:	Implementation status			Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx listed companies and reasons
	Yes	No	Summary	
(F) Has the Company established any consumer protection mechanisms and complaint procedures regarding R&D, purchasing, production, operation and service?	V		(F) The Company's products are components in consumer products. We have not established policies on consumer rights and interests but the Company's quality control mechanisms cover each step in the manufacturing process. We ensure the quality of the products through continuous monitoring on the manufacturing process and rapid and efficient detection of problems. With regard to customer complaint channels, the Company periodically implements customer satisfaction surveys to understand whether the Company is providing satisfying products and services and to improve the quality of after-sales services.	In line with corporate social responsibility code of practice
(G) In terms of the marketing and labeling of products and services, has the Company followed relevant laws, regulations, and international norms?	V		(G) 1. The Company strives to design, procure, manufacture and market products that contain no hazardous materials in accordance with international regulations and to satisfy customers' requests. We also enforce measures to protect the environment and fulfill responsibilities as a social citizen. 2. The Company follows EU restrictions on hazardous substances and safeguard users' health through the following policies: a. The Company cooperates with packaging plants and, except for special products specified by the customer, has ceased all production and sales of packaged products containing lead since January 1, 2010. b. Starting on August 9, 2009, new products begin using halogen-free materials from the development stage. c. The Company converted all materials used for existing products to environmentally-friendly materials and halogen-free materials step by step and completed the conversion on July 30, 2011.	
(H) Before doing business with suppliers, does the Company assess whether or not the suppliers have had previous records of negatively affecting the environment or society?	V		(H) As stipulated in the Company's internal regulations, we incorporated quality, price, environmental protection and labor rights into the assessment for qualified suppliers. 1. Environmental management system verification The Company requires that suppliers must acquire international certifications, e.g. ISO 14001 or OHSAS 18001 and safety and sanitation management systems. If the supplier is unable to acquire these credentials on time, they are asked to provide a time table for the certification process. 2. Social requirements To ensure the labor rights of our suppliers, the Company has actively adopted the Code of Conduct of the Responsible Business Alliance (RBA). The Code was previously known as the Electronic Industry Code of Conduct (EICC) and requires suppliers of the Company's supply chain to follow EICC requirements on environmental protection, safety and sanitation, labor rights and labor conditions. In the semi-annual evaluation of suppliers, the Company employs the power of procurement to request suppliers to fulfill environmental and social responsibilities.	
(I) Do the Company's contracts with major suppliers include a clause that states that if the supplier violates our corporate social responsibility policies, resulting in significant impacts to the environment and society, the Company retains the right to terminate the contracts at any time?	V		(F) The Company requests all suppliers in its supply chain to sign mutual agreements on regulating industrial practices and confidentiality agreements that require suppliers to carry out various transactions in good faith and not to damage the Company's interests and image.	

Assessed areas:	Implementation status			Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx listed companies and reasons
	Yes	No	Summary	
D. Enhancing information disclosure (A) Has the Company disclosed relevant and reliable information regarding its corporate social responsibility on its website and the Market Observation Post System?	V		(A) The Company has established a public webpage and discloses detail information including the financial information, operation status, management team, and the performance of corporate social responsibilities on the M.O.P.S. The general public can access the Company's website and understand related affairs and conditions. (B) The Company has established a CSR Committee that monitors the development of domestic and international corporate social responsibility framework and the change of business environment at all times so as to examine and improve our implementation of corporate social responsibility plans and to obtain better results from the implementation of the corporate social responsibility policy.	In line with corporate social responsibility code of practice
E. If the Company has established corporate social responsibility principles based on "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies", please describe any difference between the principles and their implementation: The Company has established the regulations governing the daily implementation of corporate social responsibilities in line with regulations and international norms to ensure that the Company provides a safe working environment, the employees receive respect and dignity from their work, and the Company bears environmental protection responsibilities and follows moral principles in corporate governance to fully implement the Company's CSR policy and statement. There is no significant difference from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies.				
F. Other key information useful for explaining status of corporate social responsibility practices: (A) The Company has established and implemented comprehensive standards in labor rights, health and safety, environmental protection, and management systems to achieve CSR goals. (B) With regard to labor rights, the Company follows international labor rights regulations and prohibits the hiring of workers under 15 years of age and involuntary workers (including coerced, collateral, in debt, bound by contracts, enslaved and human trade) and prohibits harassment, illegal discrimination, coercion and inhumane treatment of employees (including potential employees), and there has not been major labor-management disputes in 2017. (C) In health and security, the Company pledges to provide employees with a safe, sanitary and healthy work environment, organize periodic employee health examinations and continue to hold activities that promote health to help employees maintain physical health. We also encourage employees to form clubs to promote their physical, psychological and spiritual health, help them find balance between work and leisure and cultivate habits for regular exercise. The Company also established a massage area by the visually impaired in the office to provide employees with relaxation services and hosts various sports competitions and art exhibitions in hopes of cultivating good exercise habits and leisure interests of the employees and providing them with a networking channel after work. The current clubs and former classes include the basketball club, cycling club, badminton club and yoga club etc. The Company's employees also actively participate in charity events organized by the Charity Club to help the disadvantaged and give back to society. Their work included donations to the Genesis Social Welfare Foundation for caring for patients that are in a persistent vegetative state, donations to Shih Guang Educational and Nursing Institution for patients that require long-term care, donations to children's homes for children, donations to the Children's Hearing Foundation to provide hearing-impaired children with electronic cochlear implants, etc. In 2017, Nuvoton employees donated a total of NT$180,000 to Mackay Memorial Hospital and National Taiwan University Hospital Hsin-Chu Branch for assisting the financially challenged who are unable to afford health care in order to help those in poverty and in sickness and promote the spirit of solidarity. (D) In terms of environmental protection, Nuvoton is committed to establish advanced international safety, sanitation management, and environmental protection standards. Nuvoton's air pollution prevention personnel received the "Outstanding Environmental Protection Personnel" award from the Hsinchu Science Park Administration in 2017. We also actively participate in environmental training programs and became the "2017 Environmental Education Partner" of Hsinchu Science Park. The Company also periodically implements effective education and training activities and organized 94 classes/213 hours of training courses in 2017 with 3,735 participants as part of the effort to continue improvement on eradicating any foreseeable risks to employees' health, environmental pollutions and damages to properties. Potential disasters and losses can be prevented beforehand through sound management and active participation of all employees. (E) With regard to the management system, the Company has established comprehensive internal control mechanisms to monitor internal operations; in moral obligations, we prohibit behaviors such as bribery, corruption, blackmail and illegal use of company funds. We also do not participate in political activities. The Company is focused on corporate governance and Supervisors monitor the operations of the Company, the Company's compliance of regulations, financial transparency, instant disclosure of important information and make sure that there is no internal corruption.				
G. If the corporate social responsibility reports have been certified by external institutions, they should state so below: The Company's 2016 Corporate Social Responsibility Report was published in 2017. It was compiled in accordance with Global Reporting Initiative GRI G4.0 and was certified by an impartial third-party agent, SGS Taiwan.				

6. Ethical corporate management and measures adopted:

Assessed areas:	Implementation status			Departure from "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies" and reasons
	Yes	No	Summary	
A. Establishment of ethical corporate management policy and approaches (A) Has the Company stated in its Memorandum or external correspondence about the policies and practices it has to maintain business integrity? Are the Board of Directors and the managerial officers committed in fulfilling this commitment? (B) Does the Company have any measures against dishonest conducts? Are these measures supported by proper procedures, behavioral guidelines, disciplinary actions and complaint systems? (C) Has the Company taken steps to prevent occurrences listed in all subparagraphs under Article 7, Paragraph 2 of the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx-Listed Companies" or business conduct that are prone to integrity risks?	V V V		(A) The Company conducts business activities on the principle of integrity. To implement integrity policy and actively prevent unethical behavior, the Company has established Ethical Corporate Management Principles that has been approved by the Board of Directors and announced on the Company's external webpage, outlining for the employees of the Company in detail the important issues in conducting business. (B) The Company has established "Regulations on Ethical Corporate Management" which clearly defined the content of unethical behavior. The employees of the Company should not, in principle, accept gifts, except for the maintenance of business etiquette which stipulates direct or indirect exchanges, promise or request for money, gifts, services, discounts, entertainment, meals, investment stock options or other interests; it is only appropriate if a gift can be classified in the preceding conditions and the employee follows the "Regulations on Ethical Corporate Management" and files for approval through related procedures. The Regulations have been announced to all employees and have been incorporated into the Company's training programs on corporate social responsibility. The Company has also established "Regulations on Reporting Unethical Business Conducts" for the processing procedures in cases where the Company's employees or others violate ethical business practices. The regulations also provide a legal report channel and process that keeps the identity of the reporter and the content of the report confidential to protect the reporter from reprisals. (C) The Company's "Regulations on Ethical Corporate Management" clearly restricts the supply and acceptance of unlawful interests and the Company has established "Procedures Governing the Processing of the Acceptance of Unlawful Interests" and "Procedures Governing the Restriction on Facilitating Payments" (including "Operating Rules for Political Donations," "Operating Rules for Charity Donations," and the requirement of "Conflict of Interest Recusal") for employees to follow.	In line with the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies
B. Full Implementation of Ethical Management Principles (A) Does the Company evaluate the integrity of all counterparties it has business relationships with? Are there any integrity clauses in the agreements it signs with business partners? (B) Does the Company have a unit that specializes (or is involved) in business integrity? Does this unit report its progress to the Board of Directors on a regular basis? (C) Has the Company established policies to prevent conflicts of interests, implemented such policies, and provided adequate channels of communications?	V V V		(A) The Company has requested major suppliers to sign a letter of undertaking of integrity to state the Company's ethical corporate management principles, evaluate the integrity of suppliers before establishing business relationships and to explain to business counterparts the ethical corporate management policy to prevent the occurrence of unethical conduct. In addition, the Company's purchase orders will include a clause stipulating compliance with the Company's ethical corporate management policy. (B) The Company has established the "Corporate Social Responsibility Committee" in July 2012 and the Chairman designated high-level Supervisors to serve as Chair of the Committee, responsible for overseeing the drafting, execution, interpretation, consulting services and notification registry of the Company's ethical corporate management policy. The President reports to the Board of Directors annually on the execution. (C) The Company has also established "Regulations on Reporting Unethical Business Conducts" which clearly regulates the policy of preventing conflicts of interests. When an employee, in the execution of company business, discovers that the employee or an institution he/she represents is in a conflict of interest, or if the employee, spouse, parents, children or other interested parties stands to benefit unlawfully from the conflict of interest, the employee should notify his/her Supervisor and the Company's designated unit simultaneously. The employee's supervisor should	In line with the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies

Assessed areas:	Implementation status: Yes	No	Summary	Departure from "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies" and reasons
			provide adequate assistance in solving	
(D)			(D) the issue. The Company holds periodic education on the prevention of insider trading for Directors, Supervisors and professional managerial officers.	
(E) Has the Company established effective accounting systems and internal control systems for enforcing ethical corporate management? Are regular audits carried out by the Company's internal audit unit or commissioned to a CPA? (F) Did the Company periodically provide internal and external training programs on integrity management?	V V		(E) The Company has established an effective accounting system and internal control institutions in accordance with regulations and established related procedures for internal auditing staff to conduct periodic auditing and ensure the design and implementation of various institutions remains effective. (F) The Company periodically holds corporate ethics education on corporate social responsibility and ethical corporate management each year and holds various training courses from time to time.	
C. Implementation of the Company's Whistleblowing System (A) Has the Company established concrete whistleblowing and reward system and have a convenient reporting channel in place, and assign an appropriate person to communicate with the accused? (B) Has the Company established standard operating procedures for investigating reported cases and related confidentiality mechanism? (C) Did the Company adopt measures for protecting the whistle-blower against improper treatment or retaliation?	V V V		(A) The Company has established diversified reporting and complaint channels including the complaint email address and the employee opinion letterbox. The Company has also established "Regulations on Reporting Unethical Business Conducts" for related personnel to report on any malpractices through the system for the Company's designated senior managerial officer to process. If proved to be in violation of related laws or the Company's related policies on ethical corporate management, the reported person must cease all related activities immediately and processed appropriately, in accordance with legal procedures for damage claims if necessary to maintain the reputation and interests of the Company. (B) The Company has implemented standard procedures and confidentiality measures for handling reported malpractices. The Company has included the principles of ethical corporate management as part of employees' performance appraisal and the Company's human resource policy. There are clear and effective systems in place to enforce discipline and reporting of dishonest conduct. If any of the Company's personnel seriously violates ethical conduct rules, the Company shall dismiss the person in accordance with applicable laws and regulations or internal human resources guidelines. There are internal investigation procedures in place that requests confidentiality from all related personnel. All related documents are treated as confidential. (C) The Company has established in the "Regulations on Reporting Unethical Business Conducts" and "Complaint Procedures" the necessary protection measures for the reporter of malpractices and all Supervisors and employees is prohibited from discrimination, threat and other harmful behaviors against the employee filing the complaint.	In line with the Ethical Corporate Management Best Practice Principles for TWSE/TPEx-Listed Companies
D. Enhancing information disclosure (A) Has the Company disclosed its integrity principles and progress onto its website and M.O.P.S.?	V		(A) The Company has announced the "Ethical Corporate Management Principles" approved by the Board of Directors on the Company website to disclose related information on ethical corporate management. The Company has also placed the Annual Report which includes related information on ethical corporate management on the M.O.P.S.	In line with the Ethical Corporate Management Best Practice Principles for TWSE/TPEx-Listed Companies
E. The Company shall establish its own Code of Business Integrity based on the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx-Listed Companies" and clearly articulate the differences between its operations and the established code. The Company has established "Ethical Corporate Management Principles" and "Regulations on Ethical Corporate Management" in accordance with "Ethical Corporate Management Best Practice Principles for TWSE/TPEx-Listed Companies."				
F. Other important information to facilitate better understanding of the Company's implementation of ethical corporate management: (e.g. declare the Company's commitment to practice and policy for ethical corporate				

Assessed areas:	Implementation status			Departure from "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies" and reasons
	Yes	No	Summary	
management to its business counterparties, and invite them to join the Company's training program, and review/revision of the Company's ethical corporate management principles): The Company constantly watches the development of ethical management related rules and regulations at home and abroad, and based on which, reviews and improves its own policies to enhance performance management.				

7. If the Company has established corporate governance principles and related guidelines, disclose the means of accessing this information: The Company has a section "Investor Services/Rules and Regulations" on its website for investors to inquiry corporate governance related rules.

8. Other significant information which may improve the understanding of corporate governance and operation: The Company continues to improve corporate governance and simultaneously discloses its corporate governance information on the Market Observation Post System and the Company website in a timely manner.

9. Status of implementation of internal control system

(1) Statement of Declaration on Internal Control

Nuvoton Technology Corporation

Internal Control System Statement

Date: January 26, 2018

This Statement of Internal Control System is issued based on the self-assessment results of the Company for year 2017.

A. The Company is fully aware that the establishment, implementation and maintenance of its internal control system is the responsibility of the Board of Directors and managerial officers. In this regard the Company has already established such a system aimed at providing reasonable assurance of the achievement of objectives in the effectiveness and efficiency of operations (including profits, performance, and safeguard of asset security), reliability of reporting, and compliance with applicable laws and regulations.

B. There are inherent limitations to even the most well designed internal control system. As such, an effective internal control system can only reasonably ensure the achievement of the aforementioned goals. Moreover, the operating environment and situation may change and impact the effectiveness of the internal control system. However, self-supervision measures were implemented within the Company's internal control policies to facilitate immediate rectification once procedural flaws have been identified.

C. The Company judges the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (hereinafter referred to as the "Regulations"). The internal control system judgment criteria adopted by the Regulations divide internal control into five elements based on the process of management control: 1. Control environment, 2. Risk assessment, 3. Control operation, 4. Information and communication, and 5. Monitoring. Each element further contains several items. For more information on the abovementioned items, please refer to the Regulations.

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

E. Based on the findings of the evaluation mentioned in the preceding paragraph, the Company believes that as of December 31, 2017 its internal control system (including its supervision and management of subsidiaries), encompassing internal controls for knowledge of the degree of achievement of operational effectiveness and efficiency objectives, reliability of reporting, and compliance with applicable laws and regulations, is effectively designed and operating, and reasonably assures the achievement of the above-stated objectives.

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

G. This Statement has been passed by the Board of Directors Meeting of the Company held on January 26, 2018, where 0 of the 9 attending Directors expressed dissenting opinions, and the remainder all affirmed the content of this Statement.

Nuvoton Technology Corporation

Chairman of the Board: Arthur Yu-Cheng Chiao

President: Sean Tai

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

10. Penalty on the Company and its personnel or punishment imposed by the Company on personnel in violation of internal control system regulations, major deficiencies and improvement in the past year and up to the date of report: N/A.

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

(1) Report on the execution of resolutions adopted at the 2017 general shareholders' meeting:

Date	Important resolutions and implementation	
2017/06/14	1	Ratified the Company's 2016 business report and financial statements. Resolution: Passed as proposed. (For details of the resolution, please visit Market Observation Post System) Implementation status: Followed resolution results.
	2	Ratified the Company's 2016 earnings distribution proposal. Resolution: Passed as proposed. (For details of the resolution, please visit Market Observation Post System) Implementation status: The record date was set at August 20, 2017 and the payment date at September 8, 2017. (Cash dividend of NT$2.4 per share)
	3	Passed the amendments to the Company's Procedures for Acquisition or Disposal of Assets. Resolution: Passed as proposed. (For details of the resolution, please visit Market Observation Post System) Implementation status: Announced on the Company's website on June 30, 2017 and processed in accordance with the amended procedures.
	4	Passed the proposed removal of non-compete clause for the 5th-term Directors. Resolution: Passed as proposed. (For details of the resolution, please visit Market Observation Post System) Implementation status: Followed resolution results.

(2) Important resolutions adopted by the Board of Directors in 2017 and up to the publication of the Annual Report (March 31, 2018)

Date	Important resolutions:	
2017/02/03	1	Passed the total amount of remuneration appropriated for Directors and Supervisors in 2016.
	2	Passed the total amount of remuneration appropriated for employees in 2016.
	3	Passed the Company's 2016 financial statements and business report.
	4	Passed the 2016 earnings appropriation.
	5	Passed the 2016 Statement on Internal Control.
	6	Passed the Company's 2017 business plan and budget.
	7	Passed the annual remuneration paid to accounting firm Deloitte & Touche.
	8	Passed the proposed calling of the 2017 general shareholders' meeting.
	9	Passed the continuation of liability insurance for the Company's Directors and key persons.
	10	Passed the Company's Rules for the Responsibility of Independent Directors.
	11	Passed the financial derivative transactions undertaken by the Company.
	12	Passed the renewal of short-term lines of credit obtained from financial institutions.
	13	Passed amendments to the Company's Regulations Governing Salary, Remuneration and Performance Evaluation of Managing Directors.
	14	Passed the variable pay of professional managerial officers.
	15	Passed the proposal for the promotion of professional managerial officers.
2017/04/27	1	Passed the amendments to the Company's Procedures for Acquisition or Disposal of Assets.
	2	Passed removal of the non-compete clause for 5th-term Directors of the Company.
	3	Passed the Board's review of shareholder motions.
	4	Passed the new agenda of the 2017 shareholders' meeting.
	5	Passed the financial derivative transactions undertaken by the Company.
	6	Passed amendments to the Company's Regulations Governing Salary, Remuneration and Performance Evaluation of Directors and Supervisors.
2017/07/27	1	Passed the Company's 2016 cash dividend appropriation.

Date		Important resolutions:
	2	Passed amended internal rules.
	3	Passed the financial derivative transactions undertaken by the Company.
	4	Passed the individual amount of remuneration for Directors and Supervisors in 2016.
	5	Passed amendments to the Company's Regulations Governing Salary, Remuneration and Performance Evaluation of Directors and Supervisors and changed the title to Regulations Governing Salary, Remuneration and Performance Evaluation of Directors.
	6	Passed the proposal for the retirement benefits of the Company's professional managerial officers.
	7	Passed the modifications to the salary and variable pay of managing Directors.
2017/10/26	1	Passed the Company's Annual Audit Plan for 2018.
	2	Passed the Company's Accountant Evaluation and Performance Evaluation Guidelines.
	3	Passed the amendments to the Company's Regulations Governing the Organization of the Auditing Committee.
	4	Passed amended internal rules.
	5	Approved amendments to the Company's "Compensation Committee Foundation Rules."
	6	Passed the amended "Internal Control Systems", "Instruction for Self-Evaluation of Internal Control Systems", and "Internal Audit Rules."
	7	Passed the financial derivative transactions undertaken by the Company.
	8	Passed the renewal of short-term lines of credit obtained from financial institutions.
	9	Passed the appropriation ratio of remuneration for Directors in 2017.
	10	Passed the appropriation ratio of remuneration for employees in 2017.
2018/01/26	1	Passed the Company's 2017 financial statements and business report.
	2	Passed the 2017 Statement on Internal Control.
	3	Passed the 2017 earnings appropriation.
	4	Passed the Company's 2018 business plan and budget.
	5	Passed the change of the Company's CPA in 2018 Q1.
	6	Passed the annual remuneration paid to accounting firm Deloitte & Touche.
	7	Passed the amended Articles of Incorporation.
	8	Passed the amended Procedures for Engaging in Derivatives Transactions.
	9	Passed the proposed calling of the 2018 general shareholders' meeting.
	10	Passed the purchase of liability insurance for the Company's Directors and key persons.
	11	Passed the financial derivative transactions undertaken by the Company.
	12	Passed the renewal of short-term lines of credit obtained from financial institutions.
	13	Passed the total amount and individual amounts of remuneration appropriated for Directors in 2017.
	14	Passed the total amount of remuneration appropriated for employees in 2017.
	15	Passed the variable pay of professional managerial officers.
	16	Passed the proposal for the promotion of professional managerial officers.
2018/03/23	1	Passed fundraising for the Company's long-term capital with the issuance of new common shares for cash to sponsor GDR offering.

(3) Important resolutions adopted by the Audit Committee in 2017 and up to the publication of the Annual Report (March 31, 2018)

Date		Important resolutions:
2017/02/03	1	Passed the Company's 2016 financial statements and business report.
	2	Passed the 2016 earnings appropriation.
	3	Passed the 2016 Statement on Internal Control.
	4	Passed the annual remuneration paid to accounting firm Deloitte & Touche.
2017/04/27	1	Passed the amendments to the Company's Procedures for Acquisition or Disposal of Assets.

Date		Important resolutions:
2017/07/27	1	Passed the 2017 Q2 financial statements.
2017/10/26	1	Passed the Company's Annual Audit Plan for 2018.
	2	Passed the Company's Accountant Evaluation and Performance Evaluation Guidelines.
	3	Passed the amendments to the Company's Regulations Governing the Organization of the Auditing Committee.
	4	Passed the amended "Internal Control Systems", "Instruction for Self-Evaluation of Internal Control Systems", and "Internal Audit Rules."
2018/01/26	1	Passed the Company's 2017 financial statements and business report.
	2	Passed the 2017 Statement on Internal Control.
	3	Passed the 2017 earnings appropriation.
	4	Passed the change of the Company's CPA in 2018 Q1.
	5	Passed the annual remuneration paid to accounting firm Deloitte & Touche.
	6	Passed the amended Procedures for Engaging in Derivatives Transactions.
2018/03/23	1	Passed fundraising for the Company's long-term capital with the issuance of new common shares for cash to sponsor GDR offering.

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

13. Resignation and dismissal of professional managerial officers related to the financial report including Chairman, President, Chief Accounting Officer, Chief Financial Officer, Chief R&D Officer and Chief Internal Auditor, in the past year and up to the date of report:

March 31, 2018

Title	Name	Date of appointment	Date of dismissal	Reason for resignation or dismissal
CTO	Robert Hsu	2014.2.5	2017.8.1	Retirement

14. Handling of material information:

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

(D) Information on Fees to CPA:

1. Information on Fees to CPA

Name of accounting firm	Name of Accountants:		Duration of audit	Notes
Deloitte & Touche	Hung-Bin Yu	Ker-Chang Wu	2017	

Unit: thousand NT$

Name of accounting firm	Name of Accountants:	Audit fee	Non-audit fee					CPA Duration of audit	Note
			System design	Business registration	Human resources	Other	Subtotal		
Deloitte & Touche	Hung-Bin Yu, Ker-Chang Wu, etc.	4,940	-	-	-	120	120	2017	The other items in the non-auditing fee are the fees for related taxation services.

2. Fees paid to certifying accountants, the accounting firm and its affiliates in 2017 that were non-audit fee amounted to NT$120 thousand which was less than one fourth of the audit fee.

3. If the Company changes accounting firm and the amount of audit fee paid in the year of change is less than that in the year before, the amount and percentage of decrease and reason: This event did not occur at the Company.

4. If the audit fee is more than 15% less than that paid in the previous year, the amount and percentage of decrease and reason: The 2017 audit fee has not decreased more than 15% than the amount paid in 2016. This is therefore not applicable.

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

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

1. Regarding previous CPA

Date of change	January 26 2018		
Reasons for change and remark	Internal adjustment of the certifying CPA firm		
Termination initiated by client or accountant declined to accept the appointment	Party Scenario	CPA	Client
	Termination initiated by client	Not applicable	
	CPA declined to accept (continue) the appointment		
Audit opinions other than unqualified opinions issued in the past two years and reasons	N/A		
Opinions different from those of issuer	N/A		
OTHER DISCLOSURES	N/A		

2. Regarding succeeding CPA

Name of firm	Deloitte & Touche
Name of Accountants:	Hung Bin Yu and Kuo-Tien Hung
Date of appointment	January 26 2018
Consultation given on accounting treatment or accounting principle adopted for any specific transactions and on possible opinion issued on financial report prior to appointment and results	N/A
Succeeding CPAs' written opinions that are different from those of the previous CPAs	N/A

3. The former CPA's reply to Article 10, Subparagraph 6, Item 1 and Item 2, Point 3 of the Regulations Governing Information to be Published in Annual Reports of Public Companies: Not applicable.

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

(G) Share transfer by directors, supervisors, managerial officers and shareholders holding more than 10% equity and changes to share pledging by them in the past year and up to the date of report

(1) Share transfers:

Unit: Shares

Title	Name	2017		2018 up to March 31	
		Increase (decrease) in shares held	Increase (decrease) in pledged shares	Increase (decrease) in shares held	Increase (decrease) in pledged shares
Director and Chairman	Winbond Electronics Corporation Representative: Arthur Yu-Cheng Chiao	-	-	-	-
Director and Vice Chairman	Robert Hsu (Note 1)	(39,000)	-	-	-
Director	Yung Chin	-	-	-	-
Director	Ken-Shew Lu	-	-	-	-
Director	Chi-Lin Wea	-	-	-	-

Title	Name	2017		2018 up to March 31	
		Increase (decrease) in shares held	Increase (decrease) in pledged shares	Increase (decrease) in shares held	Increase (decrease) in pledged shares
Independent Director	Royce Yu-Chun Hong	-	-	-	-
Independent Director	Allen Hsu	-	-	-	-
Independent Director	David Shu-Chyuan Tu	-	-	-	-
Independent Director	Jie-Li Hsu	-	-	-	-
President	Sean Tai	-	-	-	-
VP	Hsi-Jung Tsai	-	-	-	-
VP and Chief Financial Officer	Hsiang-Yun Fan	-	-	-	-
VP	Jen-Lieh Lin	-	-	-	-
VP	Jiin-Shiarng Wen (Note 2)	-	-	-	-
VP	Hsin-Lung Yang	-	-	-	-
VP	Patrick Wang	-	-	-	-
Assistant Vice President	Kuang-Lun Lin (Note 3)	-	-	-	-
Chief Accounting Officer	Hung-Wen Huang	-	-	-	-

Note 1: Mr. Robert Hsu retired on August 1, 2017 and was relieved of his duties as Chief Technology Officer.

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

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

(2) Share transfer information: N/A

(3) Share pledge information: N/A

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

August 20, 2017 (Ex-dividend date); Unit: Shares

NAME	SHAREHOLDING		SHARES HELD BY SPOUSE AND UNDERAGE CHILDREN		TOTAL SHAREHOLDING BY NOMINEE ARRANGEMENT		TITLES, NAMES AND RELATIONSHIPS BETWEEN TOP 10 SHAREHOLDERS (RELATED PARTY, SPOUSE, OR KINSHIP WITHIN THE SECOND DEGREE)		NOTE
	No. of shares	Percentage of shares	No. of shares	Percentage of shares	No. of shares	Percentage of shares	Name (or name)	Relationship	
Winbond Electronics Corporation Representative: Arthur Yu-Cheng Chiao	126,620,087 -	61.01% -	- -	- -	- -	- -	Chin Xin Investment Corp.	Chairman is the same person.	N/A
UBS AG Account under the trust of HSBC Bank	5,652,000	2.72%	-	-	-	-	-	-	N/A
JP Morgan Securities Investment Account under the trust of JPMorgan Chase	3,681,000	1.77%	-	-	-	-	-	-	N/A
New Labor Pension Fund	2,359,000	1.14%	-	-	-	-	-	-	N/A
Chin Xin Investment Corp. Representative: Arthur Yu-Cheng Chiao	1,853,185 -	0.89% -	- -	- -	- -	- -	Winbond Electronics Corporation	Chairman is the same person.	N/A
Acadian Emerging Markets SME Equity Fund under the custody of HSBC (Taiwan)	1,662,000	0.80%	-	-	-	-	-	-	N/A
Merrill Lynch International investment account	1,557,000	0.75%	-	-	-	-	-	-	N/A
Pennsylvania State Employees' Retirement System under the custody of HSBC	1,556,000	0.75%	-	-	-	-	-	-	N/A
Fuh Hwa Global IoT and Tech Fund account	1,490,000	0.72%	-	-	-	-	-	-	N/A
Fuh Hwa Asia Pacific Equity Fund account	1,481,000	0.71%	-	-	-	-	-	-	N/A

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

December 31, 2017; Unit: share

Reinvestment Entities (Note)	Investment by the Company		Investments by Directors, Supervisors, managerial officers and directly or indirectly controlled enterprises		Comprehensive investment	
	No. of shares	Shareholding ratio (%)	No. of shares	Shareholding ratio (%)	No. of shares	Shareholding ratio (%)
Nuvoton Electronics Technology (H.K.) Limited	107,400,000	100%	-	-	107,400,000	100%
Pigeon Creek Holding Co., Ltd.	13,897,925	100%	-	-	13,897,925	100%
Marketplace Management Limited	8,790,789	100%	-	-	8,790,789	100%
Nuvoton Investment Holding Ltd.	19,720,000	100%	-	-	19,720,000	100%
Song Yong Investment Corporation	3,850,000	100%	-	-	3,850,000	100%
Nuvoton Technology India Private Limited	600,000	100%	-	-	600,000	100%

Note: Equity method is employed.

C. Capital and Shareholding

(A) Share capital source

Unit: share; thousand NT$

Year Month	Issue Price (NT$)	Authorized capital		Paid-in capital		Note		
		No. of shares	Amount	No. of shares	Amount	Share capital source	Shares acquired by non-cash assets	Other
200804	10	300,000,000	3,000,000	100,000	1,000	Cash capital NT$1,000,000	N/A	Yuan-Shang No. 0970009659
200807	10	300,000,000	3,000,000	250,000,000	2,500,000	Accepts separation NT$2,499,000,000	N/A	Yuan-Shang No. 0970019973
200909	-	300,000,000	3,000,000	190,000,000	1,900,000	Capital reduction by cash NT$600,000,000	N/A	Yuan-Shang No. 0980028478
200909	10	300,000,000	3,000,000	200,070,000	2,000,700	Capital increase shares by capital surplus NT$100,700,000	N/A	Yuan-Shang No. 0980028736
201006	10	300,000,000	3,000,000	207,554,400	2,075,544	2009 earning and employee bonuses recapitalization of NT$74,844,000	N/A	Yuan-Shang No. 0990016508

December 31, 2017; Unit: share

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

Note: Information for shelf registration: N/A

(B) Shareholders

August 20, 2017 (Ex-dividend date)

Quantity \ Shareholders	Government agencies	Financial institutions	Other corporations	Individuals	Foreign institutions and foreigners	Total
Number of people	-	2	63	7,827	66	7,958
Shares held (shares)	-	900,000	142,690,277	38,547,806	25,416,317	207,554,400
Shareholding ratio (%)	-	0.43%	68.75%	18.57%	12.25%	100%

(C) Shareholding Distribution Status

1. Common stocks:

August 20, 2017 (Ex-dividend date)

Shareholding range	Number of shareholders	Shares held (shares)	Shareholding ratio (%)
1 to 999	455	67,803	0.03%
1,000 to 5,000	6,059	11,997,681	5.78%
5,001 to 10,000	776	6,359,272	3.06%
10,001 to 15,000	193	2,500,129	1.20%
15,001 to 20,000	139	2,621,001	1.26%
20,001 to 30,000	110	2,917,753	1.41%
30,001 to 50,000	86	3,400,568	1.64%
50,001 to 100,000	46	3,263,735	1.57%
100,001 to 200,000	45	6,543,179	3.15%
200,001 to 400,000	20	6,043,476	2.91%
400,001 to 600,000	6	2,878,482	1.39%
600,001 to 800,000	9	6,248,149	3.01%
800,001 to 1,000,000	1	949,000	0.46%
Over 1,000,001	13	151,764,172	73.13%
Total	7,958	207,554,400	100%

2. Preferred stocks: Not applicable

(D) List of major shareholders

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

August 20, 2017 (Ex-Dividend Date); Unit: share

Name of majority shareholders \ Shares	Number of shares held	Shareholding ratio (%)
Winbond Electronics Corporation	126,620,087	61.01%
UBS AG Account under the trust of HSBC Bank	5,652,000	2.72%
JP Morgan Securities Investment Account under the trust of JPMorgan Chase	3,681,000	1.77%
New Labor Pension Fund	2,359,000	1.14%
Chin Xin Investment Corp.	1,853,185	0.89%
Acadian Emerging Markets SME Equity Fund under the trust of HSBC (Taiwan)	1,662,000	0.80%
Merrill Lynch International investment account	1,557,000	0.75%
Pennsylvania State Employees' Retirement System under the trust of HSBC	1,556,000	0.75%
Fuh Hwa Global IoT and Tech Fund account	1,490,000	0.72%
Fuh Hwa Asia Pacific Equity Fund account	1,481,000	0.71%

(E) Market price per share, net worth, earnings, dividends, and the related information for the last 2 years

Unit: share; NT$;

Item \ Year			2016	2017	2018 up to March 31
Stock price (Note 1)	Highest		42.00	84.70	79.20
	Lowest		25.45	37.70	62.50
	Average		34.17	52.86	72.47
Net worth per share	Before distribution		16.28	17.65	–
	After distribution		13.88	(Note 2)	–
Earnings per share	Weighted average shares		207,554,400	207,554,400	207,554,400
	Earnings per share		2.95	3.32	–
Dividends per share	Cash dividend		2.40	(Note 2)	–
	Stock dividend	Earnings	–	–	–
		Capital surplus	–	–	–
	Accumulated unpaid dividend		–	–	–
Investment return analysis	PE ratio (Note 3)		11.58	15.92	–
	Price-dividend ratio (Note 4)		14.24	(Note 2)	–
	Cash dividend yield (Note 5)		7.02%	(Note 2)	–

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

(F) Dividend policy and implementation status

1. Company dividend policy:

Under the Company Act and Nuvoton's Articles of Incorporation, the Company shall, after covering prior years' losses and paying all taxes and dues, set aside 10% of its earnings as legal reserve until such reserve equals the Company’s total paid-in capital. Of the remainder plus undistributed earnings in prior years or of distributable earnings resulting from this year's loss plus undistributed earnings in prior years, special reserve shall be set aside or reversed according to laws or the competent authority. The remainder surplus may be retained for business needs or otherwise distributed by the following principle: The Board of Directors may propose an earnings distribution plan for dividends for stockholders and submit the plan to the shareholders' meeting for approval. Not less than 10% of the total dividends distributed to stockholders shall be in the form of cash.

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

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

The Company's 2017 dividend distribution proposal was formulated in the January 26, 2018 meeting of the Board of Directors in the chart below. This plan will be carried out in accordance with related regulations after passage in resolution by the Shareholders' Meeting scheduled for June 12, 2018.

Statement of Earning distribution

2017

Unit: NT$

Item	Amount
Undistributed earnings from previous years	$226,826,793
Minus: Re-measurement of defined benefit plan converted into retained earnings	(21,978,000)
Plus: Retained earnings adjusted to equity method investments	3,032,293
Plus: Net income of 2017	688,132,681
Minus: 10% Legal reserve appropriated	(68,813,268)
Retained Earnings Available for Distribution as of December 31, 2017	827,200,499
Distribution Items:	
Cash Dividends to Common Shares (NT$2.5 per share)	(518,886,000)
Undistributed retained earnings from previous years	$308,314,499

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

(H) Remuneration of employees, directors and supervisors

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

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

2. Basis for estimating the amount of remuneration of employees and directors, basis for calculating the number of shares to be distributed as employee remuneration, and the

accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated amount, for the current period

The basis for estimating the Company's 2017 remuneration for employees and Directors is 6% and 1% of the earnings before tax and before deducting remuneration for employees and Directors. The preceding estimation basis is based on the amended Company Act and the amended Articles of Incorporation. If there are changes made to the amount of the estimated remuneration to employees and Directors after the publication day of the consolidated annual financial statements, the changes will be applied in accordance with accounting estimation changes and will be included in the financial statements of the following year.

3. Remuneration proposals passed by the board of directors

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

According to the amended Company Act and the amended Articles of Incorporation, if the Company has been profitable in the year, the remuneration for employees shall be over 1% (inclusive) and the remuneration for Directors and Supervisors will be under 1% (inclusive) of the earnings before tax and before deducting remuneration for employees and Directors. The Company has approved the appropriation of NT$8,227,000 in remuneration for Directors and remuneration of NT$49,360,000 for employees in the meeting of the Board of Directors on January 26, 2018. The preceding amounts are consistent with the estimated amount of the recognized costs.

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

4. Actual appropriation of remuneration for employees, Directors and Supervisors for 2016:

Unit: Share; NT$;

Item	Actual distributed amount (Note)			Amount approved in the Board of Directors' resolution	Difference
	Amount	Equitable shares	Stock price		
Remuneration to Directors and Supervisors	7,430,731	-	-	7,430,731	N/A
Remuneration to employees in cash	44,584,429	-	-	44,584,429	N/A

Note: The remuneration of Directors, Supervisors and employees above were passed by the shareholders' meeting on June 14, 2017. There is no difference between the actual amount distributed and the amount recognized in the 2016 financial statements.

(I) Buyback of Treasury Stock: N/A.

D. Issuance of corporate bonds: N/A.

E. Issuance of preferred stocks: N/A.

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

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

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

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

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

III. Business Overview

A. Business Activities

(A) Business scope

1. Major business activities

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

2. Revenue distribution

Unit: NT$1,000

Core product types	2017	
	Operating revenue	Revenue distribution (%)
IC Income	7,364,114	80%
Foundry Service Income	1,853,824	20%
Other	17,444	-
Total	9,235,382	100%

3. Current products and services

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

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

(1) IC Business

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

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

Audio products include audio CODEC, ARM® Cortex®-M0/M4 4/8-bit MCU and Class D Speaker Amplifiers. Target markets are diverse and they include smart toys, smart robots, smart stereo systems, consumer electronics, vehicle-mounted, and industrial applications.

In terms of cloud computing products, the Company focuses on high-level integration in each sector and joint development of innovative functions with long-term customers from top to bottom of the industry including data centers, super computer servers, edge computing, and computer processing in related smart devices. Our solutions include communication interfaces, security structure, and energy management, and we provide remote baseboard management controllers, power management controllers, computer hardware monitoring chips, trust platform modules, highly-integrated super output/input chips (Super I/O), and embedded controllers for servers used by major brands and OEM plants.

(2) Foundry service

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

4. New products under development

(1) IC Business

The development of the Company's new microcontroller products focuses on using high-grade manufacturing processes and low power consumption to satisfy demand in the industrial control market. The Company also continues to develop analog IC and security technologies for IoT development. We will introduce the latest secure ARM® Cortex®-M23 microcontroller in 2018 to provide high performance, secure, and lower power consumption products for the IoT market.

Current development in audio products in the smart stereo, smartphone, consumer electronics, and portable tablet markets involves smart Class D speaker amplifiers with DSP algorithms and high quality highly integrated audio MCUs. The Company provides cost-effective interactive smart ICs. The Company has also invested R&D manpower in applications for smart toys and smart robots to provide cost-efficient total solutions and algorithms.

In terms of cloud computing products, the trends of simplification and energy conservation in application platforms require highly integrated universal application designs and flexibility for customized development of embedded MCUs. The Company also actively introduces related functions that satisfy future energy conservation legislation and incorporates such functions into basic product requirements. In addition to low-power consumption management for systems, we also increased the computing speed of the embedded processor and the hardware encryption module to fulfill customer demand for product innovation and security functions.

(2) Foundry service

To continue enhancing customers' competitiveness, the Company continues to advance the power supply management and customized manufacturing processes of our foundry service to optimize the performance of high-voltage and power components. At the same time, the Company also satisfies customers by actively developing next-generation high energy bandgap and high voltage discrete components and smart transducers. The Company's foundry service team pays attention to customer's needs and provides the best service to fulfill their expectations in order to achieve optimal competitive capabilities.

(B) Industry Overview

1. Current trends and outlook of the industry

(1) IC Business

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

Applications that enable hands free natural language audio interaction interfaces and the Internet are leading a revolution and innovations in audio products and related industries. The Company's audio products are also heading into innovation in this diversified sector and has completed several projects with end users. Applications include smart audio, smart appliances, IoT, and wearable devices.

Furthermore, smart networks and artificial intelligence computing continue to change our lifestyles to satisfy changing personal demand for servers, data centers, and customized computing devices.

(2) Foundry service

Market research institute Gartner stated that the revenue of the global semiconductor industry is expected to reach US$451 billion in 2018, a 7.5% increase from the US$419 billion in 2017. The Company actively develops new products, applications, and markets to fully satisfy market and customer demand and respond to market changes. In terms of business development, the Company has actively advanced foundry services in Mainland China and Asia.

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

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

From the perspective of the supply chain, MCUs are the control and computing core of end products. In cloud computing IC, the Company's downstream customers consist mainly of servers, desktop workstations, personal computers, smart handheld devices, network communications and industrial computer industries. The Company has established long and close partnerships in these sectors and has also established stable, long-term cooperation models with upstream industries.

3. Product Trends

(1) IC Business

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

The development of future audio products will continue to focus on audio MCUs, ultra-low power (ULP) audio CODEC, Class D speaker amplifiers, and the DSP algorithm to provide integration solutions for various audio interface applications.

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

(2) Foundry service

In response to global warming and a fast deteriorating environment, the Company shall remain committed to environmental protection. Our foundry service team is concentrating on developing high-efficiency and low power consumption manufacturing processes for power supply management. The Company strives to become the best provider of total power supply management solutions. In addition, we have developed customized manufacturing processes for sensors for the demand for technologies in emerging markets.

4. Product competition

(1) IC Business

The Company has begun development of the new 32-bit universal ARM® Cortex®-M0 in 2010 and introduced the brand-new, high-end 32-bit ARM® Cortex®-M4 with floating-point operations and DSP functions in 2012. The Company has also introduced the latest secure ARM® Cortex® -M23 MCU in 2016. We use our complete range of products, superior cost-performance ratio, satisfaction of future industrial application demands, and a strong technical support team to serve customers and build lasting unique competitiveness.

The Company has begun developing audio products under the DSP framework in 2017 and actively provides cost-effective solutions. The Company has also developed diversified algorithms for all kinds of applications on the market in order to satisfy different needs for applications.

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

(2) Foundry service

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

(C) Overview of Technology and R&D

1. R&D expenditures

Unit: NT$1,000

Item	2017	2018 up to March 31
R&D expenditure (A)	2,388,012	602,205
Net revenue (B)	9,235,382	2,242,575
(A)/(B)	26%	27%

2. Technologies and products successfully developed in the past year

Year	Research and development achievements
2017	The Company launched the high-performance Cortex®-M0 M0564 MCU and high-performance NUC126 USB controllers that are adapted to industrial control and smart meters.

Year	Research and development achievements
2017	The Company launched a high-level low-pin IT 8051 MCU--N76E003.
2017	N570H/ N589/ I91260: Audio MCU (low power consumption audio interface audio MCUs).
2017	NCT7362Y: used for multiple fan control chips in servers.
2017	NCT6686D: embedded MCUs used for I/O control IC in commercial computers.
2017	NCT3581: high-voltage eFuse power management chips used for computer systems.
2017	The Company launched the third-generation BMC (Baseboard Management Controller) products support Intel's Purley server platform and the product line uses top-performing Cortex® A9 dual-core processor and supports the safe activation of BMC to prevent attacks on the firmware.

3. Long- and Short-Term Business Development Plans

(1) IC Business

A. Short-Term Development:

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

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

B. Long-Term Business Development Plan:

The Company will continue to advance MCU product research and development and focus on the three major technologies of low power consumption, analog IC and security. We hope to enrich the Company's 32-bit and 8-bit MCU product platform and through technology innovation and advancement in the technology of the production process. We shall offer comprehensive product selection, high technical barriers, and short product lead time to establish unique advantages for the Company's MCUs.

For our audio products, we will continue to focus on high-performance and low power consumption audio processing controllers to provide customers with high-quality and integrated audio processing ICs.

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

(2) Foundry service

A. Short-term business development plans:

The Company's foundry service has accumulated many years of profound experience in production, research and development, and product services. We shall continue to service our customers with innovative ideas on existing foundations. The Company's short-term business development are focused on power management, analog, and transducer production development in order to meet the demand for energy efficient, high performance power management products and handheld transducers. We shall continue to strengthen our business development in semiconductor foundry services in Asia with a focus on Mainland China.

B. Long-term business development:

The Company's foundry service has a strong process and technology R&D team that works with a comprehensive product support team and an international certified laboratory to provide customers with IDM-level product services. Our long-term business development will focus on market demand (e.g. 5G mobile communication, IoT, medical electronics, vehicle-mounted electronics etc.) as we bring ourselves closer to customers. The Company shall use develop advanced and special customized processes and actively work with key supply chain partners in the semiconductor industry to provide optimized solutions to customers through flexible cooperation strategies and offer indispensable competitive edge for customers. In addition, our business development will gradually shift from Asia to Europe and America as we become a leading brand for customized processes in semiconductor foundry services.

B. Market, production and sales

(A) Market analysis

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

Unit: NT$1,000

Sales region	2017	
	Amount	Percentage (%)
Asia	8,816,462	96%
America	169,507	2%
Europe	123,796	1%
Other	125,617	1%
Total	9,235,382	100%

2. Market Share

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

With regard to computer/cloud applications, market share of the Company's motherboard Super I/O, notebook EC and TPM still ranked in the top three worldwide in 2017. Our largest customers include well-known brand names in computers as well as OEMs.

3. Future Market Supply and Demand and Future Growth

The development of MCUs is moving toward energy-efficiency, smart devices, small and light devices and multiple functions. There is also a strong market demand for wireless charging for smartphones. The demand for IoT energy-conservation devices, security management, healthcare management and smart AI products in the future will help MCU market growth. The 2017 PC market suffered an impact from smartphones. The Company maintained its lead in the market by intensifying relations with major computer brands as well as penetrating into more product applications.

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

4. Competitive niches

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

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

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

(1) Favorable factors

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

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

(2) Unfavorable factors and response measures

Competition in consumer electronics has intensified in recent years. The short life-cycles of the products and the quick replacement of tradition products by new product applications in the market mean relatively higher investment costs. We must continue the research and development of products with high integration capabilities to lower cost and enhance R&D capabilities to maintain our leading position in the market.

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

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

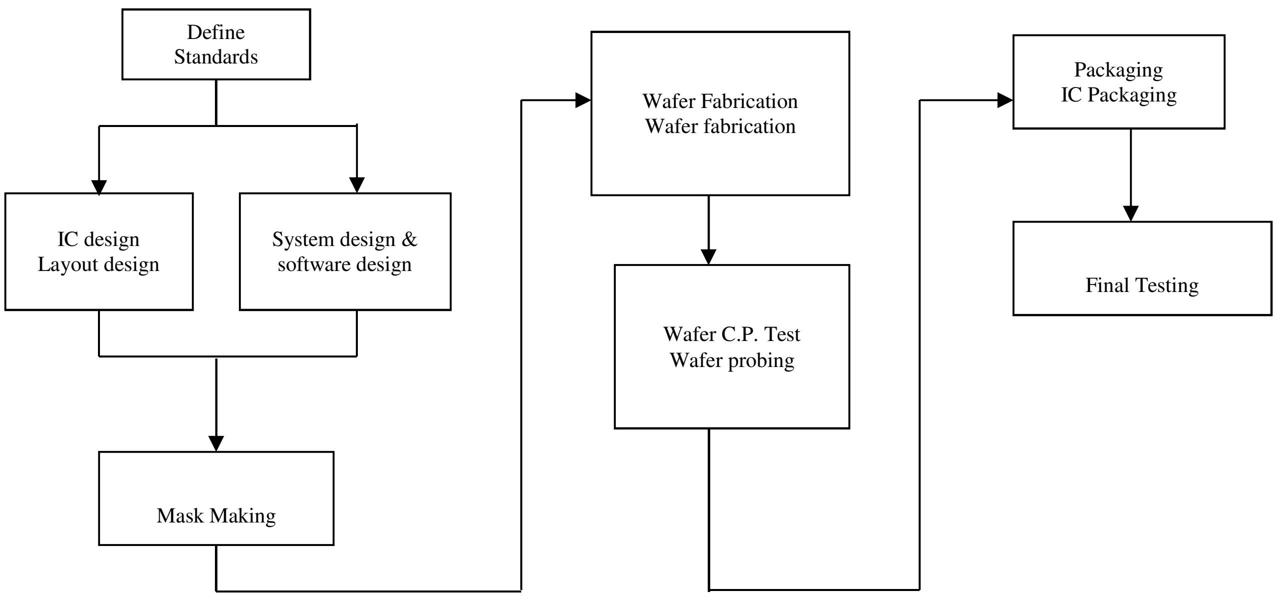
The Company continues the recruitment of teams to strengthen local sales services in order to build customer recognition in local markets, build long-term business partnerships and provide growth in the Company's revenue.

(B) Important applications and manufacturing processes of major products

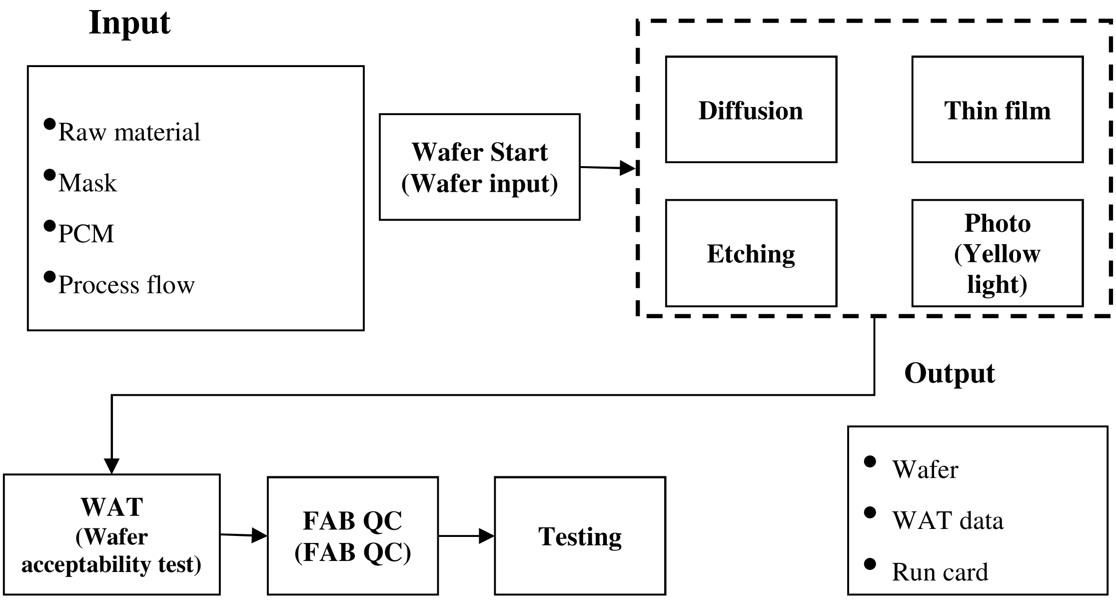
1. Important applications of major products:

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

2. Production process:



Wafer Fabrication:



(C) Supply status of primary raw materials

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

(D) Names of suppliers who accounted for more than 10% of the purchases of the Company in the last two years, and the ratio to total purchases

Unit: NT$1,000

	2016				2017			
Item	Name	Amount	Total annual net purchase ratio (%)	Relationship with issuer	Name	Amount	Total annual net purchase ratio (%)	Relationship with issuer
1	Supplier A	715,033	27%	N/A	Supplier A	841,468	25%	N/A
2	Supplier I	610,743	23%	N/A	Supplier I	737,166	22%	N/A
3	Supplier B	472,734	18%	N/A	Supplier B	563,289	17%	N/A
	Other	836,970	32%		Other	1,159,179	36%	
	Net purchase	2,635,480	100%		Net purchase	3,301,102	100%	

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

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

Unit: NT$1,000

	2016				2017			
Item	Name	Amount	Proportion of total net sales value for the entire year (%)	Relationship with issuer	Name	Amount	Proportion of total net sales value for the entire year (%)	Relationship with issuer
1	Customer J	1,206,134	14%	N/A	Customer J	1,995,968	22%	N/A

2	Customer C	838,800	10%	N/A	Customer C	964,426	10%	N/A
	Other	6,284,352	76%		Other	6,274,988	68%	
	Net sales	8,329,286	100%		Net sales	9,235,382	100%	

Reasons for changes: No changes in main customers in this term.

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

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

Year / Main Product	2016				2017			
	Production capacity (Note)	Output volume		Output value	Production capacity (Note)	Output volume		Output value
		Wafer	Die			Wafer	Die	
IC Business	480	-	684,354	3,652,951	480	1	806,374	4,140,630
Foundry service		323	-	1,116,962		371	-	1,229,458
Other		-	-	9,263		-	-	6,340
Total		323	684,354	4,779,176		372	806,374	5,376,428

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

(G) Sales volume and value for the last 2 years

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

Year / Main Product	2016						2017					
	Domestic sales			Exports			Domestic sales			Exports		
	Volume		Value	Volume		Value	Volume		Value	Volume		Value
	Wafer	Die		Wafer	Die		Wafer	Die		Wafer	Die	
IC Business	-	168,133	1,568,832	-	509,711	5,086,109	-	249,206	2,460,204	1	557,168	4,903,910
Foundry service	214	-	1,056,223	102	-	606,478	226	-	1,053,108	146	-	800,716
Other	-	-	3,537	-	-	8,107	-	-	6,346	-	-	11,098
Total	214	168,133	2,628,592	102	509,711	5,700,694	226	249,206	3,519,658	147	557,168	5,715,724

C. Employees

Year		2016	2017	2018 up to March 31
Number of employees	Technical personnel (engineers)	996	1,007	1,023
	Administration and sales staff	260	250	234
	Assistant	363	396	396
	Total	1,619	1,653	1,653
Average age (year)		39.53	41.25	40.84
Average years of service		10.79	11.03	11.05
Academic qualification (%)	PhD	1.55	1.45	1.51
	MA	34.34	38.72	37.69
	University/College	43.30	40.05	41.44
	High school	19.70	18.75	18.45
	Below high school	1.11	1.03	0.91
	Total	100	100	100

D. Environmental protection expenditure information

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

(B) Preventive measures taken to ensure a safe working environment and maintain employees' personal safety

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

1. Obtained the OHSAS 18001 Occupational Health and Safety and ISO 14001 Environmental Management certifications in 2008 for more systematical and more comprehensive protection in safety and sanitary protection management and environmental protection.
2. Enhance fire safety and personnel protection facilities in the work environment with domestic laws and regulations as the minimum standard while incorporating international standards into regulations governing plant construction. Continue investment in funds and personnel for improvement projects.
3. In environmental inspections, we conduct inspections on chemical factors, carbon dioxide, illumination, noise and ionizing radiation etc. and the results were all superior to regulatory standards.
4. In personal protection of the employees, we provide suitable personal protection equipment in accordance with the nature of the operation. The measure is incorporated in automatic inspection plans to maintain its validity.
5. Employees' professional training and certification in safety and sanitary management is a key aspect for protection plans. We organized 94 courses in 2017 to enhance employees' recognition beyond the scope of protection by facilities.
6. Emergency drills are conducted in accordance with possible operation hazards. We schedule periodical training for the employees every year to minimize damages in emergencies and we completed 62 different drills in 2017.
7. Continuous safety, sanitary and environmental protection improvement plans are advanced measures to ensure the safety of the work environment and employees and we completed 32 improvement plans in 2017.

E. Employees-employer relations

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

1. Employee benefits measures:

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

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

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

2. Employee training

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

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

3. Retirement system and its implementation status

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

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

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

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

1. Labor Agreement Status

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

2. Employee benefit protection status

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

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

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

(E) Employee code of conduct

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

1. Work ethics and conduct
   (1) Work rules: The Company's regulations contain dedicated service rules and general principles for prevention of sexual harassment.
   (2) Workplace sexual harassment prevention regulations: In accordance with relevant government laws and regulations, the Company has explicitly drafted workplace sexual harassment prevention regulations and has adopted appropriate prevention, correction, and punishment measures.
   (3) Employment contracts: We have implemented rules including loyalty in the execution of job functions and restrictions on dual employment and non-competition.
2. Rules for protection of intellectual property rights and maintenance of business secrets
   (1) Work rules: The Company's regulations contain general principles for maintenance of the confidentiality of business secrets.
   (2) Employment contracts: Employment contracts specify requirements

concerning confidentiality duties, document ownership, secret information, ownership of intellectual or industrial property, and non-compete terms during the period of employment.

(3) Legal software authorization statement and notice to employees: Agreements on legal software usage and respect for intellectual property rights are in place.

3. Work orders

(1) Division of responsibilities: The "Delegation Policy" specify the division of responsibilities and guide the performance of on-the-job duties.

(2) Duties of individual units: The mission of each unit is clearly defined.

(3) Restrictions on the hiring of relatives: The "restrictions on the hiring of relatives" specify that relatives should not be hired to fill certain positions. This is intended to ensure that the effectiveness and efficiency of the Company's internal management is not compromised unnecessarily by family relationships between employees.

(4) Attendance management

a. "Request for leave regulations": These regulations explicitly state The Company's leave request principles and regulations.

b. "Domestic travel regulations" and "foreign travel regulations": To facilitate personnel management and activate substitute mechanisms, the Company has established operating procedures for travel applications; To ensure that personnel taking business trips accomplish their missions, such personnel shall be given appropriate travel subsidies.

c. "Overtime regulations": These regulations explicitly specify The Company's overtime principles and standards.

d. "Regulations concerning work stoppages due to natural disasters and major accidents": These regulations explicitly state standards for work stoppages in the event of natural disasters and major accidents.

(5) Performance management

a. "Performance management and evaluation regulations": These regulations seek to provide an understanding of employees' strengths and weaknesses, and help them to develop their personal abilities, by assessing the degree to which employees have achieved their personal goals; Employees' contributions to the organization are determined on the basis of mutual comparisons between peers.

b. "Performance guidance operating regulations": Performance guidance work seeks to enhance the productivity of the Company as a whole.

(6) Reward and penalty regulations

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

(7) Manpower development

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

(8) Communication channels

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

F. Important contracts:

Nature of Contract	Contracting parties	Commencement date/expiration date	Content	Restriction clauses
Authorization contract	Company A	2008.7.1 ~ indefinite period	Technology licensing	The Company is prohibited from licensing third parties. The Company retains obligation of confidentiality.
Authorization contract	Company B	2009.6.17 ~ indefinite period	Technology licensing	The Company is prohibited from licensing third parties. The Company retains obligation of confidentiality.
Authorization contract	Company C	2009.11.12 ~ indefinite period	Technology licensing	The Company is prohibited from licensing third parties. The Company retains obligation of confidentiality.
Authorization contract	Company B	2012.5.15 ~ indefinite period	Technology licensing	The Company is prohibited from licensing third parties. The Company retains obligation of confidentiality.
Authorization contract	Winbond Electronics Corporation	2012.8.1 ~ 2021.12.31	Technology licensing	The Company is prohibited from licensing third parties. The Company retains obligation of confidentiality.
Authorization contract	Company B	2014.1.17 ~2017.1.16	Technology licensing	The Company is prohibited from licensing third parties. The Company retains obligation of confidentiality.
Authorization contract	Company B	2016.03.29 ~ indefinite period	Technology licensing	The Company is prohibited from licensing third parties. The Company retains obligation of confidentiality.
OEM agreement	Company L	2016.12.05 ~ 2018.12.31	OEM	Payment of fees in accordance with the contract.

IV. Financial Overview

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

(A) Condensed balance sheet and statements of income

Condensed balance sheet

Unit: NT$1,000

Item \ Year		Financial information for the most recent 5 years (Note 1, Note 2)				
		2013	2014	2015	2016	2017
Current assets		3,559,999	3,414,969	3,894,667	4,383,299	4,449,412
Property, plant and equipment		452,907	447,140	463,594	526,167	642,663
Intangible assets		185,164	309,790	242,622	257,940	203,612
Other assets		697,452	722,128	690,965	730,875	853,145
Total assets		4,895,522	4,894,027	5,291,848	5,898,281	6,148,832
Current liabilities	Before distribution	1,579,636	1,381,737	1,580,383	1,949,781	1,987,326
	After distribution	1,828,701	1,630,802	1,953,981	2,447,912	(Note 3)
Non-current liabilities		509,167	598,221	589,664	570,026	498,545
Total liabilities	Before distribution	2,088,803	1,979,958	2,170,047	2,519,807	2,485,871
	After distribution	2,337,868	2,229,023	2,543,645	3,017,938	(Note 3)
Equity attributable to owners of parent		2,806,719	2,914,069	3,121,801	3,378,474	3,662,961
Capital Stock		2,075,544	2,075,544	2,075,544	2,075,544	2,075,544
Capital surplus		63,911	63,498	63,498	63,498	63,498
Retained earnings	Before distribution	643,078	730,969	921,282	1,126,804	1,297,860
	After distribution	394,013	481,904	547,684	628,673	(Note 3)
Other interests		24,186	44,058	61,477	112,628	226,059
Treasury stock		-	-	-	-	-
Non-controlling interests		-	-	-	-	-
Total equity	Before distribution	2,806,719	2,914,069	3,121,801	3,378,474	3,662,961
	After distribution	2,557,654	2,665,004	2,748,203	2,880,343	(Note 3)

Note 1: The Company adopted the FSC-recognized IFRSs in preparing consolidated financial statements starting in 2013.
Note 2: Consolidated financial report inspected and certified by a CPA.
Note 3: Pending final approval from Shareholders' Meeting.

Condensed statement of comprehensive income

Unit: NT$1,000

Item \ Year	Financial information for the most recent 5 years (Note 1, Note 2)				
	2013	2014	2015	2016	2017
Operating revenue	6,809,449	6,821,877	7,313,387	8,329,286	9,235,382
Gross profit	2,786,241	2,896,004	3,049,527	3,408,320	3,732,507
Operating income/loss	431,846	329,985	486,254	604,842	713,563
Non-operating income and expenses	66,439	90,574	85,731	104,108	85,868
Net income before tax	498,285	420,559	571,985	708,950	799,431
Net income from continuing operations	259,215	343,090	469,022	613,165	688,133
Loss from discontinued operations	-	-	-	-	-
Net profit of the term (loss)	259,215	343,090	469,022	613,165	688,133
Other comprehensive income of the term (Net income after tax)	54,757	13,738	(12,225)	17,106	94,485
Total comprehensive income of the term	313,972	356,828	456,797	630,271	782,618
Net income (loss) attributable to owners of the parent	259,215	343,090	469,022	613,165	688,133
Net income (loss) attributable to non-controlling interests	-	-	-	-	-
Total comprehensive income attributable owners of the parent	313,972	356,828	456,797	630,271	782,618
Total Comprehensive income attributable to Non-controlling Interests	-	-	-	-	-
Earnings per share	1.25	1.65	2.26	2.95	3.32

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

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

Individual condensed balance sheet

Unit: NT$1,000

Item \ Year		Financial information for the most recent 5 years (Note 1, Note 2)				
		2013	2014	2015	2016	2017
Current assets		2,757,808	2,593,916	2,975,327	3,478,482	3,568,901
Property, plant and equipment		407,271	388,320	410,239	474,952	569,765
Intangible assets		181,608	252,274	197,238	225,964	163,499
Other assets		1,542,044	1,624,812	1,665,167	1,656,307	1,792,566
Total assets		4,888,731	4,859,322	5,247,971	5,835,705	6,094,731
Current liabilities	Before distribution	1,635,518	1,411,149	1,608,770	1,980,805	2,008,149
	After distribution	1,884,583	1,660,214	1,982,368	2,478,936	(Note 3)
Non-current liabilities		446,494	534,104	517,400	476,426	423,621
Total liabilities	Before distribution	2,082,012	1,945,253	2,126,170	2,457,231	2,431,770
	After distribution	2,331,077	2,194,318	2,499,768	2,955,362	(Note 3)
Equity attributable to owners of parent		2,806,719	2,914,069	3,121,801	3,378,474	3,662,961
Capital Stock		2,075,544	2,075,544	2,075,544	2,075,544	2,075,544
Capital surplus		63,911	63,498	63,498	63,498	63,498
Retained earnings	Before distribution	643,078	730,969	921,282	1,126,804	1,297,860
	After distribution	394,013	481,904	547,684	628,673	(Note 3)
Other interests		24,186	44,058	61,477	112,628	226,059
Treasury stock		-	-	-	-	-
Non-controlling interests		-	-	-	-	-
Total equity	Before distribution	2,806,719	2,914,069	3,121,801	3,378,474	3,662,961
	After distribution	2,557,654	2,665,004	2,748,203	2,880,343	(Note 3)

Note 1: The Company adopts the Regulations Governing the Preparation of Financial Reports by Securities Issuers for preparing individual financial statements starting 2013.
Note 2: Financial report inspected and certified by a CPA.
Note 3: Pending final approval from Shareholders' Meeting.

Condensed individual statement of comprehensive income

Unit: NT$1,000

Item \ Year	Financial information for the most recent 5 years (Note 1, Note 2)				
	2013	2014	2015	2016	2017
Operating revenue	6,514,347	6,502,909	7,022,517	8,046,760	9,000,394
Gross profit	2,492,978	2,580,109	2,766,818	3,138,495	3,509,949
Operating income/loss	408,464	302,227	476,886	596,770	668,458
Non-operating income and expenses	79,047	107,501	72,423	94,288	96,630
Net income before tax	487,511	409,728	549,309	691,058	765,088
Continuing business units Net profit of the term	259,215	343,090	469,022	613,165	688,133
Loss from discontinued operations	-	-	-	-	-
Net profit of the term (loss)	259,215	343,090	469,022	613,165	688,133
Other consolidated income of the term (net value after tax)	54,757	13,738	(12,225)	17,106	94,485
Total comprehensive income of the term	313,972	356,828	456,797	630,271	782,618
Net income attributable to owners of the parent	259,215	343,090	469,022	613,165	688,133
Net Income (Loss) Attributable to Non-controlling Interests	-	-	-	-	-
Total Comprehensive income attributable Owners of the Parent	313,972	356,828	456,797	630,271	782,618
Total Comprehensive income attributable to Non-controlling Interests	-	-	-	-	-
Earnings per share	1.25	1.65	2.26	2.95	3.32

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

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

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

Year	Name of firm	Name of CPA:	Audit opinion
2013	Deloitte & Touche	K. T. Hong, Accountant Ker-Chang Wu, Accountant	Unqualified opinion
2014	Deloitte & Touche	K. T. Hong, Accountant Ker-Chang Wu, Accountant	Unqualified opinion
2015	Deloitte & Touche	Ker-Chang Wu, Accountant Hung-Bin Yu, Accountant	Unqualified opinion
2016	Deloitte & Touche	Ker-Chang Wu, Accountant Hung-Bin Yu, Accountant	Unqualified opinion
2017	Deloitte & Touche	Hung-Bin Yu, Accountant Ker-Chang Wu, Accountant	Unqualified opinion

B. Financial analysis for the last five years

Financial analysis

Analytical item \ Year		Financial analysis for the last five years (Note)				
		2013	2014	2015	2016	2017
Capital Structure Analysis %	Debts Ratio	42.67	40.46	41.01	42.72	40.43
	Long-term Fund to Property, Plant and Equipment	732.13	785.50	800.59	750.43	647.54
Liquidity Analysis %	Current ratio	225.37	247.15	246.44	224.81	223.89
	Quick ratio	166.86	183.74	175.38	153.26	130.51
	Times Interest Earned	167,872.73	176,805.46	42,658.41	-	-
Operating ability	Average Collection Turnover (times)	7.74	8.69	9.97	10.67	11.17
	Days Sales Outstanding	47	42	37	34	33
	Average Inventory Turnover (times)	3.10	3.34	3.43	3.46	3.23
	Average Payment Turnover (times)	6.83	7.19	7.07	6.26	5.98
	Average Inventory Turnover Days	118	109	106	105	113
	Property, Plant and Equipment Turnover (Times)	15.62	15.16	16.06	16.83	15.80
	Total Assets Turnover (Times)	1.40	1.39	1.44	1.49	1.53
Profitability	Return on assets ratio (%)	5.34	7.01	9.23	10.96	11.42
	Return on equity (%)	9.17	11.99	15.54	18.87	19.55
	Pre-tax income to paid-in capital ratio (%)	24.01	20.26	27.56	34.16	38.52
	Net profit ratio (%)	3.81	5.03	6.41	7.36	7.45
	Earnings per share (NT$)	1.25	1.65	2.26	2.95	3.32
Cash flows	Cash flow ratio (%)	58.48	53.46	29.31	37.60	19.07
	Cash flow adequacy ratio (%)	146.56	158.10	132.78	126.31	92.94
	Cash reinvestment ratio (%)	3.11	2.66	1.15	1.91	-0.63
Leverage	Operating leverage	6.30	8.46	6.06	5.50	5.12
	Financial leverage	1.00	1.00	1.00	1.00	1.00

Reasons for changes in financial ratios in recent two years:

1. Reduction in cash flow ratio, cash flow adequacy ratio, and cash re-investment ratio Mainly due to the increase in inventory that caused the reduction of net cash flows in business activities.

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

Individual financial analysis

Analytical item		Financial analysis for the last five years (Note)				
		2013	2014	2015	2016	2017
Capital Structure Analysis %	Debts Ratio	42.59	40.03	40.51	42.11	39.90
	Long-term Fund to Property, Plant and Equipment	798.78	887.97	887.09	811.64	717.24
Liquidity Analysis %	Current ratio	168.62	183.82	184.94	175.61	177.72
	Quick ratio	112.70	123.20	116.36	106.06	86.12
	Times Interest Earned	164,245.12	172,254.62	40,971.21	-	-
Operating ability	Average Collection Turnover (times)	9.51	10.91	13.58	14.54	12.79
	Days Sales Outstanding	38	33	27	25	29
	Average Inventory Turnover (times)	3.11	3.37	3.46	3.49	3.24
	Average Payment Turnover (times)	6.83	7.20	7.08	6.26	5.97
	Average Inventory Turnover Days	117	108	105	105	113
	Property, Plant and Equipment Turnover (Times)	16.75	16.35	17.59	18.18	17.23
	Total Assets Turnover (Times)	1.34	1.33	1.39	1.45	1.51
Profitability	Return on assets ratio (%)	5.34	7.04	9.3	11.06	11.54
	Return on equity (%)	9.17	11.99	15.54	18.87	19.55
	Pre-tax income to paid-in capital ratio (%)	23.49	19.74	26.47	33.30	36.86
	Net profit ratio (%)	3.98	5.28	6.68	7.62	7.65
	Earnings per share (NT$)	1.25	1.65	2.26	2.95	3.32
Cash flows	Cash flow ratio (%)	45.03	47.39	39.81	33.24	-3.52
	Cash flow adequacy ratio (%)	129.65	144.12	131.67	123.26	77.79
	Cash reinvestment ratio (%)	2.12	2.31	2.14	1.54	-3.05
Leverage	Operating leverage	6.23	8.66	5.82	5.29	5.27
	Financial leverage	1.00	1.00	1.00	1.00	1.00

Reasons for changes in financial ratios in recent two years:

1. Reduction in cash flow ratio, cash flow adequacy ratio, and cash re-investment ratio Mainly due to the increase in inventory that caused the reduction of net cash flows in business activities.

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

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

1. Capital Structure Analysis
   (1) Debt-to-asset ratio = total liabilities / total assets.
   (2) Long-term fund to property, plant and equipment ratio = (total equity + non-current liabilities) / net amount of real estate properties, plants and equipment.

2. Liquidity Analysis
   (1) Current ratio = current assets / current liabilities.
   (2) Quick ratio = (current assets - inventory - prepaid expense) / current liabilities.
   (3) Time interest earned = net income before income tax and interest expense / current interest expense.
3. Operating ability
   (1) Receivables (including accounts receivable arising from operation notes receivable) turnover ratio = net sales / average receivables (including accounts receivable arising from operation notes receivable) balances.
   (2) Average collection period = 365 / receivables turnover.
   (3) Inventory turnover ratio = cost of goods sold / average amount of inventory.
   (4) Payable (including accounts payable arising from operation notes payable) turnover ratio = cost of goods sold / average payables (including accounts payable arising from operation notes payable) balances.
   (5) Average days of sales = 365 / inventory turnover.
   (6) Real estate, plant, and equipment turnover ratio = net sales / average net for real estate, plant, and equipment.
   (7) Fixed assets turnover = net sales / average gross assets.
4. Profitability
   (1) Return on assets ＝ [net income + interest expense (1– tax rate)] / average total assets.
   (2) ROE = income after tax/net average equity.
   (3) Net margin = net income / net sales.
   (4) EPS = (income belonging to owner of parent company - stock dividend of preferred stocks)/weighted average number of issued shares.
5. Cash flows
   (1) Cash flow ratio = new cash flows from operating activities / current liabilities.
   (2) Net cash flow adequacy ratio = Net cash flow from operating activities for the most recent five years / (capital expenditures + inventory increase + cash dividend) for the most recent five years.
   (3) Cash reinvestment ratio = (net cash flows from operating activities –cash dividend) / (gross margin of property, plant and equipment + long-term investment + other non-current assets + working capital).
6. Leverage:
   (1) Operating leverage = (net operating revenues - current operating cost and expense)/operating profit.
   (2) Financial leverage = operating profit/(operating profit - interest expense).

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

Audited Report by Audit Committee

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

To

2018 Annual General Meeting of Nuvoton Technology Corporation

Convener of the Audit Committee: Allen Hsu

Date: January 26, 2018

D. Financial statements of the most recent year

Consolidated Financial Statement of Affiliates:

For the 2017 year (from January 1 to December 31, 2017), companies that should be included in the consolidated financial statement of affiliates as provided by the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" are the same as what should be included in the consolidated financial statements of parent and subsidiary companies as provided in IFRS No. 10, and the relevant information that should be disclosed in the consolidated financial statements of affiliates has been disclosed in the consolidated financial statements of the parent and its subsidiaries. The Company shall not be required to prepare separate consolidated financial statements of affiliates.

Hereby declared that

Name of Company: Nuvoton Technology Corporation

Legal Representative: Arthur Yu-Cheng Chiao

Date: Janaury 26, 2017

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Nuvoton Technology Corporation

Opinion

We have audited the accompanying consolidated financial statements of Nuvoton Technology Corporation and its subsidiaries (the "Group"), which comprise the consolidated balance sheets as of December 31, 2017 and 2016, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

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

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

Impairment of Accounts Receivable

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

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

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

<u>Valuation of Inventory</u>

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

1. Obtained and tested the ageing report of inventory, compared and analyzed the impairment loss of current year with prior year, selected samples of impairment sheet and inspected the latest selling prices with the sales ledger to assess the appropriateness of the inventory impairment provision policy of the Group.

2. Compared the year-end quantity of inventory items with the inventory count report to confirm the existence and completeness of inventory. Moreover by attending year-end inventory counting, we assessed the condition of inventory and evaluated the adequacy of inventory provision for obsolete and damaged goods.

Other Matter

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2017 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

January 26, 2018

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

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

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

NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

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

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

NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

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

(Continued)

NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

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

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

NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Parent							
		Capital Surplus		Retained Earnings		Other Equity		
	Common Stock	Additional Paid-in Capital	Employee Share Options	Legal Reserve	Unappropriated Earnings	Exchange Differences on Translation of Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Total Equity
BALANCE, JANUARY 1, 2016	$ 2,075,544	$ 63,485	$ 13	$ 293,628	$ 627,654	$ 61,477	$ -	$ 3,121,801
Net profit in 2016	-	-	-	-	613,165	-	-	613,165
Other comprehensive income in 2016	-	-	-	-	(34,045)	(32,197)	83,348	17,106
Total comprehensive income (loss) in 2016	-	-	-	-	579,120	(32,197)	83,348	630,271
Appropriation of 2015 earnings (Note 18)								
Legal reserve	-	-	-	46,902	(46,902)	-	-	-
Cash dividends	-	-	-	-	(373,598)	-	-	(373,598)
BALANCE, DECEMBER 31, 2016	2,075,544	63,485	13	340,530	786,274	29,280	83,348	3,378,474
Net profit in 2017	-	-	-	-	688,133	-	-	688,133
Other comprehensive income in 2017	-	-	-	-	(18,946)	(29,445)	142,876	94,485
Total comprehensive income in 2017	-	-	-	-	669,187	(29,445)	142,876	782,618
Appropriation of 2016 earnings (Note 18)								
Legal reserve	-	-	-	61,316	(61,316)	-	-	-
Cash dividends	-	-	-	-	(498,131)	-	-	(498,131)
BALANCE, DECEMBER 31, 2017	$ 2,075,544	$ 63,485	$ 13	$ 401,846	$ 896,014	$ (165)	$ 226,224	$ 3,662,961

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

NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

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

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

(Continued)

NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

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

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

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

NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

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

For the specialization and division of labors and the reinforcement of core competitive ability, the Company's parent company, Winbond Electronics Corporation (WEC), spun off its Logic IC business into the Company on July 1, 2008 in accordance with the Business Mergers and Acquisitions Act and the Company commenced its business in July 2008. WEC held approximately 61% ownership interest in the Company as of December 31, 2017 and 2016.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors and authorized for issue on January 26, 2018.

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

a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC)

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

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

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

      The amendments clarify that the recoverable amount of an asset or a cash-generating unit is disclosed only when an impairment loss on the asset has been recognized or reversed during the period. Furthermore, the discount rate used is disclosed if such fair value less costs of disposal is measured by using present value technique. The amendments should be applied retrospectively starting from January 1, 2017.

   2) Annual Improvements to IFRSs 2011-2013 Cycle

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

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

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

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

The amendments also require additional disclosure if there is a significant difference between the actual operation conditions after a business combination and the expected benefits at the acquisition date.

When the amendments are applied retrospectively from January 1, 2017, the disclosures of related party transactions is enhanced. Refer to Note 27 for the related disclosures.

b. The Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed by the FSC for application starting from 2018

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2014-2016 Cycle	Note 2
Amendments to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date of IFRS 9 and Transition Disclosures"	January 1, 2018
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendments to IFRS 15 "Clarifications to IFRS 15 Revenue from Contracts with Customers"	January 1, 2018
Amendment to IAS 7 "Disclosure Initiative"	January 1, 2017

(Continued)

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”	January 1, 2017
Amendments to IAS 40 “Transfers of Investment Property”	January 1, 2018
IFRIC 22 “Foreign Currency Transactions and Advance Consideration”	January 1, 2018

(Concluded)

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

Note 2: The amendment to IFRS 12 is retrospectively applied for annual periods beginning on or after January 1, 2017; the amendment to IAS 28 is retrospectively applied for annual periods beginning on or after January 1, 2018.

1) IFRS 9 “Financial Instruments” and related amendments

Classification, measurement and impairment of financial assets

With regard to financial assets, all recognized financial assets that are within the scope of IAS 39 “Financial Instruments: Recognition and Measurement” are subsequently measured at amortized cost or fair value. Under IFRS 9, the requirement for the classification of financial assets is stated below.

For the debt instruments invested by the Group that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, their classification and measurement are as follows:

a) For debt instruments, if they are held within a business model whose objective is to collect contractual cash flows, the financial assets are measured at amortized cost and are assessed for impairment continuously with any impairment loss recognized in profit or loss. Interest revenue is recognized in profit or loss by using the effective interest method;

b) For debt instruments, if they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, the financial assets are measured at fair value through other comprehensive income (FVTOCI) and are assessed for impairment. Interest revenue is recognized in profit or loss by using the effective interest method, and other gains or losses shall be recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses. When the debt instruments are derecognized or reclassified, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

The other financial assets which do not meet aforementioned criteria should be measured at fair value through profit or loss. However, the Group may irrevocably designate an investment in equity instruments that is not held for trading as measured at fair value through other comprehensive income. All relevant gains and losses shall be recognized in other comprehensive income, except for dividends which are recognized in profit or loss. No subsequent impairment assessment is required, and the cumulative gain or loss previously recognized in other comprehensive income cannot be reclassified from equity to profit or loss.

IFRS 9 requires impairment loss on financial assets to be recognized by using the

"Expected Credit Losses Model". A loss allowance for expected credit losses should be recognized on financial assets measured at amortized cost. If the credit risk on a financial instrument has not increased significantly since initial recognition, the Group should measure the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses. If the credit risk on a financial instrument has increased significantly since initial recognition and is not deemed to be a low credit risk the Group should measure the loss allowance for that financial instrument at an amount equal to the lifetime expected credit losses. The Group should always measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables that do not constitute a financing transaction.

For purchased or originated credit-impaired financial assets, the Group takes into account the expected credit losses on initial recognition in calculating the credit-adjusted effective interest rate. Subsequently, any changes in expected losses are recognized as a loss allowance with a corresponding gain or loss recognized in profit or loss.

The Group has performed a preliminary assessment in which it will apply the simplified approach to recognize lifetime expected credit losses for trade receivables. In general, the Group anticipates that the application of the expected credit losses model of IFRS 9 will result in an earlier recognition of credit losses for financial assets.

The Group elects not to restate prior reporting periods when applying the requirements for the classification, measurement and impairment of financial assets under IFRS 9 with the cumulative effect of the initial application recognized at the date of initial application and will provide the disclosures related to the classification and the adjustment information.

The anticipated impact on assets, liabilities and equity of application on January 1, 2018 is detailed below:

	Carrying Amount as of December 31, 2017	**Adjustments Arising from Initial Application**	**Carrying Amount as of January 1, 2018**
Impact on assets, liabilities and equity			
Financial assets at fair value through profit or loss - current	$ -	$ 744,793	$ 744,793
Available-for-sale financial assets - non-current	289,789	(289,789)	-
Financial assets measured at cost - non-current	301,493	(301,493)	-
Total effect on assets	$ 591,282	$ 153,511	$ 744,793
Retained earnings	$ 1,297,860	$ 493	$ 1,298,353
Other equity	226,224	153,018	379,242
Total effect on equity	$ 1,524,084	$ 153,511	$ 1,677,595

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

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

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

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

IAS 21 stipulated that a foreign currency transaction shall be recorded on initial recognition in the functional currency by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction. IFRIC 22 further explains that the date of the transaction is the date on which an entity recognizes a non-monetary asset or non-monetary liability from payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the entity shall determine the date of the transaction for each payment or receipt of advance consideration. The Group will apply IFRIC 22 prospectively to all assets, expenses and income recognized on or after January 1, 2018 within the scope of the interpretation.

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

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

New IFRSs	**Effective Date Announced by IASB (Note 1)**
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 “Prepayment Features with Negative Compensation”	January 1, 2019 (Note 2)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB (Note 3)
IFRS 16 “Leases”	January 1, 2019 (Note 4)
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 28 “Long-term Interests in Associates and Joint Ventures”	January 1, 2019
IFRIC 23 “Uncertainty Over Income Tax Treatments”	January 1, 2019

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

Note 2: The FSC permits the election for early adoption of the amendments starting from 2018.

Note 3: To avoid adoption of two amendments to IAS 28 in a short period, IASB decided to postpone the effective dates of the amendments to IFRS 10 and IAS 28 announced in September 2014. The effective dates of the amendments will be announced after the IASB has concluded its studies about the equity method.

Note 4: On December 19, 2017, the FSC announced that IFRS 16 will take effect starting from January 1, 2019.

1) IFRS 16 "Leases"

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

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

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

2) IFRIC 23 "Uncertainty Over Income Tax Treatments"

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

On initial application, the Group shall apply IFRIC 23 either retrospectively to each prior reporting period presented, if this is possible without the use of hindsight, or retrospectively with the cumulative effect of the initial application of IFRIC 23 recognized at the date of initial application.

3) Amendments to IFRS 9 "Prepayment Features with Negative Compensation"

IFRS 9 stipulated that if a contractual term of a financial asset permits the issuer (i.e. the debtor) to prepay a debt instrument or permits the holder (i.e. the creditor) to put a debt instrument back to the issuer before maturity and the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination, the financial asset has contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. The amendments further explained that reasonable compensation may be paid or received by either of the parties, i.e. a party may receive reasonable compensation when it chooses to terminate the contract early.

When the amendments become effective, the Group shall apply the amendments retrospectively. However, the Group may elect to recognize the cumulative effect of the initial application of the amendments in the opening carrying amount at the date of initial application, or to restate prior periods if, and only if, it is possible without the use of hindsight.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

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

Basis of Preparation

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

Basis of Consolidation

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

Subsidiary included in consolidated financial statements:

			% of Ownership	
			December 31	
Investor	**Investee**	**Main Business**	**2017**	**2016**
The Company	Nuvoton Electronics Technology (H.K.) Limited ("NTHK")	Sales of semiconductor	100	100
	Pigeon Creek Holding Co., Ltd. ("PCH")	Investment holding	100	100
	Marketplace Management Limited ("MML")	Investment holding	100	100
	Nuvoton Investment Holding Ltd. ("NIH")	Investment holding	100	100
	Song Yong Investment Corporation ("SYI")	Investment holding	100	100
	Nuvoton Technology India Private Limited ("NTIPL")	Design, sales and after-sales service of semiconductor	100	100
	Techdesign Corporation (Note)	Electronic commerce and product marketing	-	-
NTHK	Nuvoton Electronics Technology (Shenzhen) Limited ("NTSZ")	Computer software service (except I.C. design),	100	100

Investor	Investee	Main Business	% of Ownership December 31 2017	2016
		wholesale business for computer, supplement and software		
PCH	Nuvoton Technology Corporation America ("NTCA")	Design, sales and after-sales service of semiconductor	100	100
MML	Goldbond LLC ("GLLC")	Investment holding	100	100
GLLC	Nuvoton Electronics Technology (Shanghai) Limited ("NTSH")	Provides projects for sale in China and repairing, testing and consulting of software	100	100
	Winbond Electronics (Nanjing) Ltd. ("WENJ")	Computer software service (except I.C. design)	100	100
NIH	Nuvoton Technology Israel Ltd. ("NTIL")	Design and service of semiconductor	100	100

Note: On May 18, 2016, the Company sold 100% of the shares of Techdesign Corporation to related party, WEC and completed the disposal procedure; please refer to Note 23.

Classification of Current and Non-current Assets and Liabilities

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

Foreign Currencies

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

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

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

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

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

Cash Equivalents

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

Financial Instruments

a. Financial assets

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

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

   1) Loans and receivables

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

   2) Financial assets at fair value through profit or loss

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

   3) Available-for-sale financial assets

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

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

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

b. Impairment of financial assets

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

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

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

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

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

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

c. Derecognition of financial assets

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

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

d. Financial liabilities

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

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

e. Derecognition of financial liabilities

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

f. Derivative financial instruments

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

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

Inventories

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

Property, Plant and Equipment

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

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

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

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

Investment Properties

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

Intangible Assets

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

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

Impairment of Tangible and Intangible Assets

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

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

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

Products Guarantee Based on Commitment

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

Revenue Recognition

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

a. The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;

b. The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

c. The amount of revenue can be measured reliably;

d. It is probable that the economic benefits associated with the transaction will flow to the Group; and

e. The costs incurred or to be incurred in respect of the transaction can be measured reliably.

f. Service income is recognized when services are provided.

Leasing

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

Employee Benefits

a. Short-term employee benefits

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

b. Retirement benefits

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

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

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

Taxation

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

a. Current tax

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

b. Deferred tax

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

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

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

a. Valuation of inventory

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

b. Impairment of accounts receivable

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

6. CASH AND CASH EQUIVALENTS

	December 31	
	2017	2016
Cash and cash in bank	$ 1,372,679	$ 1,771,527
Repurchase agreements collateralized by bonds	44,350	127,300
	$ 1,417,029	$ 1,898,827

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

	December 31	
	2017	2016
Time deposits	$ 62,213	$ 61,854

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

	December 31	
	2017	2016
Time deposits	$ 339,541	$ 209,820

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2017	2016
Financial assets at FVTPL - current		
Foreign exchange forward contracts	$ 1,710	$ -
Financial liabilities at FVTPL - current		
Foreign exchange forward contracts	$ -	$ 707

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

	Currencies	Maturity Date	Contract Amount (In Thousands)
December 31, 2017			
Sell forward exchange contracts	USD/NTD	2018.01.05-2018.01.25	USD11,000/NTD329,070
December 31, 2016			
Sell forward exchange contracts	USD/NTD	2017.01.12-2017.01.26	USD5,000/NTD160,543

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

8. NOTES AND ACCOUNTS RECEIVABLE

	December 31	
	2017	**2016**
Notes receivable	$ -	$ 71
Accounts receivable	759,652	786,160
Less: Allowance for doubtful accounts	(16,388)	(16,743)
	$ 743,264	$ 769,488

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

The aging of accounts receivable was as follows:

	December 31	
	2017	**2016**
Not overdue	$ 723,029	$ 779,326
Overdue under 30 days	36,623	6,905
Overdue 31-90 days	-	-
Overdue 91 days and longer	-	-
	$ 759,652	$ 786,231

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

	For the Year Ended December 31	
	2017	**2016**
Balance at January 1	$ 16,743	$ 18,007
Provision (reversed)	66	(1,174)
Effect of exchange rate changes	(421)	(90)
Balance at December 31	$ 16,388	$ 16,743

9. OTHER RECEIVABLES

	December 31	
	2017	**2016**
Time deposits (Note 6)	$ 339,541	$ 209,820
Business tax refund receivable	26,325	24,013
Others	10,379	22,770
	$ 376,245	$ 256,603

10. INVENTORIES

	December 31	
	2017	2016
Raw materials and supplies	$ 86,115	$ 79,157
Work-in-process	1,128,123	850,030
Finished goods	338,558	244,772
Inventories in transit	81,522	4,478
	$ 1,634,318	$ 1,178,437

a. As of December 31, 2017 and 2016, the allowance for inventory devaluation was $297,684 thousand and $301,837 thousand, respectively.

b. The cost of goods sold for the years ended December 31, 2017 and 2016 was $5,502,875 thousand and $4,920,966 thousand, respectively. The cost of goods sold included inventory write-downs and obsolescence and abandonment of inventories in the amounts of $33,349 thousand and $31,806 thousand loss for the years ended December 31, 2017 and 2016, respectively.

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

	December 31	
	2017	2016
Publicly traded investment		
Nyquest Technology Co., Ltd.	$ 289,789	$ 146,913

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

12. FINANCIAL ASSETS MEASURED AT COST, NON-CURRENT

	December 31	
	2017	2016
Non-publicly traded investment		
United Industrial Gases Co., Ltd.	$ 280,000	$ 280,000
Brightek Optoelectronic Co., Ltd.	493	493
Yu-Ji Venture Capital Co., Ltd.	21,000	25,000
	$ 301,493	$ 305,493

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

13. PROPERTY, PLANT AND EQUIPMENT

	December 31 2017	December 31 2016
Land and buildings	$ 182,637	$ 67,289
Machinery and equipment	354,819	350,405
Other equipment	85,040	72,678
Construction in progress and prepayments for purchase of equipment	20,167	35,795
	$ 642,663	$ 526,167

	Land and Buildings	Machinery and Equipment	Other Equipment	Construction in Progress and Prepayments for Purchase of Equipment	Total
Cost					
Balance at January 1, 2017	$ 3,471,902	$ 11,543,130	$ 358,143	$ 35,795	$ 15,408,970
Additions	101,379	107,067	38,563	20,132	267,141
Disposals	(750)	(206,554)	(2,351)	-	(209,655)
Reclassified	35,733	-	62	(35,795)	-
Effect of foreign currency exchange differences	-	355	(279)	35	111
Balance at December 31, 2017	3,608,264	11,443,998	394,138	20,167	15,466,567
Accumulated depreciation and impairment					
Balance at January 1, 2017	3,404,613	11,192,725	285,465	-	14,882,803
Disposals	(750)	(206,547)	(2,081)	-	(209,378)
Depreciation expenses	21,764	102,851	25,869	-	150,484
Effect of foreign currency exchange differences	-	150	(155)	-	(5)
Balance at December 31, 2017	3,425,627	11,089,179	309,098	-	14,823,904
Carrying amounts at December 31, 2017	$ 182,637	$ 354,819	$ 85,040	$ 20,167	$ 642,663
Cost					
Balance at January 1, 2016	$ 3,464,808	$ 11,498,434	$ 371,575	$ 9,341	$ 15,344,158
Additions	7,094	154,042	16,090	30,853	208,079
Disposals	-	(113,074)	(23,251)	-	(136,325)
Disposal of subsidiaries	-	-	(80)	-	(80)
Reclassified	-	4,410	(11)	(4,399)	-
Effect of foreign currency exchange differences	-	(682)	(6,180)	-	(6,862)
Balance at December 31, 2016	3,471,902	11,543,130	358,143	35,795	15,408,970
Accumulated depreciation and impairment					
Balance at January 1, 2016	3,384,113	11,210,359	286,092	-	14,880,564
Disposals	-	(112,986)	(22,766)	-	(135,752)
Depreciation expenses	20,500	95,823	27,438	-	143,761
Disposal of subsidiaries	-	-	(10)	-	(10)
Effect of foreign currency exchange differences	-	(471)	(5,289)	-	(5,760)
Balance at December 31, 2016	3,404,613	11,192,725	285,465	-	14,882,803
Carrying amounts at December 31, 2016	$ 67,289	$ 350,405	$ 72,678	$ 35,795	$ 526,167

14. INVESTMENT PROPERTIES

	December 31	
	2017	2016
Investment properties	$ 56,278	$ 61,673

The investment properties are located in Shen-Zhen, China. As of December 31, 2017 and 2016, the fair value of such investment properties was both approximately $200,000 thousand, by reference to neighboring area transactions.

	Investment Properties
Cost	
Balance at January 1, 2017	$ 105,650
Effect of foreign currency exchange differences	(1,190)
Balance at December 31, 2017	104,460
Accumulated depreciation and impairment	
Balance at January 1, 2017	43,977
Depreciation expenses	4,641
Effect of foreign currency exchange differences	(436)
Balance at December 31, 2017	48,182
Carrying amount at December 31, 2017	$ 56,278
Cost	
Balance at January 1, 2016	$ 114,300
Effect of foreign currency exchange differences	(8,650)
Balance at December 31, 2016	105,650
Accumulated depreciation and impairment	
Balance at January 1, 2016	42,434
Depreciation expenses	4,993
Effect of foreign currency exchange differences	(3,450)
Balance at December 31, 2016	43,977
Carrying amount at December 31, 2016	$ 61,673

15. INTANGIBLE ASSETS

	December 31	
	2017	2016
Deferred technical assets	$ 202,634	$ 256,526
Other intangible assets	978	1,414
	$ 203,612	$ 257,940

	Deferred Technical Assets	Other Intangible Assets	Total
Cost			
Balance at January 1, 2017	$ 984,710	$ 4,103	$ 988,813
Additions	33,609	-	33,609
Effect of foreign currency exchange differences	2,497	(46)	2,451
Balance at December 31, 2017	1,020,816	4,057	1,024,873
Accumulated amortization and impairment			
Balance at January 1, 2017	728,184	2,689	730,873
Amortization expenses	87,819	414	88,233
Effect of foreign currency exchange differences	2,179	(24)	2,155
Balance at December 31, 2017	818,182	3,079	821,261
Carrying amounts at December 31, 2017	$ 202,634	$ 978	$ 203,612
Cost			
Balance at January 1, 2016	$ 883,565	$ 3,852	$ 887,417
Additions	101,431	799	102,230
Disposal of subsidiaries	-	(237)	(237)
Effect of foreign currency exchange differences	(286)	(311)	(597)
Balance at December 31, 2016	984,710	4,103	988,813
Accumulated amortization and impairment			
Balance at January 1, 2016	642,255	2,540	644,795
Amortization expenses	86,129	439	86,568
Disposal of subsidiaries	-	(83)	(83)
Effect of foreign currency exchange differences	(200)	(207)	(407)
Balance at December 31, 2016	728,184	2,689	730,873
Carrying amounts at December 31, 2016	$ 256,526	$ 1,414	$ 257,940

16. OTHER PAYABLES

	December 31	
	2017	2016
Payable for salaries or employee benefits	$ 415,638	$ 406,069
Payable for businesses	100,606	155,062
Payable for royalties	85,909	70,671
Payable for purchase of equipment	50,914	75,710
Others	221,875	209,949
	$ 874,942	$ 917,461

17. RETIREMENT BENEFIT PLANS

a. Defined contribution plan

The Company and Techdesign Corporation adopted a pension plan under the Labor

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

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

b. Defined benefit plan

The defined benefit plan adopted by the Company in accordance with the Labor Standards Law is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. In 2017 and 2016, the Company contributed amounts equal to 15% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Company has no right to influence the investment policy and strategy.

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

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

	December 31	
	2017	**2016**
Present value of defined benefit obligation	$ 1,248,983	$ 1,194,714
Fair value of plan assets	(942,876)	(842,676)
Net defined benefit liability	$ 306,107	$ 352,038

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

	Present Value of the Defined Benefit Obligation	**Fair Value of the Plan Assets**	**Net Defined Benefit Liability (Asset)**
Balance at January 1, 2016	$ 854,733	$ (476,000)	$ 378,733
Service cost			
Current service cost	30,543	-	30,543
Net interest expense (income)	29,226	(14,795)	14,431
Others	1,486	(2,080)	(594)
Recognized in profit or loss	61,255	(16,875)	44,380
Remeasurement			
Actuarial (gain) loss - the discount rate more (less) than realized rate of return	-	6,294	6,294
Actuarial (gain) loss - changes in	6,348	-	6,348

demographic assumptions			
Actuarial (gain) loss - changes in financial assumptions	24,016	(10,601)	13,415
Actuarial (gain) loss - experience adjustments	8,465	(477)	7,988
Recognized in other comprehensive income	38,829	(4,784)	34,045
Contributions from the employer	-	(107,070)	(107,070)
Plan assets paid	(41,342)	41,259	(83)
Reclassified	281,543	(279,541)	2,002
Effect of foreign currency exchange difference	(304)	335	31
Balance at December 31, 2016	1,194,714	(842,676)	352,038
Service cost			
Current service cost	34,105	-	34,105
Net interest expense (income)	29,618	(16,465)	13,153
Others	4,257	(4,834)	(577)
Recognized in profit or loss	67,980	(21,299)	46,681
Remeasurement			
Actuarial (gain) loss - the discount rate more (less) than realized rate of return	-	4,585	4,585
Actuarial (gain) loss - changes in financial assumptions	44,912	(22,347)	22,565
Actuarial (gain) loss - experience adjustments	(4,942)	(3,262)	(8,204)
Recognized in other comprehensive income	39,970	(21,024)	18,946
Contributions from the employer	-	(109,984)	(109,984)
Plan assets paid	(59,959)	59,561	(398)
Liabilities extinguished on settlement	(1,276)	-	(1,276)
Effect of foreign currency exchange difference	7,554	(7,454)	100
Balance at December 31, 2017	$ 1,248,983	$ (942,876)	$ 306,107

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

	For the Year Ended December 31	
	2017	**2016**
Analysis by function		
Operating costs	$ 7,833	$ 9,281
Selling expenses	96	125
General and administrative expenses	6,714	5,325
Research and development expenses	32,038	29,649
	$ 46,681	$ 44,380

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

1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the debt investments of the plan assets.

3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

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

	December 31	
	2017	**2016**
Discount rate(s)	1.50%-4.68%	1.75%-4.95%
Expected rate(s) of salary increase	1%-2%	1%-2%

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

	December 31	
	2017	**2016**
Discount rate(s)		
0.25% increase	$ (29,625)	$ (29,260)
0.25% decrease	$ 33,284	$ 29,927
Expected rate(s) of salary increase		
0.25% increase	$ 30,320	$ 28,374
0.25% decrease	$ (26,839)	$ (27,435)

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

	December 31	
	2017	**2016**
The expected contributions to the plan for the next year	$ 121,702	$ 116,294
The average duration of the defined benefit obligation	9.8-13.46 years	10-13.66 years

18. EQUITY

a. Common stock

	December 31	
	2017	**2016**
Authorized shares (in thousands)	300,000	300,000
Authorized capital	$ 3,000,000	$ 3,000,000
Issued and paid shares (in thousands)	207,554	207,554

	2017	2016
Issued capital	$ 2,075,544	$ 2,075,544
Par value (in New Taiwan dollars)	$ 10	$ 10

As of December 31, 2017 and 2016, the balance of the Company's capital account amounted to $2,075,544 thousand, divided into 207,554 thousand common shares at par NT$10 per share.

b. Capital surplus

	December 31	
	2017	**2016**
May be used to offset a deficit, distributed as cash dividends, or transferred to capital*		
Additional paid-in capital	$ 63,485	$ 63,485
May not be used for any purpose		
Employee share options	13	13
	$ 63,498	$ 63,498

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

c. Retained earnings and dividend policy

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

According to the revised Company Law of the ROC and the Company's Articles of Incorporation, if the Company has surplus earnings at the end of a fiscal year, after covering all losses incurred in prior years and paying all taxes, the Company shall set aside 10% of said earnings as legal reserve. However, legal reserve need not be made when the accumulated legal reserve equals the paid-in capital of the Company. After setting aside or reversing special reserve pursuant to applicable laws and regulations and orders of competent authorities from (1) the remaining amount plus undistributed retained earnings; or (2) the difference between the undistributed retained earnings and the losses suffered by the Company at the end of a fiscal year if the losses can be fully covered by the undistributed retained earnings, the Company shall distribute the remaining amount (if not otherwise set aside as special reserve and reserved based on business needs) and shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for bonus to shareholders. In principle, not less than 10% of the total shareholders bonus shall be distributed in form of cash. For the policies on distribution of employees' compensation and remuneration to directors before and after amendment, please refer to Note 21 Employee benefits expense.

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

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

The appropriations of the Company's earnings for 2016 and 2015 had been approved in the shareholders' meetings on June 14, 2017 and June 15, 2016, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		Dividends Per Share (NT$)	
	For Year 2016	For Year 2015	For Year 2016	For Year 2015
Legal reserve	$ 61,316	$ 46,902		
Cash dividends	498,131	373,598	$ 2.40	$ 1.80
	$ 559,447	$ 420,500		

The appropriations of the Company's earnings for 2017 had been approved in the Board of Directors' meeting on January 26, 2018. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT$)
Legal reserve	$ 68,813	
Cash dividends	518,886	$2.50

The appropriations of earnings for 2017 will be presented for approval in the shareholders' meeting to be held on June 12, 2018 (expected).

d. Other equity items

1) The exchange differences arising on translation of foreign operations' net assets from its functional currency to the Group's presentation currency (New Taiwan dollar) are recognized directly in other comprehensive income. As of December 31, 2017 and 2016, other comprehensive loss was $29,445 thousand and $32,197 thousand, respectively.
2) Unrealized gain (loss) on available-for-sale financial assets

   Unrealized gain (loss) on available-for-sale financial assets represents the cumulative gains or losses arising from the fair value measurement on available-for-sale financial assets that are recognized in other comprehensive income. When those available-for-sale financial assets have been disposed of or are determined to be impaired subsequently, the related cumulative gains or losses in other comprehensive income are reclassified to profit or loss. As of December 31, 2017 and 2016, other comprehensive income was $142,876 thousand and $83,348 thousand, respectively.

19. REVENUE

Please refer to Note 31.

20. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

The major components of income tax expense were as follows:

	For the Year Ended December 31	
	2017	2016
Current income tax	$ 113,083	$ 89,568
Adjustments for prior year's tax	(14)	5,433
Deferred tax	(1,771)	784
Income tax expense recognized in profit or loss	$ 111,298	$ 95,785

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

	For the Year Ended December 31	
	2017	2016
Profit before tax from continuing operations	$ 143,973	$ 125,173
Adjustments		
Permanent differences	(22,102)	(20,526)
Others	21,212	6,921
Tax-exempt income	(10,000)	(8,000)
Additional income tax on unappropriated earnings	1,967	1,888
Current income tax credit	(21,967)	(15,888)
Current income tax	113,083	89,568
Deferred income tax	(1,771)	784
Adjustment for prior years' tax	(14)	5,433
Income tax expense recognized in profit or loss	$ 111,298	$ 95,785

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

In January 2018, it was announced that the Income Tax Law in the ROC was amended and, starting from 2018, the corporate income tax rate will be adjusted from 17% to 20%. In addition, the tax rate applicable to unappropriated earnings will be reduced from 10% to 5%.

As the status of 2017 appropriations of earnings was not yet approved in the shareholders' meeting, the potential income tax consequences of 2017 unappropriated earnings were not reliably determinable.

c. Current tax assets and liabilities

	December 31	
	2017	2016
Tax refund receivable	$ 2,184	$ 8,331
Income tax payable	$ 88,934	$ 16,558

d. Deferred income tax assets

	December 31	
	2017	2016

Deferred income tax assets		
Allowance for loss on inventories and others	$ 95,318	$ 104,627

e. Information about unused tax-exemption

As of December 31, 2017, profits attributable to the following expansion projects were exempted from income tax for a five-year period:

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

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

	December 31	
	2017	**2016**
Unappropriated earnings		
Generated on and after January 1, 1998	$ 896,014	$ 786,274
Imputation credits account	$ 109,049	$ 113,443

The creditable ratio for distribution of earnings for the years ended December 31, 2017 and 2016 was 12.17% (estimate) and 15.9%, respectively.

g. Income tax assessments

The Company's tax returns through 2015 have been assessed by the tax authorities.

h. Information about investment credits

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

21. EMPLOYEE BENEFITS EXPENSE, DEPRECIATION AND AMORTIZATION

	For the Year Ended December 31							
	2017				2016			
	Classified as Operating Costs	Classified as Operating Expenses	Classified as Non-operating Income and Losses	Total	Classified as Operating Costs	Classified as Operating Expenses	Classified as Non-operating Income and Losses	Total
Employee benefits expense								
Short-term employment benefits	$ 725,076	$ 1,799,438	$ -	$ 2,524,514	$ 696,544	$ 1,675,078	$ -	$ 2,371,622
Post-employment benefits	32,121	139,810	-	171,931	33,105	129,152	-	162,257
Depreciation	95,807	54,677	4,641	155,125	98,833	44,928	4,993	148,754
Amortization	33,294	54,939	-	88,233	33,293	53,411	-	86,704

To be in compliance with the Company Act, the Company stipulated to distribute employees' compensation and remuneration to directors at the rates no less than 1% and no higher than 1%, respectively, of profit before income tax, employees' compensation, and remuneration to directors.

The employees' compensation and remuneration to directors and supervisors for 2017 and 2016 which have been approved in the Board of Directors' meetings on January 26, 2018 and February 3, 2017, respectively, were as follows:

	For the Year Ended December 31			
	2017		2016	
	Amount	%	Amount	%
Employees' cash compensation	$ 49,360	6	$ 44,584	6
Remuneration of directors and supervisors	8,227	1	7,431	1

If there is a change in the proposed amounts after the annual consolidated financial statements were authorized for issue, the differences are recorded as a change in accounting estimate. There was no difference between the actual amounts of employees' compensation and remuneration to directors and supervisors paid and the amounts recognized in the financial statements for the year ended December 31, 2016.

Information on the employees' compensation and remuneration to directors and supervisors resolved by the Company's Board of Directors in 2018 and 2017 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

22. EARNINGS PER SHARE

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

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

(Continued)

	Amounts (Numerator)	Shares (Denominator) (In Thousands)	EPS (NT$)
For the year ended December 31, 2016			
Net profit	$ 613,165		
Basic EPS			
Earnings used in the computation of basic EPS	613,165	207,554	$ 2.95
Effect of potentially dilutive ordinary shares			
Employee's compensation	-	1,152	
Diluted EPS			
Earnings used in the computation of diluted EPS	$ 613,165	208,706	2.94

(Concluded)

If the Company offered to settle compensation paid to employees in cash or shares, the

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

23. DISPOSAL OF SUBSIDIARIES

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

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

	Techdesign Corporation
Current assets	
Cash and cash equivalents	$ 35,148
Other receivables	15
Other current assets	250
Non-current assets	
Property, plant and equipment	70
Intangible assets	154
Refundable deposits	151
Current liabilities	
Other payables	(947)
Other current liabilities	(128)
Net assets disposed of	$ 34,713

b. Gain on disposal of subsidiary

	Techdesign Corporation
Consideration received	$ 49,850
Net assets disposed of	(34,713)
Gain on disposal	$ 15,137

c. Net cash inflow arising from disposal of subsidiary

	Techdesign Corporation
Consideration received in cash and cash equivalents	$ 49,850
Less: Cash and cash equivalent balance disposed of	(35,148)
	$ 14,702

24. OPERATING LEASE ARRANGEMENTS

The Group as Lessee

a. Lease arrangements

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

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

The Group leased some of the offices in the United States, China, Israel, India and part in Taiwan, and the lease terms will expire between 2018 and 2022, but can be extended after the expiration of the lease periods.

As of December 31, 2017 and 2016, deposits paid under operating leases amounted to $36,221 thousand and $36,281 thousand, respectively.

b. Prepayments for lease obligations

	December 31	
	2017	**2016**
Current (recorded as "other current assets")	$ 3,445	$ 4,112
Non-current (recorded as "other non-current assets")	37,510	39,892
	$ 40,955	$ 44,004

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

c. Lease expense

	For the Year Ended December 31	
	2017	**2016**
Lease expenditure	$ 109,315	$ 105,433

The Group as Lessor

Operating lease agreements

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

As of December 31, 2017 and 2016, deposits received under operating leases amounted to $2,181 thousand and $1,911 thousand, respectively (recorded as "other non-current liabilities").

25. CAPITAL MANAGEMENT

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

26. FINANCIAL INSTRUMENT

a. Categories of financial instruments

	December 31			
	2017		2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Loans and receivables				
Cash and cash equivalents	$ 1,417,029	$ 1,417,029	$ 1,898,827	$ 1,898,827
Notes and accounts receivable	743,264	743,264	769,488	769,488
Accounts receivable due from related parties	51,114	51,114	57,063	57,063
Other receivables	347,645	347,645	223,853	223,853
Refundable deposits	71,571	71,571	70,671	70,671
Financial assets at fair value through profit or loss				
Derivative financial instruments	1,710	1,710	-	-
Available-for-sale financial assets	289,789	289,789	146,913	146,913
Financial assets measured at cost, non-current	301,493	301,347	305,493	305,267

(Continued)

	December 31			
	2017		2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial liabilities				
Measured at amortized cost				
Accounts payable	$ 934,901	$ 934,901	$ 906,542	$ 906,542
Other payables	871,525	871,525	913,973	913,973
Guarantee deposits (recorded in other non-current liabilities)	44,482	44,482	58,668	58,668
Long-term contract payable (recorded in other non-current liabilities)	10,551	10,551	22,868	22,868
Financial liabilities at fair value through profit or loss				
Derivative financial instruments	-	-	707	707

(Concluded)

b. Fair value information

1) The fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and the significance in its entirety, which are described as follows:

   a) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

   b) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

   c) Level 3 inputs are unobservable inputs for the asset or liability.

2) Fair value measurements recognized in the consolidated balance sheets

   a) The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes publicly traded stocks).

   b) The fair value of the financial instruments at fair value through profit or loss is based on Level 2 inputs, either directly or indirectly. The fair value of foreign-currency derivative financial instrument could be determined by reference to the price and discount rate of currency swap quoted by financial institutions. Foreign exchange forward contracts use individual maturity rate to calculate the fair value of each contract.

   c) The fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

3) Financial instruments that are not measured at fair value

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

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

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

	December 31, 2016			
	Level 1	**Level 2**	**Level 3**	**Total**
Available-for-sale financial assets				

	December 31, 2016			
	Level 1	Level 2	Level 3	Total
Domestic listed equity securities	$ 146,913	$ -	$ -	$ 146,913
Financial liabilities at FVTPL				
Derivatives	$ -	$ 707	$ -	$ 707

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

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

	December 31, 2016				
	Carrying Amount	Level 1	Level 2	Level 3	Total
Financial assets measured at cost					
Domestic emerging equity securities	$ 493	$ -	$ 267	$ -	$ 267

There were no transfers among the different Levels in 2017 and 2016.

c. Financial risk management objectives and policies

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

1) Market risk

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

a) Foreign currency risk

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

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are set out in Note 30.

The sensitivity analysis included only outstanding foreign currency denominated monetary items at the end of the reporting period and assuming an increase in net income and equity if New Taiwan dollars strengthen by 1% against foreign currencies. For a 1% weakening of New Taiwan dollars against the relevant currency, there would be impact on net income in the amounts of $2,429 thousand and $482 thousand decrease for the years ended December 31, 2017 and 2016, respectively. The amounts included above for a 1% weakening of New Taiwan dollars against the relevant currency is without considering the impact of hedge contracts and hedged item.

b) Interest rate risk

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

As of December 31, 2017 and 2016, the carrying amount of the Group's floating rate deposits with exposure to interest rates was $8,319 thousand and $8,272 thousand, respectively.

The sensitivity analyses below were determined based on the Group's exposure to interest rates for fair value of variable-rate derivative instruments at the end of the reporting period. If interest rates had been higher by one percentage point, the Group's cash flows for the year ended December 31, 2017 and 2016 would have increased by $83 thousand.

2) Credit risk

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

3) Liquidity risk

The Group has enough operating capital to comply with loan covenants; liquidity risk is low.
The Group's non-derivative financial liabilities and their agreed repayment period were as follows:

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

	December 31, 2016			
	Within 1 Year	**1-2 Years**	**Over 2 Years**	**Total**
Non-derivative financial liabilities				
Non-interest bearing	$ 1,820,515	$ 11,434	$ 11,434	$ 1,843,383

27. RELATED PARTY TRANSACTIONS

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

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

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

b. Operating activities

	For the Year Ended December 31	
	2017	2016
1) Operating revenue		
Related party in substance	$ 232,397	$ 243,022
Associate	100,912	76,280
	$ 333,309	$ 319,302
2) Purchase		
Parent company	$ 164,475	$ 144,876
3) Selling expenses		
Associate	$ 670	$ 711

	For the Year Ended December 31	
	2017	2016
4) General and administrative expenses		
Parent company	$ 20,724	$ 110
Related party in substance	10,538	10,331
Associate	670	711
	$ 31,932	$ 11,152
5) Research and development expenses		
Parent company	$ 9,106	$ 69
Associate	6,875	10,645
	$ 15,981	$ 10,714

6) Other income

Related party in substance		
Nyquest	$ 13,635	$ 8,188

	December 31	
	2017	**2016**
7) Accounts receivable due from related parties		
Related party in substance	$ 33,546	$ 42,340
Associate	17,568	14,723
	$ 51,114	$ 57,063
8) Other receivables		
Parent company	$ 745	$ -
Associate	307	404
	$ 1,052	$ 404
9) Refundable deposits		
Related party in substance	$ 1,722	$ 1,722
10) Accounts payable to related parties		
Parent company	$ 24,174	$ 27,149
11) Other payables		
Parent company	$ 3,006	$ 11,006

	December 31	
	2017	2016
12) Guarantee deposits		
Parent company	$ 545	$ 545
Associate	151	151
	$ 696	$ 696

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

13) Payment for property, plant and equipment

	For the Year Ended December 31	
	2017	**2016**
Parent company	$ -	$ 10,722

c. Guarantee

As of December 31, 2017, the chairman of the Company is a joint guarantor of the land-lease from Taiwan Sugar Corporation. Please refer to Note 24.

d. Other related party transactions

On May 18, 2016, the Company sold 100% of the shares of subsidiary, Techdesign Corporation, to related party, WEC, and the selling price of the investments was $49,850 thousand; please refer to Note 23.

e. Compensation of key management personnel

	For the Year Ended December 31	
	2017	2016
Short-term employment benefits	$ 78,738	$ 69,985
Post-employment benefits	3,573	3,697
	$ 82,311	$ 73,682

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

28. PLEDGED AND COLLATERALIZED ASSETS

Please refer to Note 6.

29. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

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

30. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

	December 31					
	2017			2016		
	Foreign Currencies (Thousand)	Exchange Rate (Note)	New Taiwan Dollars (Thousand)	Foreign Currencies (Thousand)	Exchange Rate (Note)	New Taiwan Dollars (Thousand)
Financial assets						
Monetary items						
USD	$ 27,775	29.76	$ 826,589	$ 22,873	32.25	$ 737,639
ILS	11,707	8.5791	100,433	13,094	8.3882	109,834
RMB	1,208	4.565	5,513	2,169	4.617	10,014
Financial liabilities						
Monetary items						

USD	18,753	29.76	558,087	21,505	32.25	693,535
ILS	13,725	8.5791	117,745	12,902	8.3882	108,226

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

The total of realized and unrealized net foreign exchange was net losses $3,894 thousand and net gains $6,583 thousand for the years ended December 31, 2017 and 2016, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions of the group entities.

31. SEGMENT INFORMATION

a. Basic information about operating segment

1) Classification of operating segments

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

a) Segment of general IC product

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

b) Segment of wafer foundry product

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

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

The significant accounting principles of each operating segment are the same as those stated in Note 4 to the consolidated financial statements. The Group's operating segment profit or loss represents the profit or loss earned by each segment. The profit or loss is controllable by segment managers and is the basis for assessment of segment performance. Individual segment assets are disclosed as zero since those measures are not reviewed by the chief operating decision maker. Major liabilities are arranged based on the capital cost and deployment of the whole company, which are not controlled by individual segment managers.

b. Segment revenues and operating results

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

	Segment Revenue For the Year Ended December 31		**Segment Profit and Loss For the Year Ended December 31**	
	2017	**2016**	**2017**	**2016**
General IC product	$ 7,364,114	$ 6,654,941	$ 858,831	$ 725,909
Wafter foundry	1,853,824	1,662,701	659,386	579,309
Total of segment revenue	9,217,938	8,317,642	1,518,217	1,305,218
Other revenue	17,444	11,644	13,334	11,644
Operating revenue	$ 9,235,382	$ 8,329,286	1,531,551	1,316,862
Unallocated expenditure				
Administrative and			(407,029)	(355,741)

supporting expense		
Sales and other common expenses	(410,959)	(356,279)
Total operating profit	713,563	604,842
Interest income	13,197	16,135
Dividend income	65,216	57,354
Other gains and losses	5,380	9,926
Gains (losses) on disposal of property, plant and equipment	638	(34)
Gains (losses) on disposal of investments	-	18,874
Foreign exchange gains (losses)	(3,894)	6,583
Gains (losses) on financial instruments at fair value through profit or loss	5,331	(4,730)
Profit before income tax	$ 799,431	$ 708,950

c. Geographical information

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

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

	Revenue from External Customers For the Year Ended December 31		Non-current Assets December 31	
	2017	2016	2017	2016
Asia	$ 8,816,462	$ 7,895,516	$ 912,090	$ 879,134
United States	169,507	220,700	29,159	8,144
Europe	123,796	117,521	-	-
Others	125,617	95,549	-	-
	$ 9,235,382	$ 8,329,286	$ 941,249	$ 887,278

d. Major customer information

Individual customer which exceeded 10% of the Group's operating revenue for the years ended December 31, 2017 and 2016 was as follows:

	For the Year Ended December 31			
	2017		2016	
	Amount	%	Amount	%
Client J	$ 1,995,968	22	$ 1,206,134	14
Client C	964,426	10	838,800	10
	$ 2,960,394	32	$ 2,044,934	24

E. Individual financial statements of the most recent year

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Nuvoton Technology Corporation

Opinion

We have audited the accompanying financial statements of Nuvoton Technology Corporation (the Company), which comprise the balance sheets as of December 31, 2017 and 2016, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

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

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

Impairment of Accounts Receivable

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

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

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

Valuation of Inventory

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

1. Obtained and tested the ageing report of inventory, compared and analyzed the impairment loss of current year with prior year, selected samples of impairment sheet and inspected the latest selling prices with the sales ledger to assess the appropriateness of the inventory impairment provision policy of the Company.

2. Compared the year-end quantity of inventory items with the inventory count report to confirm the existence and completeness of inventory. Moreover by attending year-end inventory counting, we assessed the condition of inventory and evaluated the adequacy of inventory provision for obsolete and damaged goods.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2017 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

January 26, 2018

Notice to Readers

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

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

NUVOTON TECHNOLOGY CORPORATION

BALANCE SHEETS
DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	2017		2016	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 607,505	10	$ 1,459,891	25
Financial assets at fair value through profit or loss, current (Notes 4 and 7)	1,710	-	-	-
Notes and accounts receivable, net (Notes 4 and 8)	542,941	9	472,446	8
Accounts receivable due from related parties, net (Notes 4 and 24)	228,732	4	140,763	2
Other receivables (Note 6)	346,972	6	26,556	1
Inventories (Notes 4 and 9)	1,625,931	27	1,168,969	20
Other current assets (Note 21)	215,110	3	209,857	4
Total current assets	3,568,901	59	3,478,482	60
NON-CURRENT ASSETS				
Available-for-sale financial assets, non-current (Notes 4 and 10)	183,199	3	92,876	2
Financial assets measured at cost, non-current (Notes 4 and 11)	301,493	5	305,493	5
Investments accounted for using equity method (Notes 4 and 12)	1,137,627	19	1,081,165	18
Property, plant and equipment (Notes 4 and 13)	569,765	9	474,952	8
Intangible assets (Notes 4 and 14)	163,499	3	225,964	4
Deferred income tax assets (Notes 4 and 18)	67,000	1	72,000	1
Refundable deposits (Note 6)	65,737	1	64,881	1
Other non-current assets (Note 21)	37,510	-	39,892	1
Total non-current assets	2,525,830	41	2,357,223	40
TOTAL	$ 6,094,731	100	$ 5,835,705	100

	2017		2016	
LIABILITIES AND EQUITY	**Amount**	**%**	**Amount**	**%**
CURRENT LIABILITIES				
Financial liabilities at fair value through profit or loss, current (Notes 4 and 7)	$ -	-	$ 707	-
Accounts payable	934,066	16	904,486	16
Other payables (Notes 15 and 24)	923,354	15	962,603	16
Current tax liabilities (Notes 4 and 18)	73,283	1	16,109	-
Other current liabilities	77,446	1	96,900	2
Total current liabilities	2,008,149	33	1,980,805	34
NON-CURRENT LIABILITIES				
Products guarantee based on commitment (Note 4)	101,891	2	101,891	2
Accrued pension liabilities (Note 16)	302,086	5	349,817	6
Other non-current liabilities	19,644	-	24,718	-
Total non-current liabilities	423,621	7	476,426	8
Total liabilities	2,431,770	40	2,457,231	42
EQUITY				
Common stock (Note 17)	2,075,544	34	2,075,544	36
Capital surplus				
Additional paid-in capital	63,485	1	63,485	1
Employee share options	13	-	13	-
Retained earnings				
Legal reserve	401,846	6	340,530	6
Unappropriated earnings	896,014	15	786,274	13
Exchange differences on translation of foreign operations (Note 4)	(165)	-	29,280	1
Unrealized gains (losses) on available-for-sale financial assets	226,224	4	83,348	1
Total equity	3,662,961	60	3,378,474	58
TOTAL	$ 6,094,731	100	$ 5,835,705	100

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

NUVOTON TECHNOLOGY CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

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

(Continued)

NUVOTON TECHNOLOGY CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

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

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

NUVOTON TECHNOLOGY CORPORATION

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

		Capital Surplus		Retained Earnings		Other Equity		
	Common Stock	Additional Paid-in Capital	Employee Share Options	Legal Reserve	Unappropriated Earnings	Exchange Differences on Translation of Foreign Operations	Unrealized Gain (loss) on Available-for-sale Financial Assets	Total Equity
BALANCE, JANUARY 1, 2016	$ 2,075,544	$ 63,485	$ 13	$ 293,628	$ 627,654	$ 61,477	$ -	$ 3,121,801
Net profit in 2016	-	-	-	-	613,165	-	-	613,165
Other comprehensive income (loss) in 2016	-	-	-	-	(34,045)	(32,197)	83,348	17,106
Total comprehensive income (loss) in 2016	-	-	-	-	579,120	(32,197)	83,348	630,271
Appropriation of 2015 earnings (Note 17)								
Legal reserve	-	-	-	46,902	(46,902)	-	-	-
Cash dividends	-	-	-	-	(373,598)	-	-	(373,598)
BALANCE, DECEMBER 31, 2016	2,075,544	63,485	13	340,530	786,274	29,280	83,348	3,378,474
Net profit in 2017	-	-	-	-	688,133	-	-	688,133
Other comprehensive income (loss) in 2017	-	-	-	-	(18,946)	(29,445)	142,876	94,485
Total comprehensive income in 2017	-	-	-	-	669,187	(29,445)	142,876	782,618
Appropriation of 2016 earnings (Note 17)								
Legal reserve	-	-	-	61,316	(61,316)	-	-	-
Cash dividends	-	-	-	-	(498,131)	-	-	(498,131)
BALANCE, DECEMBER 31, 2017	$ 2,075,544	$ 63,485	$ 13	$ 401,846	$ 896,014	$ (165)	$ 226,224	$ 3,662,961

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

NUVOTON TECHNOLOGY CORPORATION

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

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

(Continued)

NUVOTON TECHNOLOGY CORPORATION

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

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

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

NUVOTON TECHNOLOGY CORPORATION

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

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

For the specialization and division of labors and the reinforcement of core competitive ability, the Company's parent company, Winbond Electronics Corporation (WEC), spun off its Logic IC business into the Company on July 1, 2008 in accordance with the Business Mergers and Acquisitions Act and the Company commenced its business in July 2008. WEC held approximately 61% ownership interest in the Company as of December 31, 2017 and 2016.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors and authorized for issue on January 26, 2018.

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

a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC)

   Rule No. 1050050021 and Rule No. 1050026834 issued by the FSC stipulated that starting January 1, 2017, the Company should apply the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs issued by the IASB and endorsed by the FSC for application starting from 2017.

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

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

      The amendments clarify that the recoverable amount of an asset or a cash-generating unit is disclosed only when an impairment loss on the asset has been recognized or reversed during the period. Furthermore, the discount rate used is disclosed if such fair value less costs of disposal is measured by using present value technique. The amendments should be applied retrospectively starting from January 1, 2017.

2) Annual Improvements to IFRSs: 2011-2013 Cycle

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

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

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

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

The amendments also require additional disclosure if there is a significant difference between the actual operation conditions after a business combination and the expected benefits at the acquisition date.

When the amendments are applied retrospectively from January 1, 2017, the disclosures of related party transactions is enhanced. Refer to Note 24 for the related disclosures.

b. The Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed by the FSC for application starting from 2018

New IFRSs	**Effective Date Announced by IASB (Note 1)**
Annual Improvements to IFRSs 2014-2016 Cycle	Note 2
Amendments to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date of IFRS 9 and Transition Disclosures"	January 1, 2018
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendments to IFRS 15 "Clarifications to IFRS 15 Revenue from Contracts with Customers"	January 1, 2018
Amendment to IAS 7 "Disclosure Initiative"	January 1, 2017

(Continued)

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”	January 1, 2017
Amendments to IAS 40 “Transfers of Investment Property”	January 1, 2018
IFRIC 22 “Foreign Currency Transactions and Advance Consideration”	January 1, 2018

(Concluded)

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

Note 2: The amendment to IFRS 12 is retrospectively applied for annual periods beginning on or after January 1, 2017; the amendment to IAS 28 is retrospectively applied for annual periods beginning on or after January 1, 2018.

1) IFRS 9 “Financial Instruments” and related amendments

Classification, measurement and impairment of financial assets

With regard to financial assets, all recognized financial assets that are within the scope of IAS 39 “Financial Instruments: Recognition and Measurement” are subsequently measured at amortized cost or fair value. Under IFRS 9, the requirement for the classification of financial assets is stated below.

For the debt instruments invested by the Company that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, their classification and measurement are as follows:

a) For debt instruments, if they are held within a business model whose objective is to collect contractual cash flows, the financial assets are measured at amortized cost and are assessed for impairment continuously with any impairment loss recognized in profit or loss. Interest revenue is recognized in profit or loss by using the effective interest method;

b) For debt instruments, if they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, the financial assets are measured at fair value through other comprehensive income (FVTOCI) and are assessed for impairment. Interest revenue is recognized in profit or loss by using the effective interest method, and other gains or losses shall be recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses. When the debt instruments are derecognized or reclassified, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

The other financial assets which do not meet aforementioned criteria should be measured at fair value through profit or loss. However, the Company may irrevocably designate an investment in equity instruments that is not held for trading as measured at fair value through other comprehensive income. All relevant gains and losses shall be recognized in other comprehensive income, except for dividends which are recognized in profit or loss. No subsequent impairment assessment is required, and the cumulative gain or loss previously recognized in other comprehensive income cannot be reclassified from equity to profit or loss.

IFRS 9 requires impairment loss on financial assets to be recognized by using the “Expected Credit Losses Model”. A loss allowance for expected credit losses should be recognized on financial assets measured at amortized cost. If the credit risk on a financial instrument has not increased significantly since initial recognition, the Company should measure the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses. If the credit risk on a financial instrument has increased significantly since initial recognition and is not deemed to be a low credit risk the Company should measure the loss allowance for that financial instrument at an amount equal to the lifetime expected credit losses. The Company should always measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables that do not constitute a financing transaction.

For purchased or originated credit-impaired financial assets, the Company takes into account the expected credit losses on initial recognition in calculating the credit-adjusted effective interest rate. Subsequently, any changes in expected losses are recognized as a loss allowance with a corresponding gain or loss recognized in profit or loss.

The Company has performed a preliminary assessment in which it will apply the simplified approach to recognize lifetime expected credit losses for trade receivables. In general, the Company anticipates that the application of the expected credit losses model of IFRS 9 will result in an earlier recognition of credit losses for financial assets.

The Company elects not to restate prior reporting periods when applying the requirements for the classification, measurement and impairment of financial assets under IFRS 9 with the cumulative effect of the initial application recognized at the date of initial application and will provide the disclosures related to the classification and the adjustment information.

The anticipated impact on assets, liabilities and equity of application on January 1, 2018 is detailed below:

Impact on assets, liabilities and equity	**Carrying Amount as of December 31, 2017**	**Adjustments Arising from Initial Application**	**Carrying Amount as of January 1, 2018**
Financial assets at fair value through profit or loss - current	$ -	$ 638,203	$ 638,203
Available-for-sale financial assets - non-current	183,199	(183,199)	-
Financial assets measured at cost - non-current	301,493	(301,493)	-
Total effect on assets	$ 484,692	$ 153,511	$ 638,203
Retained earnings	$ 1,297,860	$ 493	$ 1,298,353
Other equity	226,224	153,018	379,242
Total effect on equity	$ 1,524,084	$ 153,511	$ 1,677,595

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

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

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

3) IFRIC 22 "Foreign Currency Transactions and Advance Consideration"

IAS 21 stipulated that a foreign currency transaction shall be recorded on initial recognition in the functional currency by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction. IFRIC 22 further explains that the date of the transaction is the date on which an entity recognizes a non-monetary asset or non-monetary liability from payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the entity shall determine the date of the transaction for each payment or receipt of advance consideration. The Company will apply IFRIC 22 prospectively to all assets, expenses and income recognized on or after January 1, 2018 within the scope of the interpretation.

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

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

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 "Prepayment Features with Negative Compensation"	January 1, 2019 (Note 2)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB (Note 3)
IFRS 16 "Leases"	January 1, 2019 (Note 4)
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures"	January 1, 2019
IFRIC 23 "Uncertainty Over Income Tax Treatments"	January 1, 2019

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

Note 2: The FSC permits the election for early adoption of the amendments starting from 2018.

Note 3: To avoid adoption of two amendments to IAS 28 in a short period, IASB decided to postpone the effective dates of the amendments to IFRS 10 and IAS 28 announced in September 2014. The effective dates of the amendments will be announced after the IASB has concluded its studies about the equity method.

Note 4: On December 19, 2017, the FSC announced that IFRS 16 will take effect starting from January 1, 2019.

1) IFRS 16 "Leases"

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

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

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

2) IFRIC 23 "Uncertainty Over Income Tax Treatments"

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

On initial application, the Company shall apply IFRIC 23 either retrospectively to each prior reporting period presented, if this is possible without the use of hindsight, or retrospectively with the cumulative effect of the initial application of IFRIC 23 recognized at the date of initial application.

3) Amendments to IFRS 9 "Prepayment Features with Negative Compensation"

IFRS 9 stipulated that if a contractual term of a financial asset permits the issuer (i.e. the debtor) to prepay a debt instrument or permits the holder (i.e. the creditor) to put a debt instrument back to the issuer before maturity and the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination, the financial asset has contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. The amendments further explained that reasonable compensation may be paid or received by either of the parties, i.e. a party may receive reasonable compensation when it chooses to terminate the contract early.

When the amendments become effective, the Company shall apply the amendments retrospectively. However, the Company may elect to recognize the cumulative effect of the initial application of the amendments in the opening carrying amount at the date of initial application, or to restate prior periods if, and only if, it is possible without the use of hindsight.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis of Preparation

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

The Company uses equity method to account for its investment in subsidiaries for the stand-alone financial statements. The amounts of the net profit, other comprehensive income and total equity in stand-alone financial statements are same with the amounts attributable to the owner of the Company in its consolidated financial statements since there is no difference in accounting treatment between stand-alone basis and consolidated basis.

Classification of Current and Non-current Assets and Liabilities

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

Foreign Currencies

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

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

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

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

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

Cash Equivalents

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

Financial Instruments

a. Financial assets

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

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

1) Loans and receivables

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

2) Financial assets at fair value through profit or loss

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

3) Available-for-sale financial assets

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

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

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

b. Impairment of financial assets

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

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

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

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

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

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

c. Derecognition of financial assets

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

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

d. Financial liabilities

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

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

e. Derecognition of financial liabilities

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

f. Derivative financial instruments

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

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

Inventories

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

Investments Accounted for Using Equity Method

Investment in subsidiaries

Subsidiaries are the entities controlled by the Company. Under the equity method, the investment is initially recognized at cost and the carrying amount is increased or decreased to recognize the Company’s share of the profit or loss and other comprehensive income of the subsidiary after the date of acquisition. Besides, the Company also recognizes the Company’s share of the change in other equity of the subsidiary.

When the Company’s share of losses of a subsidiary equals or exceeds its interest in that subsidiary (which includes any carrying amount of the investment in subsidiary accounted for by the equity method and long-term interests that, in substance, form part of the Company’s net investment in the subsidiary), the Company continues recognizing its share of further losses.

When the Company loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Company had directly disposed of the related assets or liabilities.

Profits and losses from downstream transactions with a subsidiary are eliminated in full. Profits and losses from upstream transactions with a subsidiary are recognized in the Company’s financial statements only to the extent of interests in the subsidiary that are not related to the Company.

Property, Plant and Equipment

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

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

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

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

Intangible Assets

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

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

Impairment of Tangible and Intangible Assets

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

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

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

Products Guarantee Based on Commitment

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

Revenue Recognition

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

a. The Company has transferred to the buyer the significant risks and rewards of ownership of the goods;

b. The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

c. The amount of revenue can be measured reliably;

d. It is probable that the economic benefits associated with the transaction will flow to the Company; and

e. The costs incurred or to be incurred in respect of the transaction can be measured reliably.

f. Service income is recognized when services are provided.

Leasing

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

Employee Benefits

a. Short-term employee benefits

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

b. Retirement benefits

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

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

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

Taxation

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

a. Current tax

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

b. Deferred tax

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

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

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

a. Valuation of inventory

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

b. Impairment of accounts receivable

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

6. CASH AND CASH EQUIVALENTS

	December 31 2017	December 31 2016
Cash and cash in bank	$ 563,155	$ 1,332,591
Repurchase agreements collateralized by bonds	44,350	127,300
	$ 607,505	$ 1,459,891

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

	December 31 2017	December 31 2016
Time deposits	$ 62,213	$ 61,854

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

	December 31 2017	December 31 2016
Time deposits	$ 318,600	$ -

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31 2017	December 31 2016
Financial assets at FVTPL - current		
Foreign exchange forward contracts	$ 1,710	$ -
Financial liabilities at FVTPL - current		
Foreign exchange forward contracts	$ -	$ 707

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

	Currencies	Maturity Date	Contract Amount (In Thousands)
December 31, 2017			
Sell forward exchange contracts	USD/NTD	2018.01.05-2018.01.25	USD11,000/NTD329,070
December 31, 2016			
Sell forward exchange contracts	USD/NTD	2017.01.12-2017.01.26	USD5,000/NTD160,543

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

8. NOTES AND ACCOUNTS RECEIVABLE

	December 31 2017	December 31 2016
Notes receivable	$ -	$ 71
Accounts receivable	555,226	483,051
Less: Allowance for doubtful accounts	(12,285)	(10,676)
	$ 542,941	$ 472,446

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

The aging of accounts receivable was as follows:

	December 31 2017	December 31 2016
Not overdue	$ 528,110	$ 479,459
Overdue under 30 days	27,116	3,663
Overdue 31-90 days	-	-
Overdue 91 days and longer	-	-
	$ 555,226	$ 483,122

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

	For the Year Ended December 31 2017	For the Year Ended December 31 2016
Balance at January 1	$ 10,676	$ 11,992
Provision (reversed)	1,609	(1,316)
Balance at December 31	$ 12,285	$ 10,676

9. INVENTORIES

	December 31 2017	December 31 2016
Raw materials and supplies	$ 86,115	$ 79,157
Work-in-process	1,124,060	843,337
Finished goods	334,234	241,997
Inventories in transit	81,522	4,478
	$ 1,625,931	$ 1,168,969

a. As of December 31, 2017 and 2016, the allowance for inventory devaluation was $294,728 thousand and $298,521 thousand, respectively.

b. The cost of goods sold for the years ended December 31, 2017 and 2016 was $5,490,445 thousand and $4,908,265 thousand, respectively. The cost of goods sold included inventory write-downs and obsolescence and abandonment of inventories in the amounts of $32,066 thousand loss and $29,014 thousand loss for the years ended December 31, 2017 and 2016, respectively.

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS - NON-CURRENT

	December 31 2017	December 31 2016
Publicly traded investment		
Nyquest Technology Co., Ltd.	$ 183,199	$ 92,876

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

11. FINANCIAL ASSETS MEASURED AT COST, NON-CURRENT

	December 31 2017	December 31 2016
Non-publicly traded investment		
United Industrial Gases Co., Ltd.	$ 280,000	$ 280,000
Brightek Optoelectronic Co., Ltd.	493	493
Yu-Ji Venture Capital Co., Ltd.	21,000	25,000
	$ 301,493	$ 305,493

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

12. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31 2017	December 31 2016
Investments in subsidiaries	$ 1,137,627	$ 1,081,165

	December 31			
	2017		2016	
	Carrying Value	Ownership Percentage	Carrying Value	Ownership Percentage
Non-publicly traded companies				
Marketplace Management Ltd. ("MML")	$ 78,963	100	$ 77,702	100
Pigeon Creek Holding Co., Ltd. ("PCH")	167,031	100	178,786	100
Nuvoton Investment Holding Ltd. ("NIH")	317,953	100	297,902	100
Nuvoton Electronics Technology (H.K.) Limited ("NTHK")	434,414	100	441,890	100
Song Yong Investment Corporation ("SYI")	115,322	100	57,829	100
Nuvoton Technology India Private Ltd. ("NTIPL")	23,944	100	27,056	100
Techdesign Corporation ("Techdesign")	-	-	-	-

	$ 1,137,627	$ 1,081,165

In 2017 and 2016, MML raised additional capital of $1,150 thousand and $798 thousand through issuance of shares for cash, which the Company bought entirely, respectively. In 2017, PCH raised additional capital of $922 thousand through issuance of shares for cash.

In March 2015, Techdesign was incorporated by the Company and the authorized capital was $50,000 thousand. On May 18, 2016, the Company sold 100% of the shares of Techdesign to related party, WEC; accordingly, the Company lost its control. The selling price of the investments was $49,850 thousand and the Company received the total amount.

13. PROPERTY, PLANT AND EQUIPMENT

	December 31	
	2017	**2016**
Land and buildings	$ 182,637	$ 67,289
Machinery and equipment	329,204	324,347
Other equipment	57,127	47,583
Construction in progress and prepayments for purchase of equipment	797	35,733
	$ 569,765	$ 474,952

	Land and Buildings	**Machinery and Equipment**	**Other Equipment**	**Construction in Progress and Prepayments for Purchase of Equipment**	**Total**
Cost					
Balance at January 1, 2017	$3,471,902	$ 11,462,145	$ 168,785	$ 35,733	$ 15,138,565
Additions	101,379	100,457	24,582	797	227,215
Disposals	(750)	(205,887)	(733)	-	(207,370)
Reclassified	35,733	-	-	(35,733)	-
Balance at December 31, 2017	3,608,264	11,356,715	192,634	797	15,158,410
Accumulated depreciation and impairment					
Balance at January 1, 2017	3,404,613	11,137,798	121,202	-	14,663,613
Disposals	(750)	(205,881)	(729)	-	(207,360)
Depreciation expenses	21,764	95,594	15,034	-	132,392
Reclassified	-	-	-	-	-
Balance at December 31, 2017	3,425,627	11,027,511	135,507	-	14,588,645
Carrying amount at December 31, 2017	$ 182,637	$ 329,204	$ 57,127	$ 797	$ 569,765
Cost					
Balance at January 1, 2016	$3,464,808	$	$ 168,278	$ 9,341	$

		11,427,554			15,069,981
Additions	7,094	142,485	10,495	30,791	190,865
Disposals	-	(112,279)	(10,002)	-	(122,281)
Reclassified	-	4,385	14	(4,399)	-
Balance at December 31, 2016	3,471,902	11,462,145	168,785	35,733	15,138,565
Accumulated depreciation and impairment					
Balance at January 1, 2016	3,384,113	11,160,045	115,584	-	14,659,742
Disposals	-	(112,191)	(10,001)	-	(122,192)
Depreciation expenses	20,500	89,944	15,619	-	126,063
Balance at December 31, 2016	3,404,613	11,137,798	121,202	-	14,663,613
Carrying amount at December 31, 2016	$ 67,289	$ 324,347	$ 47,583	$ 35,733	$ 474,952

14. INTANGIBLE ASSETS

	December 31	
	2017	**2016**
Deferred technical assets	$ 163,499	$ 225,964

	Deferred Technical Assets
Cost	
Balance at January 1, 2017	$ 866,355
Addition	10,523
Balance at December 31, 2017	876,878

	Deferred Technical Assets
Accumulated amortization and impairment	
Balance at January 1, 2017	$ 640,391
Amortization expenses	72,988
Balance at December 31, 2017	713,379
Carrying amount at December 31, 2017	$ 163,499
Cost	
Balance at January 1, 2016	$ 764,924
Addition	101,431
Balance at December 31, 2016	866,355
Accumulated amortization and impairment	
Balance at January 1, 2016	567,686
Amortization expenses	72,705
Balance at December 31, 2016	640,391

Carrying amount at December 31, 2016	$ 225,964

(Concluded)

15. OTHER PAYABLES

	December 31	
	2017	2016
Payable for salaries or employee benefits	$ 380,779	$ 370,827
Payable for subsidiaries service fees (Note 24)	120,435	110,814
Payable for businesses	100,606	155,062
Payable for royalties	85,909	70,671
Payable for purchase of equipment	39,276	75,579
Others	196,349	179,650
	$ 923,354	$ 962,603

16. RETIREMENT BENEFIT PLANS

a. Defined contribution plan

The Company adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

b. Defined benefit plan

The defined benefit plan adopted by the Company in accordance with the Labor Standards Law is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. In 2017 and 2016, the Company contributed amounts equal to 15%, of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Company has no right to influence the investment policy and strategy.

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

	December 31	
	2017	2016
Present value of defined benefit obligation	$ 872,507	$ 884,494
Fair value of plan assets	(570,421)	(534,677)
Net defined benefit liability	$ 302,086	$ 349,817

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

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability (Asset)
Balance at January 1, 2016	$ 854,733	$ (476,000)	$ 378,733
Service cost			
Current service cost	9,963	-	9,963
Net interest expense (income)	15,886	(9,495)	6,391
Recognized in profit or loss	25,849	(9,495)	16,354
Remeasurement			
Actuarial (gain) loss - the discount rate more (less) than realized rate of return	-	6,294	6,294
Actuarial (gain) loss - change in demographic assumptions	6,348	-	6,348
Actuarial (gain) loss - changes in financial assumptions	12,980	-	12,980
Actuarial (gain) loss - experience adjustments	11,587	-	11,587
Recognized in other comprehensive income	30,915	6,294	37,209
Contributions from the employer	-	(82,479)	(82,479)
Plan assets paid	(27,003)	27,003	-
Balance at December 31, 2016	884,494	(534,677)	349,817
Service cost			
Current service cost	10,022	-	10,022
Net interest expense (income)	15,100	(9,766)	5,334
Recognized in profit or loss	25,122	(9,766)	15,356

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability (Asset)
Remeasurement			
Actuarial (gain) loss - the discount rate more (less) than realized rate of return	$ -	$ 4,585	$ 4,585
Actuarial (gain) loss - changes in financial assumptions	20,840	-	20,840
Actuarial (gain) loss - experience adjustments	(3,447)	-	(3,447)
Recognized in other comprehensive income	17,393	4,585	21,978
Contributions from the employer	-	(83,789)	(83,789)
Plan assets paid	(53,226)	53,226	-
Others	(1,276)	-	(1,276)
Balance at December 31, 2017	$ 872,507	$ (570,421)	$ 302,086

(Concluded)

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

	For the Year Ended December 31	
	2017	2016
Analysis by function		
Operating costs	$ 7,833	$ 9,281

Selling expenses	96	125
General and administrative expenses	1,558	1,420
Research and development expenses	5,869	5,528
	$ 15,356	$ 16,354

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

1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the debt investments of the plan assets.

3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

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

	December 31	
	2017	**2016**
Discount rate(s)	1.5%	1.75%
Expected rate(s) of salary increase	1%-2%	1%-2%

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

	December 31	
	2017	**2016**
Discount rate(s)		
0.25% increase	$(20,840)	$(21,476)
0.25% decrease	$ 21,597	$ 22,277
Expected rate(s) of salary increase		
0.25% increase	$ 21,505	$ 22,242
0.25% decrease	$(20,853)	$(21,546)

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

	December 31	
	2017	**2016**
The expected contributions to the plan for the next year	$ 90,000	$ 90,000

The average duration of the defined benefit obligation	9.8 years	10 years

17. EQUITY

a. Common stock

	December 31	
	2017	**2016**
Authorized shares (in thousands)	300,000	300,000
Authorized capital	$ 3,000,000	$ 3,000,000
Issued and paid shares (in thousands)	207,554	207,554
Issued capital	$ 2,075,544	$ 2,075,544
Par value (in New Taiwan dollars)	$ 10	$ 10

As of December 31, 2017 and 2016, the balance of the Company's capital account amounted to $2,075,544 thousand, divided into 207,554 thousand common shares at par NT$10 per share.

b. Capital surplus

	December 31	
	2017	**2016**
May be used to offset a deficit, distributed as cash dividends, or transferred to capital*		
Additional paid-in capital	$ 63,485	$ 63,485
May not be used for any purpose		
Employee share options	13	13
	$ 63,498	$ 63,498

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

c. Retained earnings and dividend policy

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

According to the revised Company Law of the ROC and the Company's Articles of Incorporation, if the Company has surplus earnings at the end of a fiscal year, after covering all losses incurred in prior years and paying all taxes, the Company shall set aside 10% of said earnings as legal reserve. However, legal reserve need not be made when the accumulated legal reserve equals the paid-in capital of the Company. After setting aside or reversing special reserve pursuant to applicable laws and regulations and orders of competent authorities from (1) the remaining amount plus undistributed retained earnings; or (2) the difference between the undistributed retained earnings and the losses suffered by the Company at the end of a fiscal year if the losses can be fully covered by the undistributed retained earnings, the Company shall distribute the remaining amount (if not otherwise set aside as special reserve and reserved based on business needs) and shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for bonus to shareholders. In principle, not less than 10% of the total shareholders bonus shall be distributed in form of cash. For the policies on distribution of employees' compensation and remuneration to directors before and after amendment, please refer to Note 19 Employee benefits expense.

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

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

The appropriations of the Company's earnings for 2016 and 2015 had been approved in the shareholders' meetings on June 14, 2017 and June 15, 2016, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		**Dividends Per Share (NT$)**	
	For Year 2016	**For Year 2015**	**For Year 2016**	**For Year 2015**
Legal reserve	$ 61,316	$ 46,902		
Cash dividends	498,131	373,598	$ 2.40	$ 1.80
	$ 559,447	$ 420,500		

The appropriations of the Company's earnings for 2017 had been approved in the Board of Directors' meeting on January 26, 2018. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	**Dividends Per Share (NT$)**
Legal reserve	$ 68,813	
Cash dividends	518,886	$ 2.50

The appropriations of earnings for 2017 will be presented for approval in the shareholders' meeting to be held on June 12, 2018 (expected).

d. Other equity items

1) The exchange differences arising on translation of foreign operations' net assets from its functional currency to the Company's presentation currency (New Taiwan dollar) are recognized directly in other comprehensive income. As of December 31, 2017 and 2016, other comprehensive loss was $29,445 thousand and $32,197 thousand, respectively.

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

	For the Year Ended December 31	
	2017	**2016**
Balance at January 1	$ 83,348	$ -
Unrealized gain (loss) on revaluation of available-for-sale financial assets	90,323	52,691
Share of unrealized gain (loss) on revaluation of available-for-sale financial assets of subsidiaries accounted	52,553	30,657

for using the equity method

Balance at December 31	$ 226,224	$ 83,348

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

18. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

The major components of income tax expense were as follows:

	For the Year Ended December 31	
	2017	**2016**
Current income tax	$ 80,000	$ 75,000
Adjustments for prior year's tax	(1,045)	(1,107)
Deferred tax	(2,000)	4,000
Income tax expense recognized in profit or loss	$ 76,955	$ 77,893

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

	For the Year Ended December 31	
	2017	**2016**
Profit before tax from continuing operations	$ 130,000	$ 117,000
Adjustments		
Permanent differences	(20,000)	(20,000)
Tax-exempt income	(10,000)	(8,000)
Additional income tax on unappropriated earnings	1,967	1,888
Current income tax credit	(21,967)	(15,888)
Current income tax	80,000	75,000
Deferred income tax	(2,000)	4,000
Adjustment for prior years' tax	(1,045)	(1,107)
Income tax expense recognized in profit or loss	$ 76,955	$ 77,893

The applicable tax rate used above is the corporate tax rate of 17% payable by the Company in ROC.

In January 2018, it was announced that the Income Tax Law in the ROC was amended and, starting from 2018, the corporate income tax rate will be adjusted from 17% to 20%. In addition, the tax rate applicable to unappropriated earnings will be reduced from 10% to 5%.

As the status of 2017 appropriations of earnings was not yet approved in the shareholders' meeting, the potential income tax consequences of 2017 unappropriated earnings were not reliably determinable.

c. Current tax liabilities

	December 31	
	2017	2016
Income tax payable	$ 73,283	$ 16,109

d. Deferred income tax assets

	December 31	
	2017	2016
Deferred income tax assets		
Allowance for loss on inventories and others	$ 67,000	$ 72,000

e. Information about unused tax-exemption

As of December 31, 2017, profits attributable to the following expansion projects were exempted from income tax for a five-year period:

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

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

	December 31	
	2017	2016
Unappropriated earnings		
Generated on and after January 1, 1998	$ 896,014	$ 786,274
Imputation credits account	$ 109,049	$ 113,443

The creditable ratio for distribution of earnings for the years ended December 31, 2017 and 2016 was 12.17% (estimate) and 15.9%, respectively.

g. Income tax assessments

The Company's tax returns through 2015 have been assessed by the tax authorities.

h. Information about investment credits

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

19. EMPLOYEE BENEFITS EXPENSE, DEPRECIATION, AND AMORTIZATION

	For the Year Ended December 31					
	2017			2016		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee benefits expense						
Short-term employment benefits	$ 725,076	$ 1,072,041	$ 1,797,117	$ 696,544	$ 955,591	$ 1,652,135
Post-employment benefits	32,121	46,808	78,929	33,105	42,854	75,959

Depreciation	95,807	36,585	132,392	98,833	27,230	126,063
Amortization	33,294	39,694	72,988	33,293	39,412	72,705

To be in compliance with the Company Act, the Company stipulated to distribute employees' compensation and remuneration to directors at the rates no less than 1% and no higher than 1%, respectively, of profit before income tax, employees' compensation, and remuneration to directors.

The employees' compensation and remuneration to directors and supervisors for 2017 and 2016 which have been approved in the Board of Directors' meetings on January 26, 2018 and February 3, 2017, respectively, were as follows:

	For the Year Ended December 31			
	2017		2016	
	Amount	%	Amount	%
Employees' cash compensation	$ 49,360	6	$ 44,584	6
Remuneration of directors and supervisors	8,227	1	7,431	1

If there is a change in the proposed amounts after the annual financial statements were authorized for issue, the differences are recorded as a change in accounting estimate. There was no difference between the actual amounts of employees' compensation and remuneration to directors and supervisors paid and the amounts recognized in the financial statements for the year ended December 31, 2016.

Information on the employees' compensation and remuneration to directors and supervisors resolved by the Company's Board of Directors in 2018 and 2017 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

20. EARNINGS PER SHARE

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

	Amounts (Numerator)	Shares (Denominator) (In Thousands)	EPS (NT$)
For the year ended December 31, 2017			
Net profit	$ 688,133		
Basic EPS			
Earnings used in the computation of basic EPS	688,133	207,554	$ 3.32
Effect of potentially dilutive ordinary shares			
Employee's compensation	-	771	
Diluted EPS			
Earnings used in the computation of diluted EPS	$ 688,133	208,325	3.30
For the year ended December 31, 2016			
Net profit	$ 613,165		
Basic EPS			
Earnings used in the computation of basic EPS	613,165	207,554	2.95
Effect of potentially dilutive ordinary shares			
Employee's compensation	-	1,152	
Diluted EPS			

Earnings used in the computation of diluted EPS	$ 613,165	208,706	2.94

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

21. OPERATING LEASE ARRANGEMENTS

The Company as Lessee

a. Lease arrangements

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

The Company leased a land from Taiwan Sugar Corporation under a twenty-year term from October 2014 to September 2034, which is allowed to extend upon the expiration of lease. The chairman of the Company is a joint guarantor of such lease; please refer to Note 24.

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

As of December 31, 2017 and 2016, deposits paid under operating leases amounted to $30,783 thousand and $30,899 thousand, respectively.

b. Prepayments for lease obligations

	December 31	
	2017	**2016**
Current (recorded as "other current assets")	$ 3,445	$ 4,112
Non-current (recorded as "other non-current assets")	37,510	39,892
	$ 40,955	$ 44,004

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

c. Lease expense

	For the Year Ended December 31	
	2017	**2016**
Lease expenditure	$ 38,380	$ 37,078

22. CAPITAL MANAGEMENT

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

23. FINANCIAL INSTRUMENT

a. Categories of financial instruments

	December 31			
	2017		2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Loans and receivables				
Cash and cash equivalents	$ 607,505	$ 607,505	$ 1,459,891	$ 1,459,891
Notes and accounts receivable	542,941	542,941	472,446	472,446
Accounts receivable due from related parties	228,732	228,732	140,763	140,763
Other receivables	320,647	320,647	2,543	2,543
Refundable deposits	65,737	65,737	64,881	64,881
Financial assets at fair value through profit or loss				
Derivative financial instruments	1,710	1,710	-	-
Available-for-sale financial assets	183,199	183,199	92,876	92,876
Financial assets measured at cost	301,493	301,347	305,493	305,267
Financial liabilities				
Measured at amortized cost				
Accounts payable	934,066	934,066	904,486	904,486
Other payables	920,765	920,765	960,162	960,162
Guarantee deposits (recorded in other non-current liabilities)	9,093	9,093	1,850	1,850
Long-term contract payable (recorded in other non-current liabilities)	10,551	10,551	22,868	22,868
Financial liabilities at fair value through profit or loss				
Derivative financial instruments	-	-	707	707

b. Fair value information

1) The fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and the significance in its entirety, which are described as follows:

a) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

b) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

c) Level 3 inputs are unobservable inputs for the asset or liability.

2) Fair value measurements recognized in the balance sheets

a) The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes publicly traded stocks).

b) The fair value of the financial instruments at fair value through profit or loss is based on Level 2 inputs, either directly or indirectly. The fair value of foreign-currency derivative financial instrument could be determined by reference to the price and discount rate of currency swap quoted by financial institutions. Foreign exchange forward contracts use individual maturity rate to calculate the fair value of each contract.

c) The fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

3) Financial instruments that are not measured at fair value

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

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

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

	December 31, 2016			
	Level 1	**Level 2**	**Level 3**	**Total**
Available-for-sale financial assets				
Domestic listed equity securities	$ 92,876	$ -	$ -	$ 92,876
Financial liabilities at FVTPL				
Derivatives	$ -	$ 707	$ -	$ 707

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

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

	December 31, 2016				
	Carrying Amount	Level 1	Level 2	Level 3	Total
Financial assets measured at cost					
Domestic emerging equity securities	$ 493	$ -	$ 267	$ -	$ 267

There were no transfers among the different Levels in 2017 and 2016.

c. Financial risk management objectives and policies

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

1) Market risk

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

a) Foreign currency risk

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

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are set out in Note 27.

The sensitivity analysis included only outstanding foreign currency denominated monetary items at the end of the reporting period and assuming an increase in net income and equity if New Taiwan dollars strengthen by 1% against foreign currencies. For a 1% weakening of New Taiwan dollars against the relevant currency, there would be impact on net income in the amounts of $2,449 thousand and $494 thousand decrease for the years ended December 31, 2017 and 2016, respectively. The amounts included above for a 1% weakening of New Taiwan dollars against the relevant currency is without considering the impact of hedge contracts and hedged item.

b) Interest rate risk

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

As of December 31, 2017 and 2016, the carrying amount of the Company's floating rate deposits with exposure to interest rates was $5,619 thousand and $5,572 thousand, respectively.

The sensitivity analyses below were determined based on the Company's exposure to interest rates for fair value of variable-rate derivative instruments at the end of the reporting period. If interest rates had been higher by one percentage point, the Company's cash flows for the years ended December 31, 2017 and 2016 would have increased by $56 thousand.

2) Credit risk

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

3) Liquidity risk

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

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

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

	December 31, 2016			
	Within 1 Year	1-2 Years	Over 2 Years	Total
Non-derivative financial liabilities				
Non-interest bearing	$ 1,864,648	$ 11,434	$ 11,434	$ 1,887,516

24. RELATED PARTY TRANSACTIONS

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

Related Party	Relationship with the Company
Winbond Electronics Corporation ("WEC")	Parent company
Nuvoton Electronics Technology (H.K.) Limited ("NTHK")	Subsidiary
Nuvoton Electronics Technology (Shenzhen) Limited ("NTSZ")	Subsidiary
Nuvoton Technology Corporation America ("NTCA")	Subsidiary
Nuvoton Technology Israel Ltd. ("NTIL")	Subsidiary
Song Yong Investment Corporation ("SYI")	Subsidiary
Techdesign Corporation ("Techdesign")	Associate (Note)
Winbond Electronics Corporation Japan ("WECJ")	Associate
Nyquest Technology Co., Ltd. ("Nyquest")	Related party in substance
Walton Advanced Engineering Inc.	Related party in substance
Chin Cherng Construction Co., Ltd.	Related party in substance

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

b. Operating activities

	For the Year Ended December 31	
	2017	2016
1) Operating revenue		
Subsidiary		
NTHK	$ 3,388,590	$ 3,105,875
Others	143,812	178,101
Related party in substance	232,397	243,022
Associate	100,912	76,280
	$ 3,865,711	$ 3,603,278
2) Purchase		
Parent company	$ 164,475	$ 144,876
3) General and administrative expenses		
Subsidiary		
NTIL	$ 51,012	$ 47,332
NTCA	36,359	22,609
Parent company	20,724	110
Related party in substance	10,538	10,331
	$ 118,633	$ 80,382
4) Research and development expenses		
Subsidiary		
NTIL	$ 619,919	$ 598,996
NTCA	251,653	206,853
Parent company	9,106	69
	$ 880,678	$ 805,918
5) Other income		
Related party in substance		
Nyquest	$ 8,508	$ 5,105

	December 31	
	2017	2016
6) Accounts receivable due from related parties		
Subsidiary		
NTHK	$ 148,165	$ 42,456
Others	29,453	41,244
Related party in substance	33,546	42,340
Associate	17,568	14,723
	$ 228,732	$ 140,763
7) Other receivables		
Parent company	$ 745	$ -
Associate	-	96
	$ 745	$ 96
8) Refundable deposits		
Related party in substance	$ 1,722	$ 1,722
9) Accounts payable to related parties		
Parent company	$ 24,174	$ 27,149
10) Other payables		
Subsidiary		
NTIL	$ 117,745	$ 108,226
Others	2,690	2,588
Parent company	3,006	11,006
	$ 123,441	$ 121,820
11) Guarantee deposits		
Parent company	$ 545	$ 545
Associate	151	151
	$ 696	$ 696

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

12) Payments for property, plant and equipment

	For the Year Ended December 31	
	2017	2016
Parent company	$ -	$ 10,722

13) Guarantee

As of December 31, 2017, the chairman of the Company is a joint guarantor of the land-lease from Taiwan Sugar Corporation. Please refer to Note 21.

14) Other related party transactions

On May 18, 2016, the Company sold 100% of the shares of subsidiary, Techdesign Corporation, to related party, WEC, and the selling price of the investments was $49,850 thousand; please refer to Notes 12 and 23 of the consolidated financial statements for the year ended December 31, 2017.

15) Compensation of key management personnel

	For the Year Ended December 31	
	2017	**2016**
Short-term employment benefits	$ 55,065	$ 41,480
Post-employment benefits	1,683	1,370
	$ 56,748	$ 42,850

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

25. PLEDGED AND COLLATERALIZED ASSETS

Please refer to Note 6.

26. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

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

27. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

	December 31					
	2017			2016		
	Foreign Currencies (Thousand)	Exchange Rate	New Taiwan Dollars (Thousand)	Foreign Currencies (Thousand)	Exchange Rate	New Taiwan Dollars (Thousand)
Financial assets						
Monetary items						
USD	$ 27,701	29.76	$ 824,394	$ 22,836	32.25	$ 736,447
ILS	11,553	8.5791	99,111	12,940	8.3882	108,542
RMB	1,208	4.565	5,513	2,169	4.617	10,014
Investments accounted for using equity method						
USD	14,666	29.76	436,464	13,775	32.25	444,249
INR	51,361	0.4662	23,944	56,959	0.4750	27,056
Financial liabilities						

	December 31					
	2017			2016		
	Foreign Currencies (Thousand)	Exchange Rate	New Taiwan Dollars (Thousand)	Foreign Currencies (Thousand)	Exchange Rate	New Taiwan Dollars (Thousand)
Monetary items						
USD	18,753	29.76	558,087	21,505	32.25	693,535
ILS	13,725	8.5791	117,745	12,902	8.3882	108,226

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

	For the Year Ended December 31			
	2017		2016	
Foreign Currencies	Exchange Rate	Net Foreign Exchange Gain (Loss)	Exchange Rate	Net Foreign Exchange Gain (Loss)
USD	30.43 (USD:NTD)	$ (3,002)	32.26 (USD:NTD)	$ 7,868
RMB	4.5059 (RMB:NTD)	(223)	4.8457 (RMB:NTD)	(455)
ILS	8.4539 (ILS:NTD)	(1,019)	8.4015 (ILS:NTD)	(694)
		$ (4,244)		$ 6,719

28. OPERATING SEGMENTS INFORMATION

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

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

V. Financial Position, Financial Performance and Risk Analysis

A. Analysis of financial status

Unit: NT$1,000

Item\Year	2017	2016	Difference	
			Change (amount)	Change (%)
Current assets	4,449,412	4,383,299	66,113	2
Property, plant and equipment	642,663	526,167	116,496	22
Intangible assets	203,612	257,940	(54,328)	(21)
Other assets	853,145	730,875	122,270	17
Total assets	6,148,832	5,898,281	250,551	4
Current liabilities	1,987,326	1,949,781	37,545	2
Non-current liabilities	498,545	570,026	(71,481)	(13)
Total liabilities	2,485,871	2,519,807	(33,936)	(1)
Capital Stock	2,075,544	2,075,544	-	-
Capital surplus	63,498	63,498	-	-
Retained earnings	1,297,860	1,126,804	171,056	15
Other interests	226,059	112,628	113,431	101
Total equity	3,662,961	3,378,474	284,487	8

Reasons for changes exceeding 20%:

1. Property, plant and equipment: Mainly caused by the acquisition of buildings, machinery and equipment in 2017.
2. Intangible assets: Caused mainly by amortization of intangible assets in 2017.
3. Other interests: Mainly due to increase in unrealized gains on available-for-sale financial assets.

B. Analysis of financial performance

Unit: NT$1,000

Item\Year	2017	2016	Change (amount)	Change (%)
Operating revenue	9,235,382	8,329,286	906,096	11
Operating cost	5,502,875	4,920,966	581,909	12
Gross profit	3,732,507	3,408,320	324,187	10
Operating expenses	3,018,944	2,803,478	215,466	8
Operating profits	713,563	604,842	108,721	18
Non-operating income and expenses	85,868	104,108	(18,240)	(18)
Pre-tax profit	799,431	708,950	90,481	13
Income tax expense	111,298	95,785	15,513	16
Net profit of the term	688,133	613,165	74,968	12
Other comprehensive income of the term	94,485	17,106	77,379	452
Total comprehensive income of the term	782,618	630,271	152,347	24

Reasons for changes exceeding 20%:

Increase in other comprehensive income is mainly due to increase in unrealized valuation loss on available-for-sale financial assets.

The expected sales and its basis, and the possible impact on the Company's future financial operations and response plans:

Sales forecasts for 2018 remain optimistic with regards to the industry outlook, future market demand and the Company's capacity.

C. Analysis of cash flow

Unit: NT$1,000

Cash balance at the beginning of the period	Annual net cash flow from operating activities	Cash outflow due to investing and financing activities	Cash surplus (deficit)	Remedial measures for cash inadequacy	
				Investment plans	Financing plans
1,898,827	378,890	(860,688)	1,417,029	-	-

1. Analysis on the cash flow changes of the current year:
   (1) Operating activities: Mainly caused by operating profits in this period.
   (2) Investing activities: Net cash outflow mainly caused by purchases of property, plant and equipment.
   (3) Financing activities: Net cash outflow mainly caused by distribution of cash dividend.
2. Remedial action for cash deficit and liquidity analysis: Not applicable.
3. Cash flow analysis for the coming year (note):
   (1) Cash inflow from operating activities amounted to NT$960 million: Mainly from operating net profit, add back depreciation and amortization of non-cash expenses.
   (2) Cash outflow from investing activities amounted to NT$420 million: Mainly from capital expenditures.
   (3) Cash outflow from financing activities amounted to NT$500 million: Main due to distribution of cash dividends.

Note: Unaudited figures.

D. Effect of major capital spending on financial position and business operation in the past year: N/A.
   1. Major capital spending and its implementation status: N/A.
   2. Anticipated benefit: N/A.

E. Investment policy in the past year, profit/loss analysis, improvement plan, and investment plan for the coming year: The Company's reinvestment projects are divided into strategic investments and non-strategic investments. The objective of strategic investments is to produce comprehensive results for the operation of the Company, and non-strategic investments are financial in nature. The Company has no long-term strategic interest reinvestments in the past year and will formulate plans in the future as required by company operations.

F. Risk management and evaluation

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

1. Effects of changes in interest rates:

The Company currently operates mainly on own funds and changes in interest rates would have no major impact on the operations of the Company. The Company maintains friendly relations with multiple financial institutions that offer preferred interest rates when the need from capital arises; changes in interest rates would have no major impact on the operations of the Company.

2. Effects of changes in exchange rates:

The Company's transactions in sales and procurement use USD as the main currency for payment and the balance of revenue and expenditure in foreign currency produce a natural hedging effect. The difference in the balancing of foreign currency revenue and expenditure can be lowered by forward foreign exchange contracts with banks, as per the extent of fluctuations, to hedge the exchange rate risk and lower the impact of changes in exchange rates on the Company.

3. Inflation:

   The Company maintains vigilance of the fluctuations in the materials market and product prices and has yet to experience any immediate major impact from domestic or foreign inflation.

(B) Policies, main causes of gain or loss and future response measures with respect to high-risk, high-leveraged investments, lending or endorsement guarantees, and derivatives transactions:

The Company has established "Regulations Governing the Acquisition or Disposal of Assets Procedures," "Procedures for Lending Funds to Other Parties," and the "Regulations Governing Endorsements and Guarantees" as the standard for related operations and these regulations have been passed in resolutions of the Shareholders Meeting. The Company has not engaged in any high-risk, high-leverage investment, loans to other parties or provided any endorsement and guarantee in the past year and as of the publication date of the Annual Report. The Company's derivatives trading policy aims to minimize the risk of fair value fluctuation for assets and liabilities actually owned by the Company under the objective of economic hedge and the resulting loss or income in exchange rates are entirely manageable. The Company has established "Procedures for Financial Derivatives Transactions" as the standard for related operations; in addition, the Company has restricted its subsidiaries from transactions including lending to other parties, providing endorsement guarantees and trading in financial derivatives to close off related risks from subsidiary companies. The Company has restricted its subsidiaries from transactions including lending to other parties, providing endorsement guarantees and trading in financial derivatives to close off related risks from subsidiary companies.

(C) Future R&D Programs and Expected R&D Investment

The Company's future R&D undertaking will focus on the research of more advanced process platform, low-voltage, low-power and high-speed CPU, and special innovative IP technology geared at enhancing the anti-noise capability, low-temperature works, heat resistance and anti-static capability. The goal is to make gradual headway into energy efficient solutions and automotive electronics markets and achieve a technological level on par with MCU suppliers in Europe, U.S. and Japan as soon as possible and continue to expand the customer base and applications to adapt to future changes in the industry. The Company will also carry out R&D for cloud computing, smart handheld devices and logic IC for PC, and moves in the directions of security management, energy saving, and better user experience to expand production lines and applications based on the solid foundation of existing operations. The total 2018 R&D expenditure for the preceding application products is estimated at NT$2.7 billion.

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

The Company's operation policies must follow laws and regulations and the Company must also watch closely the important shifts in policies and laws at home and abroad and consult related experts for their opinion when necessary to take appropriate response measures. As of the date of report, the Company finance and business have not been affected by major changes in government policies and laws at home and abroad.

(E) Impact of recent technological and market changes on the Company's finance and business, and response measures:

The Company watches closely technological and market changes, and will, in view of the circumstances, assign staff or a project team to study and evaluate the impact of those changes on the Company's development, finance and business in the future as well as response measures. As of the date of report, there have not been significant technological changes that may produce material impact on the Company's finance and business.

(F) Impact of corporate image change on risk management and response measures:

The Company is focused on the operation of its main business and internal auditing to comply with related laws and regulations. As of the date of report, the Company has been free of events that affect corporate image.

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

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

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

The Company's purchasing is concentrated due to concerns in product quality and preferred purchasing price, though the Company maintains at least two suppliers for its main materials avoid risks resulting from over-concentration in purchasing. There is no over-concentration of sales for the Company and we continue to develop new products as well as long-term strategic cooperation with customers of excellent financial background to lower the risks of over-concentration of sales.

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

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

(L) Litigation or non-litigation events:

1. The Company's Concluded or pending litigious, non-litigious or administrative litigation event as of the date of report: N/A.
2. The outcome of concluded or pending litigious, non-litigious, or administrative litigation events involving the director, supervisor, president, de facto responsible person, major shareholders holding more than 10% interest, or subsidiary of the Company:

   There are no concluded or pending litigious, non-litigious, or administrative litigation events involving the director, president, de facto responsible person, major shareholders holding more than 10% interest, or subsidiary of the Company in the past two years and up to the printing of this annual report that can have a significant impact on shareholders' equity or securities prices. However, the concluded litigation involving the Chairman of the Company Arthur Yu-Cheng Chiao and the Director Yung Chin is explained as follows:

   The Securities and Futures Investor Protection Center ("SFIPC") filed a lawsuit on April 27, 2005 over misrepresentation of the financial statements of Pacific Electric Wire & Cable Co., Ltd. ("Pacific Electric"). The lawsuit names Mr. Arthur Yu-Cheng Chiao and Ms. Yung Chin co-defendants (including other directors, supervisors and the accounting firm) on grounds that they served as director and supervisor of Pacific Electric between 1999 and 2001 and SFIPC requests compensation for damages from the co-defendants. However, the two directors of Nuvoton have reached a settlement with SFIPC on September 19, 2017. SFIPC withdrew the litigation against the two directors on the same day and related litigation have been terminated.

(M) Risk management organization framework

The Company's risk management tasks are dispersed among different functions inside the Company. The Company has established sound internal management guidelines and operating procedures and has developed comprehensive plans and processes for risk aversion, loss prevention and crisis management. In addition, the Company's management keeps continuous watch over changes in the macroeconomic environment that might affect the Company business and operations and has assigned staff to make planning and formulate response actions against all kinds of contingencies to reduce operational uncertainties to the minimum.

(N) Other significant risks and response measures: N/A.

G. Other important matters: N/A.

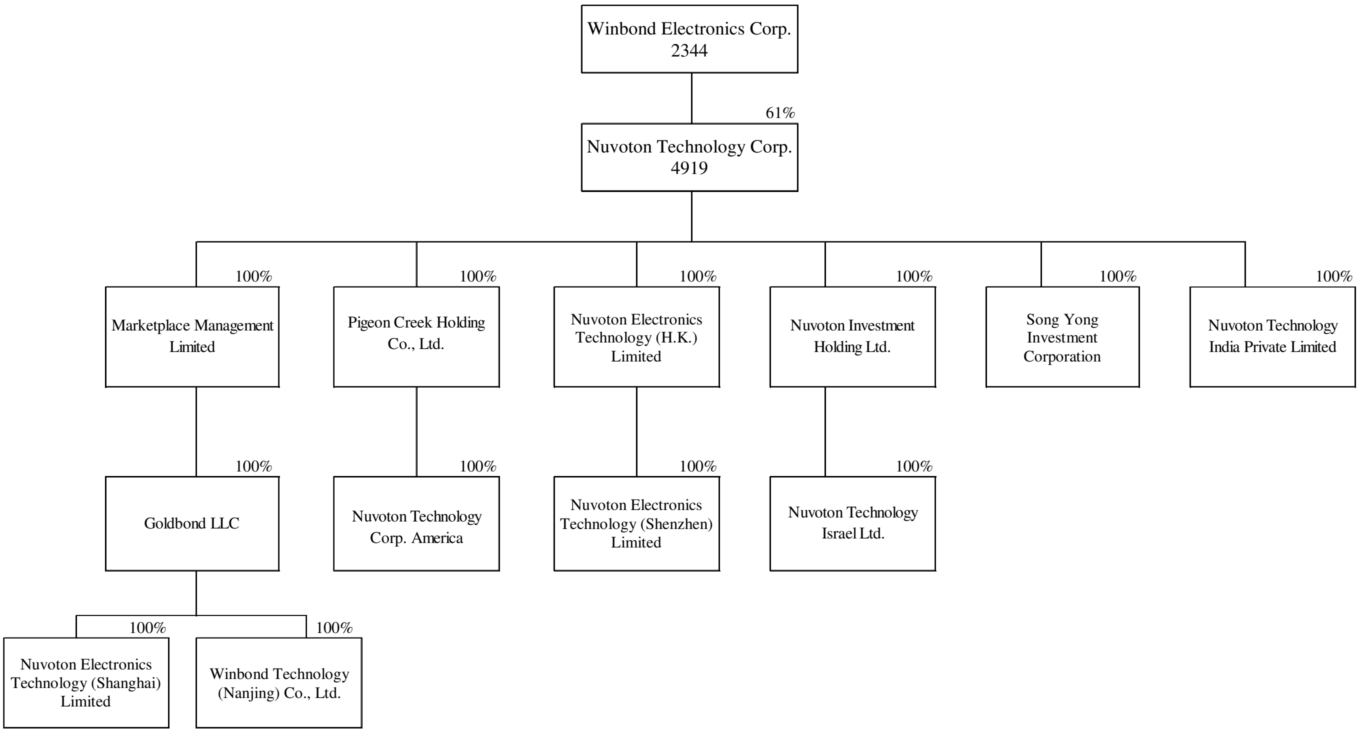
II. Special disclosures

A. Profiles of affiliates and subsidiaries

(A) Consolidated Operation Report of Affiliates

1. Affiliate organization chart

December 31, 2017



2. Basic information of the various affiliated enterprises

December 31, 2017; Unit: thousand NT$/thousand foreign currency

Enterprise name	Date of establishment	Address	Paid-in capital	Main businesses/products
Winbond Electronics Corporation	1987.09.29	No. 8, Keya 1st Road, Daya District, Taichung City, Taiwan	39,800,002	Research & development, production, and sale of all types of semiconductor parts and components used in integrated circuits and other system products.
Nuvoton Technology Corporation	2008.04.09	No. 4, Yanxin 3rd Road, Hsinchu Science Park, Taiwan	2,075,544	Research, design, development manufacture and sales of logic IC products, 6-inch wafer manufacture, testing and foundry services
Marketplace Management Limited	2000.07.28	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands	US$8,791	Investment business
Goldbond LLC	2000.09.22	1912 Capitol Ave, Cheyenne, WY 82001	US$44,727	Investment business
Nuvoton Electronics Technology (Shanghai) Limited	2001.03.30	27F, 2299 Yan An Road (West), Shanghai, P.R. China	RMB16,555	Provide maintenance, test and related technical consulting services for products and solutions sold in Mainland China
Winbond Technology (Nanjing) Co., Ltd.	2005.09.21	Suite 413-40, Gao Xing Technology Industrial Development Zone Office Building, Nanjing, P.R. China	RMB4,046	Provides computer software services (excluding IC design)
Pigeon Creek Holding Co., Ltd.	1997.03.12	Flemming House, Wickhams Cay, P.O. Box 662, Road Town, Tortola, British Virgin Islands	US$13,868	Investment business
Nuvoton Technology Corporation America	2008.05.01	251 Little Falls Drive, Wilmington, DE 19808, Delaware	US$6,050	Design, sales and service of semiconductor components

Enterprise name	Date of establishment	Address	Paid-in capital	Main businesses/products
Nuvoton Electronics Technology (H.K.) Limited	1989.04.04	Unit 9-11, 22F, Millennium City 2, No 378 Kwun Tong Road, Kowloon, Hong Kong	HKD107,400	Sales services for semiconductor components
Nuvoton Electronics Technology (Shenzhen) Limited	2007.02.16	Room 801, 8F Microprofit Building, Gaoxinnan 6 Road, High-Tech Industrial Park, Nanshan District, Shenzhen, P.R. China	RMB46,434	Provides computer software services (excluding IC design), computer and peripheral equipment and software wholesales
Nuvoton Investment Holding Ltd.	2005.03.21	3rd Floor, Omar Hodge Building,Wickhams Cay I,P.O. Box 362, Road Town, Tortola, British Virgin Islands	US$19,720	Investment business
Nuvoton Technology Israel Ltd.	2005.03.22	8 Hasadnaot Street, Herzliya B, 4672835 Israel	ILS1	Design and service of semiconductor parts and components
Song Yong Investment Corporation	2014.04.09	3F, No. 192, Jingye 1st Road, Zhongshan District, Taipei City, Taiwan	38,500	Investment business
Nuvoton Technology India Private Limited	2014.9.26	Suite #2, Tech Park Business Centre, Ground Floor, Innovator Building, International Tech Park, Whitefield, Bangalore 560066	INR60,000	Design, sales and service of semiconductor components

3. Information of common shareholders who are presumed to have a relationship of control and subordination: N/A
4. Basic information of Directors, Supervisors, and Presidents of affiliates

December 31, 2017; Unit: Shares

Enterprise name	Title	Name or representative	Shares held	
			No. of shares	Shareholding ratio
Winbond Electronics Corporation	Chairman	Arthur Yu-Cheng Chiao	63,472,995	2%
	Vice Chairman	Yuan-Mow Su	1,213,226	-
	Director	Matthew Feng-Chiang Miau	108,938	-
	Director	Yung Chin	11,778,797	-
	Director	Walsin Lihwa Corporation Institutional Representative - Ssu-Ju Pan	883,848,423	22%
	Director	Wei-Hsin Ma	-	-
	Director	Chih-Chen Lin	-	-
	Independent Director	Francis Tsai	-	-
	Independent Director	Allen Hsu	-	-
	Independent Director	Jie-Li Hsu	-	-
	Independent Director	Shan-Cheng Chang	-	-
	President	Tung-Yi Chan	901,000	-
Nuvoton Technology Corporation	Chairman	Winbond Electronics Corp. Institutional Representative - Arthur Yu-Cheng Chiao	126,620,087	61%
	Vice Chairman	Robert Hsu	152,328	-
	Director	Ken-Shew Lu	-	-
	Director	Yung Chin	-	-
	Director	Chi-Lin Wea	-	-
	Independent Director	Allen Hsu	-	-
	Independent Director	Royce Yu-Chun Hong	-	-
	Independent Director	David Shu-Chyuan Tu	-	-
	Independent Director	Jie-Li Hsu	-	-
	President	Sean Tai	40,000	-
Marketplace Management Limited	Director Director Director	Nuvoton Technology Corp. Institutional Representative - Arthur Yu-Cheng Chiao Nuvoton Technology Corp. Institutional Representative - Robert Hsu Nuvoton Technology Corp. Institutional Representative - Tung-Yi Chan	8,790,789	100%
Goldbond LLC	Managerial officer (Note 1) Managerial officer (Note 1) Managerial officer (Note 1)	Marketplace Management Limited Institutional Designee - Arthur Yu-Cheng Chiao Marketplace Management Limited Institutional Designee - Jessica Huang Marketplace Management Limited Institutional Designee - Hsiang-Yun Fan	Note 2	100%

Enterprise name	Title	Name or representative	Shares held	
			No. of shares	Shareholding ratio
Nuvoton Electronics Technology (Shanghai) Limited	Chairman Director Director Supervisor	Goldbond LLC Institutional Representative - Sean Tai Goldbond LLC Institutional Representative - Jen-Lieh Lin Goldbond LLC Institutional Representative - Hsiang-Yun Fan Goldbond LLC Institutional Representative - Yung Chin	Note 2	100%
	President	Jo-Wei Fu	Note 2	-
Winbond Technology (Nanjing) Co., Ltd.	Chairman Director Director	Goldbond LLC Institutional Representative - Jen-Lieh Lin Goldbond LLC Institutional Representative - Sean Tai Goldbond LLC Representative - James Wen	Note 2	100%
	President	Bosco Law	Note 2	-
Pigeon Creek Holding Co., Ltd.	Director Director Director	Nuvoton Technology Corp. Institutional Representative - Arthur Yu-Cheng Chiao Nuvoton Technology Corp. Institutional Representative - Tung-Yi Chan Nuvoton Technology Corp. Institutional Representative - Robert Hsu	13,867,925	100%
Nuvoton Technology Corporation America	Chairman Director Director Director Director	Pigeon Creek Holding Co., Ltd. Institutional Representative - Wei-Chan Hsu Pigeon Creek Holding Co., Ltd. Institutional Representative: Hsi-Jung Tsai Pigeon Creek Holding Co., Ltd. Institutional Representative - Sean Tai Pigeon Creek Holding Co., Ltd. Institutional Representative - Jen-Lieh Lin Pigeon Creek Holding Co., Ltd. Institutional Representative - Hsiang-Yun Fan	60,500	100%
	President	Aditya Raina	-	-
Nuvoton Electronics Technology (H.K.) Limited	Chairman Director Director Director	Nuvoton Technology Corp. Institutional Representative - Sean Tai Nuvoton Technology Corp. Institutional Representative - Yung Chin Nuvoton Technology Corp. Institutional Representative - Hsiang-Yun Fan Nuvoton Technology Corp. Institutional Representative - Patrick Wang	107,400,000	100%
	President	Patrick Wang	-	-
Nuvoton Electronics Technology (Shenzhen) Limited	Chairman Director Director Supervisor	Nuvoton Electronics Tech. (H.K.) Ltd. Institutional Representative - Sean Tai Nuvoton Electronics Tech. (H.K.) Ltd. Institutional Representative - Robert Hsu Nuvoton Electronics Tech. (H.K.) Ltd. Institutional Representative - Hsiang-Yun Fan Nuvoton Electronics Tech. (H.K.) Ltd. Institutional Representative - Jen-Lieh Lin	Note 2	100%
	President	Jo-Wei Fu	-	-
Nuvoton Investment Holding Ltd.	Director Director Director	Nuvoton Technology Corp. Institutional Representative - Arthur Yu-Cheng Chiao Nuvoton Technology Corp. Institutional Representative - Robert Hsu Nuvoton Technology Corp. Institutional Representative - Jessica Huang	19,720,000	100%
Nuvoton Technology Israel Ltd.	Chairman Director Director Director Director Director	Nuvoton Investment Holding Ltd. Institutional Representative - Hsin-Lung Yang Nuvoton Investment Holding Ltd. Institutional Representative - Robert I.S. Hsu Nuvoton Investment Holding Ltd. Institutional Representative - Sean Tai Nuvoton Investment Holding Ltd. Institutional Representative - Hsiang-Yun Fan Nuvoton Investment Holding Ltd. Institutional Representative-Biranit Levany Nuvoton Investment Holding Ltd. Institutional Representative-Erez Naory	1,000	100%
	President	Biranit Levany	-	-

Enterprise name	Title	Name or representative	Shares held	
			No. of shares	Shareholding ratio
Song Yong Investment Corporation	Chairman Director Director Supervisor	Nuvoton Technology Corporation Institutional representative - Hsiang-Yun Fan Nuvoton Technology Corp. Institutional Representative - Arthur Yu-Cheng Chiao Nuvoton Technology Corporation Institutional Representative - Sean Tai Nuvoton Technology Corp. Institutional Representative - Jen-Lieh Lin	3,850,000	100%
Nuvoton Technology India Private Limited	Chairman Director Director	Nuvoton Technology Corporation Institutional representative - Hsiang-Yun Fan Nuvoton Technology Corp. Institutional Representative-Jitendra Patil Nuvoton Technology Corp. Institutional Representative - Fu-Yuan Lee	600,000	100%
	President	Jitendra Patil	-	-

Note 1: Goldbond LLC is a company with a managerial officer system.

Note 2: Goldbond LLC, Nuvoton Electronics Technology (Shanghai) Limited, Winbond Technology (Nanjing) Co., Ltd. and Nuvoton Electronics Technology (Shenzhen) Limited are not limited stock companies and have not issued shares.

5. Businesses covered by the affiliated enterprises' overall operations

The businesses covered by the Company's affiliates include mainly the research, design, development, production, sales and services of integrated circuits, various semiconductor components and other system products. Certain affiliates have investment businesses as their main scope of business. Overall, the affiliates support each other in technology, marketing and services in their transactions, allowing the Company to become the most competitive company with our own products.

6. Business overview of affiliates

December 31, 2017; Unit: NT$1,000

Enterprise name	Capital	Total assets	Total liabilities	Net worth	Operating revenue	Operating profit (loss)	Net income (loss)	Earnings (loss) per share (NT$)
Winbond Electronics Corporation	39,800,002	84,410,000	24,197,836	60,212,164	38,102,813	5,710,689	5,550,562	1.54
Nuvoton Technology Corporation	2,075,544	6,094,731	2,431,770	3,662,961	9,000,394	668,458	688,133	3.32
Marketplace Management Limited	261,614	79,174	211	78,963	1,318	1,019	1,019	0.12
Goldbond LLC	1,331,071	80,901	2,039	78,862	1,690	1,317	1,317	Note
Nuvoton Electronics Technology (Shanghai) Limited	75,572	89,927	9,563	80,364	61,334	653	1,690	Note
Winbond Technology (Nanjing) Co., Ltd.	18,468	1,383	3,196	(1,813)	0	0	0	Note
Pigeon Creek Holding Co., Ltd.	413,602	180,497	13,466	167,031	2,416	2,205	2,205	0.16
Nuvoton Technology Corporation America	180,048	221,619	41,864	179,755	440,956	13,713	2,415	39.91
Nuvoton Electronics Technology (H.K.) Limited	408,872	627,323	190,859	436,464	3,575,280	6,397	12,378	0.12
Nuvoton Electronics Technology (Shenzhen) Limited	211,971	229,654	21,654	208,000	139,096	1,016	6,162	Note

Enterprise name	Capital	Total assets	Total liabilities	Net worth	Operating revenue	Operating profit (loss)	Net income (loss)	Earnings (loss) per share (NT$)
Nuvoton Investment Holding Ltd.	586,867	330,522	12,569	317,953	22,680	10,013	10,013	0.51
Nuvoton Technology Israel Ltd.	9	400,911	72,385	328,526	669,468	28,412	22,679	22,679
Song Yong Investment Corporation	38,500	115,495	173	115,322	5,157	4,942	4,940	1.28
Nuvoton Technology India Private Limited	27,972	24,072	128	23,944	0	(3,936)	(2,615)	(4.36)

Note: Goldbond LLC, Nuvoton Electronics Technology (Shanghai) Limited, Winbond Technology (Nanjing) Co., Ltd. and Nuvoton Electronics Technology (Shenzhen) Limited are not limited stock companies and have not issued shares.

(B) Consolidated financial statement of affiliates: Please refer to pages 77 to 126 .

(C) Affiliation Report

1. Statement of Affiliation Report

Statement of Affiliation Report

The Company's 2017 (from January 1 to December 31, 2017) affiliation report was compiled in accordance with the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises and the disclosed information is largely consistent with the related information disclosed in the financial statements of the period.

It is hereby declared

Name of Company: Nuvoton Technology Corporation

Legal Representative: Arthur Yu-Cheng Chiao

January 26, 2018

2. Affiliation Report approval report

Affiliation Report approval report

To Nuvoton Technology Corporation:

The consolidated financial statements of Nuvoton Technology Corporation of 2017 have been audited and certified by CPA in accordance with Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and regular auditing guidelines. The auditing report with unqualified opinion was released on January 26, 2018 was for auditing purposes and demonstrated approval for the comprehensive appropriateness of the consolidated financial statements. The attached Nuvoton Technology Corporation Affiliation Report of 2017 was prepared in accordance with the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises and the CPA has taken necessary measures including obtaining customer statements and auditing related financial information before approval.

According to the opinion of the CPA, the 2017 Nuvoton Technology Corporation Affiliate Report has been edited in accordance with the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises and its financial data is consistent with the consolidated financial statements and requires no major corrections.

Deloitte & Touche

Accountant: Hung-Bin Yu

Accountant: Ker-Chang Wu

January 26, 2018

3. The general relationship between the subsidiary company and the control company

Unit: shares; %

Control company Name	Reason for control	Shares Held by the Control Company and Status of Pledged Shares			Control company's appointment of Directors, Supervisors or professional managerial officers	
		Number of shares held	Shareholding ratio	Pledged shares	Title	Name
Winbond Electronics Corporation	Holds over 50% of shares of the Company and retains control	126,620,087	61%	N/A	Chairman	Arthur Yu-Cheng Chiao

4. Transaction status

(1) Procurement and sales transaction status

Unit: NT$1,000; %

Transaction status with control company				Transaction conditions with control company		Regular transaction terms		Reason for difference	Accounts receivable (payable) and notes		Overdue accounts receivable			Note
Purchase/sale	Amount	Ratio of total procurement (sales)	Gross margin	Unit price (NT$)	Loan period	Unit price (NT$)	Loan period		Balance	Ratio of total accounts receivable (payable) and notes	Amount	Processing method	Allowance for bad debts	
Procurements	164,475	5%	-	-	30 days on a monthly basis	-	30 to 120 days on a monthly basis	-	24,174	3%	-	-	-	

(2) Property transaction status: N/A

(3) Financing status: N/A

(4) Property rental status: N/A

(5) Endorsements and guarantees: N/A

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

C. Holding or disposal of stocks of the Company by subsidiaries in the past year and up to the date of report: N/A

D. Other supplemental information: N/A

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

Nuvoton Technology Corporation

Legal Representative:
Arthur Yu-Cheng Chiao