Stock Code:4919

Nuvoton Technology Corp.

2019

Annual Report

Published on March 31, 2020

Nuvoton Annual Report Website

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

I. Company Spokesperson:
Name: Jessica Huang
Title: Chief Administrative Officer, Finance Center
Telephone: (03)577-0066
Email: CCHuAn15@nuvoton.com

II. Deputy Spokesperson:
Name: Hung-Wen Huang
Title: Deputy Chief Financial Officer, Finance Center
Telephone: (03)577-0066
Email: HWHuAng4@nuvoton.com

III. Nuvoton Address and Telephone Number:
Headquarters: No. 4, Yanxin 3rd Road, Hsinchu Science Park, Taiwan
Telephone: (03) 577-0066 (main line)

IV. 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.ctBcBAnk.com

V. Auditor:
Name of firm: Deloitte & Touche
Name of auditors: Shu-Lin Liu, Accountant and Hung-Bin Yu, Accountant
Address: 20F, No. 100, Songren Road, Xinyi District, Taipei City, Taiwan
Telephone: (02)2725-9988
Website: http://www.deloitte.com.tw

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

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

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Chapter 1. Letter to Shareholders

Dear Shareholders,

In 2019, the trade disputes between the United States and China slowed the global semiconductor market growth. However, the supply chain adjustments brought forth by the changes have created new market opportunities for the Company in this less favorable economic conditions. In the environment filled with challenges and opportunities, the Company has continuously developed new applications, launched new technologies, new products and services, optimized products and customer portfolios, and shown our powerful operational strength.

Financial Performance

With regard to our overall financial performance, the Company's 2019 consolidated revenue was NT$10.367 billion with an annual growth rate of 3.26%. Due to the increase in research and development expenses, the Company recorded NT$558 million in net profits after tax, showing a year-over-year decline of 21.41%. The earnings per share after tax was NT$2.53.

Product, Market and Technological Developments

The Company's business mainly includes microcontroller applications, smart home applications, cloud security, and semiconductor foundry services. Our important achievements are described below:

- In microcontroller applications, we successfully launched the world's first microcontroller based on Arm® Cortex® -M23 with Arm® PSA Certified Level 1 and PSA Functional API certified to provide services in the global market for the security of Internet of Things applications. We also launched the brand-new Arm® Cortex® －M0 MCU NUC029 series for the industrial control application market.
- In terms of smart home applications, Nuvoton launched the new NSPxx voice chips to provide the consumer market with a brand-new audio experience. Nuvoton also launched the first smart amplifier product which has been introduced to our main customers.
- In terms of cloud security, the Company continued to use the best performing Arm® Cortex® A9 dual-core processor and provide continuous shipments of the Baseboard Management Controller (BMC) that supports Intel's Purley server platform. Nuvoton also participated in the "RunBMC" OCP Summit to provide customers with modular solutions for

rapid design. The latest TPM 2.0 security chip meets the latest TPM 2.0 specifications established by the Trusted Computing Group (TCG) for personal computer users. It also passed the Common Criteria (CC)EAL 4+ security ratings and the FIPS 140-2 level 2 password security certification of the United States Federal Information Processing Standards and was directly adopted by main computer platform (NB, DT, Server) OEM brands.

- With regard to semiconductor foundry services, Nuvoton continued to cultivate the power supply market in 2019. UHV has entered mass production and the Company continued to develop new customers for the next-generation BCD process and Half-Bridge HVIC process to provide optimized and customized products. In addition to expanding the scope of customers for Nuvoton's services, the Company also enhanced the competitiveness of customers' products to satisfy their diverse demands.

Honors and Awards

Nuvoton continues to pursue stable growth in its main business sectors and upholds its commitment to sustainability. The Company obtained occupational health and safety management system certification in line with ISO 45001-2018 standards in 2019. With regard to the Company's long-term goals for sustainable environmental development, Nuvoton continued to invest in energy conservation and green energy-related machinery and equipment for environmental sustainability. In 2019, we installed a new chiller system and added LED lamps which resulted in electricity savings of more than 2 million kWh. These demonstrated our outstanding achievements from continuous CSR investment. In terms of corporate governance, Nuvoton continued to fulfill its corporate responsibilities and was recognized as one of the top 5% listed companies in the fifth Corporate Governance Evaluation Survey conducted by the Taiwan Stock Exchange in 2019.

Corporate Management and Expectations

In the face of fierce competition in the global semiconductor industry, the Company will uphold the principles of sustainable development and globalization and continue to develop new products, applications, and services. We shall continue to work with customers and promote innovative applications and services for the global market.

The development of artificial intelligence, 5G networks, the Internet of Things, and related frameworks will promote the development of related applied products in smart cities, smart appliances, smart medical services, and smart automobiles. The related technical demands will definitely lead to rapid developments in the technology sector and elevate the semiconductor industry to new heights. In response to the future trends, Nuvoton shall seize opportunities to expand the scale of its semiconductor business, expand global sales channels, replenish labor capital, and obtain stronger R&D capabilities to create a favorable strategic and competitive position for the Company in the growing industry. In the future, the Company will steadily strengthen its capabilities, actively innovate, engage in sustainable development, and expand its influence in the global semiconductor industry to maximize value for our shareholders, clients, and employees.

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

Yuan-Mou Su, Chairman

Chapter 2. Company Overview

I. Company profile and history

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

The Company focuses on the R&D, design and sales of integrated circuits, and has achieved leading positions in microcontrollers, microprocessor, audio, 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. We were also ranked among the excellent exporters/importers by the Bureau of Foreign Trade in 2014. We won the Taiwan Corporate Sustainability Award and the Potential Taiwan Mittelstand Award in 2015, the Excellent Occupational Safety and Health Promotion Performance award from the Hsinchu Science Park Administration in 2016, and "2017 Environmental Education Partner" of Hsinchu Science Park Bureau in 2017. We actively improved electricity consumption in our plants in 2018 and received the "Energy Conservation Elite" from the Ministry of Economic Affairs. The Company obtained occupational health and safety management system certification in line with ISO 45001-2018 standards in 2019. These awards exemplify the national-level high regard bestowed upon the Company and our commitment to corporate social responsibilities. In terms of corporate governance, Nuvoton continued to fulfill the corporate responsibilities and was recognized as one of the top 5% listed companies in the fifth Corporate Governance Evaluation Survey conducted by Taiwan Stock Exchange in 2019.

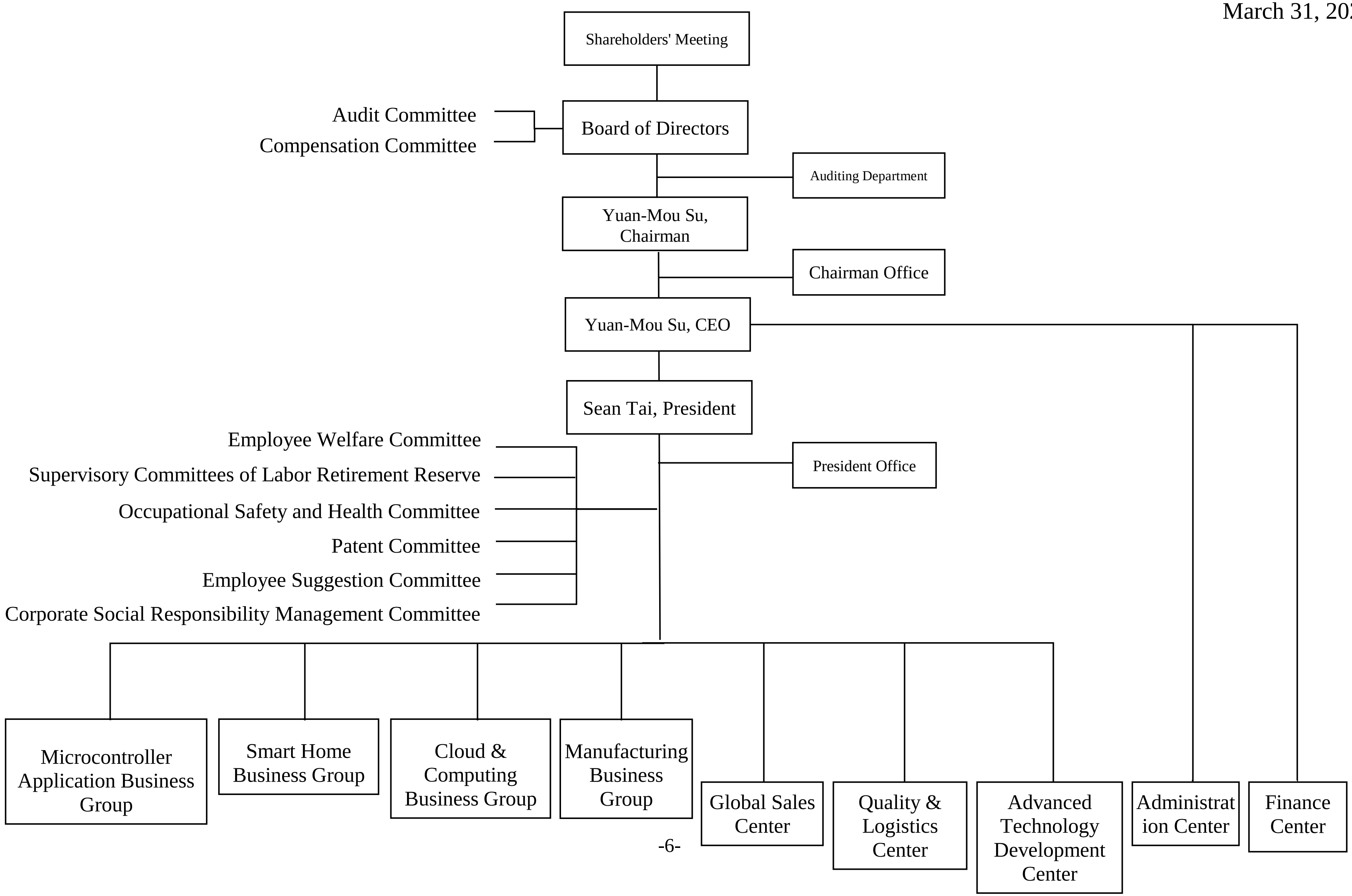
The Company will continue to build up its strength in R&D and focus on the core businesses while establishing itself as a market leader. The Company will aim to achieve sustainability and advance steadily to achieve a world-class IC designer and manufacturer.

II. Corporate Governance Report

(I) Organizational structure and major business units

1. Organization structure

March 31, 2020



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.
Smart Home Business Group	Planning, R&D, promotion and operation of audio products.
Cloud & Computing Business Group	1. Planning, promotion and operation of computer products. 2. Planning, promotion and operation of cloud-based platforms and devices. 3. Investigation, planning and preparation for future and strategic products. 4. Cloud security platform plans and strategic partner management.
Manufacturing Business Group	1. Conduct IC manufacturing business to achieve profit goals. 2. Provide competitive manufacturing solutions. 3. Provide IC foundry services. 4. Integrate outsourced businesses and develop IC manufacturing strategies.
Global Sales Center	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. 3. Establish standard operating procedures for internal IC design and develop necessary auxiliary software. 4. Assist the product line in developing products and provide integrated services for the latter stages of CAD and IC design.
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.

Department	Key businesses
	2. Satisfy the human resource demands for the Company's operations and growth. 3. Review the Company's contracts and process related legal patent matters.
Finance Center	1. Planning and execution of accounting system and tax matters. 2. Planning and evaluation of budget and costs. 3. Planning and maneuvering of Company funds and investment management. 4. Public relations management.

(II) Profile of Directors, Supervisors and Managerial Officers

1. Director information (1)

March 31, 2020; 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			Note
							No. of shares	Percentage of shares	No. of shares	Percentage of shares	No. of shares	Percentage of shares	No. of shares	Percentage of shares			Title	Name	Relation ship	
Director	ROC	Winbond Electronics Corporation	-	2019.6.24	3 years	2008.3.14	126,620,087	61.01%	177,000,000	61.55%	-	-	-	-	-	Note 1	N/A	N/A	N/A	
Chairman	ROC	Winbond Electronics Corporation Representative: Yuan-Mou Su	Male	2020.2.6	3 years	2020.2.6	-	-	-	-	-	-	-	-	Master of Electrical Engineering, University of Southern California BS in Electrical Engineering, National Chiao Tung University Vice Chairman, Winbond Electronics Corporation	Note 2	N/A	N/A	N/A	Note 12
Director	ROC	Arthur Yu-Cheng Chiao	Male	2019.6.24	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 3	Director	Yung Chin	Spouse	
Director	ROC	Ken-Shew Lu	Male	2019.6.24	3 years	2008.3.14	-	-	-	-	-	-	-	-	Doctorate in Electrical Engineering, Texas Tech University Senior Vice President of Memory Products, Senior Vice President of Global Mixed and Analog, Signal Logical Products of Texas Instruments Incorporated, Chairman of LED Engin Inc.	Note 4	N/A	N/A	N/A	
Director	ROC	Chi-Lin Wea	Male	2019.6.24	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 5	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			Note
							No. of shares	Percentage of shares	No. of shares	Percentage of shares	No. of shares	Percentage of shares	No. of shares	Percentage of shares			Title	Name	Relation ship	
Director	ROC	Chin Xin Investment Corp.	-	2019.6.24	3 years	2019.6.24	253,185	0.12%	1,230,816	0.43%	-	-	-	-	-	Note 6	N/A	N/A	N/A	
Director	ROC	Representative of Chin Xin Investment Co., Ltd.: Yung Chin	Female	2019.6.24	3 years	2008.3.14	-	-	-	-	-	-	-	-	B.A. in Mathematics, National Taiwan University, Master's degree in Applied Mathematics, University of Washington	Note 7	Director	Arthur Yu-Cheng Chiao	Spouse	
Independent Director	ROC	Allen Hsu	Male	2019.6.24	3 years	2013.6.14	-	-	-	-	-	-	-	-	M.B.A. of National Chengchi University and advanced courses at Wharton School in the U.S. Chairman of Altek Corporation, Myson Century Inc., Chingis Technology Corporation, and Taiwan Mask Corporation; Independent Director of ANZ Bank (Taiwan) Limited	Note 8	N/A	N/A	N/A	
Independent Director	ROC	David Shu-Chyuan Tu	Male	2019.6.24	3 years	2014.6.12	-	-	-	-	-	-	-	-	Master of Computer Engineering from California State University, Bachelor of Computer Engineering from National Chiao Tung University; President of Planning Department of Synnex Technology International Corp	Note 9	N/A	N/A	N/A	
Independent Director	ROC	Royce Yu-Chun Hong	Male	2019.6.24	3 years	99.4.23	-	-	-	-	-	-	-	-	Bachelor degree in Industrial Design from Rhode Island School of Design, Bachelor degree in Graphic Design from the Art Center College of Design	Note 10	N/A	N/A	N/A	
Independent Director	ROC	Jie-Li Hsu	Male	2019.6.24	3 years	2016.6.15	-	-	-	-	-	-	-	-	Bachelor of Commerce from the University of Toronto, Master in International Management from Waseda University, MBA from Peking University, Director of Kinpo Electronics, Inc.	Note 11	N/A	N/A	N/A	

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

Note 2: Mr. Yuan-Mou Su is the Company's Chairman and CEO; Director of Winbond Integrated Circuit (Suzhou).

Note 3: The Director Mr. Arthur Yu-Cheng Chiao serves concurrently as the Chairman and CEO of Winbond Electronics Corp.; Chairman of Gin Hsin Investment Co., Ltd.; Director of Walsin Lihwa Corp., Walsin Technology Corporation, United Industrial Gases Co., Ltd., Chin Cheng Construction Corp., Song Yong Investment Corporation, Winbond Electronics Corporation America, Landmark Group Holdings Ltd., Winbond International Corporation, Peaceful River Corporation, Nuvoton Investment Holding Ltd., and Marketplace Management Limited; Independent Director, Compensation Committee Convener, and Audit Committee member of Taiwan Cement Corporation and Independent Director, Compensation Committee member, and Audit Committee member of Synnex Technology International Corp.; managerial officer of Goldbond LLC; and Supervisor of MiTac International Corp.;

Note 4: 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 5: 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 6: Institutional Director Chin Xin Investment Corp. serves concurrently as Director of Walsin Lihwa Corporation, HannStar Board Corporation, Global Investment Holdings Co., Ltd., and Glorystone Inc.

Note 7: Director Ms. Yung Chin serves concurrently as Director and Chief Administrative Officer of Winbond Electronics Corp.; Chairman of Winbond (H.K.), Pine Capital Investment Limited, and Hwa Bao Botanic Conservation Corp.; Director of Winbond Electronics Corporation America, Peaceful River Corporation, and Nuvoton Electronics Technology (H.K.) Limited. She also serves concurrently as Supervisor of Qing An Investment Limited, Yau Cheung Investment Limited, Winbond Electronics Corporation Japan, Winbond Electronics (Suzhou) Ltd., and Nuvoton Electronics Technology (Shanghai) Limited.

Note 8: Independent Director Mr. Allen 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 and Convener of the Compensation Committee and Audit Committee of Winbond Electronics Corp.

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

Note 10: Independent Director Mr. 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 11: Independent Director Mr. Jie-Li Hsu serves concurrently as Director of Cal-Comp Biotech Co., Ltd, Kunji Venture Capital Inc., Kinpo Electronics, Inc., Prudence Venture investment Corp., PCHome Online Inc, Cal-Comp Big Data, Inc., the Eslite Spectrum Corporation, AcBel (USA) Polytech Inc., AcBel Polytech (SAMOA) Investment Inc., AcBel Polytech (Singapore) Pte Ltd., AcBel Polytech (UK) Limited, AcBel Polytech Japan Inc., and Power Station Holdings Ltd.; President and Director of AcBel Electronic (Dongguan) Co., Ltd., AcBel Electronic (Dong Guan) Co., Ltd. and AcBel Electronic (Wuhan) Co., Ltd.; Independent Director of Winbond Electronics Corp. and Sirtec International Co., Ltd.; Supervisor of Fu Bao Investment Co., Ltd. and Teleport Access Services; Director and Vice President of AcBel Polytech Inc.; Assistant Manager of Compal Electronics Inc; Member of the Compensation Committee and Audit Committee of Winbond Electronics Corp.

Note 12: Nuvoton appoints the same person to serve as the Chairman and CEO of the Company mainly to improve the operating performance of the Group's organization and increase shareholders' interests to achieve corporate sustainability. Other members of the Board of Directors do not serve concurrently as employees or managerial officers of the Company and they retain their objectiveness and supervision.

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

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Name of institutional shareholder	Major shareholders of institutional shareholders
Winbond Electronics Corp.	Walsin Lihwa Corporation (22.21%), Chin Xin Investment Corp. (5.53%), Arthur Yu-Cheng Chiao (1.59%), Vanguard Star Vanguard Total International Stock Index Fund under the custody of JP Morgan Chase (1.23%), Vanguard FTSE Emerging Markets Stock ETF Account under the trust of JPMorgan Chase (1.16%), Norges Bank investment account under the custody of Citibank Taiwan Ltd. (1.13%), LGT Bank (Singapore) Investment Fund under the custody of JPMorgan Chase Bank N.A. Taipei Branch (1.04%), Pai-Yung Hong (0.97%), Dimension Emerging Market Evaluation Fund under the trust of Citibank (Taiwan) (0.89%), Yu-Heng Chiao (0.80%).
Chin Xin Investment Corp.	Winbond Electronics (37.69%), Walsin Lihwa (36.99%), Oriental Consortium Investment Limited (4.43%), Arthur Chiao (3.14%), Chiao Yu-Lon (3.14%), Chiao Yu-Heng (3.14%), Yu-Chi Chiao (3.14%), Walsin Technology Co. (1.86%), HannStar Board Corporation (1.34%), Prosperity Dielectrics Co. (0.72%).

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

March 31, 2020

Name of Institution	Major shareholders of institution
Walsin Lihwa Corporation	Winbond Electronics Corp. (6.55%), Gin Hsin Investment Co., Ltd (6.31%), LGT Bank (Singapore) Investment Fund under the custody of JPMorgan Chase Bank N.A. Taipei Branch (5.87%), Yuanta/P-shares Taiwan Dividend Plus ETF investment account (5.64%), Chiao Yu-Hui (2.77%), Oriental Consortium Investment (2.16%), Chiao Yu-Heng (1.74%), Vanguard Star Vanguard Total International Stock Index Fund under the custody of JP Morgan Chase (1.67%), Rong Chiang International Ltd. (1.66%), Chiao Yu-Chi (1.53%).
Oriental Consortium Investment	HannStar Display Corporation (100%)
Walsin Technology Corporation	Walsin Lihwa Corporation (18.30%), HannStar Board Corporation (7.45%), Global Brands Manufacture Ltd. (3.11%), Walton Advanced Engineering, Inc. (2.74%), Maybank Kim Eng Securities Limited Investment Fund under the trust of Citibank (Taiwan) (2.74%), Chiao Yu-Heng (2.59%), Winbond Electronics Corporation (2.01%), Yuanta/P-shares Taiwan Dividend Plus ETF investment account (1.81%), Vanguard Star Vanguard Total International Stock Index Fund under the custody of JP Morgan Chase (1.61%), Vanguard Emerging Markets Stock Index Fund investment account under the trust of JPMorgan Chase (1.50%).
HannStar Board Corporation	Walsin Technology Corporation (20.18%), Walsin Lihwa Corporation (12.23%), Career Technology Mfg. Co., Ltd. (6.51%), Gin Hsin Investment Co., Ltd (3.59%), Hong Pai-Yung (1.86%), Chiao Yu-Heng (1.69%), Acadian Emerging Markets Portfolio Small-Scale Capital Stock Fund Corporation Investment Account under the trust of HSBC Bank (1.60%), BNP Paribas Wealth Management Bank Singapore Branch Account under the trust of HSBC Bank (1.51%), Chiu Yue-Hung (1.21%), Wang Kuo-Ming (0.99%).
Prosperity Dielectrics Co., Ltd.	Walsin Technology Corp. (43.13%), Fubon Life Insurance Co., Ltd. discretionary investment account under the trust of Fuh Hwa (1.96%), Fuh Hwa Digital Economy Fund investment account under the trust of Mega International Commercial Bank Co., Ltd. (1.11%), Walton Advanced Engineering, Inc. (0.75%), Chiao Yu-Heng (0.62%), Ta-Ho Maritime Corporation (0.55%), ABC Taiwan Electronics Corp. (0.47%), Morgan Stanley & Co. International Limited investment account under the custody of HSBC Bank (Taiwan) (0.26%), Yang Ming-Hua (0.25%), Su Ing-Ing (0.24%).

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	11	12	
Winbond Electronics Corporation Representative: Yuan-Mou Su			V			V						V	V	V		-
Arthur Yu-Cheng Chiao			V			V						V		V	V	2
Ken-Shew Lu			V	V	V	V	V	V	V	V	V	V	V	V	V	-
Chi-Lin Wea	V		V	V	V	V	V	V	V	V	V	V	V	V	V	3
Representative of Chin Xin Investment Co., Ltd.: Yung Chin			V			V						V		V		-
Allen Hsu			V	V	V	V	V	V	V	V	V	V	V	V	V	1
David Shu-Chyuan Tu			V	V	V	V	V	V	V	V	V	V	V	V	V	-
Royce Yu-Chun Hong			V	V	V	V	V	V	V	V	V	V	V	V	V	-
Jie-Li Hsu			V	V	V	V	V	V	V	V	V	V	V	V	V	2

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

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

(2) Not a Director or Supervisor of the Company or its affiliates (this restriction does not apply to independent directors in the Company, its parent company, subsidiaries, or subsidiaries of the same parent company which have been appointed in accordance with local laws or laws of the registered country).

(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 1% 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 managerial officers listed in subparagraph (1) or persons listed in subparagraphs (2) and (3);

(5) Not a Director, Supervisor or employee of a corporate shareholder who directly holds more than 5% of the total number of issued shares of the Company or is ranked top five in terms of the number of shares held or is designated as a Director or Supervisor of the Company pursuant to Paragraph 1 or 2, Article 27 of the Company Act (this restriction does not apply to independent directors in the Company, its parent company, subsidiaries, or subsidiaries of the same parent company which have been appointed in accordance with local laws or laws of the registered

country).

(6) Not a Director, Supervisor, or employee of a company with a majority of the company's director seats or voting shares and those of any other company are controlled by the same person (this restriction does not apply to independent directors in the Company, its parent company, subsidiaries, or subsidiaries of the same parent company which have been appointed in accordance with local laws or laws of the registered country).

(7) Not a Director, Supervisor, or employee of a company or institution with the same chairperson of the board, president, or equivalent position, or a spouse thereof (this restriction does not apply to independent directors in the Company, its parent company, subsidiaries, or subsidiaries of the same parent company which have been appointed in accordance with local laws or laws of the registered country).

(8) Not a Director, Supervisor, manager, or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the company (this restriction does not apply to specific companies or institutions if they hold more than 20% but less than 50% of the outstanding shares of the Company or independent directors in the Company, its parent company, subsidiaries, or subsidiaries of the same parent company which have been appointed in accordance with local laws or laws of the registered country).

(9) Not a professional individual, or an owner, partner, director, supervisor, or manager of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Securities and Exchange Act or to the Business Mergers and Acquisitions Act or related laws or regulations.

(10) Not having a marital relationship, or a relative within the second degree of kinship to any other Director of the Company.

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

(12) 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 director ranging between nine to thirteen seats shall be determined when holding elections according to practical requirements.

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

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

The Board of Directors shall possess the following abilities:

Title	Name	Gender	Core Diversification Item				
			Business management	Leadership and decision making	Knowledge of the industry	Finance and accounting	IT expertise
Chairman	Representative of Winbond Electronics Corp.: Yuan-Mou Su	Male	V	V	V	V	V
Director	Arthur Yu-Cheng Chiao	Male	V	V	V	V	V
Director	Representative of Chin Xin Investment Co., Ltd.: Yung Chin	Female	V	V	V	V	V
Director	Ken-Shew Lu	Male	V	V	V	V	V
Director	Chi-Lin Wea	Male	V	V	V	V	V
Independent	Royce Yu-Chun Hong	Male	V	V	V	V	V

Director							
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, 2020 Unit: shares

Title	Nationality	Name	Gender	Appointment Date	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			Note
					No. of shares	Percentage of shares	No. of shares	Percentage of shares	No. of shares	Percentage of shares			Title	Name	Relationship	
CEO	ROC	Yuan-Mou Su	Male	2020.3.1	-	-	-	-			Master of Electrical Engineering, University of Southern California BS in Electrical Engineering, National Chiao Tung University Vice Chairman, Winbond Electronics Corporation	Chairman of Winbond Electronics (Suzhou) Ltd..	N/A	N/A	N/A	Note 2
President	ROC	Sean Tai	Male	2014.2.5	100,000	0.03%	-	-	-	-	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, Hannstouch Solution Incorporated, and Winbond Technology (Nanjing) Co., Ltd.	N/A	N/A	N/A	
VP	ROC	Yo-Song Cheng	Male	2019.10.14	-	-	-	-	-	-	BS in Electrical Engineering, Tamkang University Assistant Vice President, Quality & ESH Center	Director of Nuvoton Technology Singapore Pte. Ltd.	N/A	N/A	N/A	
VP	ROC	Jen-Lieh Lin	Male	2008.7.1	239,142	0.08%	-	-	-	-	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, Nuvoton Technology Corporation America, and Nuvoton Technology Israel Ltd. Supervisor of Nuvoton Electronics Technology (Shenzhen) Limited and Song Yong Investment Corporation; Chairman of Winbond Technology (Nanjing) Co., Ltd. Chairman of Winbond Technology (Nanjing) Ltd.	N/A	N/A	N/A	
VP	ROC	Hsin-Lung Yang	Male	2011.1.24	39,000	0.01%	-	-	-	-	Master of Computer Science, National Tsing Hua University Senior Director of Multimedia R&D Division of Cheertek Inc. Technical Managerial Officer of Product Design and Marketing, Novatek Microelectronics Corp.	Chairman of Nuvoton Technology Israel Ltd.	N/A	N/A	N/A	
VP	ROC	Patrick Wang	Male	2014.5.5	35,000	0.01%	-	-	-	-	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; Director of Nuvoton Electronics Technology (Shanghai) Limited and Nuvoton Technology Singapore Pte. Ltd.	N/A	N/A	N/A	

Title	Nationality	Name	Gender	Appointment Date	Shares held		Shares held by spouse and underage children		Shareholding by nominee arrangement		Education and Work Experiences	Current job position in other companies	Managerial officer who is a spouse or a relative within second degree			Note
					No. of shares	Percentage of shares	No. of shares	Percentage of shares	No. of shares	Percentage of shares			Title	Name	Relationship	
VP	ROC	Kuang-Lun Lin	Male	107.3.1	30,516	0.01%					MS in Physics, National Tsing Hua University Deputy Plant Managerial Officer of the Micro Imaging Engineering Department of Winbond Electronics Corporation Director, Quality and Logistic Center, Nuvoton Technology Corporation	N/A	N/A	N/A	N/A	
Chief Financial Officer	ROC	Jessica Huang	Female	2019.8.1	35,000	0.01%					MBA, Indiana University Vice President of Finance, Winbond Electronics Corp. Vice President of Citibank	Managerial Officer, Chief Financial Officer, and Corporate Governance Officer. of Winbond Electronics Corp.; Director of Winbond Electronics (HK), Winbond Electronics Corporation Japan, Winbond Technology Ltd., Winbond Electronics Corporation America, Nuvoton Investment Holding Ltd., and Winbond Integrated Circuit (Suzhou); President, Pine Capital Investment Ltd. Supervisor of Search Marketing Co. and Chin Xin Investment; Managerial Officer of Goldbond LLC.	N/A	N/A	N/A	
Chief Accounting Officer	ROC	Hung-Wen Huang	Male	2015.2.1	29,616	0.01%	-	-	-	-	PhD from the Department of Industrial Engineering and Management, National Chiao Tung University Director of Accounting Department of Winbond Electronics Corporation	Director of Nuvoton Electronics Technology (Shenzhen) Limited, Nuvoton Electronics Technology (H.K.) Limited, Nuvoton Electronics Technology (Shanghai) Limited, Nuvoton Technology Israel Ltd., Nuvoton Technology Corp. America, Nuvoton Technology India Private. Ltd., Marketplace Management Limited, and Nuvoton Investment Holding Ltd.; Managerial Officer of Goldbond LLC.	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: Nuvoton appoints the same person to serve as the Chairman and CEO of the Company mainly to improve the operating performance of the Group's organization and increase shareholders' interests to achieve corporate sustainability. Other members of the Board of Directors do not serve concurrently as employees or managerial officers of the Company and they retain their objectiveness and supervision.

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, 2019; Unit: NT$1,000

Title	Name	Director's remuneration								Ratio of total compensation (A+B+C+D) to net income (%) (Note 6)		Pay received as an employee								Percentage of the total sums of A, B, C, D, E, F, and G on the net profit (Note 6)		Compensation from investments other than subsidiaries or the parent company(Note 7)
		Remuneration (A) (Note 1)		Retirement pension (B)		Director's remuneration (C) (Note 2)		Fees for conducting business (D) (Note 3)				Salary, bonuses and allowances (E) (Note 4)		Severance pay and pension (F)		Remuneration of employees (G) (Note 2)						
		The Company	All companies in the financial statements(Note 5)	The Company	All companies in the financial statements(Note 5)	The Company	All companies in the financial statements(Note 5)	The Company	All companies in the financial statements(Note 5)	The Company	All companies in the financial statements(Note 5)	The Company	All companies in the financial statements(Note 5)	The Company	All companies in the financial statements(Note 5)	The Company		All companies in the financial statements (Note 5)		The Company	All companies in the financial statements(Note 5)	
																Cash value	Share value	Cash value	Share value			
Director	Representative of Winbond Electronics Corp.: Pei-Ming Chen (Note 8) Arthur Yu-Cheng Chiao (Note 8) Robert Hsu (Note 8) Representative of Chin Xin Investment Co., Ltd.: Yung Chin (Note 8) Ken-Shew Lu Chi-Lin Wea	-	-	-	-	3,784	3,784	480	480	0.76%	0.76%	3,517	3,517	45	45	730	-	730	-	1.53%	1.53%	96
Independent Director	Royce Yu-Chun Hong Allen Hsu David Shu-Chyuan Tu Jie-Li Hsu	960	960	-	-	3,027	3,027	480	480	0.80%	0.80%	-	-	-	-	-	-	-	-	0.80%	0.80%	-

1. Please describe the policy, system, standards and structure of the compensation of the Independent Directors and explain the relevance of the amount of remuneration paid to them based on factors such as responsibility, risk and time commitment: The Company established the compensation structure for the Directors in accordance with related laws and regulations and established various compensation standards by referencing industry norms. The Company also reviews the Directors' salary and compensation policies, systems, structure, and standards from time to time in accordance with the Company's long-term and short-term development plans. The results are submitted to the Compensation Committee for review and submitted to the Board of Directors for discussion.
2. Except as disclosed above, remuneration received by directors in the latest year for on-balance sheet services (e.g. acting as a non-employee consultant) rendered to the Company: N/A.

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 statements H	The Company	All investees I
Below NT$1,000,000	Representatives of Winbond Electronics Corp.(Pei-Ming Chen), Yu-Cheng Chiao, In-Shek Hsu, Representatives of Chin Xin Investment Corp. (Yung Chin), Ken-Shew Lu, Chi-Lin Wea	Representatives of Winbond Electronics Corp.(Pei-Ming Chen), Yu-Cheng Chiao, In-Shek Hsu, Representatives of Chin Xin Investment Corp. (Yung Chin), Ken-Shew Lu, Chi-Lin Wea	Yu-Cheng Chiao, In-Shek Hsu, representatives of Chin Xin Investment Corp.: (Yung Chin), Ken-Shew Lu, Chi-Lin Wea	Yu-Cheng Chiao, In-Shek Hsu, representatives of Chin Xin Investment Corp.: (Yung Chin), Ken-Shew Lu, Chi-Lin Wea
NT$1,000,000 (inclusive) to NT$2,000,000 (exclusive)	Yu-Chun Hong, Allen Hsu, Shu-Chyuan Tu, Jie-Li Hsu	Yu-Chun Hong, Allen Hsu, Shu-Chyuan Tu, Jie-Li Hsu	Yu-Chun Hong, Allen Hsu, Shu-Chyuan Tu, Jie-Li Hsu	Yu-Chun Hong, Allen Hsu, Shu-Chyuan Tu, Jie-Li Hsu
NT$2,000,000 (inclusive) to NT$3,500,000 (exclusive)	-	-	-	-
NT$3,500,000 (inclusive) to NT$5,000,000 (exclusive)	-	-	Representative of Winbond Electronics Corp. (Pei-Ming Chen)	Representative of Winbond Electronics Corp. (Pei-Ming Chen)
NT$5,000,000 (inclusive) to NT$10,000,000 (exclusive)				
NT$10,000,000 (inclusive) to NT$15,000,000 (exclusive)	-	-	-	-
NT$15,000,000 (inclusive) to NT$30,000,000 (exclusive)	-	-	-	-
NT$30,000,000 (inclusive) to NT$50,000,000 (exclusive)	-	-	-	-
NT$50,000,000 (inclusive) to NT$100,000,000 (exclusive)	-	-	-	-
Greater than NT$100,000,000	-	-	-	-
Total	10	10	10	10

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 2019 remuneration of directors and employees on February 6, 2020. 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 2019.

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.

Note 8: Mr. Pei-Ming Chen began serving as the Company's Chairman on June 24, 2019 and was relieved of his duties as the Company's Chairman on February 6, 2020. The Representative of Institutional Director Mr. Yu-Cheng Chiao became a Director on June 24, 2019. Mr. In-Shek Hsu was relieved of his duties as the Company's Deputy Chairman on June 24, 2019. The Director Ms. Yung Chin became a Representative of Institutional Director on June 24, 2019.

3.3 Remunerations to President and Vice President

December 31, 2019; Unit: NT$1,000

Title	Name	Salary(A) (Note 1)		Retirement pension(B)		Bonuses and allowances, etc.(C) (Note 2)		Employee remuneration(D) (Note 3)				Ratio of total compensation (A+B+C+D) to net income (%) (Note 5)		Compensation from investments other than subsidiaries or the parent company (Note 6)
		The Company	All companies in the financial statements (Note 4)	The Company	All companies in the financial statements (Note 4)	The Company	All companies in the financial statements (Note 4)	The Company		All companies in the financial statements (Note 4)		The Company	All companies in the financial statements (Note 4)	
								Cash value	Share value	Cash value	Share value			
CEO	Pei-Ming Chen (Note 7)	26,660	26,660	1,354	1,354	17,916	17,916	3,389	-	3,389	-	8.83%	8.83%	2
President	Sean Tai													
VP	Jen-Lieh Lin													
VP	Hsi-Jung Tsai (Note 7)													
VP	Hsiang-Yun Fan (Note 7)													
VP	Hsin-Lung Yang													
VP	Patrick Wang													
VP	Kuang-Lun Lin (Note 7)													
VP	Yo-Song Cheng (Note 7)													

Range of remuneration table

Range of remuneration paid to Presidents and Vice Presidents	Name of President and Vice Presidents	
	The Company	All investees
Below NT$1,000,000	-	-
NT$1,000,000 (inclusive) to NT$2,000,000 (exclusive)	Yo-Song Cheng	Yo-Song Cheng
NT$2,000,000 (inclusive) to NT$3,500,000 (exclusive)	Kuang-Lun Lin	Kuang-Lun Lin
NT$3,500,000 (inclusive) to NT$5,000,000 (exclusive)	Pei-Ming Chen, Hsi-Jung Tsai, Hsiang-Yun Fan	Pei-Ming Chen, Hsi-Jung Tsai, Hsiang-Yun Fan
NT$5,000,000 (inclusive) to NT$10,000,000 (exclusive)	Jen-Lie Lin, Patrick Wang, Hsin-Lung Yang	Jen-Lie Lin, Patrick Wang, Hsin-Lung Yang
NT$10,000,000 (inclusive) to NT$15,000,000 (exclusive)	Sean Tai	Sean Tai
NT$15,000,000 (inclusive) to NT$30,000,000 (exclusive)	-	-
NT$30,000,000 (inclusive) to NT$50,000,000 (exclusive)	-	-
NT$50,000,000 (inclusive) to NT$100,000,000 (exclusive)	-	-
Greater than NT$100,000,000	-	-
Total	9	9

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 2019 remuneration of directors and employees on February 6, 2020.
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 2019.

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. Pei-Ming Chen began serving concurrently as the Company's CEO on August 1, 2019 and was relieved of his duties as the Managerial Officer on February 6, 2020. Mr. Hsi-Jung Tsai was relieved of his duties as Managerial Officer on October 14, 2019. Mr. Hsiang-Yun Fan was relieved of his duties as Managerial Officer on August 1, 2019. Mr. Kuang-Lun Lin was promoted to Vice President on July 25, 2019. Mr. Yo-Song Cheng began serving as Managerial Officer on October 14, 2019.

3.4 Managerial officer's name and the distribution of employee bonus

December 31, 2019; Unit: NT$1,000

	Title	Name	Share value	Cash value	Total	Percentage of total bonuses to net profit after tax (%)
Managerial Officers	CEO	Pei-Ming Chen (Note)	-	3,389	3,389	0.61%
	President	Sean Tai				
	VP	Hsi-Jung Tsai (Note)				
	Vice President and Chief Financial Officer	Hsiang-Yun Fan (Note)				
	VP	Jen-Lieh Lin				
	VP	Kuang-Lun Lin (Note)				
	VP	Hsin-Lung Yang				
	VP	Patrick Wang				
	VP	Yo-Song Cheng (Note)				
	Chief Financial Officer	Jessica Huang (Note)				
	Chief Accounting Officer	Hung-Wen Huang				

Note: Mr. Pei-Ming Chen began serving concurrently as the Company's CEO on August 1, 2019 and was relieved of his duties as the Managerial Officer on February 6, 2020. Mr. Hsi-Jung Tsai was relieved of his duties as Managerial Officer on October 14, 2019. Mr. Hsiang-Yun Fan was relieved of his duties as Managerial Officer on August 1, 2019. Mr. Kuang-Lun Lin was promoted to Vice President on July 25, 2019. Mr. Yo-Song Cheng began serving as Managerial Officer on October 14, 2019. Ms. Chiu-Yi Huang began serving concurrently as Chief Financial Officer on August 1, 2019.

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 Managerial 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	2018		2019	
	Analysis of remunerations to Directors, President and Vice Presidents as a percentage of income after tax		Analysis of remunerations to Directors, President and Vice Presidents as a percentage of income after tax	
	The Company	All companies included in the consolidated financial statements	The Company	All companies included in the consolidated financial statements

Director President and Vice President	7.67%	7.67%	10.39%	10.39%

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

B. President and Vice President

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

(III) Implementation of corporate governance

1. Board of Directors operating status

The Company elected the sixth-term Directors at the shareholders' meeting on June 24, 2019 and the newly-elected Directors were appointed immediately upon election. A total of 11 meetings of the Board of Directors were held in 2019 with 4 meetings before the election and 7 meetings after the election.

(1) A total of 4 (A) meetings of the Board of Directors were held in 2019 before the election of the Board of Directors in the shareholders' meeting on June 24, 2019. 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%	Re-elected
Vice Chairman	Robert Hsu	4	0	100%	Dismissed
Director	Yung Chin	3	1	75%	Re-elected
Director	Ken-Shew Lu	2	2	50%	Re-elected
Director	Chi-Lin Wea	2	2	50%	Re-elected
Independent Director	Allen Hsu	3	1	75%	Re-elected
Independent Director	Royce Yu-Chun Hong	2	2	50%	Re-elected
Independent Director	David Shu-Chyuan Tu	3	1	75%	Re-elected
Independent Director	Jie-Li Hsu	3	1	75%	Re-elected

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

Attendance by Independent Directors in each board meeting in person:

Title	Name	5th-Term Meeting Date			
		2019/2/1	2019/3/25	2019/5/3	2019/5/27
Independent Director	Allen Hsu	O	O	☆	O
Independent Director	Royce Yu-Chun Hong	O	☆	O	☆
Independent Director	David Shu-Chyuan Tu	O	O	☆	O
Independent Director	Jie-Li Hsu	O	☆	O	O

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

(2) A total of 7 (A) meetings of the Board of Directors were held in 2019 after the election of the Board of Directors in the shareholders' meeting on June 24, 2019. 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 1)	Note
Chairman	Representative of Winbond Electronics Corp.: Pei-Ming Chen	7	0	100%	Newly-elected
Director	Arthur Yu-Cheng Chiao	7	0	100%	Note 2
Director	Representative of Chin Xin Investment Co., Ltd.: Yung Chin	7	0	100%	Note 3
Director	Ken-Shew Lu	2	5	29%	Re-elected
Director	Chi-Lin Wea	4	3	57%	Re-elected
Independent Director	Allen Hsu	6	1	86%	Re-elected
Independent Director	Royce Yu-Chun Hong	4	3	57%	Re-elected
Independent Director	David Shu-Chyuan Tu	7	0	100%	Re-elected
Independent Director	Jie-Li Hsu	0	7	0%	Re-elected

Note 1: Attendance in person is calculated by attendance in person of the Director during the period of service.
Note 2: Re-election of the company's 6th-term directors was held on June 24, 2019, in which, the person changed from being the Representative of an Institutional Director to a Director.
Note 3: Re-election of the Company's 6th-term directors was held on June 24, 2019, in which, the person changed from being a Director to the Representative of an Institutional Director.

Attendance by Independent Directors in each board meeting in person:

Title	Name	6th-Term Meeting Date						
		2019/6/24	2019/7/25	2019/8/27	2019/10/18	2019/10/25	2019/11/28	2019/12/6
Independent Director	Allen Hsu	O	O	O	O	☆	O	O
Independent Director	Royce Yu-Chun Hong	☆	O	☆	☆	O	O	O
Independent Director	David Shu-Chyuan Tu	O	O	O	O	O	O	O
Independent Director	Jie-Li Hsu	☆	☆	☆	☆	☆	☆	☆

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

(3) Should any of the following take place in a board meeting, the date and number of the meeting, 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
Yung Chin 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	16th Session of 5th Board of Directors
Allen Hsu David Shu-Chyuan Tu Royce Yu-Chun Hong Jie-Li Hsu	Appointment of Mr. Allen Hsu, Mr. David Shu-Chyuan Tu, Mr. Royce Yu-Chun Hong, and Mr. Jie-Li Hsu as the 4rd-term members of the Compensation Committee.	The Director has an interest in the matter	Did not participate in voting	1st Session of 6th Board of Directors
Pei-Ming Chen	Appointment of Mr. Pei-Ming Chen as the Company's CEO	The Director has an interest in the matter	Did not participate in voting	2nd Session of 6th Board of Directors
Pei-Ming Chen	Number of shares of available for subscription by the Managerial Officer of the Company in the cash capital increase of the Company in 2019	The Director has an interest in the matter	Did not participate in voting	3rd Session of 6th Board of Directors
Pei-Ming Chen	Proposal to remove non-compete clause for managerial officers	The Director has an interest in the matter	Did not participate in voting	5th Session of 6th Board of Directors

(5) Board of Directors evaluation status

The results of the 2019 performance evaluation of the Board of Directors were reported to the Board of Directors on February 6, 2020

Evaluation Cycle	Evaluation Period	Evaluation Scope	Evaluation Method:	Evaluation Contents
Once every year	From January 1, 2019 to December 31, 2019	Board of Directors	Self-evaluation of the Board, self-evaluation of the members of the Board, and peer evaluation	The self-assessment of the overall performance of Nuvoton's Board of Directors include the following five major aspects: I. Participation in Company operations; II. Improvement of the quality of the Board of Directors' decision making; III. Composition and structure of the Board of Directors; IV. Election and continuing education of the Directors; V. Internal control.

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

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

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

C. The Company evaluates the Directors' performance in terms of participation in the Company's operations, improvement of the quality of decisions made by the board, composition and structure of the board, election of Directors, continuing education, and internal controls in December each year in accordance with the "Regulations Governing Salary, Remuneration and Performance Evaluation of Directors and the Board of Directors". The results are compiled by the procedural unit in charge of Board Meetings and submitted to the Compensation Committee and the Board to measure the Board's operations in guiding the strategic direction of the Company and overseeing the Company's operations and management, which should help increase long-term shareholder value. The results of overall evaluation in 2019 was good and the results were reported on February 6, 2020 to the Compensation Committee and Board of Directors.

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

E. Liability insurance for Directors, Supervisors and key officers:

The Company purchased the "liability insurance for directors, supervisors and key officers" for Directors, Supervisors and key officers starting from 2015. We review the contents of the insurance policy to verify that the insurance compensation amount and scope of insurance coverage meets requirements.

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

2.1 State of operations of the Audit Committee

(1) The Auditing Department convened a total of 9 meetings (A) in the most recent year. The attendance of Independent Directors was as follows:

Title	Name	Attended in person(B)	Attendance by proxy	Attendance in person rate (%) (B/A) (Note)	Note
Independent Director	Allen Hsu	9	0	100%	Re-elected
Independent Director	Royce Yu-Chun Hong	5	4	56%	Re-elected
Independent Director	David Shu-Chyuan Tu	9	0	100%	Re-elected
Independent Director	Jie-Li Hsu	2	7	22%	Re-elected

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

(2) The date of the Board meeting, the term, 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:

Term/Date		Agenda and follow-up
13th Session of 1st Audit Committee 2019/02/01	1	Passed the Company's 2018 financial statements and business report. Opinions of the Audit Committee: N/A. The Company's response to Audit Committee opinions: N/A. Results of resolutions: Passed as proposed.
	2	Passed the 2018 Statement of Declaration on Internal Control. Opinions of the Audit Committee: N/A. The Company's response to Audit Committee opinions: N/A. Results of resolutions: Passed as proposed.
	3	Passed the 2018 earnings appropriation. Opinions of the Audit Committee: N/A. The Company's response to Audit Committee opinions: N/A. Results of resolutions: Passed as proposed.
	4	Passed the annual remuneration paid to 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.
	5	Approved the application for abolishing the Company's cash capital increase and issuance of new shares for 2018. Opinions of the Audit Committee: N/A. The Company's response to Audit Committee opinions: N/A. Results of resolutions: Passed as proposed.

Term/Date		Agenda and follow-up
14th Session of 1st Audit Committee 2019/03/25	1	Passed the amendments to the Company's Procedures for Acquisition or Disposal of Assets. Opinions of the Audit Committee: N/A. The Company's response to Audit Committee opinions: N/A. Results of resolutions: Passed as proposed.
	2	Passed the amended Procedures for Engaging in Derivatives Transactions. Opinions of the Audit Committee: N/A. The Company's response to Audit Committee opinions: N/A. Results of resolutions: Passed as proposed.
15th Session of 1st Audit Committee 2019/04/26	1	Passed the amendment of the Company's Regulations Governing Endorsements and Guarantees and changed the title to the Operating Procedures for Making Endorsements and Guarantees. 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 amendment of the Company's Procedures for Lending Funds to Other Parties. 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 removal of the non-compete clause for 5th-term Directors 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.
16th Session of 1st Audit Committee 2019/05/27	1	Approved the Company's proposed investment in Autotalks Ltd. Opinions of the Audit Committee: N/A. The Company's response to Audit Committee opinions: N/A. Results of resolutions: Passed as proposed.
1st Session of 2nd Audit Committee 2019/07/25	1	Passed the 2019 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.
	2	Approved the Company's proposal for the cash capital increase and issuance of new shares in 2019. 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 change of the Company's Chief Financial Officer. Opinions of the Audit Committee: N/A. The Company's response to Audit Committee opinions: N/A. Results of resolutions: Passed as proposed.

Term/Date		Agenda and follow-up
2nd Session of 2nd Audit Committee 2019/10/18	1	Passed the proposal for issuing new common shares and GDRs for cash capital increase. Opinions of the Audit Committee: N/A. The Company's response to Audit Committee opinions: N/A. Results of resolutions: Passed as proposed.
3rd Session of 2nd Audit Committee 2019/10/25	1	Passed the Company's Annual Audit Plan for 2020. Opinions of the Audit Committee: N/A. The Company's response to Audit Committee opinions: N/A. Results of resolutions: Passed as proposed.
	2	Approved the proposed increase in budget for capital expenditure. 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 proposed removal of non-compete clause for Managing Directors. Opinions of the Audit Committee: N/A. The Company's response to Audit Committee opinions: N/A. Results of resolutions: Passed as proposed.
4th Session of 2nd Audit Committee 2019/11/28	1	Approved the Company's acquisition of material assets. Opinions of the Audit Committee: N/A. The Company's response to Audit Committee opinions: N/A. Results of resolutions: Passed as proposed.
	2	Passed the replacement of the Company's CPA in 2019 Q4. Opinions of the Audit Committee: N/A. The Company's response to Audit Committee opinions: N/A. Results of resolutions: Passed as proposed.
	3	Approved the Company's lease of certain floor and parking spaces of the parent company Winbond Electronics Corp. and the capital expenditure budget Opinions of the Audit Committee: N/A. The Company's response to Audit Committee opinions: N/A. Results of resolutions: Passed as proposed.
5th Session of 2nd Audit Committee 2019/12/06	1	Passed the proposal for issuing new common shares and GDRs for cash capital increase. Opinions of the Audit Committee: N/A. The Company's response to Audit Committee opinions: N/A. Results of resolutions: Passed as proposed.

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

B. The Audit Committee reviews regularly the selection of auditors and the independence and propriety of said auditors. The auditors presented audit reports on financial statements, newly released accounting standards and related regulations to Independent Directors as needed and discuss the details therein. The Company's auditors communicated and discussed the results of the annual audit and related items in financial statements in the Audit Committee meeting this year.

3. Corporate governance implementation status and departure from Corporate Governance Best-Practice Principles for TWSE/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	
I. Has the Company set and disclosed principles for practicing corporate governance according to the "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies?"	V		The Company has established corporate governance principles in accordance with the TWSE Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and disclosed it on the Company website.	Complies with the Corporate Governance Best-Practice Principles
II. The Company's shareholding structure and shareholders' rights and interests (I) Has the Company set internal operations procedures for dealing with shareholder proposals, doubts, disputes, and litigation as well as implemented those procedures through the proper procedures? (II) Does the Company have a list of major shareholders of companies over which the Company has actual control and the list of ultimate owners of those major shareholders? (III) Has the Company established and implemented risk control/management and firewall mechanisms between it and affiliated corporations? (IV) Does the Company have internal regulations in place to prevent its internal staff from trading securities based on information yet to be public on the market?	V V V V		(I) The Company's Shareholders' Affairs Unit is in charge of shareholder services, handling shareholder suggestions, questions, complaints and lawsuits in accordance with the Regulations Governing the Administration of Shareholder Services of Public Companies and the Standards for the Internal Control Systems of Shareholder Service Units, and establishing a complaint mechanism on the Company's website. (II) The Company discloses the list of major shareholders and the ultimate controllers of major shareholders in accordance with regulations and maintains favorable communication channels with major shareholders. (III) The Company has established related regulations on internal control mechanisms in accordance with regulations. Business and financial dealings between the Company and an affiliate are treated as dealings with an independent third party, which are handled by the principles of fairness and reasonableness with documented rules established, and pricing and payment terms clearly defined to prevent non-arm's-length transactions. (IV) The Company has established Procedures for Handling 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.	Complies with the Corporate Governance Best-Practice Principles
III. Composition and responsibilities of the Board of Directors (I) Has the Board of Directors devised and implemented a plan for a more diverse composition of the Board?	V		(I) 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	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	
(II) 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? (III) Has the company established and implemented methods for assessing the performance of the Board of Directors and conducted performance evaluation annually? Does the Company submit results of assessments to the Board of directors and use results as the basis for the salary, remuneration, nomination and reappointment of individual Directors?	V V		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). (II) 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. (III) The Company has established the Regulations Governing Salary, Remuneration and Performance Evaluation of Directors and the Board of Directors and it has been passed by the Board of Directors which performs periodic self-assessments once every year. The evaluation results were reported to the Compensation Committee and the Board of Directors. The results of the evaluations are used to formulate improvement plans for improving the performance of the board and maximize benefits. The self-assessment of the overall performance of Nuvoton's Board of Directors include the following five major aspects: A. Participation in Company operations; B. Improvement of the quality of the Board of Directors' decision making; C. Composition and structure of the Board of Directors; D. Election and continuing education of the Directors; E. Internal control. The criteria for evaluating the performance of Board members include the following six primary aspects: A. Familiarity with the goals and missions of the Company; B. Recognition of duties as Directors; C. Participation in Company operations; D. Management of internal relations and communication; E. Directors' professionalism and continuing education; F. Internal control. The Company's stock affairs unit collects the questionnaires, compiles the results, and submits evaluation outcomes to the Compensation Committee and the Board of Directors on February 6, 2020.	

<table>
<tr><th rowspan="2">Assessed areas:</th><th colspan="3">Implementation status</th><th rowspan="2">Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td>(IV) Does the company periodically evaluate the level of independence of the CPA?</td><td>V</td><td></td><td>The results of evaluations in 2019 showed normal results in the self-assessment conducted by members of the board. The board's self-assessment called for improvements in the attendance rate in the shareholders' meetings.
(IV) 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.</td><td></td></tr>
<tr><td>IV. Has the publicly-listed company appointed qualified and suitable number of corporate governance personnel and appointed a Corporate Governance Officer to handle governance related affairs (including but not limited to supplying information requested by the directors and supervisors, assisting Directors and Supervisors with legal compliance matters, processing company matters related to board meetings and shareholders' meetings according to laws, and preparing minutes of the board meetings and shareholders' meetings)?</td><td>V</td><td></td><td>The Shareholders' Affairs Unit under the Company's Finance Center is responsible for related affairs for corporate governance. Its responsibilities include company registration, related affairs for board meetings and shareholders' meetings, providing information required for Directors in business operations, update of related corporate governance regulations, related affairs for investor relations, and other related items specified in the Company's Articles of Incorporation or contracts.
The status of business developments in 2019 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) Plan the dates of board meetings one year in advance to facilitate participation of board members. Mail the meeting notice seven days before board meetings and provide sufficient meeting information in accordance with the Company Act and the Rules of Procedures for Board of Directors Meetings. Provide reminders for recusal for conflicts of interest and completed the mailing of the meeting minutes of board meetings within twenty days after the meetings were concluded.
(5) To facilitate corporate governance and improve the performance of the Board of Directors, the Shareholders' Affairs Unit periodically evaluates the performance of the Board of Directors and individual Directors each year and submits results to the Compensation Committee and the Board of Directors.</td><td>Complies with the Corporate Governance Best-Practice Principles</td></tr>
</table>

Assessed areas:	Implementation status: Yes	Implementation status: No	Implementation status: Summary	Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons
			(6) The Company organizes one institutional investor conference every six months to report on the Company's financial statistics and overview of business operations. (7) The Company's board members conduct self-assessments of their performance each year in accordance with the "Regulations Governing Salary, Remuneration and Performance Evaluation of Directors and the Board of Directors". The results are reported to the Compensation Committee and the Board of Directors. Improvement plans shall be formulated based on evaluation results to improve the performance of the board and maximize benefits. (8) Convene shareholders' meetings before the end of June each year and file meeting notices, proceedings manual, annual report, and meeting minutes within the periods specified by regulations. Implement dividends distribution and registration and amendments to the Articles of Incorporation after the shareholders' meeting.	
V. Has the Company established channels for communicating with stakeholders (including but not limited to shareholders, employees, customers and suppliers), set up a dedicated stakeholder area on the company website, and 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
VI. Has the Company hired a professional agency to handle tasks and issues related to holding the shareholder's meeting?	V		The Company has hired CTBC Bank Co., Ltd. Transfer Agency Department to handle tasks and issues related to holding the shareholder's meeting.	Complies with the Corporate Governance Best-Practice Principles
VII. Information disclosure (I) Has the Company established a corporate website to disclose information regarding the Company's financial, business and corporate governance status? (II) Has the Company adopted other means of information disclosure (such as establishing a website in English, appointing specific personnel to collect and disclose company information, implementing a spokesperson system, and	 V V		(I) The Company discloses financial and business as well as corporate governance information on its Chinese (http://www.nuvoton.com) and English websites. (II) The Company maintains an English website and related departments including investor relations, shareholder affairs and public relations collect and disclose related information in accordance with regulations. The Company has also established a spokesperson system and the presentation files and videos of the investor conferences are available on the Company website for external parties. (III) To help investors access sufficient and accurate financial information, the Company submits the annual financial report to the Audit Committee and the Board of Directors	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	
disclosing the process of investor conferences on the Company's website)? (III) Does the Company publish and report its annual financial report within two months after the end of a fiscal year, and publish and report its financial reports for the first, second and third quarters as well as its operating status for each month before the specified deadline?			for approval at the end of the year and the financial report is published on the Market Observation Post System after it is passed in the meeting of the Board of Directors. The Q1, Q2, and Q3 financial reports and operation status of each month are also fully disclosed on the Market Observation Post System before the prescribed deadline.	
VIII. Does the Company have other information that is helpful for understanding its status of corporate governance (including but not limited to employee rights and interests, employee 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		(I) Employee rights, interests and wellbeing: The Company has established comprehensive regulations governing the rights, obligations and benefits of employees. The Company also established complaint filing protocols to safeguard employee rights and benefits. The Company has established employee communication channels to encourage the employees to communicate directly with managerial officers. (II) Investor relations: The Company holds periodic investor conferences to communicate with investors and has established a designated area for investors and periodically discloses financial information and information related to corporate governance. (III) Supplier relations: The Company has established regulations governing supplier relations. (IV) Stakeholder interests: The Directors of the Company recused themselves from voting on agenda items in which they have an interest. (V) Continuing education of directors and supervisors: The Company arranges continuing education courses for directors and supervisors every year, and provides from time to time information on professional courses offered by external institutions to the directors and supervisors. The continuing education courses taken by directors and supervisors are disclosed on the Market Observation Post System. (VI) Implementation of risk management policies and risk assessment standards: The Company has established regulations on important managerial targets and implements them in accordance with regulations. (VII) The implementation of customer relations policies: The Company strictly adheres to the contracts signed with customers and their statutes to safeguard customers' rights and interests.	Complies with the Corporate Governance Best-Practice Principles

<table>
<tr><th rowspan="2">Assessed areas:</th><th colspan="3">Implementation status</th><th rowspan="2">Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td></td><td></td><td></td><td>(VIII)Status of purchase of liability insurance by the Company for directors and supervisors: The Company has purchased liability insurance for its Directors and Supervisors in accordance with regulations in order to mitigate and diversify the risk of any material damages to the Company and its shareholders caused by any error or negligence of its Directors.</td><td></td></tr>
<tr><td colspan="5">IX. Nuvoton's results in the Sixth Corporate Governance Evaluation in 2019 ranked among the top 6% to 20% of all public companies. The Company shall continue to enhance our corporate governance.</td></tr>
</table>

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

(1) Information on members of the Compensation Committee

Identification Type	Criteria / Name	Has at least 5 years of work experience and meets one of the following professional qualifications: 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	Meets the independence criteria (Note 1): 1	2	3	4	5	6	7	8	9	10	Number of other public companies in which the member also serves as a member of their compensation commitee	Note
Independent Director	David Shu-Chyuan Tu			V	V	V	V	V	V	V	V	V	V	V	-	N/A
Independent Director	Allen Hsu			V	V	V	V	V	V	V	V	V	V	V	1	N/A
Independent Director	Royce Yu-Chun Hong			V	V	V	V	V	V	V	V	V	V	V	-	N/A
Independent Director	Jie-Li Hsu			V	V	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. This restriction does not apply to independent directors in the Company, its parent company, subsidiaries, or subsidiaries of the same parent company which have been appointed in accordance with local laws or laws of the registered country.

(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 1% 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 managerial officers listed in subparagraph (1) or persons listed in subparagraphs (2) and (3);

(5) Not a Director, Supervisor or employee of a corporate shareholder who directly holds more than 5% of the total number of issued shares of the Company or is ranked top five in terms of the number of shares held or is designated as a Director or Supervisor of the Company pursuant to Paragraph 1 or 2, Article 27 of the Company Act (this restriction does not apply to independent directors in the Company, its parent company, subsidiaries, or subsidiaries of the same parent company which have been appointed in accordance with local laws or laws of the registered country).

(6) Not a Director, Supervisor, or employee of a company with a majority of the company's director seats or voting shares and those of any other company are controlled by the same person (this restriction does not apply to independent directors in the Company, its parent company, subsidiaries, or subsidiaries of the same parent company which have been appointed in accordance with local laws or laws of the registered country).

(7) Not a Director, Supervisor, or employee of a company or institution with the same chairperson of the board, president, or equivalent position, or a spouse thereof (this restriction does not apply to independent directors in the Company, its parent company, subsidiaries, or subsidiaries of the same parent company which have been appointed in accordance with local laws or laws of the registered country).

(8) Not a Director, Supervisor, manager, or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the company (this restriction does not apply to specific companies or institutions if they hold more than 20% but less than 50% of the outstanding shares of the Company or independent directors in the Company, its parent company, subsidiaries, or subsidiaries of the same parent company which have been appointed in accordance with local laws or laws of the registered country).

(9) Not a professional individual, or an owner, partner, director, supervisor, or manager of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Securities and Exchange Act or to the Business Mergers and Acquisitions Act or related laws or regulations.

(10) 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: From June 24, 2019 - June 23, 2022, a total of 4 (A) meetings of the 2019 Compensation Committee were held in the most recent year. The attendance was as follows:

<table>
<tr><th>Title</th><th>Name</th><th>Number of attendances in person (B)</th><th>Number of attendances by proxy</th><th>Attendance in person rate (%) (B/A) (Note)</th><th>Note</th></tr>
<tr><td>Convener</td><td>David Shu-Chyuan Tu</td><td>4</td><td>0</td><td>100%</td><td>Re-elected</td></tr>
<tr><td>Committee member</td><td>Royce Yu-Chun Hong</td><td>3</td><td>1</td><td>75%</td><td>Re-elected</td></tr>
<tr><td>Committee member</td><td>Allen Hsu</td><td>4</td><td>0</td><td>100%</td><td>Re-elected</td></tr>
<tr><td>Committee member</td><td>Jie-Li Hsu</td><td>1</td><td>3</td><td>25%</td><td>Re-elected</td></tr>
<tr><td colspan="6">Other matters that require reporting:
I. If the Board of Directors did not adopt or revise the recommendations of the compensation committee, it should describe the date of the Board meeting, term of the Board, agenda item, resolutions adopted by the Board, and actions taken by the Company in response to the opinion of the compensation committee: This event did not occur at the Company.
II. If a member opposes a resolution the 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.</td></tr>
</table>

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

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

Term/Date		Agenda and follow-up
8th Session of 3rd Compensation Committee 2019/02/01	1	Passed the total amount and individual amounts of remuneration appropriated for Directors in 2018. Opinions of members of the Compensation Committee: N/A. The Company's response to Compensation Committee opinions: N/A. Results of resolutions: Passed as proposed.
	2	Passed amendments to the Company's Regulations Governing Salary, Remuneration and Performance Evaluation of Managing Directors. Opinions of members of the Compensation Committee: N/A. The Company's response to Compensation Committee opinions: N/A. Results of resolutions: Passed as proposed.
	3	Passed the variable pay of professional managerial officers Opinions of members of the Compensation Committee: N/A. The Company's response to Compensation Committee opinions: N/A. Results of resolutions: Passed as proposed.
1st Session of 4th Audit Committee 2019/07/25	1	Approved the appointment of Mr. Pei-Ming Chen as the Company's CEO. Opinions of members of the Compensation Committee: N/A. The Company's response to Compensation Committee opinions: N/A. Results of resolutions: Passed as proposed.
	2	Approved the proposal for the appointment and dismissal of the Company's Managerial Officer. Opinions of members of the Compensation Committee: N/A. The Company's response to Compensation Committee opinions: N/A. Results of resolutions: Passed as proposed.
	3	Passed the appropriation ratio of remuneration for Directors in 2019. Opinions of members of the Compensation Committee: N/A. The Company's response to Compensation Committee opinions: N/A. Results of resolutions: Passed as proposed.
	4	Passed the appropriation ratio of remuneration for employees in 2019. Opinions of members of the Compensation Committee: N/A. The Company's response to Compensation Committee opinions: N/A. Results of resolutions: Passed as proposed.

Term/Date		Agenda and follow-up
	5	Approved the salary and compensation for the 6th-term Directors of the Company Opinions of members of the Compensation Committee: N/A. The Company's response to Compensation Committee opinions: N/A. Results of resolutions: Passed as proposed.
	6	Passed the modifications to the salary and variable pay of managing Directors. Opinions of members of the Compensation Committee: N/A. The Company's response to Compensation Committee opinions: N/A. Results of resolutions: Passed as proposed.
2nd Session of 4th Compensation Committee 2019/08/27	1	Approved the number of shares of available for subscription by the Managerial Officer of the Company in the cash capital increase of the Company in 2019. Opinions of members of the Compensation Committee: N/A. The Company's response to Compensation Committee opinions: N/A. Results of resolutions: Passed as proposed.
3rd Session of 4th Compensation Committee 2019/12/06	1	Passed amendments to the Company's Regulations Governing Salary, Remuneration and Performance Evaluation of Directors and changed the title to Regulations Governing Salary, Remuneration and Performance Evaluation of Directors and the Board of Directors. Opinions of members of the Compensation Committee: N/A. The Company's response to Compensation Committee opinions: N/A. Results of resolutions: Passed as proposed.

5. Performance of Corporate Social Responsibility, deviations from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx listed companies, and reasons:

Assessed areas:	Implementation status			Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx listed companies and reasons
	Yes	No	Summary	
I. Has the company assessed the environmental, social, and corporate governance risks of its operations based on the principle of materiality and established related risk management policies or strategies?	V		1. (I) 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. (II) The Company periodically holds corporate ethics education on corporate social responsibility and ethical management and holds various training courses from time to time.	In line with corporate social responsibility code of practice
II. 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		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.	In line with corporate social responsibility code of practice

Assessed areas:	Implementation status			Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx listed companies and reasons
	Yes	No	Summary	
III. Environmental issues			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.	In line with corporate social responsibility code of practice
(I) Has the Company established a proper environmental management system based on the characteristics of the industry?	V		(I) 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.	
(II) 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		(II) 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 Water Resources Agency of the Ministry of Economic Affairs in 2016.	
(III) Does the Company assess the potential risks and opportunities of climate change for its current and future operations and undertake response measures with respect to climate change?	V		(III) The Company was certified in the carbon footprint investigation in 2010, which shed light on the distribution of carbon emissions throughout the life cycle of the product. The information is used on strategies for energy conservation and reduction of greenhouse gas. We continue to lower high carbon emission items such as electricity consumption and polyfluorinated chemicals and set reduction targets annually with quarterly follow-ups in accordance with policy requirements to effectively lower the emission of carbon dioxide. Faced with the impacts of climate change on the environment in recent years, the Company established 2010 as the baseline year and started improving consumption of electricity, nitrogen, and water and equivalent carbon dioxide emissions every year. The target is to reduce average annual electricity consumption by 12%, water consumption by 40%, nitrogen consumption by 45% and total greenhouse gas emissions (CO_2 equivalent) by 10% by 2020, and the long-term target is to reduce total emissions by 20% by 2030.	
	V			

Assessed areas:	Implementation status			Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx listed companies and reasons
	Yes	No	Summary	
(IV) Does the Company calculate the amount of greenhouse gas emission, water consumption, and waste production in the past two years and implement policies to cut down energy and water consumptions, carbon and greenhouse gas emissions, and waste production?			(IV) The Company passed the DNV ISO 14064-1 certification on greenhouse gas emissions in 2011. The Company passed the advanced project review of the Environmental Protection Administration (EPA) in 2013 and became the first semiconductor plant to achieve reduction in greenhouse gas in the project. The Company was also awarded the Hsinchu Science Park and the EPA's Carbon Reduction Award for its performance on reducing carbon emissions, demonstrating our achievements in reducing greenhouse gas. The Company's greenhouse gas emissions volume in 2018 was verified as 75,264 CO_2e by DNV GL which was a reduction of 11.1% compared to the total emissions in the baseline year. The GHG emissions in 2019 was approximately 70,000 tons based on calculations and it was a decline of 17.4% compared to the baseline year.	
IV. Social issues (I) Has the Company formulated appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights? (II) Has the company established and implemented reasonable employee benefits (including compensation, leave, and other benefits) and reflected the business performance or results in employee compensation appropriately?	V V		(I) The Company strictly adheres to related labor regulations and respects basic labor rights as stipulated by international norms. The Company establishes regulations on corporate social responsibilities and incorporate these regulations into internal management policies and procedures to safeguard the labor rights of the employees, including freely chosen employment, restriction on child labor, protection of youth labor, follow legal working hours, provide wages and benefits in accordance with laws, humane and non-discriminated treatment and respect for the freedom of association (II) The Company's employee salaries meet minimum wage requirements specified in the Labor Standards Act and the regular wage of direct employees is more than 1.2 times the statutory minimum wage. The Company provides employees with a work environment that facilitates balanced development and promotes holiday scheduling management mechanisms to implement holiday management measures and help employees plan their vacations. The Company provides a leave system superior than statutory requirements and also actively reminds employees to take holidays at appropriate intervals and build a healthy workplace. With regard to benefits, the Company's branches across the world provide various insurance, benefits, and pension allocation in accordance with local laws or regulations and actual practices. They also provide group insurance with terms superior than statutory requirements to protect the employees' work and life security. With regard to encouraging employees to get married and give birth to children, the Company provides parking spaces for pregnant employees, breastfeeding rooms, mommy packs, prenatal checkup leave, paternity leave, family care leave, marriage leave, and childbirth gift money from the Employee Welfare Committee.	In line with corporate social responsibility code of practice

Assessed areas:	Implementation status			Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx listed companies and reasons
	Yes	No	Summary	
(III) Does the Company provide a safe and healthy working environment and provide employees with regular safety and health training?	V		(III) The Company has established a department in charge of safety and sanitation, the implementation and management of the safety and sanitation system, periodic safety and health education training to provide employees with a safe and healthy work environment.	
(IV) Has the Company established an effective career development and capability training program for employees?	V		(IV) 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.	
(V) In terms of the customer health and safety, right to privacy, marketing and labeling of products and services, has the Company followed relevant laws, regulations, and international norms and set up relevant consumer protection policies and complaint procedures?	V		(V) The Company's quality control mechanisms cover each step in the manufacturing process. We ensure the quality of the products through continuous monitoring on the manufacturing process and rapid and efficient detection of problems. We conduct comprehensive defect analyses for defective products returned by customers to verify the source of the defective products and implement improvements. We also use continuous innovation and improvement of products, procedures, and services to provide high-quality services and outstanding quality and become irreplaceable partners for customers. With regard to customer complaint channels, the Company periodically implements customer satisfaction surveys to understand whether the Company is providing satisfying products and services and to improve the quality of after-sales services. 1. The Company strives to design, procure, manufacture and market products that contain no hazardous materials in accordance with international regulations and to satisfy customers' requests. We also enforce measures to protect the environment and fulfill responsibilities as a social citizen. 2. The Company follows EU restrictions on hazardous substances and safeguard users' health through the following policies: a. The Company cooperates with packaging plants and, except for special products specified by the customer, has ceased all production and sales of packaged products containing lead since January 1, 2010. b. Starting on August 9, 2009, we began to use halogen-free materials for new products from the development stage. c. The Company converted all materials used for existing products to environmentally-friendly materials and halogen-free materials step by step and completed the conversion on July 30, 2011.	
(VI) Has the Company formulated supplier management policies that require suppliers to comply with relevant regulations on environmental protection, occupational safety and health, and labor rights and	V		(VI) 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	

Assessed areas:	Implementation status			Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx listed companies and reasons
	Yes	No	Summary	
requested their reports on the implementation of such regulations?			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. 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.	
V. Has the company prepared and published reports such as its Corporate Social Responsibility Report to disclose non-financial information of the Company in accordance with international standards or guidelines? Has the Company received assurance or certification of the aforementioned reports from a third-party certification institution?	V		The Company's 2018 Corporate Social Responsibility Report was published in 2019. It was compiled in accordance with Global Reporting Initiative GRI Standards and was certified by an impartial third-party agent, SGS Taiwan.	In line with corporate social responsibility code of practice
VI. 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.				
VII. Other key information useful for explaining status of corporate social responsibility practices: (I) The Company has established and implemented comprehensive standards in labor rights, health and safety, environmental protection, and management systems to achieve CSR goals.				

<table>
<tr><th rowspan="2">Assessed areas:</th><th colspan="3">Implementation status</th><th rowspan="2">Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx listed companies and reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td colspan="5">(II) With regard to labor rights, the Company follows international labor rights regulations and prohibits the hiring of workers under 15 years of age and involuntary workers (including coerced, collateral, in debt, bound by contracts, enslaved and human trade) and prohibits harassment, illegal discrimination, coercion and inhumane treatment of employees (including potential employees), and there has not been major labor-management disputes in 2019.
(III) In health and security, the Company pledges to provide employees with a safe, sanitary and healthy work environment, organize periodic employee health examinations and continue to hold activities that promote health to help employees maintain physical health. We also encourage employees to form clubs to promote their physical, psychological and spiritual health, help them find balance between work and leisure and cultivate habits for regular exercise. The Company also established a massage area by the visually impaired in the office to provide employees with relaxation services and hosts various sports competitions and art exhibitions in hopes of cultivating good exercise habits and leisure interests of the employees and provide them with a networking channel after work. The current clubs and former classes include the basketball club, cycling club, badminton club and yoga club etc. The Company's employees also actively participate in charity events organized by the Charity Club to help the disadvantaged and give back to society. Their work included donations to the Genesis Social Welfare Foundation for caring for patients that are in a persistent vegetative state, donations to Shih Guang Educational and Nursing Institution for patients that require long-term care, donations to children's homes for children, donations to the Children's Hearing Foundation to provide hearing-impaired children with electronic cochlear implants, etc. In 2019, Nuvoton employees donated a total of NT$555,000 to Children's Homes in Hsinchu to assist children in need. Nuvoton also sponsored lunch and registration fees for schoolchildren of Hsinchu Yuan Dong Junior High School from impoverished families to promote the spirit of solidarity. Nuvoton also purchased pomelos from old farmers in Yunlin and sent them as gifts to children in remote areas on Mid-Autumn Festival.
(IV) In terms of environmental protection, Nuvoton is committed to establish advanced international safety, sanitation management, and environmental protection standards. We passed the certification for the new version of the ISO 45001 Occupational Safety and Health Management System. We also actively participate in environmental training programs and was recognized again as the "2019 Environmental Education Partner" of Hsinchu Science Park. The Company also periodically implements effective education and training activities and organized 82 classes/188 hours of training courses in 2019 with 3,260 participants as part of the effort to continue improvement on eradicating any foreseeable risks to employees' health, environmental pollutions and damages to properties. Potential disasters and losses can be prevented beforehand through sound management and active participation of all employees.
(V) With regard to the management system, the Company has established comprehensive internal control mechanisms to monitor internal operations; in moral obligations, we prohibit behaviors such as bribery, corruption, blackmail and illegal use of company funds. We also do not participate in political activities. 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.</td></tr>
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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	
I. Establishment of ethical corporate management policy and approaches (I) Has the Company established the ethical corporate management policies approved by the Board of Directors and stated its policies and practices in its Memorandum or external correspondence to maintain business integrity? Are the Board of Directors and the managerial officers committed in fulfilling this commitment? (II) Has the company established a risk assessment mechanism against unethical conduct, analyze and assess operating activities with higher risk of unethical conducts on a regular basis, and establish prevention programs accordingly, which shall at least include the preventive measures specified in Paragraph 2, Article 7 of the "Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies"? (III) Does the Company have any measures against dishonest conducts? Are these measures supported by proper procedures, behavioral guidelines, disciplinary actions and complaint systems? Does the Company review the policies on a regular basis?	V V V		(I) The Company conducts business activities on the principle of integrity. To implement integrity policy and actively prevent unethical behavior, the Company has established Ethical Corporate Management Principles that has been approved by the Board of Directors and announced on the Company's external webpage, outlining for the employees of the Company in detail the important issues in conducting business. (II) The Company has established "Regulations on Ethical Corporate Management" which clearly defined the content of unethical behavior. The employees of the Company should not, in principle, accept gifts, except for the maintenance of business etiquette which stipulates direct or indirect exchanges, promise or request for money, gifts, services, discounts, entertainment, meals, investment stock options or other interests; it is only appropriate if a gift can be classified in the preceding conditions and the employee follows the "Regulations on Ethical Corporate Management" and files for approval through related procedures. The Regulations have been announced to all employees and have been incorporated into the Company's training programs on corporate social responsibility. The Company has also established "Regulations on Reporting Unethical Business Conducts" for the processing procedures in cases where the Company's employees or others violate ethical business practices. The regulations also provide a legal report channel and process that keeps the identity of the reporter and the content of the report confidential to protect the reporter from reprisals. (III) The Company's "Regulations on Ethical Corporate Management" clearly restricts the supply and acceptance of unlawful interests and the Company has established "Procedures Governing the Processing of the Acceptance of Unlawful Interests" and "Procedures Governing the Restriction on Facilitating Payments" (including "Operating Rules for Political Donations," "Operating Rules for Charity Donations," and the requirement of "Conflict of Interest Recusal") for employees to follow.	In line with the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies
2. Implementation of ethical corporate management (I) Does the Company evaluate the integrity of all counterparties it has business relationships with? Are there any integrity clauses in the agreements it signs with business partners?	V		(I) The Company has requested major suppliers to sign a letter of undertaking of integrity to state the Company's ethical corporate management principles, evaluate the integrity of suppliers before establishing business relationships	In line with the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed

Assessed areas:	Implementation status			Departure from "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies" and reasons
	Yes	No	Summary	
(II) Does the Company have a unit under the Board of Directors that specializes in promoting ethical corporate management and regularly (at least once every year) report to the Board of Directors the implementation of the ethical corporate management policies and prevention programs against unethical conduct? (III) Has the Company established policies to prevent conflicts of interests, implemented such policies, and provided adequate channels of communications?	V V		and to explain to business counterparts the ethical corporate management policy to prevent the occurrence of unethical conduct. In addition, the Company's purchase orders will include a clause stipulating compliance with the Company's ethical corporate management policy. (II) The Company has established the "Corporate Social Responsibility Committee" in July 2012 and the Chairman designated high-level Supervisors to serve as Chair of the Committee, responsible for overseeing the drafting, execution, interpretation, consulting services and notification registry of the Company's ethical corporate management policy. The President reports to the Board of Directors annually on the execution. (III) The Company has also established "Regulations on Reporting Unethical Business Conducts" which clearly regulates the policy of preventing conflicts of interests. When an employee, in the execution of company business, discovers that the employee or an institution he/she represents is in a conflict of interest, or if the employee, spouse, parents, children or other interested parties stands to benefit unlawfully from the conflict of interest, the employee should notify his/her Supervisor and the Company's designated unit simultaneously. The employee's supervisor should provide adequate assistance in solving the issue. The Company holds periodic education on the prevention of insider trading for Directors, Supervisors and Managerial Officers.	Companies
(IV) Has the Company established effective accounting systems and internal control systems for enforcing ethical corporate management? Has the Company designated its internal audit unit to devise relevant audit plans and audit the compliance with the prevention programs accordingly based on the results of assessment of the risk of involvement in unethical conduct or commissioned a CPA to conduct the audit? (V) Did the Company periodically provide internal and external training programs on integrity management?	V V		(IV) The Company has established an effective accounting system and internal control institutions in accordance with regulations and established related procedures for internal auditing staff to conduct periodic auditing and ensure the design and implementation of various institutions remains effective. (V) The Company periodically holds corporate ethics education on corporate social responsibility and ethical corporate management each year and holds various training courses from time to time.	
III. Implementation of the Company's Whistleblowing System (I) Has the Company established concrete whistleblowing and reward system and have a convenient reporting	V		(I) The Company has established diversified reporting and complaint channels including the complaint email address and the employee opinion letterbox.	In line with the Ethical Corporate Management Best Practice Principles

Assessed areas:	Implementation status			Departure from "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies" and reasons
	Yes	No	Summary	
channel in place, and assign an appropriate person to communicate with the accused?			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.	for TWSE/TPEx Listed Companies
(II) Has the company established standard operating procedures for investigating reported issues, follow-up measures to be adopted after the investigation, and related confidentiality mechanisms?	V		(II) The Company has implemented standard procedures and confidentiality measures for handling reported malpractices. The Company has included the principles of ethical corporate management as part of employees' performance appraisal and the Company's human resource policy. There are clear and effective systems in place to enforce discipline and reporting of dishonest conduct. If any of the Company's personnel seriously violates ethical conduct rules, the Company shall dismiss the person in accordance with applicable laws and regulations or internal human resources guidelines. There are internal investigation procedures in place that requests confidentiality from all related personnel. All related documents are treated as confidential.	
(III) Did the Company adopt measures for protecting the whistle-blower against improper treatment or retaliation?	V		(III) The Company has established in the "Regulations on Reporting Unethical Business Conducts" and "Complaint Procedures" the necessary protection measures for the reporter of malpractices and all Supervisors and employees is prohibited from discrimination, threat and other harmful behaviors against the employee filing the complaint.	
IV. Enhancing information disclosure (I) Has the Company disclosed its integrity principles and progress onto its website and M.O.P.S.?	V		(I) 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
V. 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."				
VI. Other important information to facilitate better understanding of the Company's implementation of ethical corporate management: (e.g. declare the Company's commitment to practice and policy for ethical corporate management to its business counterparties, and invite them to join the Company's training program, and review/revision of the Company's ethical				

<table>
<tr><th rowspan="2">Assessed areas:</th><th colspan="3">Implementation status</th><th rowspan="2">Departure from "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies" and reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td colspan="5">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.</td></tr>
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7. If the Company has established corporate governance principles and related guidelines, disclose the means of accessing this information: The Company has a section "Investor Services/Rules and Regulations" on its website for investors to inquiry corporate governance related rules.

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

9. Status of implementation of internal control system

(1) Statement of Declaration on Internal Control

Nuvoton Technology Corp.

Internal Control System Statement

Date: February 6, 2020

This Statement of Internal Control System is issued based on the self-assessment results of the Company for year 2019:

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

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

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

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

V. Based on the findings of the evaluation mentioned in the preceding paragraph, the Company believes that as of December 31, 2019 its internal control system (including its supervision and management of subsidiaries), encompassing internal controls for knowledge of the degree of achievement of operational effectiveness and efficiency objectives, reliability of reporting, and compliance with applicable laws and regulations, is effectively designed and operating, and reasonably assures the achievement of the above-stated objectives.

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

VII. This Statement has been passed by the Board of Directors Meeting of the Company held on February 6, 2020, where 0 of the 9 attending Directors expressed dissenting opinions, and the remainder all affirmed the content of this Statement.

Nuvoton Technology Corp.
Chairman of the Board: Signature and Seal
President: Signature and Seal

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

10. Penalty on the Company and its personnel or punishment imposed by the Company on personnel in violation of internal control system regulations, major deficiencies and improvement 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 2019 general shareholders' meeting:

Date	Important resolutions and implementation	
2019/06/24	1	Ratified the Company's 2018 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 2018 earnings distribution proposal. Resolution: Passed as proposed. (For details of the resolution, please visit Market Observation Post System) Implementation status: The Board of Directors resolved in the meeting on July 25, 2019 to set August 18, 2019 as the ex-dividend date and September 12, 2019 as the issuance date. (Cash dividend of NT$2.5 per share)
	3	Passed the amended Articles of Incorporation. Resolution: Passed as proposed. (For details of the resolution, please visit Market Observation Post System) Implementation status: The Company has completed the registration of the amended Articles of Incorporation on July 5, 2019.
	4	Passed amended rules. Resolution: Passed as proposed. (For details of the resolution, please visit Market Observation Post System) Implementation status: Related Affairs are processed in accordance with procedures after the amendments are effected.
	5	Election of the 6th-term Directors (including Independent Directors). Results of the election: Directors: Representative of Winbond Electronics Corp.: Pei-Ming Chen, Yu-Cheng Chiao, representatives of Chin Xin Investment Corp.: Yung Chin, Ken-Shew Lu, Chi-Lin Wea Independent Directors: Allen Hsu, Shu-Chyuan Tu, Yu-Chun Hong, Jie-Li Hsu Implementation status: The Company announced the results of the election in a material information announcement on the day of the shareholders' meeting and completed the registration of the change of the Director on July 5, 2019.
	6	Passed the proposed removal of non-compete clause for Directors. Resolution: Passed as proposed. (For details of the resolution, please visit Market Observation Post System) Implementation status: Completed the material information announcement on the day of the shareholders' meeting.

(2) Report on the execution of resolutions adopted at the first special shareholders' meeting in 2019:

Date		Important resolutions and implementation
2019/12/06	1	Passed the amended Articles of Incorporation. Resolution: Passed as proposed. (For details of the resolution, please visit Market Observation Post System) Implementation status: The Company has completed the registration of the amended Articles of Incorporation on December 12, 2019.
	2	Passed the proposal for issuing new common shares and GDRs for cash capital increase. Resolution: Passed as proposed. (For details of the resolution, please visit Market Observation Post System) Implementation status: Followed resolution results.

(3) Important resolutions adopted by the Board of Directors in 2019 and up to the publication of the Annual Report (March 31, 2020)

Date		Important resolutions:
2019/02/01	1	Passed the Company's 2018 financial statements and business report.
	2	Passed the 2018 Statement of Declaration on Internal Control.
	3	Passed the 2018 earnings appropriation.
	4	Passed the Company's 2019 business plan and budget.
	5	Passed the annual remuneration paid to accounting firm Deloitte & Touche.
	6	Passed the purchase of liability insurance for the Company's Directors and key persons.
	7	Passed the financial derivative transactions undertaken by the Company.
	8	Passed the renewal of short-term lines of credit obtained from financial institutions.
	9	Approved the application for abolishing the Company's cash capital increase and issuance of new shares for 2018.
	10	Passed the total amount and individual amounts of remuneration appropriated for Directors in 2018.
	11	Passed the total amount of remuneration appropriated for employees in 2018.
	12	Passed amendments to the Company's Regulations Governing Salary, Remuneration and Performance Evaluation of Managing Directors.
	13	Passed the variable pay of professional managerial officers
2019/03/25	1	Passed the amended Articles of Incorporation.
	2	Passed the amendments to the Company's Procedures for Acquisition or Disposal of Assets.
	3	Passed the amended Procedures for Engaging in Derivatives Transactions.
	4	Passed the election of Directors in accordance with Article 15 of the Company's Articles of Incorporation.
	5	Passed the candidate list for 6th-term Directors (including Independent Directors) nominated by the Board of Directors.
	6	Passed the proposed calling of the 2019 general shareholders' meeting.
	7	Passed the financial derivative transactions undertaken by the Company.
2019/05/03	1	Passed the amended Articles of Incorporation.

Date	Important resolutions:	
	2	Passed the amendment of the Company's Regulations Governing Endorsements and Guarantees and changed the title to the Operating Procedures for Making Endorsements and Guarantees.
	3	Passed the amendment of the Company's Procedures for Lending Funds to Other Parties.
	4	Passed the amendment of the Company's Rules Governing the Conduct of Shareholders Meeting.
	5	Passed the amendment of the Company's Procedures for Election of Directors.
	6	Passed the amendment of the Company's Board of Directors Meeting Rules.
	7	Passed removal of the non-compete clause for 5th-term Directors of the Company.
	8	Passed the proposed removal of non-compete clause for the Company's newly-elected Directors.
	9	Passed the Board's review of shareholder motions.
	10	Passed the new agenda of the 2019 shareholders' meeting.
	11	Passed the financial derivative transactions undertaken by the Company.
2019/05/27	1	Approved the Company's proposed investment in Autotalks Ltd.
	2	Passed the financial derivative transactions undertaken by the Company.
2019/06/24	1	Election of Mr. Pei-Ming Chen as the 6th-term Chairman.
	2	Appointment of Mr. Allen Hsu, Mr. David Shu-Chyuan Tu, Mr. Royce Yu-Chun Hong, and Mr. Jie-Li Hsu as the 4rd-term members of the Compensation Committee.
2019/07/25	1	Approved the Company's proposal for the cash capital increase and issuance of new shares in 2019.
	2	Passed the Company's 2018 cash dividend appropriation.
	3	Passed the financial derivative transactions undertaken by the Company.
	4	Passed the renewal of short-term lines of credit obtained from financial institutions.
	5	Passed the change of the Company's Chief Financial Officer.
	6	Approved the appointment of Mr. Pei-Ming Chen as the Company's CEO.
	7	Approved the proposal for the appointment and dismissal of the Company's Managerial Officer.
	8	Passed the proposed removal of non-compete clause for the Company's Managerial Officer.
	9	Passed the appropriation ratio of remuneration for Directors in 2019.
	10	Passed the appropriation ratio of remuneration for employees in 2019.
	11	Approved the salary and compensation for the 6th-term Directors of the Company
	12	Passed the modifications to the salary and variable pay of managing Directors.
2019/08/27	1	Passed the renewal of short-term lines of credit obtained from financial institutions.
	2	Passed the financial derivative transactions undertaken by the Company.
	3	Approved the number of shares of available for subscription by the Managerial Officer of the Company in the cash capital increase of the Company in 2019.
2019/10/18	1	Passed the amended Articles of Incorporation.
	2	Passed the proposal for issuing new common shares and GDRs for cash capital increase.

Date		Important resolutions:
	3	Passed the date for convening the Company's first special shareholders' meeting in 2019.
	4	Passed the financial derivative transactions undertaken by the Company.
2019/10/25	1	Passed the Company's Annual Audit Plan for 2020.
	2	Approved the proposed increase in budget for capital expenditure.
	3	Passed the proposed removal of non-compete clause for the Managerial Officer.
	4	Passed the renewal of short-term lines of credit obtained from financial institutions.
	5	Passed the financial derivative transactions undertaken by the Company.
2019/11/28	1	Approved the Company's acquisition of material assets.
	2	Approved the change of the Company's plan for cash capital increase and issuance of new shares for 2019.
	3	Passed the replacement of the Company's CPA in 2019 Q4.
	4	Approved the Company's lease of certain floor and parking spaces of the parent company Winbond Electronics Corp. and the capital expenditure budget
	5	Passed the financial derivative transactions undertaken by the Company.
2019/12/06	1	Passed the proposal for issuing new common shares and GDRs for cash capital increase.
	2	Passed amendments to the Company's Regulations Governing Salary, Remuneration and Performance Evaluation of Directors and changed the title to Regulations Governing Salary, Remuneration and Performance Evaluation of Directors and the Board of Directors.
	3	Passed the financial derivative transactions undertaken by the Company.
2020/02/06	1	Elected the Chairman in accordance with Article 16 of the Company's Articles of Incorporation.
	2	Passed the Company's 2019 financial statements and business report.
	3	Passed the 2019 Statement of Declaration on Internal Control.
	4	Passed the Company's 2020 business plan and budget.
	5	Passed the annual remuneration paid to accounting firm Deloitte & Touche.
	6	Passed the purchase of liability insurance for Directors, Supervisors, and key personnel.
	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 total amount and individual amounts of remuneration appropriated for Directors in 2019.
	10	Passed the total amount of remuneration appropriated for employees in 2019.
	11	Passed amendments to the Company's Regulations Governing Salary, Remuneration and Performance Evaluation of Managing Directors.
	12	Passed the variable pay of professional managerial officers
	13	Approved the proposal for the dismissal of the Company's Managerial Officer.
	14	Approved the proposal for the appointment of the Company's Managerial Officer.
2020/03/12	1	Passed the 2019 earnings appropriation.
	2	Approved the Company's first issuance of domestic unsecured convertible bonds.

Date	Important resolutions:	
	3	Passed the amendment of the Company's Rules Governing the Conduct of Shareholders Meeting.
	4	Passed the amendment of the Company's Procedures for Lending Funds to Other Parties.
	5	Passed the amendment of the Company's Operating Procedures for Making Endorsements and Guarantees.
	6	Passed the amendments to the Company's Regulations Governing the Organization of the Audit Committee.
	7	Passed amended internal rules.
	8	Approved the proposed removal of non-compete clause for the Company's Chairman and CEO Mr. Yuan-Mou Su.
	9	Passed the proposed calling of the 2020 general shareholders' meeting.
	10	Passed the financial derivative transactions undertaken by the Company.

(4) Important resolutions adopted by the Audit Committee in 2019 and up to the publication of the Annual Report (March 31, 2020)

Date	Important resolutions:	
2019/02/01	1	Passed the Company's 2018 financial statements and business report.
	2	Passed the 2018 Statement of Declaration on Internal Control.
	3	Passed the 2018 earnings appropriation.
	4	Passed the annual remuneration paid to accounting firm Deloitte & Touche.
	5	Approved the application for abolishing the Company's cash capital increase and issuance of new shares for 2018.
2019/03/25	1	Passed the amendments to the Company's Procedures for Acquisition or Disposal of Assets.
	2	Passed the amended Procedures for Engaging in Derivatives Transactions.
2019/04/26	1	Passed the amendment of the Company's Regulations Governing Endorsements and Guarantees and changed the title to the Operating Procedures for Making Endorsements and Guarantees.
	2	Passed the amendment of the Company's Procedures for Lending Funds to Other Parties.
	3	Passed removal of the non-compete clause for 5th-term Directors of the Company.
2019/05/27	1	Approved the Company's proposed investment in Autotalks Ltd.
2019/07/25	1	Passed the 2019 Q2 financial statements.
	2	Approved the Company's proposal for the cash capital increase and issuance of new shares in 2019.
	3	Passed the change of the Company's Chief Financial Officer.
2019/10/18	1	Passed the proposal for issuing new common shares and GDRs for cash capital increase.
2019/10/25	1	Passed the Company's Annual Audit Plan for 2020.
	2	Approved the proposed increase in budget for capital expenditure.
	3	Passed the proposed removal of non-compete clause for the Managerial Officer.
2019/11/28	1	Approved the Company's acquisition of material assets.
	2	Passed the replacement of the Company's CPA in 2019 Q4.
	3	Approved the Company's lease of certain floor and parking spaces of the parent company Winbond Electronics Corp. and the capital expenditure budget

Date	Important resolutions:	
2019/12/06	1	Passed the proposal for issuing new common shares and GDRs for cash capital increase.
2020/02/06	1	Passed the Company's 2019 financial statements and business report.
	2	Passed the 2019 Statement of Declaration on Internal Control.
	3	Passed the annual remuneration paid to accounting firm Deloitte & Touche.
	4	Approved the proposal for the dismissal of the Company's Managerial Officer.
	5	Approved the proposal for the appointment of the Company's Managerial Officer.
2020/03/12	1	Passed the 2019 earnings appropriation.
	2	Approved the Company's first issuance of domestic unsecured convertible bonds.

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 Internal Auditor, Chief Governance Officer, and Chief R&D Officer in the past year and up to the date of report:

Title	Name	Date of appointment	Date of dismissal	Reason for resignation or dismissal
Chief Financial Officer	Hsiang-Yun Fan	2008.7.1	2019.8.1	Job transfer
Chairman	Pei-Ming Chen	2019.6.24	2020.2.6	Job transfer
CEO	Pei-Ming Chen	2019.8.1	2020.3.1	Job transfer

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.

(IV) Information on Fees to CPA:

1. Information on Fees to CPA

Name of accounting firm	Name of Accountants:		Duration of audit	Note
Deloitte & Touche Joint CPA Firm	Shu-Lin Liu	Hung-Bin Yu	2019	

Unit: NT$1,000

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 Joint CPA Firm	Shu-Lin Liu, Accountant, Hung-Bin Yu, Accountant, etc.	4,340	-	-	-	814	814	2019	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 2019 that were non-audit fee amounted to NT$814,000 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 10% less than that paid in the previous year, the amount and percentage of decrease and reason: The 2019 audit fee has not decreased more than 10% than the amount paid in 2018. This is therefore not applicable.

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

Due to internal changes in the CPA firm, the Company's original CPAs Hung-Bin Yu and Ker-Chang Wu have been changed to CPAs Hung-Bin Yu and Kuo-Tien Hung from 2018 Q1. Due to internal changes in the CPA firm, the Company's original CPAs Hung-Bin Yu and Kuo-Tien Hung have been changed to CPAs Shu-Lin Liu and Hung-Bin Yu from 2019 Q4.

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	Contracting parties / 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

Date of change	November 28, 2019		
Reasons for change and remark	Internal adjustment of the certifying CPA firm		
Termination initiated by client or accountant declined to accept the appointment	Contracting parties / Scenario	CPA	Client
	Termination initiated by client	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

Name of firm	Deloitte & Touche
Name of Accountants:	Shu-Lin Liu, Accountant and Hung-Bin Yu, Accountant
Date of appointment	November 28, 2019
Consultation given on accounting treatment or accounting principle adopted for any specific transactions and on possible opinion issued on financial report prior to appointment and results	N/A
Succeeding CPAs' written opinions that are different from those of the previous CPAs	N/A

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

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

(VII) 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	2019		2020 up to March 31	
		Increase (decrease) in shares held	Increase (decrease) in pledged shares	Increase (decrease) in shares held	Increase (decrease) in pledged shares
Chairman	Winbond Electronics Corporation	50,379,913	-	-	-
	Representative: Yuan-Mou Su (Note 2)	-	-	-	-
	Representative: Pei-Ming Chen (Note 3)	60,000			
Director	Arthur Yu-Cheng Chiao (Note 4)	-	-	-	-
Director	Chin Xin Investment Corp. (Note 5)	977,631	-	-	-
	Representative: Yung Chin (Note 6)	-	-	-	-
Director	Ken-Shew Lu	-	-	-	-
Director	Chi-Lin Wea	-	-	-	-
Independent Director	Royce Yu-Chun Hong	-	-	-	-
Independent Director	Allen Hsu	-	-	-	-
Independent Director	David Shu-Chyuan Tu	-	-	-	-
Independent Director	Jie-Li Hsu	-	-	-	-
President	Sean Tai	60,000	-	-	-
VP	Yo-Song Cheng (Note 7)	-	-	-	-
VP	Jen-Lieh Lin	86,169	-	-	-
VP	Hsin-Lung Yang	39,000	-	-	-
VP	Patrick Wang	35,000	-	-	-
VP	Kuang-Lun Lin (Note 8)	30,121	-	-	-
Chief Financial Officer	Jessica Huang (Note 9)	35,000	-	-	-
Chief Accounting Officer	Hung-Wen Huang	27,616	-	-	-
Vice Chairman	Robert Hsu (Note 10)	-	-	-	-
VP	Hsi-Jung Tsai (Note 11)	(46,000)	-	-	-
VP and Chief Financial Officer	Hsiang-Yun Fan (Note 12)	-	-	-	-

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

Note 2: Mr. Yuan-Mou Su was newly-appointed as the representative of the new Institutional Chairman on February 6, 2020. The above table discloses his information starting from the date of appointment of his term of office as the representative of Nuvoton's Institutional Director.

Note 3: Mr. Pei-Ming Chen was relieved of his duties as the representative of the new Institutional Chairman on February 6,

2020. The above table discloses his information up to the date of termination of his term of office as Nuvoton's Chairman.

Note 4: The Representative of Institutional Director Mr. Yu-Cheng Chiao became a Director on June 24, 2019.

Note 5: Gin Hsin Investment Co., Ltd. was newly-appointed as a Director on June 24, 2019.

Note 6: The Director Ms. Yung Chin became a Representative of Institutional Director on June 24, 2019.

Note 7: Mr. Yo-Song Cheng was appointed as Vice President on October 14, 2019. The above table discloses his information starting from the date of his term of office as Nuvoton's Vice President.

Note 8: Mr. Kuang-Lun Lin was appointed as Vice President on July 25, 2019.

Note 9: Ms. Jessica Huang was appointed on August 1, 2019. The above table discloses her information starting from the date of appointment of her term of office as Nuvoton's Chief Financial Officer.

Note 10: Mr. In-Shek Hsu was relieved of his duties as Vice Chairman on June 24, 2019. The above table discloses his information up to the date of termination of his term of office as Nuvoton's Vice Chairman.

Note 11: Mr. Hsi-Jung Tsai was relieved of his duties as Vice President on October 14, 2019. The above table discloses his information up to the date of termination of his term of office as Nuvoton's Vice President.

Note 12: Mr. Hsiang-Yun Fan was relieved of his duties as Vice President and Chief Financial Officer on August 1, 2019. The above table discloses his information up to the date of termination of his term of office as Nuvoton's Vice President and Chief Financial Officer.

(2) Share transfer information: N/A

(3) Share pledge information: N/A

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

March 31, 2020; 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	Title (or name)	Relationship	
Winbond Electronics Corp. Representative: Arthur Yu-Cheng Chiao	177,000,000 -	61.55% -	- -	- -	- -	- -	Chin Xin Investment Corp.	Same individual as the chairman of the institutional shareholder	N/A
Fubon Life Insurance Co., Ltd.	3,854,407	1.34%	-	-	-	-	-	-	N/A
Morgan Stanley Investment Fund under the custody of HSBC	1,511,635	0.53%	-	-	-	-	-	-	N/A
Special Emerging Markets Equity Investment Fund under the custody of Citibank	1,439,188	0.50%	-	-	-	-	-	-	N/A
Chin Xin Investment Corp. Representative: Arthur Yu-Cheng Chiao	1,230,816	0.43%	-	-	-	-	Winbond Electronics Corp.	Same individual as the chairman of the institutional shareholder	N/A
JP Morgan Securities investment account under the custody of JPMorgan Chase Bank N.A. Taipei Branch	858,334	0.30%	-	-	-	-	-	-	N/A

New Labor Pension Fund	793,894	0.28%	-	-	-	-	-	-	N/A
UBS Europe SE investment account under the custody of Citibank	736,541	0.26%	-	-	-	-	-	-	N/A
Credit Suisse Securities investment account under the custody of the Main Office of Standard Chartered Bank	706,875	0.25%	-	-	-	-	-	-	N/A
Nomura International PLC. investment account under the custody of Citibank	651,000	0.23%	-	-	-	-	-	-	N/A

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

December 31, 2019; Unit: shares

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%
MArketplAce MAnAgement Limited	8,842,789	100%	-	-	8,842,789	100%
Nuvoton Technology Corp. America	60,500	100%	-	-	60,500	100%
Nuvoton Investment Holding Ltd.	17,960,000	100%	-	-	17,960,000	100%
Song Yong Investment Corporation	3,850,000	100%	-	-	3,850,000	100%
Nuvoton Technology IndiA PrivAte Limited	600,000	100%	-	-	600,000	100%

Note 1: Equity method is employed.

III. Capital and Shareholding

(I) Share capital source

Unit: Share; NT$1,000

Year Month	Issue price (NT$)	Authorized capital		Paid-in capital		Note		
		No. of shares	Amount	No. of shares	Amount	Share capital source	Shares acquired by non-cash assets	Other
9704	10	300,000,000	3,000,000	100,000	1,000	Cash capital NT$1,000,000	N/A	Yuan-Shang No. 0970009659
9707	10	300,000,000	3,000,000	250,000,000	2,500,000	Accepts separation NT$2,499,000,000	N/A	Yuan-Shang No. 0970019973
9809	-	300,000,000	3,000,000	190,000,000	1,900,000	Capital reduction by cash NT$600,000,000	N/A	Yuan-Shang No. 0980028478
9809	10	300,000,000	3,000,000	200,070,000	2,000,700	Capital increase shares by capital surplus NT$100,700,000	N/A	Yuan-Shang No. 0980028736
9906	10	300,000,000	3,000,000	207,554,400	2,075,544	2009 earning and employee bonuses recapitalization of NT$74,844,000	N/A	Yuan-Shang No. 0990016508
10811	10	300,000,000	3,000,000	287,554,400	2,875,544	Cash capital increase of NT$800,000,000	N/A	Zhu-Shang No. 1080032110

December 31, 2019; Unit: shares

Type of Shares	Authorized capital			Note
	Outstanding shares	Unissued shares	Total	
Ordinary shares	287,554,400	212,445,600	500,000,000	Listed stock

Note: Information for shelf registration: N/A

(II) Shareholders

March 31, 2020

Shareholders / Quantity	Government institutions	Financial institutions	Other corporations	Individuals	Foreign institutions and foreigners	Total
Number of people	-	2	57	20,882	72	21,013
Shares held (shares)	-	4,174,407	181,408,403	91,088,401	10,883,189	287,554,400
Shareholding ratio (%)	-	1.45%	63.09%	31.68%	3.78%	100%

(III) Shareholding Distribution Status

1. Common stocks:

March 31, 2020

Shareholding range	Number of shareholders	Shares held (shares)	Shareholding ratio (%)
1 to 999	1,197	327,264	0.11%
1,000 to 5,000	16,034	32,151,628	11.18%
5,001 to 10,000	2,150	16,587,331	5.77%
10,001 to 15,000	682	8,578,942	2.98%
15,001 to 20,000	314	5,784,051	2.01%
20,001 to 30,000	291	7,403,711	2.57%
30,001 to 50,000	164	6,508,179	2.26%
50,001 to 100,000	116	8,157,168	2.84%
100,001 to 200,000	33	4,532,177	1.58%
200,001 to 400,000	11	3,240,617	1.13%
400,001 to 600,000	9	4,240,750	1.47%
600,001 to 800,000	6	4,148,202	1.44%
800,001 to 1,000,000	1	858,334	0.30%
Over 1,000,001	5	185,036,046	64.36%
Total	21,013	287,554,400	100%

2. Preferred stocks: Not applicable

(IV) List of major shareholders

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

March 31, 2020 Unit: shares

Shares / Name of majority shareholders	Number of shares held	Shareholding ratio (%)
Winbond Electronics Corp.	177,000,000	61.55%
Fubon Life Insurance Co., Ltd.	3,854,407	1.34%
Morgan Stanley Investment Fund under the	1,511,635	0.53%

Name of majority shareholders / Shares	Number of shares held	Shareholding ratio (%)
custody of HSBC		
Special Emerging Markets Equity Investment Fund under the custody of Citibank	1,439,188	0.50%
Chin Xin Investment Corp.	1,230,816	0.43%
JP Morgan Securities investment account under the custody of JPMorgan Chase Bank N.A. Taipei Branch	858,334	0.30%
New Labor Pension Fund	793,894	0.28%
UBS Europe SE investment account under the custody of Citibank	736,541	0.26%
Credit Suisse Securities investment account under the custody of the Main Office of Standard Chartered Bank	706,875	0.25%
Nomura International PLC. investment account under the custody of Citibank	651,000	0.23%

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

Unit: Share; NT$;

Item / Year			2018	2019	2020 up to March 31
Stock price (Note 1)	Highest		79.20	55.80	48.40
	Lowest		32.75	36.80	27.20
	Average		56.68	47.98	40.80
Net worth per share	Before distribution		17.99	25.71	—
	After distribution		15.49	(Note 2)	—
Earnings per share	Weighted average shares		207,554,400	220,887,733	287,554,400
	Earnings per share		3.42	2.53	—
Dividends per share	Cash dividend		2.50	(Note 2)	—
	Stock dividend	Earnings	—	—	—
		Capital surplus	—	—	—
	Accumulated unpaid dividend		—	—	—
Investment return analysis	PE ratio (Note 3)		16.57	18.96	—
	Price-dividend ratio (Note 4)		22.67	(Note 2)	—
	Cash dividend yield (Note 5)		4.41%	(Note 2)	—

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

(VI) Dividend policy and implementation status

1. Company dividend policy:

Under the Company Act and Nuvoton's Articles of Incorporation, the Company shall, after covering prior years' losses and paying all taxes and dues, set aside 10% of its earnings as legal reserve until such reserve equals the paid-in capital. Of the remainder plus undistributed earnings in prior years or of distributable earnings resulting from this year's loss plus undistributed earnings in prior years, special reserve shall be set aside or reversed according to laws or the competent authority. The remainder surplus may be retained for business needs or otherwise distributed by the following principle: The Board of Directors may propose an earnings distribution plan for dividends for stockholders and submit the plan to the shareholders' meeting for approval.

The Board of Directors shall be authorized to determine the cash distribution of the aforementioned earnings, legal reserve, and additional paid-in capital with resolution adopted by a majority vote in a board meeting attended by more than two thirds of the Directors and report to the shareholder's meeting.

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 the net profit after tax of the year after making up for cumulative losses and deducting the allocations for legal reserve and special reserve. Cash dividend shall not be lower than 10% of total dividends. 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 2019 dividend distribution proposal was formulated in the March 12, 2020 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 May 29, 2020.

Statement of Earning distribution
2019

Unit: NT$

Item	Amount
Undistributed earnings from previous years	$365,396,830
Plus: Disposal of financial assets in other comprehensive income measured at fair value through profit and loss accumulated in retained earnings	49,702,932
Minus: Re-measurement of defined benefit plan converted into retained earnings	(46,150,000)
Minus: Retained earnings adjusted to equity method investments	(10,179,886)
Plus: Net profit of 2019	558,459,456
Minus: 10% Legal reserve appropriated	(55,183,250)
Retained earnings available for distribution as of December 31, 2019	862,046,082
Distribution Items: Cash Dividends to Common Shares (NT$1.2 per share)	(345,065,280)
Undistributed retained earnings from previous years	$516,980,802

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

(VIII) Remuneration of employees, directors and supervisors

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

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

2. Basis for estimating the amount of remuneration to employees and Directors/Supervisors, basis for calculating the number of shares to be distributed as stock bonuses, 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 2019 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$6,811,000 in remuneration for Directors and remuneration of NT$40,868,000 for employees in the meeting of the Board of Directors on February 6, 2020. 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 2018:

Unit: Share; NT$;

Item	Actual distributed amount (Note)			Amount approved in the Board of Directors' resolution	Difference
	Amount	Equitable shares	Stock price		
Remuneration to Directors and Supervisors	8,404,703	-	-	8,404,703	N/A
Remuneration to employees in cash	50,428,220	-	-	50,428,220	N/A

Note: The remuneration of Directors, Supervisors and employees above were passed by the meeting of the Board of Directors on February 1, 2019. There is no difference between the actual amount distributed and the amount recognized in the 2018 financial statements.

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

IV. Issuance of Corporate bonds:

The Company filed an application to the FSC for the Company's first issuance of domestic unsecured convertible bonds on March 25, 2020 and has not yet received the approval letter as of the publication date of the Annual Report.

V. Issuance of preferred stocks: N/A.

VI. Issuance of global depositary receipts (GDR): The plan for issuing new common shares and GDRs for cash capital increase approved by the FSC on January 14, 2020 remains in progress and the fundraising is not yet completed.

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

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

IX. Mergers, acquisitions or issuance of new shares for acquisition of shares of other companies:

The Company referenced the value appraisal report submitted by PricewaterhouseCoopers, Taiwan based on the asset approach and income approach before paying the equivalent of US$250 million to the Panasonic Group of Japan for the purchase of 100% of the shares of its subsidiary Panasonic Semiconductor Solutions Co. Ltd., specific operation assets including equipment and inventories of semiconductor operations of Panasonic Semiconductor (Suzhou) Co., Ltd., and specific operation assets including assets, liabilities, and contracts of Panasonic Industrial Devices Semiconductor Asia. The delivery is expected to be completed in June 2020 and the approval of the government and competent authorities of the two parties' respective countries and regions was approved. This transaction is expected to expand the scale of its semiconductor business, expand global sales channels and customers, obtain core technical patents for related applications and R&D talents, increase the Company's influence in the global semiconductor industry, and enhance long-term competitiveness. The plans for the integration of finances, businesses, personnel, and information after the acquisition are still being planned.1

PSCS is a leading global supplier headquartered in Nagaokakyo, Kyoto Prefecture, Japan. It provides related semiconductor products and solutions and specializes in image sensing technologies microcontroller technologies, and semiconductor component technologies.

X. Implementation of capital allocation plan:

The Company has not implemented the issuance of new shares or corporate bonds or private placement of securities for the aforementioned acquisition or transfer of other companies' shares. The previous plans for fundraising and issuance of securities were completed in the issuance of new shares for cash capital increase in 2019 which have been completed in accordance with the plan and expected schedule. The plan for issuing new common shares and GDRs for cash capital increase approved by the FSC on January 14, 2020 remains in progress and the fundraising is not yet completed. The contents, execution status, and benefits of the issuance of new shares for cash capital increase in 2019 and the plan for issuing new common shares and GDRs for cash capital increase approved by the FSC on January 14, 2020 are explained below:

(I) Issuance of new shares for cash capital increase in 2019

1. Project content

(1) Competent authority approval date and document number: Jin-Guan-Zheng-Fa-Zi No. 1080326356 dated August 26, 2019.

(2) Total funding required for the plan: NT$3,600,000,000

(3) Sources of capital: Issuance of 80,000,000 shares for cash capital increase with a value of NT$45 per share for raising a total NT$3,600,000,000.

(4) Project items, fund implementation progress, and anticipated benefits:

Unit: NT$1,000

Project item	Anticipated completion date	Total funding needed	Scheduled rate of progress of fund utilization	
			2019	2020
			Q4	Q1
Replenishment of operating capital	2020 Q1	3,600,000	1,500,000	2,100,000
Total	-	3,600,000	1,500,000	2,100,000
Anticipated benefits	Payment of funding necessary for daily operations, enhancement of financial structure, and increase in market competitiveness. The plan is expected to save interest expenditures by approximately NT$118,080,000 each year.			

2. Implementation status:

Unit: NT$1,000

Project item	Implementation status		2019 Q4	2020 Q1	Description
Replenishment of operating capital	Expenditures	Anticipated	1,500,000	2,100,000	The Company has completed the capital utilization plan on schedule in February 2020.
		Actual	1,947,444	1,652,556	
	Implementation progress	Anticipated	41.66%	58.34%	
		Actual	54.09%	45.91%	

The Company raised sufficient funds on October 23, 2019 and immediately replenished operating funds in accordance with the plan. We also began using the funds for routine material purchases, salaries, service fees of subsidiaries, and other business activities. The utilization plan was completed before the end of February 2020 and there were no irregularities in the capital expenditure schedule.

3. Implementation benefits

According to the Company's 2019 financial report, the current assets increased significantly after the fundraising and the debt ratio was significantly lowered from levels before the end of September 2019. The percentage of long-term capital in PP&E, current and quick ratios increased significantly. The financial structure and solvency have been significantly improved and the revenue from October to December amounted to NT$2,789,451,000, which was a 12.87% increase from NT$2,471,448,000 from 2018. The total revenue in January to February 2020 amounted to NT$1,334,841,000 which was also higher than NT$1,223,434,000 in the same period in 2019. Therefore, the effects of the fundraising in the replenishment of operating capital were significant.

Unit: %； NT$1,000

Item / Year		2019 Q3 (before fundraising)	2019 Q4 (after fundraising)
Capital Structure Analysis	Debts Ratio	48.46	33.74
	Long-term Fund to Property, Plant and Equipment	702.59	1,159.29
Liquidity Analysis	Current ratio	201.88	349.60
	Quick ratio	124.26	275.20
Current assets		4,524,902	7,342,113
Current liabilities		2,241,287	2,334,337
Total liabilities		3,587,614	3,480,089

(II) Proposal for issuing GDRs for cash capital increase

1. Project content

(1) Competent authority approval date and document number: Jin-Guan-Zheng-Fa-Zi No. 1080342102 dated January 14, 2020.

(2) Total funding required for the plan: US$250,000,000 which was equivalent to approximately NT$7,625,000,000 (the NTD to USD exchange rate is provisionally set as 30.5: 1).

(3) Sources of capital:

① Issuance of GDRs

A. The Company shall issue 60,000,000 to 90,000,000 shares in GDRs for cash capital increase. Each GDR represents 1 common share of Nuvoton. Therefore, the total units issued shall be 60,000,000 to 90,000,000 units and the total amount raised shall be US$88,525,000 to US$132,787,000 (estimated based on the provisional price of NT$45 per share and the NTD to USD exchange rate of 30.5 to 1).

B. However, if the actual amount raised is adjusted due to market factor changes and the amount raised is insufficient, the difference shall be made up with the Company's proprietary funds or bank loans. However, if the amount raised is higher than the anticipated amount, the increased amount shall also be used for the investment plan.

② The gap between the fundraising plan and the actual implementation shall be made up with the Company's proprietary funds or bank loans.

(4) Project items, fund implementation progress, and anticipated benefits:

① Project items and fund implementation progress

Unit: NT$1,000

Project item	Anticipated completion date	Total funding needed\ (Note 2)		Scheduled rate of progress of fund utilization
				2020 Q2
Acquisition of related semiconductor businesses of Panasonic Corporation	2020 Q2	USD	250,000	250,000
		NTD	7,625,000	7,625,000
Total	-	USD	250,000	250,000
		NTD	7,625,000	7,625,000

Note 1: The NTD to USD exchange rate is provisionally set as NTD 30.5 to USD 1.

Note 2: The amount is the basic purchase price agreed by the parties. The actual transaction price shall be adjusted in accordance with the price adjustment mechanisms before and after settlement specified in the Stock and Asset Purchase Agreement signed by the parties.

② Anticipated benefits

The Company paid cash for the purchase of 100% of the shares of Panasonic Semiconductor Solutions Co. Ltd., a subsidiary of the Panasonic Group of Japan, specific operation assets including equipment and inventories of semiconductor operations of Panasonic Semiconductor (Suzhou) Co., Ltd., and specific operation assets including assets, liabilities, and contracts of Panasonic Industrial Devices Semiconductor Asia. This transaction is expected to expand the scale of its semiconductor business, expand global sales channels and customers, obtain core technical patents for related applications and R&D talents, increase the Company's influence in the global semiconductor industry, and enhance long-term competitiveness. The Company expects to accumulate recognizable investment proceeds of US$269,965,000 from 2020 to 2027 with a payback period of approximately 8 years.

2. Implementation status:

The GDR plan was effective with the approval of the FSC on January 14, 2020. The impact of COVID-19 on the global capital market has made investors more conservative. Therefore, the overseas lead underwriter is still continuing to consult potential investors and the fundraising is not yet completed. The Company has applied for a deferral of the fundraising period to mid-July.

3. Implementation benefits

As the fundraising plan is not yet completed and the delivery of investment plan is set to June 2020, there are currently no implementation benefits.

Chapter 3. Business Overview

I. Business Activities

(I) Business scope

1. Major business activities

The Company's primary business consists of the research and development, design and sales of integrated circuits and 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	2019	
	Operating revenue	Revenue Distribution (%)
IC Income	8,426,460	81%
Foundry Service Income	1,924,876	19%
Other	15,933	-
Total	10,367,269	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 wafer plant equipped with diversified processing technologies to provide professional wafer 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 established a comprehensive product platform for microcontrollers including 32-bit and 8-bit MCU product lines. We also satisfy demands in IoT, health care, industrial control, and automotive electronics with low power consumption, high security and confidentiality, integration of precision analog circuits, and abundant resources.

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

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

(2) Foundry service

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

4. New products under development

(1) IC Business

The development of the Company's new microcontroller products focuses on achieving high performance, security, low power consumption, and analog technologies to satisfy demand in the industrial control market. The Company also continued to develop analog and security technologies for IoT development. We will introduce the latest IoT security ARM® Cortex®-M23 microcontroller in 2018. It was the first microcontroller based on Arm® Cortex®-M23 with Arm® PSA Certified Level 1 and PSA Functional API certification. Coupled with high-performance microcontrollers with Arm® Cortex®-M4 as the inner core, the Company continues to expand the IoT security and high-end industrial control MCU product line in the IoT and industrial control markets and satisfy customer demands for high-performance, security, and low power consumption.

We are currently committed to development of new audio products in the smart home, personal computer, mobile phone, and consumer electronics application markets. We launched the Smart Amplifier with DSP internal core and incorporated speaker protection algorithms to provide high-performance single-chop solutions. In addition, we also launched N589 — the first EMD-Flash 8-bit uC audio control chip in the industry. It effectively shortens the development cycle and resolves storage issues for audio products. In addition, the NSPxx series was also successfully expanded to consumer audio application products such as electronic door locks, electric vehicles, medical equipment, charging stations, smart toilets, smart trash bins, massage chairs, and electric toothbrushes.

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

(2) Foundry service

To continue enhancing customers' competitiveness, the Company continues to advance the power supply management and customized manufacturing processes of our foundry service to optimize the performance of high-voltage and power components. At the same time, the Company also actively develops next-generation high energy bandgap and high voltage discrete components and smart transducers to satisfy customer demands for high-voltage and high-frequency requirements and new 5G applications. In addition, Nuvoton's wafer foundry continues to maintain VDA6.3 automotive standard certification to satisfy customers' demand for automotive-standard products.

(II) 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, smart appliances, and vehicle-mounted systems.

Applications that enable hands free natural language audio interaction interfaces and the Internet continue to increase. 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, smart cars, IoT, and wearable devices.

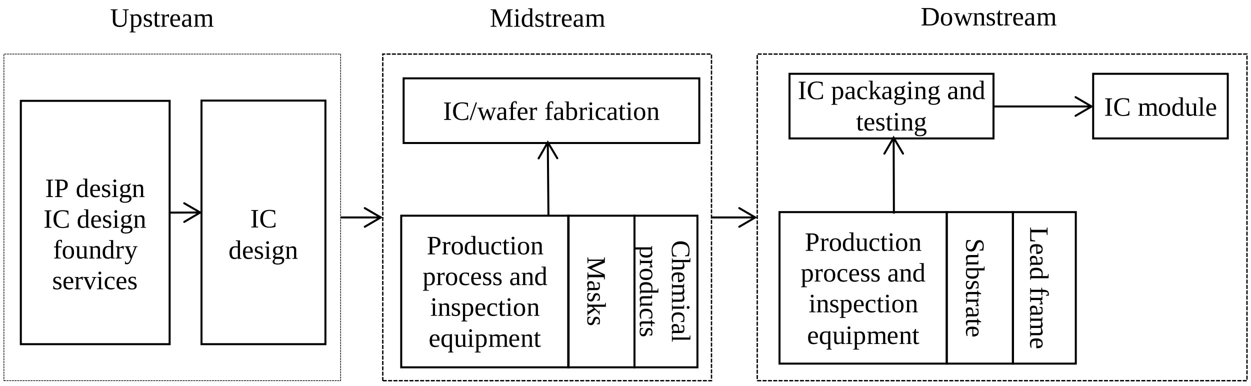
Furthermore, smart networks and artificial intelligence computing continue to change our lifestyles to satisfy changing and growing personal demand for servers, data centers, and customized computing devices while personal data protection and equipment security become increasingly important.

(2) Foundry service

Market research institute WSTS stated that the revenue of the global semiconductor industry is expected to reach US$433 billion in 2020, a 5.9% increase from US$409 billion in 2019 as growth is restored. The Company actively develops new products, applications, and markets to fully satisfy market and customer demand and respond to market changes. In terms of regions, China remains a key market and the Company also actively develops wafer foundry services in other regions.

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

The supply chain of the IC industry can be roughly divided into upstream IC design companies, midstream IC 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 security functions. Different application fields demand specific designs and one product cannot satisfy all requirements. Therefore, the Company's MCU product plan involves the development of an MCU platform for different applications, high confidentiality and security designs, and software/hardware reference solutions. The Company also launched a software and hardware development platform with operating systems, online communication modules, and cloud software services suitable for the IoT ecosystem to fulfill diverse and rapid development demands from the market. The Company promotes the products to professional realms for the customers to obtain the best solutions.

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

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

(2) Foundry service

The development of 6" wafer foundry service is now focused on high-voltage and customization. The company therefore continues to develop high-efficiency and low power consumption manufacturing processes for power supply management and strives to become the best provider of total power supply management solutions. In addition, we have developed customized manufacturing processes which will provide more opportunities in the new 5G and IoT era with growing demands for sensor products.

4. Product competition

(1) IC Business

The Company has begun development of the new 32-bit universal MCU ARM® Cortex® -M0 in 2010 and introduced the brand-new, high-end 32-bit MCU ARM® Cortex® -M4 with floating-point operations and DSP functions in 2012. The Company has also introduced the latest secure ARM® Cortex® M23 MCU in 2016. We use our complete range of products and software and hardware platforms to satisfy future industrial application demands, and a strong technical support team to serve customers. We shall create irreplaceable customer relations and competitiveness and provide total solutions, software, and tools to create a comprehensive ecosystem and build lasting unique competitiveness.

The Company has begun developing audio products under the DSP framework in 2017 and used a diverse range of algorithms to actively expand the smart home market. We also continue to expand our audio product lines to provide the industry with the best choices and service options with the aim of escaping the low-end and low-price market and focus on developing the smart toy market with high margins. We therefore also launched N589, the first EMD-Flash 8-bit uC audio control chip in the industry in 2018. It effectively shortens the development cycle and resolves storage issues for audio products.

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

(2) Foundry service

In the face of competition from a constantly growing production capacity in the global semiconductor industry, the Company's 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.

(III) Overview of Technology and R&D

1. R&D expenditures

Unit: NT$1,000

Item	2019	2020 up to March 31
R&D Expenditures (A)	2,822,825	657,464
Net operating revenues (B)	10,367,269	2,133,155
(A)/(B)	27%	31%

2. Technologies and products successfully developed in the past year

Year	Research and development achievements
2019	Nuvoton launched the M261/M262/M263 microcontroller series with low power consumption and high security settings for next-generation IoT applications.
2019	Nuvoton launched the NuMicro®M2351 IoT security microcontroller. It is the first FreeRTOS operating system with Arm® Cortex®-M23 core.
2019	Nuvoton launched the brand-new Arm® Cortex®－M0 MCU NUC029 series for the industrial control application market.
2019	Nuvoton launched the world's first microcontroller based on Arm® Cortex®-M23 core with Arm® PSA Certified Level 1 and PSA Functional API certification to provide services in the global market for the security of Internet of Things applications.
2019	Nuvoton launched the M031/32 series which uses the Arm®Cortex®-M0 embedded core to provide a diverse range of products from 16 KB to 512 KB Flash and from 20 to 128 pins.
2019	Nuvoton launched the small packaging industrial-grade MS51 microcontroller.
2019	Nuvoton launched the NuMicro® ML51 microcontroller series with ultra-low power consumption.
2019	Nuvoton launched the next-generation amplifiers NAU8315 and NAU8325 which are suitable for smart home, personal computer, mobile phone, and consumer electronics applications.
2019	Nuvoton launched NAU83G10 and NAU83G20, the first Smart Amp that is capable of working under non-linear zones of speakers.
2019	Nuvoton participated in the establishment of RunBMC specifications of the Open Compute Project and successfully launched the specifications in the 2019 OCP Global Summit.

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® Emed™ IoT Device Platform that uses the Mbed OS to provides IoT equipment with a consistent operating system, cloud services, a system of tools and developers for rapidly building and deploying standard large-scale commercial IoT solutions for customers. With respect to audio products, we will provide customers with comprehensive and high-performance audio and voice solutions. We also launched the first EMD-Flash 8-bit uC audio control chip in the industry. It effectively shortens the development cycle and resolves storage issues for audio products.

Regarding cloud computing products, the Company uses leading security technologies to integrate local advantages and expand the development of hardware and software solutions that are suitable for the world's leading brand names. At the same time, Nuvoton actively participates in projects of international security standards establishment organization and open-source software projects to maintain technological advantages.

B. Long-Term Business Development Plan:

The Company will continue to advance MCU product and platform 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. The Company will also focus on providing customers with comprehensive product portfolios, establishing its own patents and unique technologies, and providing products with long lifecycle and short lead time to customers to establish unique advantages for the Company's MCUs.

For our audio products, we will continue to focus on high-integration and low power consumption audio processing controllers. We will also continue to enhance the development of audio amplifiers. We work hard on our audio product lines to provide the industry with the best choices and service options with the aim of escaping the low-end and low-price market and focus on developing the smart toy market with high margins.

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

(2) Foundry service

A. Short-term business development plans:

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

B. Long-term business development:

The Company's wafer foundry service has a strong process and technology R&D team that works with a comprehensive product support team and an international certified laboratory to provide customers with IDM-level product services. With this foundation, we shall focus on markets including 5G mobile communication, IoT medical electronics, and automotive electronics as our long-term business development objectives. The Company shall continue to provide optimized solutions to customers through special customized processes. 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.

II. Market, production and sales

(I) Market analysis

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

Unit: NT$1,000

Sales region	2019	
	Amount	Percentage (%)
Asia	9,950,563	96%
America	267,851	3%
Europe	146,703	1%
Other	2,152	0%
Total	10,367,269	100%

2. Market Share

The company's 32-bit Cortex® -M0/M4 MCU, ARM® 7/9, and 8-bit MCUs are cost effective and well received by the market. We continue to increase our market share and enjoy stable growth. Our largest customers include well-known major manufacturers of consumer, industrial control, power supply, and communications products. Output of audio products in toys, 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 2019. Our largest customers include well-known brand names in computers as well as OEMs.

3. Future Market Supply and Demand and Future Growth

The development of MCUs is moving toward energy-efficiency, smart devices, security, small and light devices and multiple functions. The growth of the market for IoT energy-saving and environmental protection devices, security management, healthcare management, smart AI products, and TWS wireless charging for smart phones in the future will help facilitate growth in the MCU market. The Company shall maintain its lead in the market by intensifying relations with major computer brands as well as penetrating into more product applications.

The high-performance audio/frequency microcontroller Cortex M4 Audio MCU can be used in combination with the Company's audio code and different audio processing algorithms (e.g., dual microphone noise-cancellation/audio identification) in consumer electronics, smart home, AIoT, and vehicle-mounted applications. As such demands increase, they offer comprehensive cost-effective solutions. In addition, the Company launched the world's first non-linear speaker protection smart amp product to provide compensation and improvements for aging of speakers caused by time, climate, or production. It is suitable for consumer electronic products (e.g., mobile phones, laptop computers, and table computers), smart speakers, and AIoT.

4. Competitive niches

The Company's MCUs provide diversified customized services with the help of professional R&D and technical support teams. We establish strategic partnerships with customers and provide competitive total design and development solutions to lower customers' cost, shorten development and increase the competitiveness of their products. In addition, the Company's experience in the voice and audio processing market involves

IoT market application for the integration of MCU audio CODEC and third-party voice recognition in hopes of providing diversified product options and ideal economic solutions.

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

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

(1) Favorable factors

The Company's MCUs retain advantages in the high compatibility, consistent development platform, upward and downward compatibility, ease of development by users, and environmental protection certifications. This core competitive edge raises the barrier to competition for rivals. The Company launched high-performance audio/frequency microcontrollers and the world's first non-linear speaker protection smart functions to provide unrivaled sound quality for customer products. It supports thin speakers for a simpler and trendier outer design in end customers' applications.

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

(2) Unfavorable factors and response measures

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

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

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

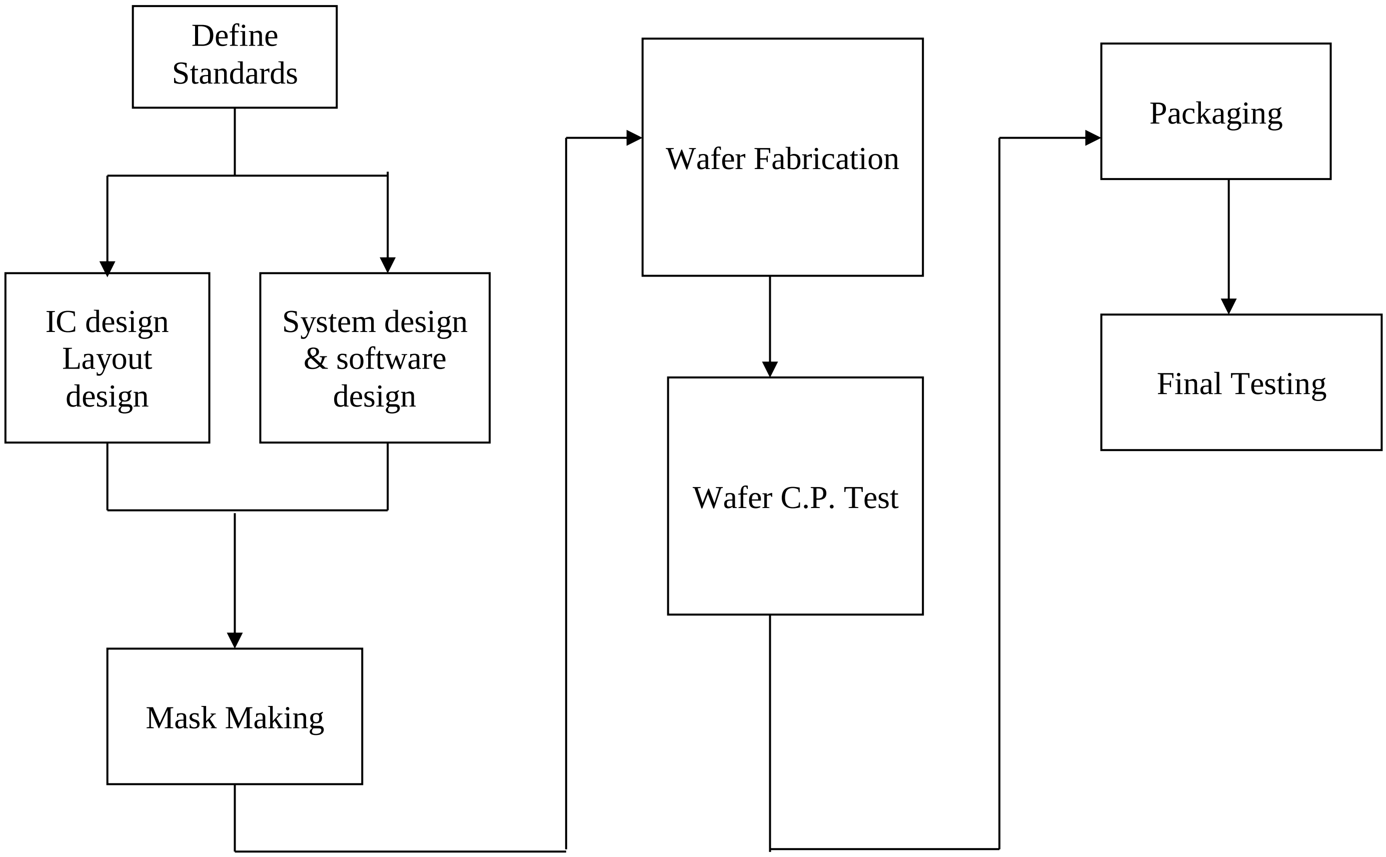
The Company continues the recruitment of teams to strengthen local sales services in order to build customer recognition in local markets, build long-term business partnerships and provide growth in the Company's revenue.

(II) Important applications and manufacturing processes of major products

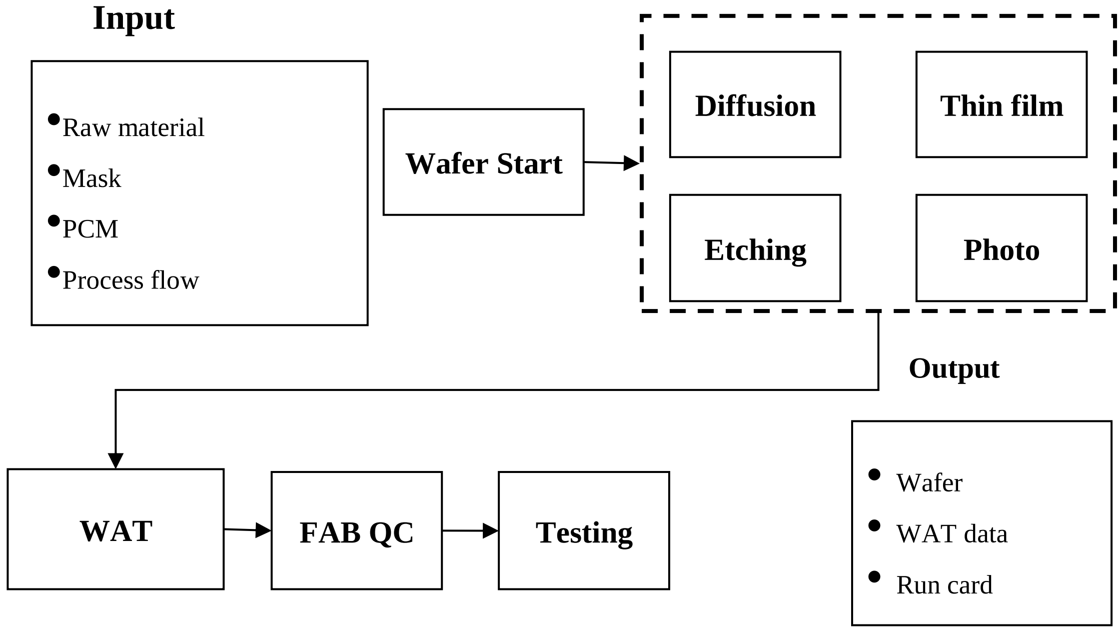
1. Important applications of major products:

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

2. Production process:



Wafer Fabrication:



(III) Supply status of primary raw materials

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

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

Unit: NT$1,000

	2018				2019			
Item	Name	Amount	Percentage of total purchase %	Relationship with issuer	Name	Amount	Percentage of total purchase %	Relationship with issuer
1	Supplier A	796,034	24%	N/A	Supplier A	1,084,268	31%	N/A
2	Supplier I	612,993	19%	N/A	Supplier I	724,146	21%	N/A
3	Supplier L	533,606	16%	N/A	Supplier L	589,363	17%	N/A
4	Supplier B	366,150	11%	N/A	Supplier B	53,664	2%	N/A
	Other	947,346	30%		Other	1,013,822	29%	
	Net purchase	3,256,129	100%		Net purchase	3,465,263	100%	

The suppliers who accounted for more than 10% of the total purchases were the same in 2018 and 2019.

(V) 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

	2019				2019			
Item	Name	Amount	Percentage of net sales %	Relationship with issuer	Name	Amount	Percentage of net sales %	Relationship with issuer
1	Customer V	2,662,123	27%	N/A	Customer V	2,942,505	28%	N/A
2	Customer C	1,097,428	11%	N/A	Customer C	1,094,889	11%	N/A
	Other	6,280,670	62%		Other	6,329,875	61%	
	Net sales	10,040,221	100%		Net sales	10,367,269	100%	

(VI) 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	2018				2019			
	Production capacity (Note)	Output volume		Output value	Production capacity (Note)	Output volume		Output value
		Wafer	Die			Wafer	Die	
IC Business	500	1	920,999	4,605,461	500	1	918,358	4,685,862
Foundry service		394	-	1,289,602		411	-	1,288,782
Other		-	-	8,960		-	-	12,870
Total		395	920,999	5,904,023		412	918,358	5,987,514

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

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

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

Year / Main Product	2018						2019					
	Domestic sales			Exports			Domestic sales			Exports		
	Volume		Value	Volume		Value	Volume		Value	Volume		Value
	Wafer	Die		Wafer	Die		Wafer	Die		Wafer	Die	
IC Business	-	255,164	2,836,666	1	649,765	5,281,294	-	220,319	3,061,104	1	699,463	5,365,356
Foundry service	228	-	1,031,563	160	-	870,336	197	-	858,373	207	-	1,066,503
Other	-	-	3,184	-	-	17,178	-	-	4,815	-	-	11,118
Total	228	255,164	3,871,413	161	649,765	6,168,808	197	220,319	3,924,292	208	699,463	6,442,977

III. Employees

Year		2018	2019	2020 up to March 31
Number of employees	Technical personnel (engineers)	1,038	1,043	1,048
	Administration and sales staff	234	238	241
	Assistant	393	383	389
	Total	1,665	1,664	1,678
Average age (year)		40.23	40.97	41.05
Average years of service		11.28	11.83	11.70
Academic qualification (%)	PhD	1.50	1.50	1.49
	MA	38.14	39.54	39.51
	University/College	41.86	41.47	41.96
	High school	17.72	16.53	16.09
	Below high school	0.78	0.96	0.95
	Total	100	100	100

IV. Environmental protection expenditure information

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

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

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

1. Obtained the OHSAS 18001 Occupational Health and Safety and ISO 14001 Environmental Management certifications for more systematical and more comprehensive protection in safety and sanitary protection management and environmental protection.

The Company also passed certification in 2008 and passed the updated ISO 45001 Occupational Safety and Health Management System certification in 2019.

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 82 courses in 2019 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 65 different drills in 2019.
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 27 improvement plans in 2019.

V. Employees-employer relations

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

1. Employee benefits measures:

The Company funds the Employee Welfare Fund in accordance with related regulations and we organized the 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.

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

International certified internal auditor (CIA): Auditing Department 2 employees; Accountant: Accounting Department 1 employee.

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

1. Labor Agreement Status

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

2. Employee benefit protection status

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

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

According to the Zhu-Huan No. 1090007755 Labor Inspection Results Notice dated March 16, 2020, the Company has violated Article 32, Paragraph 2 of the Labor Standards Act for "extension of working hours exceeds 46 hours a month" and Article 36, Paragraph 1 "failure to provide workers with 2 regular days off every 7 days including 1 day of regular leave and 1 rest day" and was fined NT$50,000 for each violation. The penalties totaled NT$100,000. 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 labor and management and organize regular "labor-management meetings" to achieve company prosperity and safeguard employees' benefits in hopes of reducing the occurrence of labor-management disputes with through peaceful and reasonable means. The Company shall continue to strengthen communication and increase awareness of compliance with regulations to implement attendance management.

(V) Employee code of conduct

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

1. Work ethics and conduct
   (1) Work rules: The Company's regulations contain dedicated service rules and general principles for prevention of sexual harassment.
   (2) Workplace sexual harassment prevention regulations: In accordance with relevant government laws and regulations, the Company has explicitly drafted workplace sexual harassment prevention regulations and has adopted appropriate prevention, correction, and punishment measures.
   (3) Employment contracts: We have implemented rules including loyalty in the execution of job functions and restrictions on dual employment and non-competition.
2. Rules for protection of intellectual property rights and maintenance of business secrets
   (1) Work rules: The Company's regulations contain general principles for maintenance of the confidentiality of business secrets.
   (2) Employment contracts: Employment contracts specify requirements concerning confidentiality duties, document ownership, secret information, ownership of intellectual or industrial property, and non-compete terms during the period of employment.
   (3) Legal software authorization statement and notice to employees: Agreements on legal software usage and respect for intellectual property rights are in place.
3. Work orders
   (1) Division of responsibilities: The "Delegation Policy" specify the division of responsibilities and guide the performance of on-the-job duties.
   (2) Duties of individual units: The mission of each unit is clearly defined.
   (3) Restrictions on the hiring of relatives: The "restrictions on the hiring of relatives" specify that relatives should not be hired to fill certain positions. This is intended

to ensure that the effectiveness and efficiency of the Company's internal management is not compromised unnecessarily by family relationships between employees.

(4) Attendance management

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

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

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

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

(5) Performance management

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

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

(6) Reward and penalty regulations

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

(7) Manpower development

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

(8) Communication channels

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

VI. Important contracts:

Nature of Contract	Contracting parties	Commencement date/expiration date	Content	Restriction clauses
Authorization contract	Company A	July 1, 2008– indefinite period	Technology licensing	The Company is prohibited from licensing third parties. The Company retains obligation of confidentiality.
Authorization contract	Company B	June 26, 2009 – indefinite period	Technology licensing	The Company is prohibited from licensing third parties. The Company retains obligation of confidentiality.
Authorization contract	Company C	November 12, 2009 – indefinite period	Technology licensing	The Company is prohibited from licensing third parties. The Company retains obligation of confidentiality.
Authorization contract	Company B	June 22, 2012 – indefinite period	Technology licensing	The Company is prohibited from licensing third parties. The Company retains obligation of confidentiality.
Authorization contract	Winbond Electronics Corp.	2012.08.01~2021.12.31	Technology licensing	The Company is prohibited from licensing third parties. The Company retains obligation of confidentiality.
Authorization contract	Company B	March 29, 2016 – indefinite period	Technology licensing	The Company is prohibited from licensing third parties. The Company retains obligation of confidentiality.
Sales contract	Company M	2017.08.03~2022.07.30	Sales of products	Product-related guarantees. The Company retains obligation of confidentiality.
Share purchase agreement	AutotAlks Ltd. and other investors	July 31, 2019 – indefinite period	Equity investment	Payment for investment of shares fees in accordance with the contract.
Lease agreement	Hsinchu Science and Industrial Park, Ministry of Science and Technology	2019.08.01~2027.12.31	Lease	Payment of rent in accordance with regulations.
Merger and acquisition contract	PAnAsonic CorporAtion	2019.11.28~2020.12.10	Merger and acquisition	Payment for M&A in accordance with regulations.
Authorization contract	Microchip Technology IncorporAted	2020.03.31~2034.10.09	Technology licensing	The Company is prohibited from licensing third parties.

Chapter 4. Financial Overview

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

(I) Condensed consolidated balance sheet and statements of income

Condensed consolidated balance sheet

Unit: NT$1,000

Item \ Year		Financial information for the most recent 5 fiscal years (Note 1)				
		2015	2016	2017	2018	2019
Current assets		3,894,667	4,383,299	4,449,412	4,457,859	8,187,357
Property, plant and equipment		463,594	526,167	642,663	697,917	760,321
Intangible assets		242,622	257,940	203,612	144,754	261,230
Other assets		690,965	730,875	853,145	817,138	1,947,321
Total assets		5,291,848	5,898,281	6,148,832	6,117,668	11,156,229
Current liabilities	Before distribution	1,580,383	1,949,781	1,987,326	1,915,178	2,341,884
	After distribution	1,953,981	2,447,912	2,506,212	2,434,064	(Note 2)
Non-current liabilities		589,664	570,026	498,545	468,124	1,422,314
Total liabilities	Before distribution	2,170,047	2,519,807	2,485,871	2,383,302	3,764,198
	After distribution	2,543,645	3,017,938	3,004,757	2,902,188	(Note 2)
Equity attributable to owners of parent		3,121,801	3,378,474	3,662,961	3,734,366	7,392,031
Capital Stock		2,075,544	2,075,544	2,075,544	2,075,544	2,875,544
Capital surplus		63,498	63,498	63,498	63,498	2,906,976
Retained earnings	Before distribution	921,282	1,126,804	1,297,860	1,426,005	1,458,951
	After distribution	547,684	628,673	778,974	907,119	(Note 2)
Other interests		61,477	112,628	226,059	169,319	150,560
Treasury stock		-	-	-	-	-
Non-controlling interests		-	-	-	-	-
Total equity	Before distribution	3,121,801	3,378,474	3,662,961	3,734,366	7,392,031
	After distribution	2,748,203	2,880,343	3,144,075	3,215,480	(Note 2)

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

Condensed consolidated statement of comprehensive income

Unit: NT$1,000

Year / Item	Financial information for the most recent 5 fiscal years (Note)				
	2015	2016	2017	2018	2019
Operating revenue	7,313,387	8,329,286	9,235,382	10,040,221	10,367,269
Gross profit	3,049,527	3,408,320	3,732,507	3,913,167	4,127,889
Operating income/loss	486,254	604,842	713,563	754,659	584,321
Non-operating income and expenses	85,731	104,108	85,868	84,261	83,248
Net income before tax	571,985	708,950	799,431	838,920	667,569
Net income from continuing operations	469,022	613,165	688,133	710,633	558,459
Loss from discontinued operations	-	-	-	-	-
Net profit of the term (loss)	469,022	613,165	688,133	710,633	558,459
Other comprehensive income of the term (Net income after tax)	(12,225)	17,106	94,485	(273,853)	(25,386)
Total comprehensive income of the term	456,797	630,271	782,618	436,780	533,073
Net income attributable to owners of the parent	469,022	613,165	688,133	710,633	558,459
Net Income (Loss) Attributable to Non-controlling Interests	-	-	-	-	-
Total Comprehensive income attributable Owners of the Parent	456,797	630,271	782,618	436,780	533,073
Total Comprehensive income attributable to Non-controlling Interests	-	-	-	-	-
Earnings per share	2.26	2.95	3.32	3.42	2.53

Note: 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 fiscal years(Note 1)				
		2015	2016	2017	2018	2019
Current assets		2,975,327	3,478,482	3,568,901	3,642,943	7,342,113
Property, plant and equipment		410,239	474,952	569,765	612,248	673,029
Intangible assets		197,238	225,964	163,499	122,967	192,005
Other assets		1,665,167	1,656,307	1,792,566	1,693,876	2,664,973
Total assets		5,247,971	5,835,705	6,094,731	6,072,034	10,872,120
Current liabilities	Before distribution	1,608,770	1,980,805	2,008,149	1,941,342	2,334,337
	After distribution	1,982,368	2,478,936	2,527,035	2,460,228	(Note 2)
Non-current liabilities		517,400	476,426	423,621	396,326	1,145,752
Total liabilities	Before distribution	2,126,170	2,457,231	2,431,770	2,337,668	3,480,089
	After distribution	2,499,768	2,955,362	2,950,656	2,856,554	(Note 2)
Equity attributable to owners of parent		3,121,801	3,378,474	3,662,961	3,734,366	7,392,031
Capital Stock		2,075,544	2,075,544	2,075,544	2,075,544	2,875,544
Capital surplus		63,498	63,498	63,498	63,498	2,906,976
Retained earnings	Before distribution	921,282	1,126,804	1,297,860	1,426,005	1,458,951
	After distribution	547,684	628,673	778,974	907,119	(Note 2)
Other interests		61,477	112,628	226,059	169,319	150,560
Treasury stock		-	-	-	-	-
Non-controlling interests		-	-	-	-	-
Total equity	Before distribution	3,121,801	3,378,474	3,662,961	3,734,366	7,392,031
	After distribution	2,748,203	2,880,343	3,144,075	3,215,480	(Note 2)

Note 1: Financial report inspected and certified by a CPA.

Note 2: Pending final approval from Shareholders' Meeting.

Condensed individual statement of comprehensive income

Unit: NT$1,000

Item \ Year	Financial information for the most recent 5 years (Note)				
	2015	2016	2017	2018	2019
Operating revenue	7,022,517	8,046,760	9,000,394	9,798,594	10,123,801
Gross profit	2,766,818	3,138,495	3,509,949	3,682,050	3,891,680
Operating income/loss	476,886	596,770	668,458	705,358	494,017
Non-operating income and expenses	72,423	94,288	96,630	76,279	139,442
Net income before tax	549,309	691,058	765,088	781,637	633,459
Net income from continuing operations	469,022	613,165	688,133	710,633	558,459
Loss from discontinued operations	-	-	-	-	-
Net profit of the term (loss)	469,022	613,165	688,133	710,633	558,459
Other comprehensive income of the term (Net income after tax)	(12,225)	17,106	94,485	(273,853)	(25,386)
Total comprehensive income of the term	456,797	630,271	782,618	436,780	533,073
Earnings per share	2.26	2.95	3.32	3.42	2.53

Note: Financial report inspected and certified by a CPA.

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

Year	Name of firm	Name of CPA:	Audit opinion
2015	Deloitte & Touche Joint CPA Firm	Ker-Chang Wu, Accountant Hung-Bin Yu, Accountant	Unqualified opinion
2016	Deloitte & Touche Joint CPA Firm	Ker-Chang Wu, Accountant Hung-Bin Yu, Accountant	Unqualified opinion
2017	Deloitte & Touche Joint CPA Firm	Hung-Bin Yu, Accountant Ker-Chang Wu, Accountant	Unqualified opinion
2018	Deloitte & Touche Joint CPA Firm	Hung-Bin Yu, Accountant	Unqualified opinion

Year	Name of firm	Name of CPA:	Audit opinion
		K. T. Hong, Accountant	
2019	Deloitte & Touche Joint CPA Firm	Shu-Lin Liu, Accountant Hung-Bin Yu, Accountant	Unqualified opinion

II. Financial analysis for the last five years

Consolidated financial analysis

Analytical item		Financial analysis for the last five years				
	Year	2015	2016	2017	2018	2019
Capital Structure Analysis	Debt to total assets ratio (%)	41.01	42.72	40.43	38.95	33.74
	Long-term fund to property, plant and equipment (%)	800.59	750.43	647.54	602.14	1,159.29
Liquidity Analysis	Current ratio (%)	246.44	224.81	223.89	232.76	349.60
	Quick ratio (%)	175.38	153.26	130.51	142.36	275.20
	Interest protection multiples (%)	42,658.41	-	-	-	4,775.18
Operating ability	Average collection turnover (times)	9.97	10.67	11.17	10.98	9.78
	Average collection period	37	34	33	33	37
	Average inventory turnover (times)	3.43	3.46	3.23	3.20	3.23
	Average payment turnover (times)	7.07	6.26	5.98	6.71	6.18
	Average inventory turnover days	106	105	113	114	113
	Property, plant and equipment turnover (times)	16.06	16.83	15.80	14.97	14.21
	Total assets turnover (times)	1.44	1.49	1.53	1.63	1.20
Profitability	Return on assets (%)	9.23	10.96	11.42	11.58	6.59
	Return on equity (%)	15.54	18.87	19.55	19.21	10.03
	Pre-tax income to paid-in capital ratio (%)	27.56	34.16	38.52	40.41	23.21
	Net profit ratio (%)	6.41	7.36	7.45	7.07	5.38
	Earnings per share (NT$)	2.26	2.95	3.32	3.42	2.53
Cash flows	Cash flow ratio (%)	29.31	37.60	19.07	45.59	33.09
	Cash flow adequacy ratio (%)	132.78	126.31	92.94	86.67	79.20
	Cash re-investment ratio (%)	1.15	1.91	-0.63	1.87	1.08
Leverage	Operating leverage	6.06	5.50	5.12	5.07	6.92
	Financial leverage	1.00	1.00	1.00	1.00	1.02

Reasons for changes in financial ratios in recent two years:

1. Increase of long-term fund to property, plant and equipment; decrease of return on equity: Mainly due to cash capital increase in 2019 which resulted in increased equity.
2. Increase in current ratio and quick ratio; decrease in total assets turnover and return on assets ratio: Mainly due to cash capital increase in 2019 which resulted in increased cash and cash equivalents.
3. Decrease in net margin ratio and earnings per share; increase in operating leverage: Mainly due to decreased profits in 2019.
4. Decrease in cash flow ratio: Mainly due to increase in current liabilities.
5. Decrease in cash reinvestment ratio: Mainly due to the increase in operating assets.

Individual financial analysis

Analytical item	Year	Financial analysis for the last five years				
		2015	2016	2017	2018	2019
Capital Structure Analysis%	Debts Ratio	40.51	42.11	39.90	38.49	32.00
	Long-term Fund to Property, Plant and Equipment	887.09	811.64	717.24	674.67	1,268.56
Liquidity Analysis%	Current ratio	184.94	175.61	177.72	187.65	314.52
	Quick ratio	116.36	106.06	86.12	99.12	240.35
	Times Interest Earned	40,971.21	-	-	-	8,745.54
Operating ability	Average collection turnover (times)	13.58	14.54	12.79	11.31	11.08
	Average collection period	27	25	29	32	32
	Average inventory turnover (times)	3.46	3.49	3.24	3.21	3.24
	Average payment turnover (times)	7.08	6.26	5.97	6.71	6.18
	Average inventory turnover days	105	105	113	113	112
	Property, plant and equipment turnover (times)	17.59	18.18	17.23	16.57	15.75
	Total assets turnover (times)	1.39	1.45	1.51	1.61	1.19
Profitability	Return on assets (%)	9.3	11.06	11.54	11.68	6.66
	Return on equity (%)	15.54	18.87	19.55	19.21	10.03
	Pre-tax income to paid-in capital ratio (%)	26.47	33.30	36.86	37.65	22.02
	Net profit ratio (%)	6.68	7.62	7.65	7.25	5.51
	Earnings per share (NT$)	2.26	2.95	3.32	3.42	2.53
Cash flows	Cash flow ratio (%)	39.81	33.24	-3.52	50.14	35.37
	Cash flow adequacy ratio (%)	131.67	123.26	77.79	80.94	76.71
	Cash re-investment ratio (%)	2.14	1.54	-3.05	2.43	1.32
Leverage	Operating leverage	5.82	5.29	5.27	5.22	7.87
	Financial leverage	1.00	1.00	1.00	1.00	1.01

Reasons for changes in financial ratios in recent two years:
1. Increase of long-term fund to property, plant and equipment; decrease of return on equity: Mainly due to cash capital increase in 2019 which resulted in increased equity.
2. Increase in current ratio and quick ratio; decrease in total assets turnover and return on assets ratio: Mainly due to cash capital increase in 2019 which resulted in increased cash and cash equivalents.
3. Decrease in net margin ratio and earnings per share; increase in operating leverage: Mainly due to decreased profits in 2019.
4. Decrease in cash flow ratio: Mainly due to increase in current liabilities.
5. Decrease in cash reinvestment ratio: Mainly due to the increase in operating funds.

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).

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

Audit Committee's Report

The Board of Directors has prepared and submitted the 2019 business report, financial statements, and earnings distribution proposal. The Board of Directors have appointed Shu-Lin Liu, Accountant and Hung-Bin Yu, Accountant of Deloitte & Touche CPA Firm to audit the financial statements and they have submitted an audit report with unqualified opinion. The Audit Committee has reviewed the business report, financial statements, and the earnings distribution proposal and did not find any instances of noncompliance. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, it is hereby submitted for your review and perusal.

To

Nuvoton Technology Corp. 2020 General Shareholders' Meeting

Chairman of the Audit Committee: Allen Hsu

March 12, 2020

IV. Financial statements of the most recent year

Consolidated Financial Statement of Affiliates:

For the 2019 year (from January 1 to December 31, 2019), 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: Pei-Ming Chen

Date: Fabuary 6, 2020

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Nuvoton Technology Corporation

Opinion

We have audited the accompanying consolidated financial statements of Nuvoton Technology Corporation and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), International Financial Reporting Interpretations Committee (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Occurrence of Sales Revenues

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

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

Other Matter

We have also audited the parent company only financial statements of Nuvoton Technology Corporation as of and for the years ended December 31, 2019 and 2018 on which we have issued an unmodified opinion.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2019 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Shu-Lin Liu and Hung-Bin Yu.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 6, 2020

Notice to Readers

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

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

NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

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

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

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

(Continued)

NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

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

	2019		2018	
	Amount	**%**	**Amount**	**%**
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Notes 4 and 18)	$ (56,330)	-	$ (67,323)	(1)
Unrealized gains (losses) on investments in equity instruments at fair value through other comprehensive income	39,393	-	(196,160)	(2)
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	(8,449)	-	(10,370)	-
Other comprehensive income (loss)	(25,386)	-	(273,853)	(3)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 533,073	5	$ 436,780	4
EARNINGS PER SHARE (Notes 4 and 24)				
From continuing operations				
Basic	$ 2.53		$ 3.42	
Diluted	$ 2.52		$ 3.40	

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

NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

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

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

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

NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

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

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

(Continued)

NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

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

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

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

1. GENERAL INFORMATION

Nuvoton Technology Corporation (the “Company”) was incorporated in the Republic of China (“ROC”) in April 2008 and commenced business in July 2008. The Company is engaged mainly in the research, design, development, manufacture, and sale of logic integrated circuits (“ICs”) and the manufacturing, testing and OEM of 6-inch wafers.

For the specialization and division of labor and the reinforcement of core competitive ability, the Company’s parent company, Winbond Electronics Corporation (WEC), spun off its Logic IC business into the Company on July 1, 2008 in accordance with the Business Mergers and Acquisitions Act and the Company commenced business in July 2008. WEC held approximately 61% and 62% of the ownership interest in the Company as of December 31, 2018 and 2019, respectively.

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 Company’s Board of Directors and authorized for issue on February 6, 2020.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS 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), International Financing Reporting Interpretation Committee (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

   Except for the following, 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 did not have material impact on the Group’s accounting policies:

   1) IFRS 16 “Leases”

      IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both the lessee and the lessor. It supersedes IAS 17 “Leases”, IFRIC 4 “Determining whether an Arrangement contains a Lease”, and a number of related interpretations. Refer to Note 4 for information relating to the relevant accounting policies.

      <u>Definition of a lease</u>

      The Group elects to apply the guidance of IFRS 16 in determining whether contracts are, or contain, a lease only to contracts entered into (or changed) on or after January 1, 2019. Contracts identified as containing a lease under IAS 17 and IFRIC 4 are not reassessed and are accounted for in accordance with the transitional provisions under IFRS 16.

The Group as lessee

The Group recognizes right-of use assets and lease liabilities for all leases on the consolidated balance sheets except for those whose payments under low-value asset and short-term leases are recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Group presents the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities are classified within financing activities; cash payments for the interest portion are classified within operating activities. Prior to the application of IFRS 16, payments under operating lease contracts were recognized as expenses on a straight-line basis. Cash flows for operating leases were classified within operating activities on the consolidated statements of cash flows. Leased assets and finance lease payables were recognized on the consolidated balance sheets for contracts classified as finance leases.

The Group elects to apply IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized in retained earnings on January 1, 2019. Comparative information is not restated.

The lessee's weighted average incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 is 1.38%-3.69%. The difference between the lease liabilities recognized and operating lease commitments disclosed on December 31, 2018 is explained as follows:

The future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018	$ 592,242
Less: Recognition exemption for short-term leases	(11,929)
Undiscounted amounts on January 1, 2019	$ 580,313
Lease liabilities recognized on January 1, 2019	$ 539,177

The Group as lessor

Except for sublease transactions, the Group does not make any adjustments for leases in which it is a lessor, and it accounts for those leases with the application of IFRS 16 starting from January 1, 2019.

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

The impact on assets, liabilities and equity as of January 1, 2019 from the initial application of IFRS 16 is set out as follows:

	Carrying Amount as of December 31, 2018	**Adjustments Arising from Initial Application**	**Adjusted Carrying Amount as of January 1, 2019**
Prepayments for leases - current	$ 3,463	$ (3,463)	$ -
Prepayments for leases - non-current	35,129	(35,129)	-
Right-of-use assets	-	577,769	577,769
Total effect on assets	$ 38,592	$ 539,177	$ 577,769

(Continued)

	Carrying Amount as of December 31, 2018	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2019
Lease liabilities - current	$ -	$ 89,302	$ 89,302
Lease liabilities - non-current	-	449,875	449,875
Total effect on liabilities	$ -	$ 539,177	$ 539,177
Retained Earnings	$ 1,426,005	$ -	$ 1,426,005

(Concluded)

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

b. The IFRSs endorsed by the Financial Supervisory Commission (FSC) for application starting from 2020

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020 (Note 1)
Amendments to IFRS 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform"	January 1, 2020 (Note 2)
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020 (Note 3)

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

Note 2: The Group shall apply these amendments retrospectively for annual reporting periods beginning on or after January 1, 2020.

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

1) Amendments to IFRS 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform"

The amendments deal with issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark (such as the London Interbank Offered Rate or LIBOR) with an alternative interest rate, and provide temporary exceptions to all hedging relationships that are directly affected by the interest rate benchmark reform. The Group would apply those hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform. The amendments also require additional disclosures about the extent to which the entity's hedging relationships are affected by the amendments.

2) Amendments to IAS 1 and IAS 8 “Definition of material”

The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRSs. The concept of “obscuring” material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from “could influence” to “could reasonably be expected to influence”.

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

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

New IFRSs	Effective Date Announced by IASB (Note)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2021

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

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

Basis of Preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments and defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets, that are measured at fair value. 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.

Subsidiaries included in the consolidated financial statements:

Investor	Investee	Main Business	% of Ownership December 31 2019	% of Ownership December 31 2018
The Company	Nuvoton Electronics Technology (H.K.) Limited ("NTHK")	Sales of semiconductor	100	100
	Pigeon Creek Holding Co., Ltd. ("PCH")	Investment holding	- (Note)	100
	Marketplace Management Limited ("MML")	Investment holding	100	100
	Nuvoton Investment Holding Ltd. ("NIH")	Investment holding	100	100
	Song Yong Investment Corporation ("SYI")	Investment holding	100	100
	Nuvoton Technology India Private Limited ("NTIPL")	Design, sales and after-sales service of semiconductor	100	100
	Nuvoton Technology Corporation America ("NTCA")	Design, sales and after-sales service of semiconductor	100	-
NTHK	Nuvoton Electronics Technology (Shenzhen) Limited ("NTSZ")	Computer software service (except I.C. design), wholesale business for computer, supplement and software	100	100
PCH	Nuvoton Technology Corporation America ("NTCA")	Design, sales and after-sales service of semiconductor	- (Note)	100
MML	Goldbond LLC ("GLLC")	Investment holding	100	100
GLLC	Nuvoton Electronics Technology (Shanghai) Limited ("NTSH")	Provides projects for sale in China and repairing, testing and consulting of software	100	100
	Winbond Electronics (Nanjing) Ltd. ("WENJ")	Computer software service (except I.C. design)	100	100
NIH	Nuvoton Technology Israel Ltd. ("NTIL")	Design and service of semiconductor	100	100

Note: PCH completed the liquidation and legal procedures in January 2019.

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 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 or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the 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 cases, the exchange differences are also recognized directly in other comprehensive income.

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

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

Cash Equivalents

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

Financial Instruments

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

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

a. 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.

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

   1) Financial asset at FVTPL

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

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

   2) Financial assets at amortized cost

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

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

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

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

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

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

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

3) Investments in equity instruments at FVTOCI

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

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

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

b. Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including accounts receivable).

The Group always recognizes lifetime Expected Credit Loss (ECL) on accounts receivable. On all other financial instruments, the Group recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

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

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

c. Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the financial asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the financial asset to another entity. On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

d. Financial liabilities

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

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

e. Derecognition of financial liabilities

The difference between the carrying amount of a financial liability derecognized and the consideration paid is recognized in profit or loss.

f. Derivative financial instruments

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

Derivatives are initially recognized at fair value at the date on which 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 a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument 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; evaluation and recognition of appropriate allowance for value decline are 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 initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment loss.

Property, plant and equipment in the course of construction are measured 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.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

Investment Properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are initially measured at cost. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss, and depreciated over 20 years useful life after considering residual values, using the straight-line method. On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included 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 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. The 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, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the reversed carrying amount should not exceed the carrying amount (after 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 in profit or loss.

Products Guarantee Based on Commitment

The Group will estimate guarantee provision by using appropriate ratio at the time the related product is sold.

Revenue Recognition

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

Revenue from the sale of goods is mainly recognized when a customer obtains control of promised goods, at which time the goods are delivered to the customer's specific location and performance obligation is satisfied.

Revenue from sale of goods is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Provision for estimated sales returns and other allowances is generally made and adjusted based on historical experience and on the consideration of varying contractual terms affecting the recognition of a provision, which is classified under other non-current liabilities.

Leasing

<u>2019</u>

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease.

a. The Group as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

When the Group subleases a right-of-use asset, the sublease is classified by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. However, if the head lease is a short-term lease that the Group, as a lessee, has accounted for applying recognition exemption, the sublease is classified as an operating lease.

Under finance leases, the lease payments comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate, residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating a lease if the lease term reflects such termination, less any lease incentives payable. The net investment in a lease is measured at (a) the present value of the sum of the lease payments receivable by a lessor and any unguaranteed residual value accrued to the lessor plus (b) initial direct costs, and is presented as a finance lease receivable. Finance lease income is allocated to the relevant accounting periods so as to reflect a constant, periodic rate of return on the Group's net investment outstanding in respect of leases.

Under operating lease, lease payments (less any lease incentives payable) are recognized as income on a straight-line basis over the terms of the relevant lease. Initial direct costs incurred in obtaining operating lease are added to the carrying amount of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

b. The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate, residual value guarantees, the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and payments of penalties for terminating a lease if the lease term reflects such termination, less any lease incentives receivable. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, a change in the amounts expected to be payable under a residual value guarantee, a change in the assessment of an option to purchase an underlying asset, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

<u>2018</u>

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating lease.

Under finance lease, the Group as lessor recognizes amounts due from lessees as receivables at the amount of the Group's net investment in the lease. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Under operating lease, the Group as lessor recognizes rental income from operating lease on a straight-line basis over the term of the relevant lease. Contingent rents receivable arising under operating leases are recognized as income in the period in which they are earned. As lessee, operating lease payments are recognized as an expense on a straight-line basis over the lease term. Contingent rents payable arising under operating leases 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 expense when employees have rendered service entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost and net interest on the net defined benefit liabilities are recognized as employee benefits expense in the period in which 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 it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities represent the actual deficit in the Group's defined benefit plans. 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.

Share-based payment arrangements

Cash-settled share-based payment is a liability in which the entity receives goods or services and the fair value of the amount payable is initially measured at cost. The amount is remeasured at each reporting date and at settlement based on the fair value. Any changes in the liabilities are recognized in profit or loss, with a corresponding adjustment to capital surplus - employee share options.

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 on unappropriated earnings is provided for as income tax in the year the shareholders approve to retain 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 remeasured at the end of each reporting period and recognized to the extent that it has become probable that there will be future taxable profit.

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

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect 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:

Write-down of Inventories

The 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 with product sales of a similar nature. Changes in market conditions may have a material impact on the estimation of the net realizable value.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2019	**2018**
Cash and deposits in banks	$ 4,650,223	$ 1,420,618
Repurchase agreements collateralized by bonds	209,000	123,300
	$ 4,859,223	$ 1,543,918

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

	December 31	
	2019	**2018**
Time deposits	$ 75,988	$ 72,074

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

	December 31	
	2019	**2018**
Time deposits	$ 447,725	$ 145,654

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2019	**2018**
Financial assets at FVTPL - current		
Foreign exchange forward contracts	$ 6,037	$ 763

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

	Currencies	Maturity Date	Contract Amount (In Thousands)
December 31, 2019			
Sell forward exchange contracts	USD/NTD	2020.01.03-2020.03.05	USD20,000/NTD604,050
December 31, 2018			
Sell forward exchange contracts	USD/NTD	2019.01.04-2019.02.21	USD17,000/NTD521,731

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.

8. NOTES AND ACCOUNTS RECEIVABLE

	December 31	
	2019	2018
Notes receivable	$ 21	$ -
Accounts receivable (including related parties)		
At amortized cost		
Gross carrying amount	1,100,661	1,017,582
Less: Allowance for impairment loss	(22,566)	(20,499)
	$ 1,078,116	$ 997,083

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

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

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

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

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

December 31, 2019

	Not Overdue	Overdue under 30 Days	Overdue 31-90 Days	Overdue 91-180 Days	Over 180 Days	Total
Expected credit loss rate	2%	2%	10%	20%	50%	
Gross carrying amount	$ 1,093,869	$ 6,813	$ -	$ -	$ -	$ 1,100,682
Loss allowance (lifetime ECL)	(22,430)	(136)	-	-	-	(22,566)
Amortized cost	$ 1,071,439	$ 6,677	$ -	$ -	$ -	$ 1,078,116

December 31, 2018

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

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

	For the Year Ended December 31	
	2019	2018
Balance at January 1	$ 20,499	$ 16,388
Add: Net remeasurement of loss allowance	2,257	3,855
Foreign exchange gains and losses	(190)	256
Balance at December 31	$ 22,566	$ 20,499

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

9. OTHER RECEIVABLES

	December 31	
	2019	2018
Time deposits (Note 6)	$ 447,725	$ 145,654
Business tax refund receivable	34,611	26,477
Others	14,545	9,266
	$ 496,881	$ 181,397

10. INVENTORIES

	December 31	
	2019	2018
Raw materials and supplies	$ 105,937	$ 123,949
Work-in-process	1,181,653	1,062,207
Finished goods	308,869	342,307
Inventories in transit	8,199	32,475
	$ 1,604,658	$ 1,560,938

a. As of December 31, 2019 and 2018, the allowance for inventory value decline was NT$362,717 thousand and NT$329,409 thousand, respectively.

b. The operating cost for the years ended December 31, 2019 and 2018 was NT$6,239,380 thousand and NT$6,127,054 thousand, respectively. The inventory write-downs and obsolescence and abandonment of inventories for the years ended December 31, 2019 and 2018 were NT$58,550 thousand and NT$44,388 thousand, respectively.

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Investments in equity instruments at FVTOCI:

	December 31	
	2019	2018
Domestic listed shares and emerging market shares		
Nyquest Technology Co., Ltd.	$ 60,720	$ 120,209
Brightek Optoelectronic Co., Ltd.	485	341
Unlisted shares		
United Industrial Gases Co., Ltd.	440,000	396,000
Yu-Ji Venture Capital Co., Ltd.	16,605	22,733
Autotalks Ltd. - Preferred E. Share	599,600	-
	$ 1,117,410	$ 539,283

These investments in equity instruments are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes.

In 2019, the Group sold part of its shares in Nyquest Technology Co., Ltd. in order to manage credit concentration risk. The shares sold had a fair value of NT$87,266 thousand and its related unrealized valuation gain of NT$49,703 thousand was transferred from other equity to retained earnings. Refer to Note 19 for related information.

Dividends of NT$70,529 thousand were recognized during 2019. The dividends related to investments derecognized during 2019 were NT$4,006 thousand, and those related to investments held at December 31, 2019 were NT$66,523 thousand.

In August 2019, NTC resolved to invest in the Preferred E Share of the non-related party communication chip maker in Israel, Autotalks Ltd. The rights of the Preferred E Share were as follows:

a. Each Preferred E Share grants its holder a number of votes equal to the number of votes per Ordinary Share.

b. The Preferred E Share shall be prior to all other equity securities of Autotalks Ltd. in the event of liquidation.

c. The holders of the Preferred E Share shall be entitled to receive non-cumulative cash dividends at the rate of eight percent.

d. The investors shall have the right to appoint one non-voting observer ("Observer") to attend Autotalks Ltd.'s board meetings.

e. The holders of the Preferred E Share shall be entitled to preemptive right with respect to future issuance of new securities of Autotalks Ltd.

f. The investors have the rights to obtain the annual financial statements, quarterly financial statements and etc.

12. PROPERTY, PLANT AND EQUIPMENT

	December 31 2019	December 31 2018
Land and buildings	$ 189,755	$ 198,813
Machinery and equipment	465,033	393,283
Other equipment	104,117	105,821
Construction in progress and prepayments for purchase of equipment	1,416	-
	$ 760,321	$ 697,917

	Land and Buildings	Machinery and Equipment	Other Equipment	Construction in Progress and Prepayments for Purchase of Equipment	Total
Cost					
Balance at January 1, 2019	$ 3,649,663	$ 11,403,272	$ 381,190	$ -	$ 15,434,125
Additions	16,446	172,191	48,188	1,416	238,241
Disposals	(3,964)	(45,210)	(2,664)	-	(51,838)
Reclassified	-	23,735	(23,735)	-	-
Effects of foreign currency exchange differences	-	3,259	2,939	-	6,198
Balance at December 31, 2019	3,662,145	11,557,247	405,918	1,416	15,626,726
Accumulated depreciation and impairment					
Balance at January 1, 2019	3,450,850	11,009,989	275,369	-	14,736,208
Disposals	(3,964)	(45,158)	(2,545)	-	(51,667)
Depreciation expenses	25,504	124,974	28,395	-	178,873
Reclassified	-	-	-	-	-
Effects of foreign currency exchange differences	-	2,409	582	-	2,991
Balance at December 31, 2019	3,472,390	11,092,214	301,801	-	14,866,405
Carrying amounts at December 31, 2019	$ 189,755	$ 465,033	$ 104,117	$ 1,416	$ 760,321

	Land and Buildings	Machinery and Equipment	Other Equipment	Construction in Progress and Prepayments for Purchase of Equipment	Total
Cost					
Balance at January 1, 2018	$ 3,608,264	$ 11,443,998	$ 394,138	$ 20,167	$ 15,466,567
Additions	41,376	146,815	13,272	16,222	217,685
Disposals	-	(185,617)	(55,991)	-	(241,608)
Reclassified	23	797	35,762	(36,582)	-
Effects of foreign currency exchange differences	-	(2,721)	(5,991)	193	(8,519)
Balance at December 31, 2018	3,649,663	11,403,272	381,190	-	15,434,125
Accumulated depreciation and impairment					
Balance at January 1, 2018	3,425,627	11,089,179	309,098	-	14,823,904
Disposals	-	(185,121)	(55,800)	-	(240,921)
Depreciation expenses	25,200	107,917	26,188	-	159,305
Reclassified	23	-	(23)	-	-
Effects of foreign currency exchange differences	-	(1,986)	(4,094)	-	(6,080)
Balance at December 31, 2018	3,450,850	11,009,989	275,369	-	14,736,208
Carrying amounts at December 31, 2018	$ 198,813	$ 393,283	$ 105,821	$ -	$ 697,917

13. LEASE ARRANGEMENTS

a. Right-of-use assets - 2019

	December 31, 2019
Carrying amounts	
Land	$ 226,581
Buildings	333,255
Other equipment	40,452
	$ 600,288

	For the Year Ended December 31, 2019
Additions to right-of-use assets	$ 117,417
Depreciation for right-of-use assets	
Land	$ 25,408
Buildings	72,722
Other equipment	8,669
	$ 106,799
Income from the subleasing of right-of-use assets (presented in other income)	$ (7,600)

b. Lease liabilities - 2019

	December 31, 2019
Carrying amounts	
Current	$ 114,308
Non-current	$ 452,715

Range of discount rate for lease liabilities was as follows:

	December 31, 2019
Land	1.76%-2.06%
Buildings	1.44%-3.75%
Other equipment	0.73%-3.61%

For the year ended December 31, 2019, the interest expense under lease liabilities amounted to $11,361 thousand.

c. Material lease-in activities and terms

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

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

The Group leased some of the offices in the United States, China, Israel, India, Shen-Zhen and part in Taiwan, and the lease terms will expire between 2020 and 2026 which can be extended after the expiration of the lease periods.

d. Subleases

The Group subleases its right-of-use assets for buildings under operating leases with lease terms between 1 and 5 years.

The maturity analysis of lease payments receivable under operating subleases was as follows:

	December 31, 2019
Year 1	$ 6,244
Year 2	5,795
Year 3	5,881
Year 4	1,985
Year 5	-
Year 6 onwards	-
	$ 19,905

To reduce the residual asset risk related to the subleased asset at the end of the relevant sublease, the lease contract between the Group and the lessee includes the receipt of the deposits and the compensation for damage due to the lack of management and maintenance.

e. Other lease information

2019

	For the Year Ended December 31, 2019
Expenses relating to short-term leases	$ 13,493
Total cash outflow for leases	$ (125,190)

The Group leases certain buildings and transportation equipment which qualify as short-term leases. The Group has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease labilities for these leases.

Lease-out arrangements under operating leases for investment properties are set out in Note 14.

2018

Prepayments for lease obligations

	December 31, 2018
Current (presented in other current assets)	$ 3,463
Non-current (presented in other non-current assets)	35,129
	$ 38,592

Prepayments for lease obligations are prepayments for the right of land access which the Company leased from Taiwan Sugar Corporation.

Lease expense

	For the Year Ended December 31, 2018
Lease expenditure	$ 108,879

14. INVESTMENT PROPERTIES

	December 31	
	2019	2018
Investment properties, net	$ 44,207	$ 50,527

The investment properties are located in Shenzhen, China. As of December 31, 2019 and 2018, the fair value of such investment properties was both approximately NT$200,000 thousand, which used as reference the neighboring area transactions.

	Investment Properties
Cost	
Balance at January 1, 2019	$ 102,333
Effects of foreign currency exchange differences	(3,822)
Balance at December 31, 2019	98,511
Accumulated depreciation and impairment	
Balance at January 1, 2019	51,806
Depreciation expenses	4,605
Effects of foreign currency exchange differences	(2,107)
Balance at December 31, 2019	54,304
Carrying amount at December 31, 2019	$ 44,207

	Investment Properties
Cost	
Balance at January 1, 2018	$ 104,460
Effects of foreign currency exchange differences	(2,127)
Balance at December 31, 2018	102,333
Accumulated depreciation and impairment	
Balance at January 1, 2018	48,182
Depreciation expenses	4,696
Effects of foreign currency exchange differences	(1,072)
Balance at December 31, 2018	51,806
Carrying amount at December 31, 2018	$ 50,527

The investment properties were leased out for 3 years. The lease contracts contain market review clauses in the event that the lessees exercise their options to extend. The lessees do not have bargain purchase options to acquire the investment properties at the expiry of the lease periods.

The maturity analysis of lease payments receivable under operating leases of investment properties at December 31, 2019 was as follows:

	December 31, 2019
Year 1	$ 7,832
Year 2	4,120
Year 3	2,270
Year 4	-
Year 5	-
Year 6 on wards	-
	$ 14,222

To reduce the residual asset risk related to the subleased asset at the end of the relevant sublease, the lease contract between the Group and the lessee includes the receipt of the deposits and the compensation for damage due to the lack of management and maintenance.

15. INTANGIBLE ASSETS

	December 31	
	2019	2018
Deferred technical assets	$ 260,837	$ 144,044
Other intangible assets	393	710
	$ 261,230	$ 144,754

	Deferred Technical Assets	Other Intangible Assets	Total
Cost			
Balance at January 1, 2019	$ 1,043,189	$ 3,558	$ 1,046,747
Additions	206,283	-	206,283
Disposals	(53,844)	-	(53,844)
Effects of foreign currency exchange differences	6,827	(132)	6,695
Balance at December 31, 2019	1,202,455	3,426	1,205,881
Accumulated amortization and impairment			
Balance at January 1, 2019	899,145	2,848	901,993
Disposals	(53,844)	-	(53,844)
Amortization expenses	89,267	302	89,569
Effects of foreign currency exchange differences	7,050	(117)	6,933
Balance at December 31, 2019	941,618	3,033	944,651
Carrying amounts at December 31, 2019	$ 260,837	$ 393	$ 261,230

	Deferred Technical Assets	Other Intangible Assets	Total
Cost			
Balance at January 1, 2018	$ 1,020,816	$ 4,057	$ 1,024,873
Additions	27,986	105	28,091
Disposals	-	(535)	(535)
Effects of foreign currency exchange differences	(5,613)	(69)	(5,682)
Balance at December 31, 2018	1,043,189	3,558	1,046,747
Accumulated amortization and impairment			
Balance at January 1, 2018	818,182	3,079	821,261
Disposals	-	(535)	(535)
Amortization expenses	86,446	361	86,807
Effects of foreign currency exchange differences	(5,483)	(57)	(5,540)
Balance at December 31, 2018	899,145	2,848	901,993
Carrying amounts at December 31, 2018	$ 144,044	$ 710	$ 144,754

16. BORROWINGS

Long-term Borrowings

	Period	Interest Rate	December 31 2019	December 31 2018
Unsecured borrowings				
The Export-Import Bank of ROC	2019.09.20-2026.09.21	1.16%	$ 500,000	$ -

The proceeds of the Company's unsecured loan from the Export-Import Bank of ROC was invested in Autotalks Ltd. The principal will be repaid every six months from September 20, 2023 until maturity and the interest rate will be reviewed and may be adjusted every six months.

17. OTHER PAYABLES

	December 31 2019	December 31 2018
Payable for salaries or employee benefits	$ 367,537	$ 399,259
Payable for royalties	129,494	99,273
Payable for purchase of equipment	93,619	70,133
Payable for software	58,540	55,363
Others	301,868	254,301
	$ 951,058	$ 878,329

18. RETIREMENT BENEFIT PLANS

a. Defined contribution plan

The Company adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, the Company makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

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

b. Defined benefit plans

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 of monthly salaries of the 6 months before retirement. In 2019 and 2018, the Company contributed amounts equal to 15% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee of the Company. 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 are as follows:

	December 31	
	2019	**2018**
Present value of defined benefit obligation	$ 1,444,939	$ 1,282,657
Fair value of plan assets	(1,157,374)	(988,230)
Net defined benefit liability	$ 287,565	$ 294,427

Movements in net defined benefit liabilities (assets) were as follows:

	Present Value of the Defined Benefit Obligation	**Fair Value of the Plan Assets**	**Net Defined Benefit Liabilities (Assets)**
Balance at January 1, 2018	$ 1,248,983	$ (942,876)	$ 306,107
Service cost			
Current service cost	31,010	-	31,010
Net interest expense (income)	25,773	(15,991)	9,782
Others	(3,692)	3,189	(503)
Recognized in profit or loss	53,091	(12,802)	40,289
Remeasurement			
Actuarial (gain) loss - the discount rate more (less) than the realized rate of return	-	(13,703)	(13,703)
Actuarial (gain) loss - changes in financial assumptions	3,748	15,497	19,245
Actuarial (gain) loss - experience adjustments	60,878	903	61,781
Recognized in other comprehensive income	64,626	2,697	67,323
Contributions from the employer	-	(109,539)	(109,539)
Plan assets paid	(56,637)	55,135	(1,502)
Settlement of pension liabilities	(8,060) -	-	(8,060)
Effect of foreign currency exchange difference	(19,346)	19,155	(191)
Balance at December 31, 2018	1,282,657	(988,230)	294,427
Service cost			
Current service cost	37,909	-	37,909
Net interest expense (income)	27,098	(15,581)	11,517
Recognized in profit or loss	65,007	(15,581)	49,426

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Remeasurement			
Actuarial (gain) loss - the discount rate more (less) than the realized rate of return	-	(19,854)	(19,854)
Actuarial (gain) loss - changes in demographic assumptions	398	-	398
Actuarial (gain) loss - changes in financial assumptions	102,769	(42,426)	60,343
Actuarial (gain) loss - experience adjustments	23,637	(8,194)	15,443
Recognized in other comprehensive income	126,804	(70,474)	56,330
Contributions from the employer	-	(112,657)	(112,657)
Plan assets paid	(51,951)	51,951	-
Effect of foreign currency exchange difference	22,422	(22,383)	39
Balance at December 31, 2019	$ 1,444,939	$ (1,157,374)	$ 287,565

(Concluded)

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans is as follows:

	For the Year Ended December 31	
	2019	2018
Operating costs	$ 6,253	$ 6,932
Selling expenses	103	105
General and administrative expenses	7,571	5,334
Research and development expenses	35,499	27,918
	$ 49,426	$ 40,289

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 shall 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 plans' debt investments.

3) Salary risk: The present value of the defined benefit obligation is calculated using the future salaries of plan participants. As such, an increase in the salaries 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 are as follows:

	December 31

	2019	2018
Discount rate(s)	0.75%-4.18%	1.25%-3.58%
Expected rate(s) of salary increase	1.00%-2.00%	1.00%-2.00%

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 will increase (decrease) as follows:

	For the Year Ended December 31	
	2019	2018
Discount rate(s)		
0.25% increase	$ (32,671)	$ (28,655)
0.25% decrease	$ 37,019	$ 31,173
Expected rate(s) of salary increase		
0.25% increase	$ 33,724	$ 29,060
0.25% decrease	$ (28,667)	$ (26,038)

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 changes in assumptions will occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2019	2018
Expected contributions to the plans for the next year	$ 51,326	$ 117,978
Average duration of the defined benefit obligation	9-12.74 years	9.4-13.17 years

19. EQUITY

a. Share capital

Ordinary shares

	December 31	
	2019	2018
Authorized shares (in thousands)	500,000	300,000
Authorized capital	$ 5,000,000	$ 3,000,000
Issued and paid shares (in thousands)	287,554	207,554
Issued capital	$ 2,875,544	$ 2,075,544
Par value (in New Taiwan dollars)	$ 10	$ 10

On July 25, 2019, the Company's board of directors resolved to issue 80,000 thousand ordinary shares with a par value of NT$10 to fund working capital. On August 26, 2019, this resolution was approved by the FSC. The consideration of NT$45 per share was determined by the chairman which was authorized by the board of directors of the Company; the subscription base date was October 23, 2019; the increase in share capital was fully paid. The associated issuance cost of $6,494 thousand was deducted from capital surplus - additional paid-in capital.

On December 6, 2019, the extraordinary general shareholders' meeting of the Company resolved to increase its capital by issuing ordinary shares between 60,000 thousand and 90,000 thousand through the offering of the Global Depository Shares (GDSs) to raise fund for the acquisition of the related business of Panasonic Semiconductor. The offering price for the GDSs was NT$45 per share tentatively. According to the laws, the actual offering price should not be lower than the closing share price of the Company, one of the simple arithmetic averages of the Company's common share closing price for one, three or five business days prior to the pricing data adjusted for any distribution of stock dividends, cash dividends or capital reduction, and 90% of the average price ex-dividends. The total proposed funds amounted to US$132,787 thousand (at the exchange rate of US$1:NT$30.5); the total amount of the actual offering is based on the outstanding unit and price of the GDSs. The chairman is authorized by the board of the Company to set the pricing date and subscription base date after the proposal is approved by the FSC.

As of December 31, 2019 and 2018, the balance of the Company's capital account amounted to NT$2,875,544 thousand and NT$2,075,544 thousand, divided into 287,554 thousand ordinary shares and 207,554 thousand ordinary shares at a par value of NT$10.

b. Capital surplus

	December 31	
	2019	**2018**
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital*</u>		
Additional paid-in capital	$ 2,856,991	$ 63,485
<u>May only be used to offset a deficit</u>		
Cash capital increase reserved for employee share options	49,920	-
Overdue dividends unclaimed	52	-
<u>May not be used for any purpose</u>		
Employee share options	13	13
	$ 2,906,976	$ 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 as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and to once a year).

c. Retained earnings and dividends policy

The shareholders held their regular meeting on June 24, 2019 and resolved the amendments to the Company's dividend distribution policy in the Company's Articles of Incorporation (the "Articles"). Under the dividends policy as set forth in the amended Articles, if the Company has surplus earnings at the end of a fiscal year, after offsetting losses of previous years and paying taxes, the Company shall set aside as legal reserve 10% of the remaining profit. 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. The board of directors shall be authorized to distribute the profit, the legal reserve and the capital reserve in cash upon resolution by a majority vote at a board meeting attended by two-thirds or more of the directors, and shall report the same to the shareholders' meeting. In principle, not less than 10% of the total shareholders' bonus shall be distributed in the form of cash. For the policies on distribution of employees' compensation and remuneration to directors, refer to Note 22 "Employee benefits expense".

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

The appropriations of earnings for 2018 and 2017 approved in the shareholders' meetings on June 24, 2019 and June 12, 2018, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT$)	
	For Year 2018	For Year 2017	For Year 2018	For Year 2017
Legal reserve	$ 71,063	$ 68,813		
Cash dividends	518,886	518,886	$2.50	$2.50
	$ 589,949	$ 587,699		

As of the date of the Company's board meeting, February 6, 2020, the appropriation of earnings for 2019 are not subjected.

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. For the years ended December 31, 2019 and 2018, other comprehensive loss was NT$8,449 thousand and NT$10,370 thousand, respectively.

2) Unrealized valuation gains (losses) on financial assets at FVTOCI

	For the Year Ended December 31, 2019
Balance at January 1	$ 179,854
Recognized for the year	39,393
Cumulative unrealized gains (losses) of equity instruments transferred to retained earnings due to disposal	(49,703)
Balance at December 31	$ 169,544

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

20. REVENUE

Refer to Note 33 for the Group's revenue.

21. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

Major components of income tax expense are as follows:

	For the Year Ended December 31	
	2019	2018
Current tax		
In respect of the current year	$ 96,776	$ 94,576
Income tax on unappropriated earnings	-	8,149
Adjustment for prior years' tax and effects of estimated difference	462	41,220
Deferred tax		
In respect of the current year	11,872	(3,658)
Effect of tax rate changes	-	(12,000)
Income tax expense recognized in profit or loss	$ 109,110	$ 128,287

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

	For the Year Ended December 31	
	2019	2018
Income tax expense from continuing operations at the statutory rate	$ 146,352	$ 167,031
Tax effect of adjustment item		
Permanent differences	(12,813)	(27,964)
Tax-exempt income	-	(14,000)
Others	5,109	14,000
Current income tax	138,648	139,067
Effect of tax rate changes	-	(12,000)
Unused investment credits	(30,000)	(48,149)
Additional income tax on unappropriated earnings	-	8,149
Adjustment for prior year's income tax	462	23
Adjustment for prior year's income tax assessed by the authorities	-	41,197
Income tax expense recognized in profit or loss	$ 109,110	$ 128,287

The Income Tax Act was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%, effective in 2018. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings was reduced from 10% to 5%. The applicable tax rate used by subsidiaries in China is 25%. Tax rates used by other group entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

In July 2019, the President of the ROC announced the amendments to the Statute for Industrial Innovation, which stipulate that the amounts of unappropriated earnings in 2018 and thereafter that are reinvested in the construction or purchase of certain assets or technologies are allowed as deduction when computing the income tax on unappropriated earnings. The Group has already deducted the amount of capital expenditure from the unappropriated earnings in 2018 that was reinvested when calculating the tax on unappropriated earnings for the year ended December 2019.

As the shareholders have not yet resolved the appropriation of earnings for 2019, the potential income tax consequences of the 2019 unappropriated earnings are not reliably determinable.

c. Current tax assets and liabilities

	December 31	
	2019	2018
Tax refund receivable	$ 2,253	$ 2,361
Income tax payable	$ 78,732	$ 84,963

d. Deferred income tax assets

	December 31	
	2019	2018
Deferred income tax assets		
Allowance for inventory valuation and obsolescence loss and others	$ 97,919	$ 109,790

e. Income tax assessments

The Company's tax returns through 2017 have been assessed by the tax authorities.

f. Information about investment credits

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

22. EMPLOYEE BENEFITS EXPENSE, DEPRECIATION AND AMORTIZATION

	For the Year Ended December 31							
	2019				2018			
	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	$ 711,339	$ 1,985,903	$ -	$ 2,697,242	$ 727,045	$ 1,861,540	$ -	$ 2,588,585
Post-employment benefits	30,792	151,878	-	182,670	31,212	140,475	-	171,687
Compensation cost of employee share options	16,667	33,253	-	49,920	-	-	-	-
Depreciation	123,215	162,457	4,605	290,277	97,217	62,088	4,696	164,001
Amortization	33,506	56,063	-	89,569	33,330	53,477	-	86,807

According to the Company's Articles, the Company accrued employees' compensation and remuneration of directors at rates of no less than 1% and no higher than 1%, respectively, of net profit before income tax, employees' compensation, and remuneration of director.

The employees' compensation and remuneration of directors for the years ended December 31, 2019 and 2018, which were approved by the Company's board of directors on February 6, 2020 and February 1, 2019, respectively, are as follows:

	For the Year Ended December 31			
	2019		2018	
	Amount	%	Amount	%
Employees' cash compensation	$ 40,868	6	$ 50,428	6
Remuneration of directors	6,811	1	8,405	1

If there is a change in the amounts after the annual consolidated financial statements were authorized for issue, the differences are recorded as a change in accounting estimate. There is no difference between the actual amounts of employees' compensation and remuneration to directors paid and the amounts recognized in the financial statements for the year ended December 31, 2018 and 2017.

Information on the employees' compensation and remuneration of directors resolved by the Company's board of directors in 2020 and 2019 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

23. SHARE-BASED PAYMENT ARRANGEMENTS

The Company's board of directors resolved to reserve 10% of the shares from the issuance of 80,000 thousand shares approved by the FSC on August 26, 2019 to be subscribed for by its employees. The number of shares subscribed for by the employees was affirmed on September 3, 2019. The fair value of such share options subscribed for by the Company's employees on the grant date was measured using the Black-Scholes Option Pricing Model and amounted to NT$49,920 thousand which was recorded as compensation costs with a corresponding increase in capital surplus.

a. As of December 31, 2019, the Company's Share-based payments agreements are as follows:

Agreement	Grant Date	Number of Shares Grant	Vesting Conditions
Cash capital increase reserved for employee share options	2019.9.3	8,000 thousand shares	Vested immediately

b. The fair value of share options acquired by employees on grant day, September 3, 2019, was measured by using Black-Scholes Option Pricing Model. Relevant information is as follows:

Stock Price (NT$)	Exercise Price (NT$)	Expected Price Volatility	Expected Vesting Period	Expected Dividend Yield Rate	Risk-free Interest Rate	Fair Value Per Share (NT$)
$50.8	$45	32.61%	46 days	0.00%	0.43%	$6.24

24. EARNINGS PER SHARE

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

	Amounts (Numerator)	Shares (Denominator) (In Thousands)	EPS (NT$)
For the year ended December 31, 2019			
Net profit	$ 558,459		
Basic EPS			
Earnings used in the computation of basic EPS	558,459	220,888	$ 2.53
Effect of potentially dilutive ordinary shares			
Employee's compensation	-	874	
Diluted EPS			
Earnings used in the computation of diluted EPS	$ 558,459	221,762	2.52
For the year ended December 31, 2018			
Net profit	$ 710,633		
Basic EPS			
Earnings used in the computation of basic EPS	710,633	207,554	$ 3.42
Effect of potentially dilutive ordinary shares			
Employee's compensation	-	1,270	
Diluted EPS			
Earnings used in the computation of diluted EPS	$ 710,633	208,824	3.40

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

25. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to have 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			
	2019		2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Financial assets at amortized cost (Note 1)	$ 6,521,099	$ 6,521,099	$ 2,774,882	$ 2,774,882
Financial assets at FVTPL				
Derivative financial assets	6,037	6,037	763	763
Financial assets at FVTOCI				
Investment in equity instruments	1,117,410	1,117,410	539,283	539,283
Financial liabilities				
Financial liabilities at amortized cost (Note 2)	2,618,441	2,618,441	1,801,426	1,801,426

Note 1: The balance includes financial assets at amortized cost, which includes cash and cash equivalents, notes and accounts receivable (including related parties), other receivables and refundable deposits.

Note 2: The balance includes financial liabilities at amortized cost, which includes accounts payable, other payables, long-term loans and deposits received.

b. Fair value information

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

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

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

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

2) Fair value measurements recognized in the consolidated balance sheets

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

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

c) Domestic unlisted equity instruments at FVTOCI were all measured based on Level 3 fair value. Fair values of such equity instruments were determined using discounted cash flow of income approach and comparable listed company approach, by referring to strike price of similar business in active market, implied value multiple of the price and relevant information. Significant unobservable inputs included P/E ratio, value multiple and market liquidity discount. As the discounted cash flow method was used, to discount for the lack of marketability of 29%; which increase by 1% while all the other varibles are held constant fair value of investments will decrease by $9,122 thousand.

3) Fair value of financial instruments not measured at fair value

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

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

Fair value hierarchy

	December 31, 2019			
	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	$ -	$ 6.037	$ -	$ 6.037
Financial assets at FVTOCI				
Domestic listed shares and emerging market shares	$ 61,205	$ -	$ -	$ 61,205
Domestic and overseas unlisted shares	$ -	$ -	$1,056,205	$1,056,205

	December 31, 2018			
	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	$ -	$ 763	$ -	$ 763
Financial assets at FVTOCI				
Domestic listed shares and emerging market shares	$ 120,550	$ -	$ -	$ 120,550
Domestic unlisted shares	$ -	$ -	$ 418,733	$ 418,733

5) Reconciliation of Level 3 fair value measurements of financial assets

The financial assets measured at Level 3 fair value were financial assets at FVTPL and equity investments classified as financial assets at FVTOCI. Reconciliations for the years ended December 31, 2019 and 2018 were as follows:

	For the Year Ended December 31	
	2019	2018
Balance, beginning of period	$ 418,733	$ 454,657
Additions	630,000	-
Recognized in other comprehensive income	41,872	(32,424)
Proceeds from return of capital of investments	(4,000)	(3,500)
Effect of exchange rate changes	(30,400)	-
Balance, end of period	$ 1,056,205	$ 418,733

c. Financial risk management objectives and policies

The Group seeks to minimize the effects of financial risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provide written principles on foreign currency risk, and the use of financial derivatives. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group entered into foreign exchange forward contracts to hedge the exchange rate risk arising on the export business.

a) Foreign currency risk

The Group has foreign currency denominated transactions, which expose the Group to foreign currency risk. Exchange rate exposures are managed within approved policy parameters utilizing foreign exchange forward contracts.

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

The sensitivity analysis included only outstanding foreign currency denominated monetary items at the end of the reporting period and assuming an increase in net income and equity if New Taiwan dollars strengthen by 1% against foreign currencies. For a 1% weakening of New Taiwan dollars against the relevant currency, there would be impact on net income in the amounts of NT$3,882 thousand and NT$4,077 thousand decrease for the years ended December 31, 2019 and 2018, respectively. The amounts used in the 1% weakening of New Taiwan dollars against the relevant currency did not consider 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.

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	December 31	
	2019	2018
Cash flow interest rate risk		
Financial assets	$ 284,413	$ 108,266
Financial liabilities	500,000	-

The sensitivity analysis of cash flows based on the Group's exposure to interest rates of variable-rate derivative instruments at the end of the year showed that if market interest rates increased by 1%, the Group's cash inflows (outflows) for the years ended December 31, 2019 and 2018 would have increased by NT$(2,156) thousand and NT$1,083 thousand, respectively.

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in a 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 are as follows:

	December 31, 2019			
	Within 1 Year	1-2 Years	Over 2 Years	Total
Non-derivative financial liabilities				
Non-interest bearing	$ 2,076,872	$ -	$ -	$ 2,076,872
Lease liabilities	126,438	115,424	360,654	602,516
Variable interest rate liabilities	-	-	500,000	500,000
	$ 2,203,310	$ 115,424	$ 860,654	$ 3,179,388

Additional information about the maturity analysis of lease liabilities:

	Less than 2 Years	2-5 Years	5-10 Years	10-15 Years	Over 15 Years
Non-derivative financial liabilities					
Lease liabilities	$ 241,862	$ 237,395	$ 117,532	$ 5,727	$ 602,516

	December 31, 2018			
	Within 1 Year	1-2 Years	Over 2 Years	Total
Non-derivative financial liabilities				
Non-interest bearing	$ 1,763,520	$ -	$ -	$ 1,763,520

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 Corporation America ("WECA")	Associate
Winbond Electronics Corporation Japan ("WECJ")	Associate
Techdesign Corporation	Associate
Callisto Holding Limited	Associate
Nyquest Technology Co., Ltd. ("Nyquest")	Related party in substance
Walton Advanced Engineering Inc.	Related party in substance
Chin Cherng Construction Co., Ltd.	Related party in substance
United Industrial Gases Co., Ltd.	Related party in substance

b. Operating activities

	For the Year Ended December 31	
	2019	2018
1) Operating revenue		
Related party in substance	$ 246,391	$ 247,388
Associate	90,302	85,611
	$ 336,693	$ 332,999
2) Purchases of goods		
Parent company	$ 131,874	$ 103,274
3) Manufacturing expenses		
Parent company	$ 33	$ -
4) Selling expenses		
Associate	$ 895	$ 667
Parent company	44	-
	$ 939	$ 667

	For the Year Ended December 31	
	2019	2018
5) General and administrative expenses		
Related party in substance	$ 10,780	$ 10,538
Parent company	7,043	7,818
Associate	882	664
	$ 18,705	$ 19,020
6) Research and development expenses		
Associate	$ 6,167	$ 6,798
Parent company	1,031	453
	$ 7,198	$ 7,251
7) Dividend income		
Related party in substance		
United Industrial Gases Co., Ltd.	$ 62,858	$ 57,570
Nyquest Technology Co., Ltd.	7,636	15,701
	$ 70,494	$ 73,271
8) Other income		
Related party in substance	$ 183	$ 197

	December 31	
	2019	2018
9) Accounts receivable from related parties		
Related party in substance	$ 45,903	$ 44,298
Associate	21,491	18,008
	$ 67,394	$ 62,306
10) Other receivables		
Associate	$ 94	$ 343
Parent company	-	347
	$ 94	$ 690
11) Refundable deposits		
Parent company	$ 1,780	$ -
Related party in substance	1,722	1,722
	$ 3,502	$ 1,722

December 31

	2019	2018
12) Accounts payable to related parties		
Parent company	$ 24,535	$ 15,700
13) Other payables		
Parent company	$ 2,740	$ 3,215
Associate	-	249
	$ 2,740	$ 3,464
14) Guarantee deposits		
Parent company	$ 545	$ 545

The sales and purchase prices and collection and payment terms with related parties were not significantly different from those with third parties. For other related party transactions, price and terms were determined in accordance with mutual agreement.

c. Lease arrangements - Group is lessee

	December 31, 2019
1) Lease liabilities	
Parent company	$ 59,750
Related party in substance	32,869
Associate	15,652
	$ 108,271

	For the Year Ended December 31, 2019
2) Interest expense	
Associate	$ 696
Related party in substance	604
Parent company	53
	$ 1,353

d. Lease arrangements - Group is lessor/Sublease arrangements

Sublease arrangements under operating leases

For the year ended December 31, 2019, the Group subleases its right-of-use assets to its associate companies WEC and WEHK under operating leases with lease terms between 1 and 3 years.

1) The balance of operating lease receivables was as follows:

Related Party Category	December 31, 2019
Parent company	$ 434
Associate	269
	$ 703

2) Future lease payment receivables are as follows:

Related Party Category	December 31, 2019
Parent company	$ 11,430
Associate	535
	$ 11,965

3) Lease income was as follows:

Related Party Category	For the Year Ended December 31, 2019
Parent company	$ 4,003
Associate	1,655
	$ 5,658

e. Endorsements and guarantees

As of December 31, 2019, the chairman of the Company is a joint guarantor of the land-leasing from Taiwan Sugar Corporation. Refer to Note 13.

f. Compensation of key management personnel

	For the Year Ended December 31	
	2019	2018
Short-term employee benefits	$ 78,687	$ 76,262
Post-employment benefits	3,066	2,813
Compensation costs of employee share options	2,072	-
	$ 83,825	$ 79,075

The remuneration of directors and key executives, as determined by the remuneration committee, was based on the performance of individuals and market trends.

28. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

Please refer to Note 6.

29. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

a. As of December 31, 2019 and 2018, the amounts available under unused letters of credit were approximately JPY13,200 thousand and US$180 thousand, respectively.

b. Microchip Technology Inc. (listed company in the United States) filed a first amended complaint in January 2019, which alleges that the Company and NTCA infringed six patents of Microchip Technology Inc. The parties were given 90 days to reach an out-of-court settlement but no agreement was reached. The case is proceeding in the United States District Court for the Northern District of California where the Company and NTCA filed their statement of defense. The case is still in its initial stages; hence, the possible impact on the Company's business and finance is not yet determinable.

30. SIGNIFICANT CONTRACTS

On November 28, 2019, the Company's board of directors resolved to acquire the semiconductor business of Panasonic Corporation. Consequently, the Company and Panasonic Corporation reached an agreement and signed a contract for the Company's acquisition of the semiconductor business of Panasonic Corporation. Both parties will obtain approval from their government authorities and estimate to complete the contract settlement in June 2020. The total contract amount is US$250,000 thousand (approximately NT$7,627,500 thousand), which will be adjusted on or after the settlement in accordance with the regulated price formula in the contract.

31. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

On February 6, 2020, Winbond Electronics Co. reassigned Yuan-Mou Su as its legal representative in the Company. The Company held the board of directors' meeting and resolved Yuan-Mou Su as the chairman on the same day.

32. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Group's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currency of the entities in the Group and the related exchange rates between foreign currencies and respective functional currency were as follows:

	December 31					
	2019			2018		
	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	$ 40,291	29.98	$1,207,919	$ 31,623	30.715	$ 971,292
ILS	14,128	8.6652	122,421	12,398	8.1494	101,037
JPY	15,093	0.276	4,166	1,576	0.2782	438
EUR	27	33.59	891	83	35.2	2,905
Financial liabilities						
Monetary items						
USD	26,123	29.98	783,180	17,674	30.715	542,864
ILS	17,812	8.6652	154,348	12,365	8.1494	100,770
JPY	62,389	0.276	17,219	26,267	0.2782	7,307
EUR	157	33.59	5,281	536	35.2	18,868

Note: The rate foreign currencies are exchanged to New Taiwan dollars and displayed as a rate.
For the years ended December 31, 2019 and 2018, realized and unrealized net foreign exchange gains (losses) were NT$(2,791) thousand and NT$ 20,475 thousand, 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 and functional currency of the entities in the Group.

33. SEGMENT INFORMATION

a. Basic information about operating segment

1) Classification of operating segments

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

a) General IC product segment

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

b) Foundry service segment

The foundry service segment engages mainly in research, design, manufacturing and sale.

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

The significant accounting principles of each operating segment are the same as those stated in Note 4 to the consolidated financial statements. The Group's operating segment profit or loss represents the profit or loss earned by each segment. The profit or loss is controllable by segment managers and is the basis for assessment of segment performance. The Group does not provide information on assets regularly to the Group's chief operating decision maker; thus, the measure of assets is zero. 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 is 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	
	2019	2018	2019	2018
General IC products	$ 8,426,460	$ 8,117,960	$ 933,470	$ 869,894
Foundry service	1,924,876	1,901,899	565,576	617,940
Total of segment revenue	10,351,336	10,019,859	1,499,046	1,487,834
Other revenue	15,933	20,362	8,683	13,782
Operating revenue	$ 10,367,269	$ 10,040,221	1,507,729	1,501,616
Unallocated expenditure				
Administrative and supporting expense			(468,518)	(398,485)
Sales and other common expenses			(454,890)	(348,472)
Total operating profit			584,321	754,659
Interest expense			(14,279)	-
Interest income			17,777	12,105
Dividend income			70,529	73,322
Other gains and losses			12,203	7,516
Gains (losses) on disposal of property, plant and equipment			62	1,254
Foreign exchange gains (losses)			(2,791)	20,475
Gains (losses) on financial instruments at fair value through profit or loss			(253)	(30,411)
Profit before income tax			$ 667,569	$ 838,920

c. Geographical information

The Group operates in three principal geographical area - Asia, the United States and Europe.

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

	Revenue from External Customers For the Year Ended December 31		Non-current Assets December 31	
	2019	**2018**	**2019**	**2018**
Asia	$ 9,950,563	$ 9,645,278	$ 1,626,019	$ 899,763
United States	267,851	255,267	40,645	29,538
Europe	146,703	137,402	-	-
Others	2,152	2,274	-	-
	$ 10,367,269	$ 10,040,221	$ 1,666,664	$ 929,301

d. Information about major customer

Single customers contributing 10% or more to the Group's operating revenue for the years ended December 31, 2019 and 2018 were as follows:

	For the Year Ended December 31			
	2019		**2018**	
	Amount	**%**	**Amount**	**%**
Customer V	$ 2,942,505	28	$ 2,662,123	27
Customer C	1,094,889	11	1,097,428	11
	$ 4,037,394	39	$ 3,759,551	38

V. Individual accountant-audited financial statements of the most recent year

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Nuvoton Technology Corporation

Opinion

We have audited the accompanying financial statements of Nuvoton Technology Corporation (the Company), which comprise the balance sheets as of December 31, 2019 and 2018, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2019. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Occurrence of Sales Revenues

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2019 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Shu-Lin Liu and Hung-Bin Yu.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 6, 2020

Notice to Readers

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

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

NUVOTON TECHNOLOGY CORPORATION

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

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

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

(Continued)

NUVOTON TECHNOLOGY CORPORATION

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

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

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

NUVOTON TECHNOLOGY CORPORATION

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

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

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

NUVOTON TECHNOLOGY CORPORATION

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

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

(Continued)

NUVOTON TECHNOLOGY CORPORATION

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

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

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

1. GENERAL INFORMATION

Nuvoton Technology Corporation (the "Company") was incorporated in the Republic of China ("ROC") in April 2008 and commenced business in July 2008. The Company is engaged mainly in the research, design, development, manufacture, and sale of logic integrated circuits ("ICs") and the manufacturing, testing and OEM of 6-inch wafers.

For the specialization and division of labor and the reinforcement of core competitive ability, the Company's parent company, Winbond Electronics Corporation ("WEC"), spun off its Logic IC business into the Company on July 1, 2008 in accordance with the Business Mergers and Acquisitions Act and the Company commenced business in July 2008. WEC held approximately 62% and 61% of the ownership interest in the Company as of December 31, 2019 and 2018, respectively.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors and authorized for issue on February 6, 2020.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS 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), International Financing Reporting Interpretation Committee (IFRIC), and SIC Interpretations (SIC) (collectively, the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC)

   Except for the following, 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 did not have material impact on the Company's accounting policies:

   1) IFRS 16 "Leases"

      IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both the lessee and the lessor. It supersedes IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", and a number of related interpretations. Refer to Note 4 for information relating to the relevant accounting policies.

      Definition of a lease

      The Company elects to apply the guidance of IFRS 16 in determining whether contracts are, or contain, a lease only to contracts entered into (or changed) on or after January 1, 2019. Contracts identified as containing a lease under IAS 17 and IFRIC 4 are not reassessed and are accounted for in accordance with the transitional provisions under IFRS 16.

The Company as lessee

The Company recognizes right-of use assets and lease liabilities for all leases on the balance sheets except for those whose payments under low-value asset and short-term leases are recognized as expenses on a straight-line basis. On the statements of comprehensive income, the Company presents the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the statements of cash flows, cash payments for the principal portion of lease liabilities are classified within financing activities; cash payments for the interest portion are classified within operating activities. Prior to the application of IFRS 16, payments under operating lease contracts were recognized as expenses on a straight-line basis. Cash flows for operating leases were classified within operating activities on the statements of cash flows. Leased assets and finance lease payables were recognized on the balance sheets for contracts classified as finance leases.

The Company elects to apply IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized in retained earnings on January 1, 2019. Comparative information is not restated.

The lessee's weighted average incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 is 1.44%-2.06%. The difference between the lease liabilities recognized and operating lease commitments disclosed on December 31, 2018 is explained as follows:

The future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018	$ 311,571
Less: Recognition exemption for short-term leases	(2,457)
Undiscounted amounts on January 1, 2019	$ 309,114
Lease liabilities recognized on January 1, 2019	$ 288,202

The Company as lessor

Except for sublease transactions, the Company does not make any adjustments for leases in which it is a lessor, and it accounts for those leases with the application of IFRS 16 starting from January 1, 2019.

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

The impact on assets, liabilities and equity as of January 1, 2019 from the initial application of IFRS 16 is set out as follows:

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

(Continued)

	Carrying Amount as of December 31, 2018	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2019
Lease liabilities - current	$ -	$ 43,487	$ 43,487
Lease liabilities - non-current	-	244,715	244,715
Total effect on liabilities	$ -	$ 288,202	$ 288,202
Retained Earnings	$ 1,426,005	$ -	$ 1,426,005

(Concluded)

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

b. The IFRSs endorsed by the Financial Supervisory Commission (FSC) for application starting from 2020

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020 (Note 1)
Amendments to IFRS 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform"	January 1, 2020 (Note 2)
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020 (Note 3)

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

Note 2: The Company shall apply these amendments retrospectively for annual reporting periods beginning on or after January 1, 2020.

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

1) Amendments to IFRS 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform"

The amendments deal with issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark (such as the London Interbank Offered Rate or LIBOR) with an alternative interest rate, and provide temporary exceptions to all hedging relationships that are directly affected by the interest rate benchmark reform. The Company would apply those hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform. The amendments also require additional disclosures about the extent to which the entity’s hedging relationships are affected by the amendments.

2) Amendments to IAS 1 and IAS 8 “Definition of material”

The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRSs. The concept of “obscuring” material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from “could influence” to “could reasonably be expected to influence”.

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 and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2021

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

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

Basis of Preparation

The financial statements have been prepared on the historical cost basis except for financial instruments and defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets that are measured at fair value. 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.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the 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 cases, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at 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 rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, and exchange differences arising are recognized in other comprehensive income.

Cash Equivalents

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

Financial Instruments

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

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

a. 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.

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

1) Financial asset at FVTPL

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

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

2) Financial assets at amortized cost

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

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

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

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

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

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

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

3) Investments in equity instruments at FVTOCI

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

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

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

b. Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivable).

The Company always recognizes lifetime Expected Credit Loss (ECL) on accounts receivable. On all other financial instruments, the Company recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

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

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

c. Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the financial asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the financial asset to another entity. On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset’s carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

d. Financial liabilities

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

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

e. Derecognition of financial liabilities

The difference between the carrying amount of a financial liability derecognized and the consideration paid is recognized in profit or loss.

f. Derivative financial instruments

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

Derivatives are initially recognized at fair value at the date on which 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 a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument 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; evaluation and recognition of appropriate allowance for value decline are 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, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary. The Company also recognizes the changes in the Company's share of equity of subsidiaries attributable to the Company.

When the Company's share of loss of a subsidiary exceeds its interest in that subsidiary (which includes any carrying amount of the investment accounted for using 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 loss.

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 this, 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 had the Company directly disposed of the related assets or liabilities.

Profit or loss resulting from downstream transactions is eliminated in full only in the parent company only financial statements. Profit and loss resulting from upstream transactions and transactions between subsidiaries is recognized only in the parent company only financial statements and only to the extent of interests in the subsidiaries that are not related to the Company.

Property, Plant and Equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment loss.

Property, plant and equipment in the course of construction are measured 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.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset 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. The 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, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the reversed carrying amount should not exceed the carrying amount (after 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 in profit or loss.

Products Guarantee Based on Commitment

The Company will estimate guarantee provision by using appropriate ratio at the time the related product is sold.

Revenue Recognition

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

Revenue from the sale of goods is mainly recognized when a customer obtains control of promised goods, at which time the goods are delivered to the customer's specific location and performance obligation is satisfied.

Revenue from sale of goods is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Provision for estimated sales returns and other allowances is generally made and adjusted based on historical experience and on the consideration of varying contractual terms affecting the recognition of a provision, which is classified under other non-current liabilities.

Leasing

2019

At the inception of a contract, the Company assesses whether the contract is, or contains, a lease.

a. The Company as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

When the Company subleases a right-of-use asset, the sublease is classified by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. However, if the head lease is a short-term lease that the Company, as a lessee, has accounted for applying recognition exemption, the sublease is classified as an operating lease.

Under finance leases, the lease payments comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate, residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating a lease if the lease term reflects such termination, less any lease incentives payable. The net investment in a lease is measured at (a) the present value of the sum of the lease payments receivable by a lessor and any unguaranteed residual value accrued to the lessor plus (b) initial direct costs, and is presented as a finance lease receivable. Finance lease income is allocated to the relevant accounting periods so as to reflect a constant, periodic rate of return on the Company's net investment outstanding in respect of leases.

Under operating lease, lease payments (less any lease incentives payable) are recognized as income on a straight-line basis over the terms of the relevant lease. Initial direct costs incurred in obtaining operating lease are added to the carrying amount of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

b. The Company as lessee

The Company recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate, residual value guarantees, the exercise price of a purchase option if the Company is reasonably certain to exercise that option, and payments of penalties for terminating a lease if the lease term reflects such termination, less any lease incentives receivable. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, a change in the amounts expected to be payable under a residual value guarantee, a change in the assessment of an option to purchase an underlying asset, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the balance sheets.

2018

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating lease.

Under finance lease, the Company as lessor recognizes amounts due from lessees as receivables at the amount of the Company's net investment in the lease. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of the leases.

Under operating lease, the Company as lessor recognizes rental income from operating lease on a straight-line basis over the term of the relevant lease. Contingent rents receivable arising under operating leases are recognized as income in the period in which they are earned. As lessee, operating lease payments are recognized as an expense on a straight-line basis over the lease term. Contingent rents payable arising under operating leases 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 expense when employees have rendered service entitling them to the contributions.

   Defined benefit costs (including service cost, net interest and remeasurement) under defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost and net interest on the net defined benefit liabilities are recognized as employee benefits expense in the period in which 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 it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

   Net defined benefit liabilities represent the actual deficit in the Company's defined benefit plans. 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.

Share-based payment arrangements

Cash-settled share-based payment is a liability in which the entity receives goods or services and the fair value of the amount payable is initially measured at cost. The amount is remeasured at each reporting date and at settlement based on the fair value. Any changes in the liabilities are recognized in profit or loss, with a corresponding adjustment to capital surplus - employee share options.

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 on unappropriated earnings is provided for as income tax in the year the shareholders approve to retain 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 remeasured at the end of each reporting period and recognized to the extent that it has become probable that there will be future taxable profit.

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

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect 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:

Write-down of Inventories

The 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 with product sales of a similar nature. Changes in market conditions may have a material impact on the estimation of the net realizable value.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2019	2018
Cash and cash in bank	$4,242,201	$ 836,993
Repurchase agreements collateralized by bonds	209,000	123,300
	$4,451,201	$ 960,293

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

	December 31	
	2019	2018
Time deposits	$ 75,988	$ 72,074

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

	December 31	
	2019	2018
Time deposits	$ 249,900	$ -

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2019	2018
Financial assets at FVTPL - current		
Foreign exchange forward contracts	$ 6,037	$ 763

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

	Currencies	Maturity Date	Contract Amount (In Thousands)
December 31, 2019			
Sell forward exchange contracts	USD/NTD	2020.01.03-2020.03.05	USD20,000/NTD604,050
December 31, 2018			
Sell forward exchange contracts	USD/NTD	2019.01.04-2019.02.21	USD17,000/NTD521,731

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.

8. NOTES AND ACCOUNTS RECEIVABLE

	December 31	
	2019	**2018**
Notes receivable	$ 21	$ -
Accounts receivable (including related parties)		
At amortized cost		
Gross carrying amount	878,585	947,716
Less: Allowance for impairment loss	(16,564)	(13,688)
	$ 862,042	$ 934,028

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

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

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

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

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

December 31, 2019

	Not Overdue	Overdue under 30 Days	Overdue 31-90 Days	Overdue 91-180 Days	Over 180 Days	Total
Expected credit loss rate	2%	2%	10%	20%	50%	
Gross carrying amount	$ 872,950	$ 5,656	$ -	$ -	$ -	$ 878,606
Loss allowance (lifetime ECL)	(16,451)	(113)	-	-	-	(16,564)
Amortized cost	$ 856,499	$ 5,543	$ -	$ -	$ -	$ 862,042

December 31, 2018

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

The movements of the loss allowance of notes and trade receivables were as follows:

	For the Year Ended December 31	
	2019	2018
Balance at January 1	$ 13,688	$ 12,285
Add: Net remeasurement of loss allowance	2,876	1,403
Balance at December 31	$ 16,564	$ 13,688

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

9. INVENTORIES

	December 31	
	2019	2018
Raw materials and supplies	$ 105,937	$ 123,949
Work-in-process	1,178,694	1,061,800
Finished goods	307,603	339,286
Inventories in transit	8,199	32,475
	$ 1,600,433	$ 1,557,510

a. As of December 31, 2019 and 2018, the allowance for inventory value decline was $361,228 thousand and $327,476 thousand, respectively.

b. The operating cost for the years ended December 31, 2019 and 2018 was $6,232,121 thousand and $6,116,544 thousand, respectively. The inventory write-downs and obsolescence and abandonment of inventories for the years ended December 31, 2019 and 2018 were $58,931 thousand and $45,385 thousand, respectively.

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Investments in equity instruments at FVTOCI:

	December 31	
	2019	**2018**
Domestic listed shares and emerging market shares		
Nyquest Technology Co., Ltd.	$ -	$ 74,092
Brightek Optoelectronic Co., Ltd.	485	341
Unlisted shares		
United Industrial Gases Co., Ltd.	440,000	396,000
Yu-Ji Venture Capital Co., Ltd.	16,605	22,733
Autotalks Ltd. - Preferred E. Share	599,600	-
	$1,056,690	$ 493,166

These investments in equity instruments are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Company's strategy of holding these investments for long-term purposes.

In 2019, the Company sold out its shares in Nyquest Technology Co., Ltd. in order to manage credit concentration risk. The shares sold had a fair value of NT$87,266 thousand and its related unrealized valuation gain of NT$49,703 thousand was transferred from other equity to retained earnings. Refer to Note 18 for related information.

Dividends of $66,899 thousand were recognized during 2019. The dividends related to investments derecognized during 2019 were $4,006 thousand, and those related to investments held at December 31, 2019 were $62,893 thousand.

In August 2019, the Company resolved to invest in the Preferred E Share of the non-related party communication chip maker in Israel, Autotalks Ltd. The rights of the Preferred E Share were as follows:

a. Each Preferred E Share grants its holder a number of votes equal to the number of votes per Ordinary Share.

b. The Preferred E Share shall be prior to all other equity securities of Autotalks Ltd. in the event of liquidation.

c. The holders of the Preferred E Share shall be entitled to receive non-cumulative cash dividends at the rate of eight percent.

d. The investors shall have the right to appoint one non-voting observer ("Observer") to attend Autotalks Ltd.'s board meetings.

e. The holders of the Preferred E Share shall be entitled to preemptive right with respect to future issuance of new securities of Autotalks Ltd.

f. The investors have the rights to obtain the annual financial statements, quarterly financial statements and etc.

11. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31 2019	December 31 2018
Investments in subsidiaries	$ 1,102,658	$ 1,009,874

	December 31			
	2019		2018	
	Carrying Value	Ownership Percentage	Carrying Value	Ownership Percentage
Non-listed companies				
Marketplace Management Ltd. ("MML")	$ 77,837	100	$ 78,279	100
Pigeon Creek Holding Co., Ltd. ("PCH")	-	-	178,644	100
Nuvoton Technology Corporation America ("NTCA")	186,060	100	-	-
Nuvoton Investment Holding Ltd. ("NIH")	277,739	100	217,761	100
Nuvoton Electronics Technology (H.K.) Limited ("NTHK")	459,960	100	452,809	100
Song Yong Investment Corporation ("SYI")	78,834	100	60,600	100
Nuvoton Technology India Private Ltd. ("NTIPL")	22,228	100	21,781	100
	$ 1,102,658		$ 1,009,874	

In 2019, the Company increased its investments in MML and NIH by $1,620 thousand and $16,657 thousand, respectively.

To simplify investment structure, PCH completed the liquidation and legal procedures in January 2019; NTCA, the subsidiary of PCH, is held directly by the Company.

12. PROPERTY, PLANT AND EQUIPMENT

	December 31 2019	December 31 2018
Land and buildings	$ 189,755	$ 198,813
Machinery and equipment	440,414	368,727
Other equipment	41,444	44,708
Construction in progress and prepayments for purchase of equipment	1,416	-
	$ 673,029	$ 612,248

	Land and Buildings	Machinery and Equipment	Other Equipment	Construction in Progress and Prepayments for Purchase of Equipment	Total
Cost					
Balance at January 1, 2019	$ 3,649,662	$ 11,316,907	$ 187,265	$ -	$ 15,153,834
Additions	16,446	187,551	11,197	1,416	216,610
Disposals	(3,964)	(43,101)	(645)	-	(47,710)
Reclassified	-	-	-	-	-
Balance at December 31, 2019	3,662,144	11,461,357	197,817	1,416	15,322,734
Accumulated depreciation and impairment					
Balance at January 1, 2019	3,450,849	10,948,180	142,557	-	14,541,586
Disposals	(3,964)	(43,101)	(645)	-	(47,710)
Depreciation expenses	25,504	115,864	14,461	-	155,829
Reclassified	-	-	-	-	-
Balance at December 31, 2019	3,472,389	11,020,943	156,373	-	14,649,705
Carrying amount at December 31, 2019	$ 189,755	$ 440,414	$ 41,444	$ 1,416	$ 673,029
Cost					
Balance at January 1, 2018	$ 3,608,264	$ 11,356,715	$ 192,634	$ 797	$ 15,158,410
Additions	41,375	138,827	3,438	-	183,640
Disposals	-	(179,432)	(8,784)	-	(188,216)
Reclassified	23	797	(23)	(797)	-
Balance at December 31, 2018	3,649,662	11,316,907	187,265	-	15,153,834
Accumulated depreciation and impairment					
Balance at January 1, 2018	3,425,627	11,027,511	135,507	-	14,588,645
Disposals	-	(178,956)	(8,784)	-	(187,740)
Depreciation expenses	25,199	99,625	15,857	-	140,681
Reclassified	23	-	(23)	-	-
Balance at December 31, 2018	3,450,849	10,948,180	142,557	-	14,541,586
Carrying amount at December 31, 2018	$ 198,813	$ 368,727	$ 44,708	$ -	$ 612,248

13. LEASE ARRANGEMENTS

a. Right-of-use assets - 2019

	December 31, 2019
Carrying amounts	
Land	$ 226,581
Buildings	105,153
Other equipment	19,602
	$ 351,336

	For the Year Ended December 31, 2019
Additions to right-of-use assets	$ 69,707
Depreciation charge for right-of-use assets	
Land	$ 25,408
Buildings	18,543
Other equipment	1,214
	$ 45,165
Income from the subleasing of right-of-use assets (presented in other income)	$ (6,005)

b. Lease liabilities - 2019

	December 31, 2019
Carrying amounts	
Current	$ 53,885
Non-current	$ 262,054

Range of discount rate for lease liabilities was as follows:

	December 31, 2019
Land	1.76%-2.06%
Buildings	1.09%-1.61%
Other equipment	1.09%-2.06%

For the year ended December 31, 2019, the interest expense under lease liabilities amounted to $4,409 thousand.

c. Material lease-in activities and terms

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

The Company leased parcel of land from Taiwan Sugar Corporation under a twenty-year term from October 2014 to September 2034, which is allowed to extend after the expiration of the lease. The chairman of the Company, is a joint guarantor of such lease (refer to Note 25).

The Company leased some of the offices in the United States, China, Israel, India, Shen-Zhen and part in Taiwan, and the lease terms will expire between 2022 and 2026 which can be extended after the expiration of the lease periods.

d. Subleases

The Company subleases its right-of-use assets for buildings under operating leases with lease terms between 3 to 5 years.

The maturity analysis of lease payments receivable under operating subleases was as follows:

	December 31, 2019
Year 1	$ 5,769
Year 2	5,855
Year 3	5,911
Year 4	1,985
Year 5	-
Year 6 onwards	-
	$ 19,520

To reduce the residual asset risk related to the subleased asset at the end of the relevant sublease, the lease contract between the Company and the lessee includes the receipt of the deposits and the compensation for damage due to the lack of management and maintenance.

e. Other lease information

2019

	For the Year Ended December 31, 2019
Expenses relating to short-term leases	$ 2,247
Total cash (outflow) for leases	$ (48,627)

The Company leases certain buildings and transportation equipment which qualify as short-term leases. The Company has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease labilities for these leases.

2018

Prepayments for lease obligations

	December 31, 2018
Current (presented in other current assets)	$ 3,463
Non-current (presented in other non-current assets)	35,129
	$ 38,592

Prepayments for lease obligations are prepayments for the right of land access which the Company leased from Taiwan Sugar Corporation.

Lease expense

	For the Year Ended December 31, 2018
Lease expense	$ 38,096

14. INTANGIBLE ASSETS

	December 31	
	2019	2018
Deferred technical assets	$ 192,005	$ 122,967

	Deferred Technical Assets
Cost	
Balance at January 1, 2019	$ 904,864
Addition	144,744
Balance at December 31, 2019	1,049,608
Accumulated amortization and impairment	
Balance at January 1, 2019	781,897
Amortization expenses	75,706
Balance at December 31, 2019	857,603
Carrying amount at December 31, 2019	$ 192,005
Cost	
Balance at January 1, 2018	$ 876,878
Addition	27,986
Balance at December 31, 2018	904,864
Accumulated amortization and impairment	
Balance at January 1, 2018	713,379
Amortization expenses	68,518
Balance at December 31, 2018	781,897
Carrying amount at December 31, 2018	$ 122,967

15. BORROWINGS

Long-term Borrowings

	Period	Interest Rate	December 31 2019	December 31 2018
Unsecured borrowings				
The Export-Import Bank of ROC	2019.09.20-2026.09.21	1.16%	$ 500,000	$ -

The proceeds of the Company’s unsecured loan from the Export-Import Bank of ROC was invested in Autotalks Ltd. The principal will be repaid every six months from September 20, 2023 until maturity and the interest rate will be reviewed and may be adjusted every six months.

16. OTHER PAYABLES

	December 31	
	2019	2018
Payable for salaries or employee benefits	$ 338,420	$ 365,098
Payable for subsidiaries service fees (Note 25)	159,485	102,323
Payable for royalties	129,494	99,273
Payable for purchase of equipment	93,167	68,022
Payable for software	58,540	55,363
Others	249,143	227,173
	$ 1,028,249	$ 917,252

17. RETIREMENT BENEFIT PLANS

a. Defined contribution plan

The Company adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, the Company makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

b. Defined benefit plans

The defined benefit plans 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 of monthly salaries of the 6 months before retirement. In 2019 and 2018, the Company contributed amounts equal to 15% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee of the Company. 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 are as follows:

	December 31	
	2019	2018
Present value of defined benefit obligation	$ 963,380	$ 923,106
Fair value of plan assets	(696,585)	(630,244)
Net defined benefit liability	$ 266,795	$ 292,862

Movements in net defined benefit liabilities (assets) 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, 2018	$ 872,507	$ (570,421)	$ 302,086
Service cost			
Current service cost	8,597	-	8,597
Net interest expense (income)	12,758	(8,901)	3,857
Recognized in profit or loss	21,355	(8,901)	12,454
Remeasurement			
Actuarial (gain) loss - the discount rate more (less) than the realized rate of return	-	(13,703)	(13,703)
Actuarial (gain) loss - changes in financial assumptions	21,231	-	21,231
Actuarial (gain) loss - experience adjustments	62,380	-	62,380
Recognized in other comprehensive income	83,611	(13,703)	69,908
Contributions from the employer	-	(83,526)	(83,526)
Plan assets paid	(46,307)	46,307	-
Settlement of pension liabilities	(8,060)	-	(8,060)
Balance at December 31, 2018	923,106	(630,244)	292,862
Service cost			
Current service cost	8,394	-	8,394
Net interest expense (income)	11,235	(8,114)	3,121
Recognized in profit or loss	19,629	(8,114)	11,515
Remeasurement			
Actuarial (gain) loss - the discount rate more (less) than the realized rate of return	-	(19,854)	(19,854)
Actuarial (gain) loss - changes in financial assumptions	42,080	-	42,080
Actuarial (gain) loss - experience adjustments	23,924	-	23,924
Recognized in other comprehensive income	66,004	(19,854)	46,150
Contributions from the employer	-	(83,732)	(83,732)
Plan assets paid	(45,359)	45,359	-
Balance at December 31, 2019	$ 963,380	$ (696,585)	$ 266,795

The amounts recognized in profit or loss in respect of the defined benefit plans is as follows:

	For the Year Ended December 31	
	2019	**2018**
Analysis by function		
Operating costs	$ 6,253	$ 6,932
Selling expenses	103	105
General and administrative expenses	988	1,054
Research and development expenses	4,171	4,363
	$ 11,515	$ 12,454

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 shall 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 plans' debt investments.

3) Salary risk: The present value of the defined benefit obligation is calculated using the future salaries of plan participants. As such, an increase in the salaries 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 are as follows:

	December 31	
	2019	**2018**
Discount rate(s)	0.75%	1.25%
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 will increase (decrease) as follows:

	December 31	
	2019	**2018**
Discount rate(s)		
0.25% increase	$ (21,183)	$ (21,231)
0.25% decrease	$ 21,896	$ 21,977
Expected rate(s) of salary increase		
0.25% increase	$ 21,637	$ 21,830
0.25% decrease	$ (21,042)	$ (21,195)

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 changes in assumptions will occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2019	2018
Expected contributions to the plans for the next year	$ 11,064	$ 86,365
Average duration of the defined benefit obligation	9years	9.4 years

18. EQUITY

a. Share capital

Ordinary shares

	December 31	
	2019	2018
Authorized shares (in thousands)	500,000	300,000
Authorized capital	$ 5,000,000	$ 3,000,000
Issued and paid shares (in thousands)	287,554	207,554
Issued capital	$ 2,875,544	$ 2,075,544
Par value (in New Taiwan dollars)	$ 10	$ 10

On July 25, 2019, the Company's board of directors resolved to issue 80,000 thousand ordinary shares with a par value of NT$10 to fund working capital. On August 26, 2019, this resolution was approved by the FSC. The consideration of NT$45 per share was determined by the chairman as authorized by the board of directors of the Company; the subscription base date was October 23, 2019; the increase in share capital was fully paid. The associated issuance cost of $6,494 thousand was deducted from capital surplus - additional paid-in capital.

On December 6, 2019, the extraordinary general shareholders' meeting of the Company resolved to increase its capital by issuing ordinary shares between 60,000 thousand and 90,000 thousand through the offering of the Global Depository Shares (GDSs) to raise fund for the acquisition of the related business of Panasonic Semiconductor. The offering price for the GDSs was NT$45 per share tentatively. According to the laws, the actual offering price should not be lower than the closing share price of the Company, one of the simple arithmetic averages of the Company's ordinary share closing price for one, three or five business days prior to the pricing data adjusted for any distribution of stock dividends, cash dividends or capital reduction, and 90% of the average price ex-dividends. The total proposed fund amounted to US$132,787 thousand (at the exchange rate of US$1:NT$30.5); the total amount of the actual offering is based on the outstanding unit and price of the GDSs. The chairman is authorized by the board of the Company to set the pricing date and subscription base date after the proposal is approved by the FSC.

As of December 31, 2019 and 2018, the balance of the Company's capital account amounted to $2,875,544 thousand and $2,075,544 thousand, divided into 287,554 thousand ordinary shares and 207,554 thousand ordinary shares, respectively, all at a par value of NT$10.

b. Capital surplus

	December 31	
	2019	2018
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital*		
Additional paid-in capital	$ 2,856,991	$ 63,485
May only be used to offset a deficit		
Cash capital increase reserved for employee share options	49,920	-
Overdue dividends unclaimed	52	-
May not be used for any purpose		
Employee share options	13	13
	$ 2,906,976	$ 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 as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and to once a year).

c. Retained earnings and dividend policy

The shareholders held their regular meeting on June 24, 2019 and resolved the amendments to the Company's dividend distribution policy in the Company's Articles of Incorporation (the "Articles"). Under the dividends policy as set forth in the amended Articles, if the Company has surplus earnings at the end of a fiscal year, after offsetting losses of previous years and paying taxes, the Company shall set aside as legal reserve 10% of the remaining profit. 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. The board of directors shall be authorized to distribute the profit, the legal reserve and the capital reserve in cash upon resolution by a majority vote at a board meeting attended by two-thirds or more of the directors, and shall report the same to the shareholders' meeting. In principle, not less than 10% of the total shareholders' bonus shall be distributed in the form of cash. For the policies on distribution of employees' compensation and remuneration to directors, refer to Note 20 "Employee benefits expense".

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

The appropriations of earnings for 2018 and 2017 approved in the shareholders' meetings on June 24, 2019 and June 12, 2018, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT$)	
	For Year 2018	**For Year 2017**	**For Year 2018**	**For Year 2017**
Legal reserve	$ 71,063	$ 68,813		
Cash dividends	518,886	518,886	$ 2.50	$ 2.50
	$ 589,949	$ 587,699		

As of the date of the Company's board meeting, February 6, 2020, the appropriations of earnings for 2019 were not yet resolved.

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. For the years ended December 31, 2019 and 2018, other comprehensive loss was $8,449 thousand and $10,370 thousand, respectively.

2) Unrealized valuation gains (losses) on financial assets at FVTOCI

	For the Year Ended December 31, 2019
Balance at January 1	$ 179,854
Recognized for the year	39,393
Cumulative unrealized gains (losses) of equity instruments transferred to retained earnings due to disposal	(49,703)
Balance at December 31	$ 169,544

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

19. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

Major components of income tax expense are as follows:

	For the Year Ended December 31	
	2019	**2018**
Current tax		
In respect of the current year	$ 68,000	$ 75,851
Income tax on unappropriated earnings	-	8,149
Adjustment for prior years' tax and effects of estimated difference	-	4
Deferred tax		
In respect of the current year	7,000	(1,000)
Effect of tax rate changes	-	(12,000)
Income tax expense recognized in profit or loss	$ 75,000	$ 71,004

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

	For the Year Ended December 31	
	2019	**2018**
Income tax expense from continuing operations at the statutory rate	$ 127,000	$ 156,000
Tax effect of adjustment item		
Permanent differences	(22,000)	(27,000)
Tax-exempt income	-	(14,000)
Others	-	8,000
Current income tax	105,000	123,000
Effect of tax rate changes	-	(12,000)
Unused investment credits	(30,000)	(48,149)
Additional income tax on unappropriated earnings	-	8,149
Adjustment for prior year's income tax	-	4
Income tax expense recognized in profit or loss	$ 75,000	$ 71,004

The Income Tax Act was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%, effective in 2018. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings was reduced from 10% to 5%.

In July 2019, the President of the ROC announced the amendments to the Statute for Industrial Innovation, which stipulate that the amounts of unappropriated earnings in 2018 and thereafter that are reinvested in the construction or purchase of certain assets or technologies are allowed as deduction when computing the income tax on unappropriated earnings. The Company has already deducted the amount of capital expenditure from the unappropriated earnings in 2018 that was reinvested when calculating the tax on unappropriated earnings for the year ended December 2019.

As the shareholders have not yet resolved the appropriation of earnings for 2019, the potential income tax consequences of the 2019 unappropriated earnings are not reliably determinable.

c. Current tax liabilities

	December 31	
	2019	**2018**
Income tax payable	$ 68,556	$ 83,748

d. Deferred income tax assets

	December 31	
	2019	**2018**
Deferred income tax assets		
Allowance for inventory valuation and obsolescence loss and others	$ 73,000	$ 80,000

e. Income tax assessments

The Company's tax returns through 2017 have been assessed by the tax authorities.

f. Information about investment credits

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

20. EMPLOYEE BENEFITS EXPENSE, DEPRECIATION AND AMORTIZATION

	For the Year Ended December 31					
	2019			**2018**		
	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	$ 711,338	$ 1,160,186	$ 1,871,524	$ 727,045	$ 1,108,670	$ 1,835,715
Post-employment benefits	30,792	50,678	81,470	31,212	47,505	78,717
Remuneration to directors	-	1,920	1,920	-	10,325	10,325
Compensation cost of employee share options	16,667	33,253	49,920	-	-	-
Depreciation	123,216	77,778	200,994	97,217	43,464	140,681
Amortization	33,506	42,200	75,706	33,330	35,188	68,518

According to the Company's Articles, the Company accrued employees' compensation and remuneration of directors at rates of no less than 1% and no higher than 1%, respectively, of net profit before income tax, employees' compensation, and remuneration of director.

The employees' compensation and remuneration of directors for the years ended December 31, 2019 and 2018, which were approved by the Company's board of directors on February 6, 2020 and February 1, 2019, respectively, are as follows:

	For the Year Ended December 31			
	2019		**2018**	
	Amount	**%**	**Amount**	**%**
Employees' cash compensation	$ 40,868	6	$ 50,428	6
Remuneration of directors	6,811	1	8,405	1

If there is a change in the 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 the amounts recognized in the financial statements for the year ended December 31, 2018 and 2017.

Information on the employees' compensation and remuneration to directors resolved by the Company's Board of Directors in 2020 and 2019 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

21. SHARE-BASED PAYMENT ARRANGEMENTS

The Company's board of directors resolved to reserve 10% of the shares from the issuance of 80,000 thousand shares approved by the FSC on August 26, 2019 to be subscribed for by its employees. The number of shares subscribed for by the employees was affirmed on September 3, 2019. The fair value of such share options subscribed for by the Company's employees on the grant date was measured using the Black-Scholes Option Pricing Model and amounted to $49,920 thousand which was recorded as compensation costs with a corresponding increase in capital surplus.

a. As of December 31, 2019, the Company's Share-based payments agreements are as follows:

Agreement	Grant Date	Number of Shares Grant	Vesting Conditions
Cash capital increase reserved for employee share options	2019.9.3	8,000 thousand shares	Vested immediately

b. The fair value of share options acquired by employees on grant day, September 3, 2019, was measured by using Black-Scholes Option Pricing Model. Relevant information is as follows:

Stock Price (NT$)	Exercise Price (NT$)	Expected Price Volatility	Expected Vesting Period	Expected Dividend Yield Rate	Risk-free Interest Rate	Fair Value Per Share (NT$)
$50.8	$45	32.61%	46 days	0.00%	0.43%	$6.24

22. EARNINGS PER SHARE

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

	Amounts (Numerator)	Shares (Denominator) (In Thousands)	EPS (NT$)
For the year ended December 31, 2019			
Net profit	$ 558,459		
Basic EPS			
Earnings used in the computation of basic EPS	558,459	220,888	$ 2.53
Effect of potentially dilutive ordinary shares			
Employee's compensation	-	874	
Diluted EPS			
Earnings used in the computation of diluted EPS	$ 558,459	221,762	$ 2.52

	Amounts (Numerator)	Shares (Denominator) (In Thousands)	EPS (NT$)
For the year ended December 31, 2018			
Net profit	$ 710,633		
Basic EPS			
Earnings used in the computation of basic EPS	710,633	207,554	$ 3.42
Effect of potentially dilutive ordinary shares			
Employee's compensation	-	1,270	
Diluted EPS			
Earnings used in the computation of diluted EPS	$ 710,633	208,824	$ 3.40

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

23. CAPITAL MANAGEMENT

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

24. FINANCIAL INSTRUMENT

a. Categories of financial instruments

	December 31			
	2019		2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Financial assets at amortized cost (Note 1)	$ 5,683,512	$ 5,683,512	$ 1,998,044	$ 1,998,044
Financial assets at FVTPL				
Derivative financial assets	6,037	6,037	763	763
Financial assets at FVTOCI				
Investment in equity instruments	1,056,690	1,056,690	493,166	493,166
Financial liabilities				
Financial liabilities at amortized cost (Note 2)	2,658,233	2,658,233	1,807,074	1,807,074

Note 1: The balance includes financial assets at amortized cost, which includes cash and cash equivalents, notes and accounts receivable (including related parties), other receivables and refundable deposits.

Note 2: The balance includes financial liabilities at amortized cost, which includes accounts payable, other payables, long-term loans and deposits received.

b. Fair value information

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

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

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

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

2) Fair value measurements recognized in the balance sheets

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

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

c) Domestic unlisted equity instruments at FVTOCI were all measured based on Level 3 fair value. Fair values of such equity instruments were determined using discounted cash flow of income approach and comparable listed company approach, by referring to strike price of similar business in active market, implied value multiple of the price and relevant information. Significant unobservable inputs included P/E ratio, value multiple and market liquidity discount. As the discounted cash flow method was used, the discount rate used for lack of marketability was 29%; a 1% increase in such discount rate will decrease the fair value of investments by $9,122 thousand assuming all the other variables are held constant.

3) Fair value of financial instruments not measured at fair value

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

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

Fair value hierarchy

	December 31, 2019			
	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	$ -	$ 6,037	$ -	$ 6,037
Financial assets at FVTOCI				
Domestic listed shares and emerging market shares	$ 485	$ -	$ -	$ 485
Domestic unlisted shares	$ -	$ -	$1,056,205	$1,056,205

	December 31, 2018			
	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	$ -	$ 763	$ -	$ 763
Financial assets at FVTOCI				
Domestic listed shares and emerging market shares	$ 74,433	$ -	$ -	$ 74,433
Domestic unlisted shares	$ -	$ -	$ 418,733	$ 418,733

5) Reconciliation of Level 3 fair value measurements of financial assets

The financial assets measured at Level 3 fair value were financial assets at FVTPL and equity investments classified as financial assets at FVTOCI. Reconciliations for the years ended December 31, 2019 and 2018 were as follows:

	For the Year Ended December 31	
	2019	2018
Balance, beginning of period	$ 418,733	$ 454,657
Additions	630,000	-
Recognized in other comprehensive income	41,872	(32,424)
Proceeds from return of capital of investments	(4,000)	(3,500)
Effect of exchange rate changes	(30,400)	-
Balance, end of period	$ 1,056,205	$ 418,733

c. Financial risk management objectives and policies

The Company seeks to minimize the effects of financial risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by the Company's policies approved by the board of directors, which provide written principles on foreign currency risk, and the use of financial derivatives. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis.

1) Market risk

The Company's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Company entered into foreign exchange forward contracts to hedge the exchange rate risk arising on the export business.

a) Foreign currency risk

The Company has foreign currency denominated transactions, which expose the Company to foreign currency risk. Exchange rate exposures are managed within approved policy parameters utilizing foreign exchange forward contracts.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the year 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 $3,770 thousand and $4,069 thousand decrease for the years ended December 31, 2019 and 2018, respectively. The amounts used in the 1% weakening of New Taiwan dollars against the relevant currency did not consider 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.

The carrying amounts of the Company's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	December 31	
	2019	**2018**
Cash flow interest rate risk		
Financial assets	$281,713	$105,566
Financial liabilities	500,000	-

The sensitivity analysis of cash flows based on the Company's exposure to interest rates of variable-rate derivative instruments at the end of the year showed that if market interest rates increased by 1%, the Company's cash (outflows) inflows for the years ended December 31, 2019 and 2018 would have increased by $(2,183) thousand and $1,056 thousand, respectively.

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in a 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 are as follows:

	December 31, 2019			
	Within 1 Year	1-2 Years	Over 2 Years	Total
Non-derivative financial liabilities				
Non-interest bearing	$ 2,153,501	$ -	$ -	$ 2,153,501
Lease liabilities	59,362	58,874	215,919	334,155
Variable interest rate liabilities	-	-	500,000	500,000
	$ 2,212,863	$ 58,874	$ 715,919	$ 2,987,656

Additional information about the maturity analysis for lease liabilities:

	Less than 2 Years	2-5 Years	5-10 Years	10-15 Years	Total
Non-derivative financial liabilities					
Lease liabilities	$ 118,236	$ 132,911	$ 77,281	$ 5,727	$ 334,155

	December 31, 2018			
	Within 1 Year	1-2 Years	Over 2 Years	Total
Non-derivative financial liabilities				
Non-interest bearing	$ 1,802,659	$ -	$ -	$ 1,802,659

25. RELATED PARTY TRANSACTIONS

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

Related Party	Relationship with the Company
Winbond Electronics Corporation ("WEC")	Parent company
Nuvoton Electronics Technology (H.K.) Limited ("NTHK")	Subsidiary
Nuvoton Electronics Technology (Shenzhen) Limited ("NTSZ")	Subsidiary
Nuvoton Technology Corporation America ("NTCA")	Subsidiary
Nuvoton Technology Israel Ltd. ("NTIL")	Subsidiary
Song Yong Investment Corporation ("SYI")	Subsidiary
Nuvoton Technology India Private Limited ("NTIPL")	Subsidiary
Techdesign Corporation ("Techdesign")	Associate
Winbond Electronics Corporation Japan ("WECJ")	Associate
Callisto Holding Limited	Associate
Nyquest Technology Co., Ltd. ("Nyquest")	Related party in substance
Walton Advanced Engineering Inc.	Related party in substance
Chin Cherng Construction Co., Ltd.	Related party in substance
United Industrial Gases Co., Ltd.	Related party in substance

b. Operating activities

	For the Year Ended December 31	
	2019	**2018**
1) Operating revenue		
Subsidiary		
NTHK	$ 3,792,364	$ 3,790,977
Others	126,467	122,169
Related party in substance	246,391	247,388
Associate	90,302	85,611
	$ 4,255,524	$ 4,246,145
2) Purchases of goods		
Parent company	$ 131,874	$ 103,274
3) Manufacturing expenses		
Parent company	$ 33	$ -
4) Selling expenses		
Subsidiary	$ 5,078	$ 2,092
Parent company	44	-
Associate	15	2
	$ 5,137	$ 2,094
5) General and administrative expenses		
Subsidiary		
NTIL	$ 55,613	$ 49,582
Others	38,049	34,202
Related party in substance	10,780	10,538
Parent company	7,043	7,818
	$ 111,485	$ 102,140
6) Research and development expenses		
Subsidiary		
NTIL	$ 742,819	$ 604,928
NTCA	275,223	257,911
Parent company	1,031	453
	$ 1,019,073	$ 863,292

	For the Year Ended December 31	
	2019	2018
7) Dividend income		
Related party in substance		
United Industrial Gases Co., Ltd.	$ 62,858	$ 57,570
Nyquest Technology Co., Ltd.	4,006	9,926
	$ 66,864	$ 67,496
8) Other income		
Related party in substance	$ 183	$ 197

	December 31	
	2019	2018
9) Accounts receivable due from related parties		
Subsidiary		
NTHK	$ 56,121	$ 233,440
Others	21,171	36,282
Related party in substance	45,903	44,298
Associate	21,491	18,008
	$ 144,686	$ 332,028
10) Other receivables		
Associate	$ 41	$ 7
Parent company	-	347
	$ 41	$ 354
11) Refundable deposits		
Parent company	$ 1,780	$ -
Related party in substance	1,722	1,722
	$ 3,502	$ 1,722
12) Accounts payable to related parties		
Parent company	$ 24,535	$ 15,700
13) Other payables		
Subsidiary		
NTIL	$ 154,348	$ 100,770
Others	5,137	1,553
Parent company	2,740	3,215
	$ 162,225	$ 105,538

	December 31	
	2019	2018
14) Guarantee deposits		
Parent company	$ 545	$ 545

The sales and purchase prices and collection and payment terms with related parties were not significantly different from those with third parties. For other related party transactions, price and terms were determined in accordance with mutual agreement.

c. Lease arrangements

	December 31, 2019
1) Lease liabilities	
Parent company	$ 59,750
Related party in substance	32,869
	$ 92,619

	For the Year Ended December 31,2019
2) Finance costs	
Related party in substance	$ 604
Parent company	53
	$ 657

d. Lease arrangements - Company is lessor/Sublease arrangements

Sublease arrangements under operating leases

For the year ended December 31, 2019, the Company subleases its assets under operating leases to WEC and SYI with lease terms 3 years.

1) The balance of operating lease receivables was as follows:

Related Party Category	December 31, 2019
Parent company	$ 434
Subsidiary	5
	$ 439

2) Future lease payment receivables are as follows:

Related Party Category	December 31, 2019
Parent company	$ 11,430
Subsidiary	150
	$ 11,580

3) Lease income was as follows:

Related Party Category	For the Year Ended December 31, 2019
Parent company	$ 4,003
Subsidiary	60
	$ 4,063

e. Endorsements and guarantees

As of December 31, 2019, the chairman of the Company is a joint guarantor of the land-leasing from Taiwan Sugar Corporation. Refer to Note 13.

f. Compensation of key management personnel

	For the Year Ended December 31	
	2019	2018
Short-term employee benefits	$ 56,364	$ 58,161
Compensation costs of employee share options	1,916	-
Post-employment benefits	1,354	1,261
	$ 59,634	$ 59,422

The remuneration of directors and key executives, as determined by the remuneration committee, was based on the performance of individuals and market trends.

26. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

Refer to Note 6.

27. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

a. As of December 31, 2019 and 2018, the amounts available under unused letters of credit were approximately JPY13,200 thousand and US$180 thousand, respectively.

b. Microchip Technology Inc. (a listed company in the United States) filed a first amended complaint in January 2019, which alleges that the Company and NTCA infringed six patents of Microchip Technology Inc. The parties were given 90 days to reach an out-of-court settlement but no agreement was reached. The case is proceeding in the United States District Court for the Northern District of California where the Company and NTCA filed their statement of defense. The case is still in its initial stages; hence, the possible impact on the Company's business and finance is not yet determinable.

28. SIGNIFICANT CONTRACTS

On November 28, 2019, the Company's board of directors resolved to acquire the semiconductor business of Panasonic Corporation. Consequently, the Company and Panasonic Corporation reached an agreement and signed a contract for the Company's acquisition of the semiconductor business of Panasonic Corporation. Both parties will obtain approval from their government authorities and estimate to complete the contract settlement in June 2020. The total contract amount is US$250,000 thousand (approximately NT$7,627,500 thousand), which will be adjusted on or after the settlement in accordance with the regulated price formula in the contract.

29. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

On February 6, 2020, Winbond Electronics Co. reassigned Yuan-Mou Su as its legal representative in the Company. The Company held the board of directors' meeting and resolved Yuan-Mou Su as the chairman on the same day.

30. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Company's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currency of the Company and the related exchange rates between foreign currencies and respective functional currency were as follows:

	December 31					
	2019			2018		
	Foreign Currencies (Thousand)	Exchange Rate	New Taiwan Dollars (Thousand)	Foreign Currencies (Thousand)	Exchange Rate	New Taiwan Dollars (Thousand)
Financial assets						
Monetary items						
USD	$ 40,234	29.98	$ 1,206,220	$ 31,570	30.715	$ 969,674
ILS	14,058	8.6652	121,813	12,375	8.1494	100,846
JPY	15,093	0.276	4,166	1,576	0.2782	438
EUR	27	33.59	891	83	35.20	2,905
Investments accounted for using equity method						
USD	21,648	29.98	649,011	14,831	30.715	455,532
INR	52,861	0.4205	22,228	49,650	0.4387	21,781
Financial liabilities						
Monetary items						
USD	26,123	29.98	783,180	17,674	30.715	542,864
ILS	17,812	8.6652	154,348	12,365	8.1494	100,770
JPY	62,389	0.276	17,219	26,267	0.2782	7,307
EUR	157	33.59	5,281	536	35.20	18,868

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

	For the Year Ended December 31			
	2019		2018	
Foreign Currencies	**Exchange Rate**	**Net Foreign Exchange Gains /(Losses)**	**Exchange Rate**	**Net Foreign Exchange Gains /(Losses)**
USD	30.91 (USD:NTD)	$ (1,107)	30.150 (USD:NTD)	$ 16,900
ILS	8.6732 (ILS:NTD)	(1,088)	8.3914 (ILS:NTD)	(2,705)
EUR	34.61 (EUR:NTD)	345	35.61 (EUR:NTD)	(22)
JPY	0.2837 (JPY:NTD)	290	0.273 (JPY:NTD)	(200)
		$ (1,560)		$ 13,973

31. SEGMENT INFORMATION

The Company has provided the financial information of the operating segments in the consolidated financial statements. Therefore, these financial statements do not provide such information.

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

Chapter 5. Financial Position, Financial Performance and Risk Analysis

I. Analysis of financial status (consolidated)

Unit: NT$1,000

Item\Year	2019	2018	Difference	
			Change (amount)	Change (%)
Current assets	8,187,357	4,457,859	3,729,498	84
Property, plant and equipment	760,321	697,917	62,404	9
Intangible assets	261,230	144,754	116,476	80
Other assets	1,947,321	817,138	1,130,183	138
Total assets	11,156,229	6,117,668	5,038,561	82
Current liabilities	2,341,884	1,915,178	426,706	22
Non-current liabilities	1,422,314	468,124	954,190	204
Total liabilities	3,764,198	2,383,302	1,380,896	58
Capital Stock	2,875,544	2,075,544	800,000	39
Capital surplus	2,906,976	63,498	2,843,478	4,478
Retained earnings	1,458,951	1,426,005	32,946	2
Other interests	150,560	169,319	(18,759)	(11)
Total equity	7,392,031	3,734,366	3,657,665	98

Reasons for changes exceeding 20%:

1. Current assets: Mainly due to cash capital increase in 2019 which resulted in increased cash and cash equivalents.
2. Intangible assets: Mainly due to the increase in deferred technology rights asset in 2019.
3. Other assets: Mainly due to the increased investment in special E shares of the communication chip plant Autotalks Ltd. in Israel and the adoption of IFRS 16 for recognizing right-of-use assets in 2019.
4. Current liabilities: Mainly due to increased purchases, increased accounts payable, and adoption of IFRS 16 for recognizing lease liabilities in 2019.
5. Non-current liabilities: Mainly due to the increased unsecured loans for investment in the communication chip plant Autotalks Ltd. in Israel and the adoption of IFRS 16 for recognizing lease liabilities in 2019.
6. Share capital and capital surplus: Mainly due to the issuance of 80,000,000 new shares at a premium of NT$45 per share in 2019.

II. Analysis of financial performance (consolidated)

Unit: NT$1,000

Item\Year	2019	2018	Change (amount)	Percentage of change (%)
Operating revenue	10,367,269	10,040,221	327,048	3
Operating cost	6,239,380	6,127,054	112,326	2
Gross profit	4,127,889	3,913,167	214,722	5
Operating expenses	3,543,568	3,158,508	385,060	12
Operating profits	584,321	754,659	(170,338)	(23)
Non-operating income and expenses	83,248	84,261	(1,013)	(1)
Pre-tax profit	667,569	838,920	(171,351)	(20)
Income tax expense	109,110	128,287	(19,177)	(15)
Net profit of the term	558,459	710,633	(152,174)	(21)
Other comprehensive income of the term	(25,386)	(273,853)	248,467	91
Total comprehensive income of the term	533,073	436,780	96,293	22

Reasons for changes exceeding 20%:

1. Decrease in operating profit, net profit before tax, and net profit of the term: Mainly due to increased research and development expenses in 2019.
2. Increase in other comprehensive income of the term: Mainly due to decrease in unrealized valuation loss on financial assets.

III. Cash flow analysis

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
1,543,918	775,148	2,540,157	4,859,223	-	-

1. Analysis on the cash flow changes of the current year:
   (1) Operating activities: Mainly due to decreased operating profits in 2019.
   (2) Investing activities: Mainly due to the investment in special E shares of the communication chip plant Autotalks Ltd. in Israel in 2019.
   (3) Financing activities: Mainly due to the issuance of 80,000,000 new shares at a premium of NT$45 per share in 2019.
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$470 million: Mainly derived from operating profits.
   (2) Cash outflow from investing activities amounted to NT$8.28 billion: Mainly due to investments and capital expenditures.
   (3) Cash inflow from financing activities amounted to NT$3.96 billion: Mainly due to issuance of corporate bonds, GDR, and bank loans.

Note: Unaudited figures.

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

1. Major capital spending and its implementation status:

The major capital expenditures in the current year consisted of the acquisition of 3,932,816 special E shares issued by the Israeli IoV communication chip plant Autotalks Ltd. at the price of US$20,000,000 which was equivalent to approximately NT$630,000,000. The acquisition was funded by the Company's funds and bank loans.

2. Anticipated benefit:

Autotalks specializes in chip development and itis one of the few companies in the market with unique professional technologies for combining DSRC and C-V2X on one chip. Its DSRC technologies have also matured and are ready for launch. In addition, the specifications of its 5G C-V2X will be determined in 2020 and it is expected to enter mass production in 2021. As such, the overall Autotalks investment is only expected to become profitable in 2022. Its R&D progress and business conditions still meet the Company's initial investment expectations and there are no material anomalies.

V. 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 will formulate plans in the future as required by company operations.

VI. Risk management and evaluation

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

1. Effects of changes in interest rates:

The Company mainly uses its own capital to fund operations. The Company obtained a loan from a bank due to investment requirements in the second half of 2019. As the Company maintains good relations with financial institutions, we obtained suitable loan interest rates and interest rate fluctuations will not cause material impact on the Company's operations. In addition, the Company continues to pay close attention to the impact of interest rates on the Company's operations.

2. Effects of changes in exchange rates:

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

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

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

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

3. Inflation:

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

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

The Company has not engaged in any high-risk, high-leverage investment, loans to other parties, or provided any endorsement or guarantee. The Company's derivatives trading policy aims to hedge against the risks derived from business operations and reduce the risk of fair value fluctuation for assets and liabilities actually owned by the Company under the objective of economic hedge and the resulting loss or income in exchange rates are entirely manageable. The Company has established "Regulations Governing the Acquisition or Disposal of Assets Procedures," "Procedures for Lending Funds to Other Parties," "Regulations Governing Endorsements and Guarantees", and "Procedures for Engaging in Derivatives Transactions" as the basis for related transactions to control and manage financial transaction risks. The Company has restricted its subsidiaries from transactions including lending to other parties, providing endorsement guarantees and trading in financial derivatives to close off related risks from subsidiary companies.

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

The Company's future R&D undertaking will continue to focus on the research of low-power, information security, high-speed CPU core platforms, and innovative IP technology. We shall strengthen compliance with high standards and high reliability in international standards and introduce advanced process platforms. We shall enhance capabilities in IoT, energy-efficient consumer electronics, industrial control, and automotive electronics with the aim of achieving 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 2020 R&D expenditure for the preceding application products is estimated at NT$3.2 billion.

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

The Company's operation policies must follow laws and regulations and the Company must also watch closely the important shifts in policies and laws at home and abroad and consult related experts for their opinion when necessary to take appropriate response measures. As of the date of report, the Company finance and business have not been affected by major changes in government policies and laws at home and abroad.

(V) Impact of recent technological and market changes on the Company's finance and business, and response measures:

The Company watches closely technological and market changes, and will, in view of the circumstances, assign staff or a project team to study and evaluate the impact of those changes on the Company's development, finance and business in the future as well as response measures. As of the date of report, there have not been significant technological changes that may produce material impact on the Company's finance and business.

(VI) Impact of corporate image change on risk management and response measures:

The Company is focused on the operation of its main business and internal auditing to comply with related laws and regulations. As of the date of report, the Company has been free of events that affect corporate image.

(VII) The expected benefits and possible risks of mergers and acquisitions as well as the responding measures:

The Company paid cash to the Panasonic Group of Japan for the purchase of 100% of the shares of its subsidiary Panasonic Semiconductor Solutions Co. Ltd., specific operation assets including equipment and inventories of semiconductor operations of Panasonic Semiconductor (Suzhou) Co., Ltd., and specific operation assets including assets, liabilities, and contracts of Panasonic Industrial Devices Semiconductor Asia. The delivery is expected to be completed in June 2020 and the approval of the government and competent authorities of the two parties' respective countries and regions was approved. This transaction is expected to expand the scale of its semiconductor business, expand global sales channels and customers, obtain core technical patents for related applications and R&D talents, increase the Company's influence in the global semiconductor industry, and enhance long-term competitiveness.

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

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

The Company's purchasing is concentrated due to concerns in product quality and preferred purchasing price, though the Company maintains at least two suppliers for its main materials avoid risks resulting from over-concentration in purchasing. There is no over-concentration of sales for the Company and we continue to develop new products as well as long-term strategic cooperation with customers of excellent financial background to lower the risks of over-concentration of sales.

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

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

(XII) Litigation or non-litigation events:

1. The Company's Concluded or pending litigious, non-litigious or administrative litigation event as of the date of report:

   Microchip Technology Inc., an American public listed company, delivered an indictment in January 2019 and accused the Company and our subsidiary in the United States of infringement of six of its patents. The case was transferred to United States District Court, Northern District of California. The Company and our subsidiary in the United States have filed a statement of defense to the court. The parties reached a settlement in March 2020 and Microchip agreed to withdraw the suit. With the exception of the aforementioned legal case, there were no major legal cases in which the Company is a principal as of the publication date of the Annual Report.

2. The outcome of concluded or pending litigious, non-litigious, or administrative litigation events involving the director, supervisor, president, de facto responsible person, major shareholders holding more than 10% interest, or subsidiary of the Company:

   Microchip Technology Inc., an American public listed company, delivered an indictment in January 2019 and accused the Company and our subsidiary in the United States of infringement of six of its patents. The case was transferred to United States District Court, Northern District of California. The Company and our subsidiary in the United States have filed a statement of defense to the court. The parties reached a settlement in March 2020 and Microchip agreed to withdraw the suit. With the exception of the aforementioned legal case, there were no other major legal cases that involved the Company's Directors, Supervisors, President, de facto responsible person, or major shareholders holding more than 10% interest as of the publication date of the Annual Report.

(XIII) Risk management organization framework:

The Company's risk management tasks are dispersed among different functions inside the Company. The Company has established sound internal management guidelines and operating procedures and has developed comprehensive plans and processes for risk aversion, loss prevention and crisis management. In addition, the Company's management keeps continuous watch over changes in the macroeconomic environment that might affect the Company business and operations and has assigned staff to make planning and formulate response actions against all kinds of contingencies to reduce operational uncertainties to the minimum.

(XIV) Other significant risks and response measures:

1. Information Security Policy

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

2. Information security management

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

3. Information security and network risk assessment

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

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

4. Impact of material information security incidents and response measures

The Company has found no material information security incidents that have caused or may cause material negative impact on the Company's business and operations in 2019 and this year as of the publication date of the Annual Report.

VII. Other important matters: N/A.

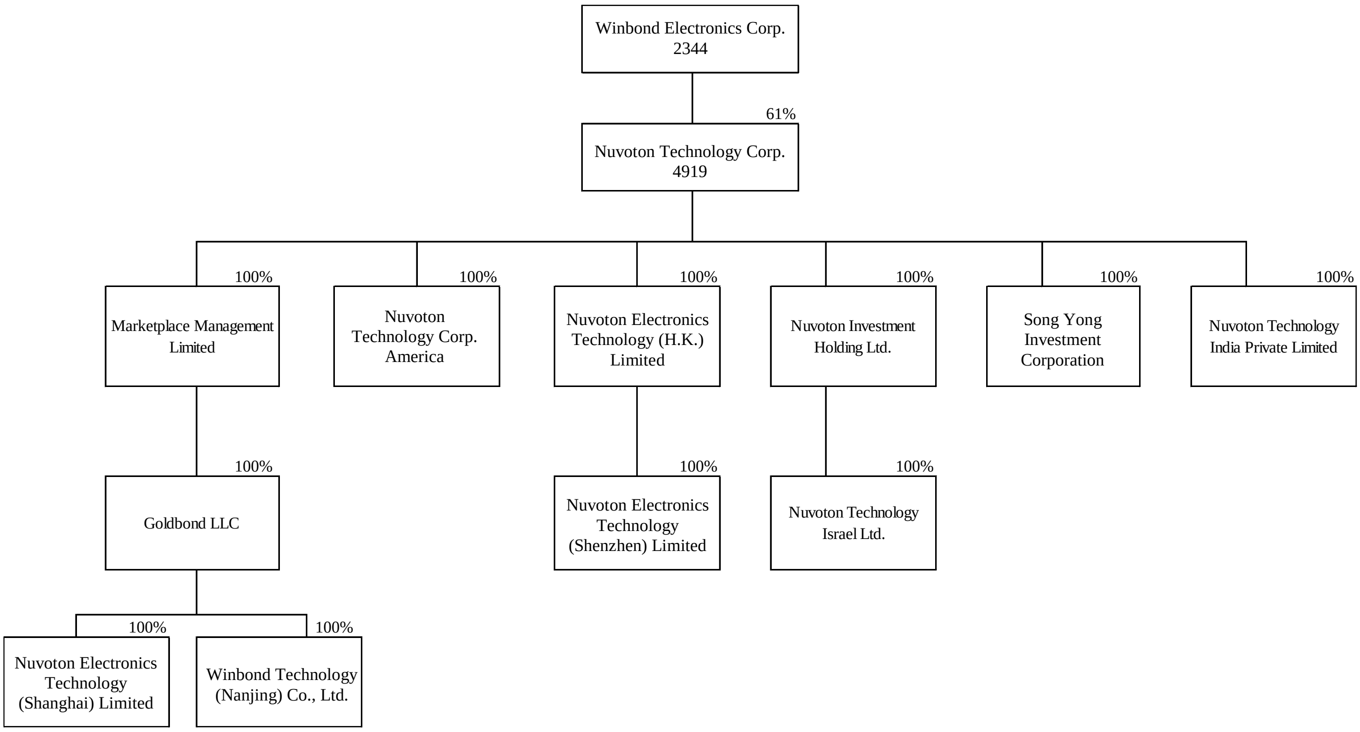
Chapter 6. Special disclosures

I. Profiles of affiliates and subsidiaries

(I) Consolidated Operation Report of Affiliates

1. Affiliate organization chart

December 31, 2019



2. Basic information of the various affiliated enterprises

December 31, 2019; Unit: thousand NT$/thousand foreign currency

Enterprise name	Date of establishment	Address	Paid-in capital	Main businesses/products
Winbond Electronics Corp.	1987.09.29	No. 8, Keya 1st Road, Daya District, Taichung City, Taiwan	39,800,002	Research & development, production, and sale of all types of semiconductor parts and components used in integrated circuits and other system products.
Nuvoton Technology Corp.	2008.04.09	No. 4, Creation 3rd Road, Hsinchu Science Park, Taiwan	2,875,544	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$8,843	Investment business
Goldbond LLC	2000.09.22	1912 Capitol Ave, Cheyenne, WY 82001	US$44,752	Investment business
Nuvoton Electronics Technology (Shanghai) Limited	2001.03.30	27F, No. 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)
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
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	2007.02.16	Room 801, 8F Microprofit Building, Gaoxinnan 6	RMB46,434	Provides computer software services

Enterprise name	Date of establishment	Address	Paid-in capital	Main businesses/products
Technology (Shenzhen) Limited		Road, High-Tech Industrial Park, Nanshan District, Shenzhen, P.R. China		(excluding IC design), computer and peripheral equipment and software wholesales
Nuvoton Investment Holding Ltd.	2005.03.21	3rd Floor,Omar Hodge Building,Wickhams Cay I,P.O. Box 362, Road Town,Tortola,British Virgin Islands	US$17,960	Investment business
Nuvoton Technology Israel Ltd.	2005.03.22	8 Hasadnaot Street, Herzliya B, 4672835 Israel	ILS1	Design and service of semiconductor parts and components
Song Yong Investment Corporation	2014.04.09	3F, No. 192, Jingye 1st Road, Zhongshan District, Taipei City, Taiwan	38,500	Investment business
Nuvoton Technology India Private Limited	2014.09.26	Suite#2, Tech PArk Business Centre, Ground Floor, InnovAtor Building, InternAtionAl Tech PArk, Whitefield, BAngAlore 560066	INR60,000	Design, sales and service of semiconductor components

3. Information of common shareholders who are presumed to have a relationship of control and subordination: N/A

4. Basic information of Directors, Supervisors, and Presidents of affiliates

December 31, 2019; Unit: shares

Enterprise name	Title	Name or representative	Shares held	
			No. of shares	Shareholding ratio
Winbond Electronics Corp.	Chairman	Arthur Yu-Cheng Chiao	63,472,995	2%
	Vice Chairman	Yuan-Mou Su	801,279	0%
	Director	Yung Chin	11,778,797	0%
	Independent Director	Francis Tsai	-	-
	Independent Director	Allen Hsu	-	-
	Independent Director	Jie-Li Hsu	-	-
	Independent Director	Ta-Chuan Cho	-	-
	Director	Wei-Hsin Ma	-	-
	Director	Chih-Chen Lin	-	-
	Director	Walsin Lihwa Corporation Institutional Representative - Ssu-Ju Pan	883,848,423	22%
	President	Tung-Yi Chan	901,000	-
Nuvoton Technology Corp.	Chairman	Winbond Electronics Corp. institutional representative - Pei-Ming Chen	177,000,000	62%
	Director	Arthur Yu-Cheng Chiao	-	-
	Director	Chin Xin Investment Corp. institutional representative - Yung Chin	1,230,816	-
	Director	Ken-Shew Lu	-	-
	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	100,000	-
Marketplace Management Limited	Director	Nuvoton Technology Corp. Institutional Representative - Arthur Yu-Cheng Chiao	8,842,789	100%
	Director	Nuvoton Technology Corp. Institutional Representative - Hung-Wen Huang		
	Director	Nuvoton Technology Corp. Institutional Representative - Tung-Yi Chan		

Enterprise name	Title	Name or representative	Shares held: No. of shares	Shares held: Shareholding ratio
Goldbond LLC	Managerial officer (Note 1) Managerial officer (Note 1) Managerial officer (Note 1)	Marketplace Management Limited institutional appointee: Arthur Yu-Cheng Chiao Marketplace Management Limited institutional appointee - Chiu-Yi Huang Marketplace Management Limited institutional appointee - Hung-Wen Huang	Note 2	100%
Nuvoton Electronics Technology (Shanghai) Limited	Chairman Director Director Director Director Supervisor	Goldbond LLC Institutional Representative - Sean Tai Goldbond LLC Institutional Representative - Jen-Lieh Lin Goldbond LLC Institutional Representative - Pei-Ming Chen Goldbond LLC Institutional Representative - Patrick Wang Goldbond LLC Institutional Representative - Hung-Wen Huang 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 Institutional Representative: James Wen	Note 2	100%
	President	Bosco Law	Note 2	-
Nuvoton Technology Corporation America	Chairman Director Director Director Director Director	Nuvoton Technology Corp. Institutional Representative - Wei-Chan Hsu Nuvoton Technology Corp. Institutional Representative - Hsi-Jung Tsai Nuvoton Technology Corporation Institutional Representative - Sean Tai Nuvoton Technology Corp. Institutional Representative - Jen-Lieh Lin Nuvoton Technology Corp. Institutional Representative - Pei-Ming Chen Nuvoton Technology Corp. Institutional Representative - Hung-Wen Huang	60,500	100%
	President	AdityA RAinA	-	-
Nuvoton Electronics Technology (H.K.) Limited	Chairman Director Director Director Director	Nuvoton Technology Corporation Institutional Representative - Sean Tai Nuvoton Technology Corp. Institutional Representative - Yung Chin Nuvoton Technology Corp. Institutional Representative - Pei-Ming Chen Nuvoton Technology Corp. Institutional Representative - Patrick Wang Nuvoton Technology Corp. Institutional Representative - Hung-Wen Huang	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 - Pei-Ming Chen Nuvoton Electronics Tech. (H.K.) Ltd. Institutional Representative - Hung-Wen Huang 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 - Jessica Huang Nuvoton Technology Corp. Institutional Representative - Hung-Wen Huang	17,960,000	100%
Nuvoton Technology Israel Ltd.	Chairman Director	Nuvoton Investment Holding Ltd. institutional representative - Hsin-Lung Yang Nuvoton Investment Holding Ltd. institutional representative - Jen-Lieh Lin	1,000	100%

Enterprise name	Title	Name or representative	Shares held	
			No. of shares	Shareholding ratio
	Director	Nuvoton Investment Holding Ltd. institutional representative - Sean Tai		
	Director	Nuvoton Investment Holding Ltd. institutional representative - Pei-Ming Chen		
	Director	Nuvoton Investment Holding Ltd. institutional representative: Hung-Wen Huang		
	Director	Nuvoton Investment Holding Ltd. institutional representative: Biranit Levany		
	Director	Nuvoton Investment Holding Ltd. institutional representative: Erez Naory		
	President	BirAnit LevAny	-	-
Song Yong Investment Corporation	Chairman	Nuvoton Technology Corporation Institutional representative - Hsiang-Yun Fan	3,850,000	100%
	Director	Nuvoton Technology Corp. Institutional Representative - Arthur Yu-Cheng Chiao		
	Director	Nuvoton Technology Corporation Institutional Representative - Sean Tai		
	Supervisor	Nuvoton Technology Corp. Institutional Representative - Jen-Lieh Lin		
Nuvoton Technology India Private Limited	Chairman	Nuvoton Technology Corp. Institutional Representative - Hsi-Jung Tsai	600,000	100%
	Director	Nuvoton Technology Corporation institutional representative - Jitendra Patil		
	Director	Nuvoton Technology Corp. Institutional Representative - Hung-Wen Huang		
	President	JitendrA PAtil	-	-

Note 1: Goldbond LLC is a company with a manager system.

Note 2: Goldbond LLC, Nuvoton Electronics Technology (Shanghai) Limited, Winbond Technology (Nanjing) Co., Ltd. and Nuvoton Electronics Technology (Shenzhen) Limited are not limited stock companies and have not issued shares.

5. Businesses covered by the affiliated enterprises' overall operations

The businesses covered by the Company's affiliates include mainly the research, design, development, production, sales and services of integrated circuits, various semiconductor components and other system products. Certain affiliates have investment businesses as their main scope of business. Overall, the affiliates support each other in technology, marketing and services in their transactions, allowing the Company to become the most competitive company with our own products.

6. Business overview of affiliates

December 31, 2019; Unit: NT$1,000

Enterprise name	Capital	Total assets	Total liabilities	Net worth	Operating revenue	Operating profit (loss)	Loss of the period Profit and loss	Earnings (loss) per share (NT$)
Winbond Electronics Corp.	39,800,002	98,248,931	37,228,309	61,020,622	37,884,848	379,841	1,256,387	0.32
Nuvoton Technology Corp.	2,875,544	10,872,120	3,480,089	7,392,031	10,123,801	494,017	558,459	2.53
MArketplAce MAnAgement Limited	265,107	78,095	258	77,837	1,268	951	951	0.11
GoldBond LLC	1,341,660	79,617	2,084	77,533	1,623	1,267	1,267	Note
Nuvoton Electronics Technology (Shanghai) Limited	71,268	86,516	7,630	78,886	61,939	633	1,623	Note

Enterprise name	Capital	Total assets	Total liabilities	Net worth	Operating revenue	Operating profit (loss)	Loss of the period Profit and loss	Earnings (loss) per share (NT$)
Winbond Technology (Nanjing) Co., Ltd.	17,416	1,303	3,013	-1,710	0	-1	-1	Note
Nuvoton Technology CorporAtion AmericA	181,379	237,649	51,589	186,060	450,335	16,848	-1,287	-21.28
Nuvoton Electronics Technology (H.K.) Limited	413,383	567,110	104,159	462,951	3,987,282	16,989	21,929	0.20
Nuvoton Electronics Technology (Shenzhen) Limited	199,898	254,529	44,577	209,952	131,923	1,182	6,354	Note
Nuvoton Investment Holding Ltd.	538,441	279,779	2,040	277,739	41,403	38,840	38,840	2.23
Nuvoton Technology IsrAel Ltd.	9	591,266	312,501	278,765	797,355	55,335	41,401	41,401
Song Yong Investment Corporation	38,500	78,989	155	78,834	3,846	3,632	3,632	0.94
Nuvoton Technology IndiA PrivAte Limited	25,230	22,325	98	22,227	5,086	242	1,411	2.35

Note: Goldbond LLC, Nuvoton Electronics Technology (Shanghai) Limited, Winbond Technology (Nanjing) Co., Ltd. and Nuvoton Electronics Technology (Shenzhen) Limited are not limited stock companies and have not issued shares.

(II) Consolidated financial statement of affiliates: Please refer to pages 72 to 138.

(III) Affiliation Report

1. Statement of Affiliation Report

Statement of Affiliation Report

The Company's 2019 (from January 1 to December 31, 2019) affiliation report was compiled in accordance with the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises and the disclosed information is largely consistent with the related information disclosed in the financial statements of the period.

It is hereby declared

Name of Company: Nuvoton Technology Corp.

Legal Representative: Pei-Ming Chen

February 6, 2020

2. The general relationship between the subsidiary company and the control company

Unit: Shares; %

Name of control company	Reason for control	Shares held by the control company and status of pledged shares			Control company's appointment of Directors, Supervisors or managing Directors	
		Number of shares held	Shareholding ratio	Pledged shares	Title	Name
Winbond Electronics Corp.	Holds over 50% of shares of the Company and retains control	177,000,000	62%	N/A	Chairman	Pei-Ming Chen

3. Transaction status

(1) Procurement and sales transaction status

Unit: thousand NT$,%

Transaction status with control company				Transaction conditions with control company		Regular transaction terms		Reason for difference	Accounts receivable (payable) and notes		Overdue accounts receivable			Note
Purchase /sale	Amount	Ratio of total procurement (sales)	Gross margin	Unit price (NT$)	Loan Duration	Unit price (NT$)	Loan period		Balance	Ratio of total accounts receivable (payable) and notes	Amount	Handling method	Allowance for bad debts	
Procurements	131,874	4%	-	-	30 days on a monthly basis	-	30 to 120 days on a monthly basis	-	24,535	2%	-	-	-	

(2) Property transaction status: N/A

(3) Financing status: N/A

(4) Property rental status:

Unit: NT$1,000

Transaction type	Subject		Lease term	Nature of lease	Basis for rent	Rent collection (payment) method	Comparison with general rent levels	Total rent for the current period	Collection and payment status for the current period	Other agreements
	Name	Location								
Lessee	Winbond Zhubei Office Building	Certain floor areas at No. 539, Section 2, Wenxing Road, Zhubei City, Hsinchu County	2019.11.16 - 2024.12.31	Operating lease	The rent was determined based on market rates for nearby properties	Monthly payment	No material difference	0	0	The rent-free period was from November 16 to December 31, 2019

(5) Endorsements and guarantees: N/A

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

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

IV. Other supplemental information: N/A

V. Corporate events with material impact on shareholders' equity or stock prices set forth in

Article 36, Paragraph 3, Subparagraph 2 of Securities and Exchange Act in the past year and up to the date of report:

(I) For the purpose of entering the Japanese market, expanding the scale of its operations, increasing product portfolio and market visibility, and obtaining core technical patents for related applications and R&D talents, the Company has decided, in the resolution of the Board of Directors on November 28, 2019, to enter into a share and asset purchase agreement with Panasonic Corporation. The Company shall pay cash for the purchase of (1) 100% of the shares of its subsidiary Panasonic Semiconductor Solutions Co. Ltd., (2) specific operation assets including equipment and inventories of semiconductor operations of Panasonic Semiconductor (Suzhou) Co., Ltd., and (3) specific operation assets including assets, liabilities, and contracts of Panasonic Industrial Devices Semiconductor Asia. The total transaction amount is approximately US$250,000,000 and the transaction is expected to be completed by June 2020.

(II) Due to the reassignment of representatives by an institutional shareholder, the Company's Board of Directors elected a new Chairman on February 6, 2020. The replacement of the Chairman has no material impact on the interest of the Company's shareholders.

Nuvoton Technology Corp.

Legal Representative: Yuan-Mou Su