

(Translation in English, Original in Chinese)

“Procedure of Engaging in Derivatives Trading” (The “Procedure”) of Sunplus Technology Company Limited (The “Company”)

(Amended by Shareholders’ Meeting on June 12th, 2015)

Article1

Purpose:

In order to effectively manage the earnings, assets and liabilities, to reduce the risk associated with fluctuation of exchange rate and interest rate, and to improve the Company’s competitiveness, the Procedure is established to manage all kinds of the Company’s derivatives transaction.

Article2

Basis

The Procedure is made pursuant to “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” of the Securities and Futures Commission, Ministry of Finance, and for the Company’s needs of financial management and risk.

Article3

Trading principles and strategies

1. Trading types

“Derivative products” mentioned herein in the Procedure refers to forward contracts, options contracts, swap contracts, futures contracts, leverage contracts, and compound contracts combining the above products, whose value is derived from assets, interest rates, foreign exchange rates, indexes or other interests. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) agreements.

2. Operating or hedging strategies

Financial derivatives are mainly used for financial hedging purpose in order to reduce the risk associated with fluctuation of interest rate, exchange rate or asset value and to ensure the Company’s operating profits, in which trading currencies are limited to the received/paid currencies from the Company’s operation, and the trading position is limited to the Company’s net holding or planned holding within a year.

3. Authorization and Delegation

(1) Finance Department:

Financial personnel involving in the derivative transactions shall be appointed by the Director of Finance and Accounting Division of the Company. The trading personnel is in charge of collecting the information and related regulations of derivatives trading, planning hedging trading strategies and disclosing the risk, trading under authorization and delegation limit position with supervisor manager’s approval.

The confirmation must be performed by personnel of Finance Department different from trading. The confirmation personnel has to confirm the accuracy of the trading with the correspondent banks,

sign and stamp the confirmation letter, and mail the stamped confirmation letter back.

The settlement must be performed by the financial staff different from trading and confirmation in order to control internally.

(2) Accounting Department

Accounting personnel shall enter the transaction into the account book in accordance with the related regulations and generally accepted accounting principles.

4. Essentials of Performance Evaluation

The Company engages in derivatives trading because of hedging transaction made for business purposes. The finance personnel should review and evaluate the performance and risks with accounting personnel periodically. If the loss on total trading and for each individual contract is more than 10% of its market value, the evaluation report should be submitted to the chairman of board for deciding to terminate the contract or not.

5. Transaction Contract Dollar Amount

The dollar amount of total contracts outstanding shall not exceed the net position/exposure of the account receivable/ payable or shareholders equities for the next six months.

Article4

Operational procedures

1. Authorization quota & level

Level	Delegated Amount per Trading	Accumulative Amount per Month
Chairman	Above US\$3,000,000	Above US\$10,000,000
CEO	US\$1,000,001 ~US\$3,000,000	US\$5,000,001 ~US\$10,000,000
Director of Finance & Accounting Division	Under US\$3,000,000	UnderUS\$5,000,000

2. Execution Unit

Finance and Accounting Division

3. Memorandum Book

The personnel engaging in derivatives trading shall establish a memorandum book in which details of the types and amounts of derivatives trading engaged in, approval dates by board of directors, and the matters required to be carefully evaluated under these procedures shall be recorded in detail in the memorandum book for reference.

Article5

Announce and Report

The company shall publicly announced and reported compiling monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by itself and any subsidiaries that are not domestic public

companies by the 10th day of each month in accordance with regulations by competent authority.

The company shall publicly announced and reported separately when losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in Article 3, Paragraph 4 and shall report material information in accordance with regulations of “Taiwan Stock Exchange Corporation Procedures for Verification and Disclosure of Material Information of Companies with Listed Securities”.

The company shall publicly announce and report if any unrealized losses on derivatives trading amounting to 3 percent or more of shareholders equity in accordance with regulations of “Taiwan Stock Exchange Corporation Procedures for Verification and Disclosure of Material Information of Companies with Listed Securities”.

Article6 Accounting Procedure

The accounting personnel shall record the derivative transactions in accordance with the “Business Entity Accounting Act”, generally accepted accounting principles (GAAP) and the relevant regulations and directives of the competent authority regarding to financial derivatives, or generally accepted accounting practices if no such related regulations, meanwhile, calculate the unrealized/ realized profits or loss monthly.

The GAAP described in the preceding paragraph shall mean the following, as translated and announced by the [the ROC Accounting Research and Development Foundation \(ARDF\)](#), approved and endorsed by the [Financial Supervisory Commission \(FSC\)](#) : International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), and Interpretations developed by the International Financial Reporting Interpretations Committee (IFRIC) or the former Standing Interpretations Committee (SIC) .

Article7 Internal Control

1. Risk Management

(1) Credit Risk

The Company shall only deal with to those counterparties who have banking relationship with the company and can provide sufficient information.

(2) Market/Price Risk

The derivative products are limited to the government certified products trading over financial common markets.

(3) Liquidity Risk

The trading personnel shall make sure the trading amount will not impact the liquidity and the company could complete the transaction with the cash flow position at the moment.

(4) Operating Risk

The derivative transactions shall strictly follow the delegation system and operating procedures.

(5) Legal Risk

Any legal document in respect of financial derivative transactions shall first be reviewed by in-house and/or outside legal counsel before

being executed to control legal risks.

2. Internal Control

- (1) The respective functions of trading, confirmation and settlement must be performed by different personnel.
- (2) The evaluation, supervision and control of risk-related matters also shall be performed by persons from a different department than the preceding personnel, who shall be reported to the board of directors or to the high-level managers who are not responsible for setting policies for transactions or positions to be engaged.
- (3) The trading staff shall pass the trading vouchers or contracts to supervisor manager for auditing.
- (4) The confirmation staff shall be responsible for checking the trading slips with banks or sending written confirmation letter to the banks periodically.
- (5) The confirmation staff shall check that aggregative trading amount shall not exceed the net position of FX assets/liability twice per month.
- (6) The trading staff shall evaluate the profit/loss based on the market closing price at the end of every month and report to director of finance and accounting division, CEO and chairman.

Article8

Internal Audit

Internal audit personnel is required to evaluate the suitability of the internal control system in connection with financial derivative transactions on a regular basis, to conduct auditing on how well the related departments follow the Procedures, and to produce report on a monthly basis. Should there be any violation found, a written report is needed to notify the audit committee. The internal auditor shall report the monthly audit reports on a yearly basis and the implement of annual audit plan within two months from the end of the year, meanwhile the corrections of any defects and irregularities of the internal control system discovered during the past year's internal auditing within no later than five months from the end of the year, to the [Financial Supervisory Commission \(FSC\)](#).

Article9

Supervision

The board of directors shall observe following principles to supervise and manage financial derivatives transaction:

1. Assign high-level managers to oversee the supervision and the control of the risk of derivative transactions at all times.
2. Periodically evaluate whether the results of the derivative transactions conform to the formulated operational policies and whether the attendant risk of these transactions is within the capability of the company.

The high-level manager authorized by board of directors shall observe the following principles to manage the transaction of derivative products:

1. Periodically evaluate whether the risk management procedures currently being used are suitable and whether it conforms with the "Handling Procedure to Engage in the Transaction of Derivative Products" formulated by the company and regulations by [Financial Supervisory](#)

Commission (FSC).

2. If there are any abnormal situations in the market price evaluation reports, the high-level manager shall report to the board of directors immediately and take necessary measures to deal with the situation; if there are independent directors, they shall also attend the Board of Directors Meeting to give opinions.

To authorize relevant officers to deal with Financial Derivatives Transaction, the Company shall report to the Board of Directors at the upcoming meeting.

Where the position of independent director has been created, when the proposal of Derivatives Trading is submitted for discussion by the board of directors pursuant to the preceding paragraph, the board of directors shall take into full consideration each independent director's (if any) opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting; the Company shall also apply mutatis mutandis to Article 11-3 in this Act to file for announcement

Article10 Penalty for violating the procedure

Any manager and personnel in charge, who violate the Procedure or other regulations governing the acquisition and disposal of Assets the competent authorities, is to the jurisdiction of the Company's Code of Conduct or related rules.

Article11 Enactment and Amendment

The company shall establish the audit committee in accordance with Securities and Exchange Act. Any amendment of Procedures and major derivatives trading shall be approved by more than half of all audit committee members and submitted to the board of directors for a resolution. If any director expresses dissent and it is contained in the minutes or a written statement, the company shall submit the director's dissenting opinion to the audit committee. If approval of more than half of all audit committee members as required in the preceding paragraph is not obtained, the procedures may be implemented if approved by more than two-thirds of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting.

The terms "all audit committee members" and "all directors" in the preceding paragraph shall be counted as the actual number of persons currently holding those positions.

When any amendment of the procedures or major derivatives trading is submitted for discussion by the board of directors pursuant to the first preceding paragraph, the board of directors shall take into full consideration each independent director's opinions. It shall be recorded in the minutes of the board of directors meeting if an independent director agrees or objects about any matter.

A public report of preceding opinion shall be made on the information

reporting website designated by the competent authority within 2 days commencing immediately from the date of board meeting

After approved by the audit committee and Board Meeting, the Procedures shall be enacted after proposed to and resolved by shareholders' meeting. The same applies in case of amendment.