Sunplus Technology Company Limited and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2017 and 2016 and Independent Auditors' Report

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2017 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard NO.10 “Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we do not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

Sunplus Technology Company Limited

By

CHOU-CHYE HUANG
Chairman

March 14, 2018

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Sunplus Technology Company Limited

Opinion

We have audited the accompanying consolidated balance sheets of Sunplus Technology Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as of December 31, 2017 and 2016 and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the years then ended, in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed 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, 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition

1. Integrated circuit chip sales accounted for 94% of the Group's total revenue and was material. For a detailed explanation of revenue, refer to Note 24 of the accompanying consolidated financial statements.

2. When the business department receives orders from customers, they will key sales orders into the system, and the system will automatically check the client's credit limits. The system will accept an order if the order amount is within the client's approved credit limit. For orders exceeding the respective client's approved credit limit, the system will earmark the order and disallow the business department from

proceeding to shipment. The system will freeze the shipment application if there are any accounts receivable which are more than one month overdue, or if there are any accounts receivable which are within one month and, furthermore, the accounts receivable exceed 10% of the client's approve credit limit. The business department must fill in the credit limit release form, which must be signed by the competent manager and finally released by the accounting department. After ensuring sure that the product in question is available for shipment, the warehousing department will proceed with packaging based on the product list from the business department, and then hand it over to the quality management department to proceed with inspection and the sign off. Following confirmation and verification by the quality management department, the goods will be shipped. The warehousing and transportation department will enter the execute order form into the system. The system will record the account receivable and revenue, and then automatically transfer it into the ledger.

3. Since the aforementioned process contains many manual steps, risk exists surrounding the authenticity of sales revenue.

4. We evaluated the variations in the approved credit limits of the Group's clients and the use of credit limit release orders. Based on sales accounts, we evaluated clients for whom a credit limit release order was used or for whom there was any variation in the approved credit limit during that year. We performed the following sampling and verification procedures to confirm the reality of revenue:

    1) Inspecting clients who had variations in their approved credit limits and confirming whether there was proper reason for the change and whether the competent supervisor for those clients used the appropriate credit limit release order.

    2) Inspecting the sales to clients to obtain the original orders, and confirming whether the sales orders which had been key into the system were approved by the competent supervisor.

    3) Inspecting the electronic orders for sales, comparing the Government Uniform Invoice and the commercial invoice to check the consistency of names and quantities of the sales orders, and inspecting the detailed accounts of shipment to verify that the shipment occurred after acquiring approval by the competent supervisor.

    4) Verifying whether the price on the Government Uniform Invoice and the commercial invoice are consistent with the signed delivery order list and export declaration, and inspecting the terms of trades to make sure the rights, obligations, and risks have been truly transferred.

    5) Verifying the amounts of accounts receivable, certificates of remittance and counterparties are consistent with the recorded amounts and counterparties and have been approved by the competent supervisor.

Other Matter

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

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

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

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

Those charged with governance, including 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 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 a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

The engagement partners on the audit resulting in this independent auditors' report are Cheng-Chih Lin and Shu-Chien Huang.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 14, 2018

Notice to Readers

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

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

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

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

	2017		2016	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 4,156,277	31	$ 4,803,495	33
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	9,468	-	106,573	1
Available-for-sale financial assets - current (Notes 4 and 8)	1,633,531	12	1,372,492	9
Notes and accounts receivable, net (Notes 4, 5, 10 and 34)	1,197,626	9	1,285,810	9
Other receivables (Note 34)	164,712	1	75,627	-
Inventories (Notes 4, 5 and 11)	1,007,962	8	858,390	6
Other financial assets (Notes 17 and 35)	291,373	2	147,547	1
Other current assets (Note 17)	100,961	1	142,208	1
Total current assets	8,561,910	64	8,792,142	60
NONCURRENT ASSETS				
Financial assets at fair value through profit or loss-noncurrent (Notes 4 and 7)	89,280	1	-	-
Available-for-sale financial assets - noncurrent (Notes 4 and 8)	189,263	1	900,437	6
Financial assets carried at cost (Notes 4 and 9)	519,259	4	689,261	5
Investments accounted for using the equity method (Notes 4, 5 and 13)	379,351	3	323,912	2
Property, plant and equipment (Notes 4, 5, 14 and 35)	2,164,154	16	2,265,910	16
Investment properties (Notes 4, 5 and 15)	1,139,051	8	1,218,904	8
Intangible assets (Notes 4, 5 and 16)	196,131	1	191,024	1
Deferred tax assets (Notes 4, 5 and 26)	31,215	-	29,015	-
Other financial assets (Notes 17 and 35)	84,426	1	87,020	1
Other noncurrent assets (Notes 17 and 34)	125,939	1	131,397	1
Total noncurrent assets	4,918,069	36	5,836,880	40
TOTAL	$ 13,479,979	100	$ 14,629,022	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 18)	$ 444,111	3	$ 550,203	4
Accounts payable (Note 19)	723,983	5	732,964	5
Current tax liabilities (Notes 4 and 26)	60,946	1	42,184	-
Provisions - current (Notes 4 and 20)	11,555	-	12,334	-
Deferred revenue - current (Notes 4, 21 and 29)	1,663	-	1,682	-
Current portion of long-term loans bank (Notes 4, 18 and 35)	175,000	1	897,087	6
Other current liabilities (Note 21)	772,858	6	808,949	6
Total current liabilities	2,190,116	16	3,045,403	21
NONCURRENT LIABILITIES				
Long-term borrowings (Notes 18 and 35)	249,143	2	529,167	4
Deferred revenue - noncurrent, net of current portion (Notes 4, 21 and 29)	64,844	-	67,264	-
Net defined benefit liabilities (Notes 4 and 22)	101,000	1	98,266	1
Guarantee deposits (Note 31)	230,702	2	199,856	1
Other noncurrent liabilities	889	-	889	-
Total noncurrent liabilities	646,578	5	895,442	6
Total liabilities	2,836,694	21	3,940,845	27
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4, 23 and 28)				
Common shares	5,919,949	44	5,919,949	40
Capital surplus	835,241	6	911,110	6
Retained earnings				
Legal reserve	1,900,505	14	1,890,531	13
Special reserve	22,995	-	21,927	-
Unappropriated earnings (accumulated deficit)	413,209	3	99,738	1
Total retained earnings	2,336,709	17	2,012,196	14
Other equity	(62,262)	-	244,400	2
Treasury shares (Note 35)	(63,401)	-	(63,401)	-
Total equity attributable to owners of the Company	8,966,236	67	9,024,254	62
NONCONTROLLING INTERESTS (Notes 4, 12, 23 and 30)	1,677,049	12	1,663,923	11
Total equity	10,643,285	79	10,688,177	73
TOTAL	$ 13,479,979	100	$ 14,629,022	100

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

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

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

	2017		2016	
	Amount	**%**	**Amount**	**%**
NET OPERATING REVENUE (Notes 4, 24, and 34)	$ 6,820,237	100	$ 7,556,045	100
OPERATING COSTS (Notes 11 and 25)	4,083,471	60	4,353,557	58
GROSS PROFIT	2,736,766	40	3,202,488	42
OPERATING EXPENSES (Notes 25 and 34)				
Selling and marketing	308,054	4	353,047	5
General and administrative	599,899	9	704,206	9
Research and development	1,779,383	26	1,908,288	25
Total operating expenses	2,687,336	39	2,965,541	39
OTHER OPERATING INCOME AND EXPENSES	(2,245)	-	(556)	-
INCOME FROM OPERATIONS	47,185	1	236,391	3
NONOPERATING INCOME AND EXPENSES (Notes 4, 25, 29 and 34)				
Other income	97,685	1	111,036	1
Other gains and losses	424,967	6	22,615	-
Finance costs	(26,226)	-	(39,792)	-
Share of profit of associates and joint ventures (Note 13)	91,044	1	35,917	1
Total nonoperating income and expenses	587,470	8	129,776	2
PROFIT BEFORE INCOME TAX	634,655	9	366,167	5
INCOME TAX EXPENSE (Notes 4 and 26)	83,427	1	93,661	1
NET PROFIT FOR THE YEAR	551,228	8	272,506	4
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4, 22 and 33)				
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit plans	(6,022)	-	(8,451)	-
Items that may be reclassified subsequently to profit or loss				

(Continued)

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

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

	2017		2016	
	Amount	**%**	**Amount**	**%**
Exchange differences on translating foreign operations	(62,931)	(1)	(166,453)	(3)
Unrealized (loss) gain on available-for-sale financial assets	(256,849)	(4)	71,757	1
Share of other comprehensive income (loss) of associates and joint venture	5,635	-	(10,409)	-
Other comprehensive loss income for the year, net of income tax	(320,167)	(5)	(113,556)	(2)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 231,061	3	$ 158,950	2
NET PROFIT ATTRIBUTABLE TO:				
Owner of the Company	$ 421,458	6	$ 120,187	2
Noncontrolling interests	129,770	2	152,319	2
	$ 551,228	8	$ 272,506	4
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owner of the Company	$ 109,174	1	$ 26,577	-
Noncontrolling interests	121,887	2	132,373	2
	$ 231,061	3	$ 158,950	2
EARNINGS PER SHARE (New Taiwan dollars; Note 29)				
From continuing operations				
Basic	$ 0.72		$ 0.20	
Diluted	$ 0.72		$ 0.20	

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

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Company											
							Other Equity					
	Share Capital Issued and Outstanding			Retained Earnings								
	Share (Thousands)	Amount	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Treasury Shares	Total	Noncontrolling Interests	Total Equity
BALANCE, JANUARY 1, 2016	591,995	$ 5,919,949	$ 897,317	$ 1,831,596	$ 17,833	$ 595,226	$ 97,509	$ 233,983	$ (63,401)	$ 9,530,012	$ 1,695,228	$ 11,225,240
Offset of the 2015 deficit												
Legal reserve	-	-	-	58,935	-	(58,935)	-	-	-	-	-	-
Cash dividends for common shares	-	-	-	-	-	(526,875)	-	-	-	(526,875)	-	(526,875)
Special reserve	-	-	-	-	4,094	(4,094)	-	-	-	-	-	-
Difference between share price and book value from disposal of subsidiaries	-	-	10,625	-	-	-	-	-	-	10,625	-	10,625
Changes of equity of subsidiaries	-	-	-	-	-	(19,253)	-	-	-	(19,253)	-	(19,253)
Net profit for the year ended December 31, 2016	-	-	-	-	-	120,187	-	-	-	120,187	152,319	272,506
Other comprehensive income (loss) for the year ended December 31, 2016, net of income tax	-	-	-	-	-	(6,518)	(159,571)	72,479	-	(93,610)	(19,946)	(113,556)
Total comprehensive income (loss) for the year ended December 31, 2016	-	-	-	-	-	113,669	(159,571)	72,479	-	26,577	132,373	158,950
Adjustment of capital surplus for the Company												
Cash dividends received by subsidiaries	-	-	3,168	-	-	-	-	-	-	3,168	-	3,168
Decrease in noncontrolling interests	-	-	-	-	-	-	-	-	-	-	(163,678)	(163,678)
BALANCE, DECEMBER 31, 2016	591,995	5,919,949	911,110	1,890,531	21,927	99,738	(62,062)	306,462	(63,401)	9,024,254	1,663,923	10,688,177
Offset of the 2016 deficit												
Legal reserve	-	-	-	9,974	-	(9,974)	-	-	-	-	-	-
Cash dividends for common shares	-	-	-	-	1,068	(1,068)	-	-	-	-	-	-
Special reserve	-	-	-	-	-	(88,681)	-	-	-	(88,681)	-	(88,681)
Issuance of share dividends from capital surplus	-	-	(207,317)	-	-	-	-	-	-	(207,317)	-	(207,317)
Difference between stock price and book value from disposal of subsidiaries, associates and joint ventures accounted for using the equity method	-	-	-	-	-	(18)	-	-	-	(18)	-	(18)
Difference between share price and book value from disposal of subsidiaries	-	-	129,668	-	-	-	-	-	-	129,668	-	129,668
Changes of equity of subsidiaries	-	-	-	-	-	(2,624)	-	-	-	(2,624)	-	(2,624)
Net profit for the year ended December 31, 2017	-	-	-	-	-	421,458	-	-	-	421,458	129,770	551,228
Other comprehensive loss for the year ended December 31, 2017, net of income tax	-	-	-	-	-	(5,622)	(60,038)	(246,624)	-	(312,284)	(7,883)	(320,167)
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	-	415,836	(60,038)	(246,624)	-	109,174	121,887	231,061
Adjustment of capital surplus for the Company												
Cash dividends received by subsidiaries	-	-	1,780	-	-	-	-	-	-	1,780	-	1,780
Decrease in noncontrolling interests	-	-	-	-	-	-	-	-	-	-	(108,761)	(108,761)
BALANCE, DECEMBER 31, 2017	591,995	$ 5,919,949	$ 835,241	$ 1,900,505	$ 22,995	$ 413,209	$ (122,100)	$ 59,838	$ (63,401)	$ 8,966,236	$ 1,677,049	$ 10,643,285

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

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

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

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 634,655	$ 366,167
Adjustments for:		
Depreciation expenses	259,983	267,143
Amortization expenses	97,645	117,460
Bad-debt expenses	29,376	99,500
Net gain on fair value change of financial assets designated as of fair value through profit or loss	(4,901)	(400)
Financial costs	26,226	39,792
Interest income	(22,111)	(25,230)
Compensation costs of employee share options	220	730
Dividend income	(23,230)	(33,909)
Share of profits of associates and joint ventures	(91,044)	(35,917)
Loss on disposal of property, plant and equipment	2,245	248
Loss (gain) on disposal of intangible assets	-	308
Loss (gain) on disposal of subsidiaries	-	9,346
Gain on disposal of investments	(642,140)	(193,914)
Impairment loss recognized on financial assets	203,363	110,703
Impairment loss recognized non-financial assets	25,190	-
Net loss on foreign currency exchange	9,184	43,831
Amortization of prepaid lease payments	2,778	2,988
Changes in operating assets and liabilities:		
Decrease (increase) in financial assets held for trading	15,053	(79,700)
Decrease in trade receivables	48,582	192,751
Increase in other receivables	(90,911)	(46,086)
(Increase) decrease in inventories	(149,572)	366,632
Decrease (increase) in other current assets	41,058	(36,468)
(Decrease) increase in trade payables	(6,586)	66,883
Decrease in provisions	(779)	(3,005)
Decrease in deferred revenue	(1,641)	(1,767)
(Decrease) increase in other current liabilities	(38,882)	91,039
Decrease in accrued pension liabilities	(3,213)	(8,528)
Cash generated from operations	320,548	1,310,597
Interest received	24,445	29,466
Dividends received	64,377	58,597
Interest paid	(27,065)	(40,031)
Income tax paid	(67,373)	(95,775)
Net cash generated from operating activities	314,932	1,262,854
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of available-for-sale financial assets	(1,921,210)	(1,620,456)
Proceeds of the sale of available-for-sale financial assets	2,745,491	2,006,547
Proceeds of the sale of debt investments with no active market	-	15,950
Purchases of financial assets measured at cost	(89,341)	(201,958)
Proceeds of the disposal of financial assets measured at cost	54,099	-
Acquisition of associates	3,183	2,811
Returned capital to the Company - liquidation of joint ventures	-	306,497
Proceeds from disposal of subsidiaries	219,242	18,713
Payments for property, plant and equipment	(99,960)	(163,849)

(Continued)

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

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

	2017	2016
Proceeds of the disposal of property, plant and equipment	162	93
Increase in refundable deposits	-	719
Decrease in refundable deposits	748	(3,428)
Payments for intangible assets	(124,521)	(114,805)
Payments for investment properties	(6,592)	(390)
Decrease (increase) on other noncurrent assets	(143,170)	105,728
Decrease in other assets - noncurrent	1,476	-
Net cash generated from investing activities	639,607	352,172
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of short-term borrowings	(105,832)	(95,890)
Proceeds of long-term borrowings	-	200,000
Repayments of long-term borrowings	(1,021,586)	(646,140)
Proceeds of guarantee deposits received	107,187	43,986
Refunds of guarantee deposits received	(77,857)	(41,043)
Dividends paid to interests	(294,218)	(526,875)
Dividends paid to noncontrolling interests	(200,179)	(188,283)
(Increase) decrease in noncontrolling interests	(1,000)	6,038
Net cash used in financing activities	(1,593,485)	(1,248,207)
EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	(8,272)	(6,134)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(647,218)	360,685
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	4,803,495	4,442,810
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 4,156,277	$ 4,803,495

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

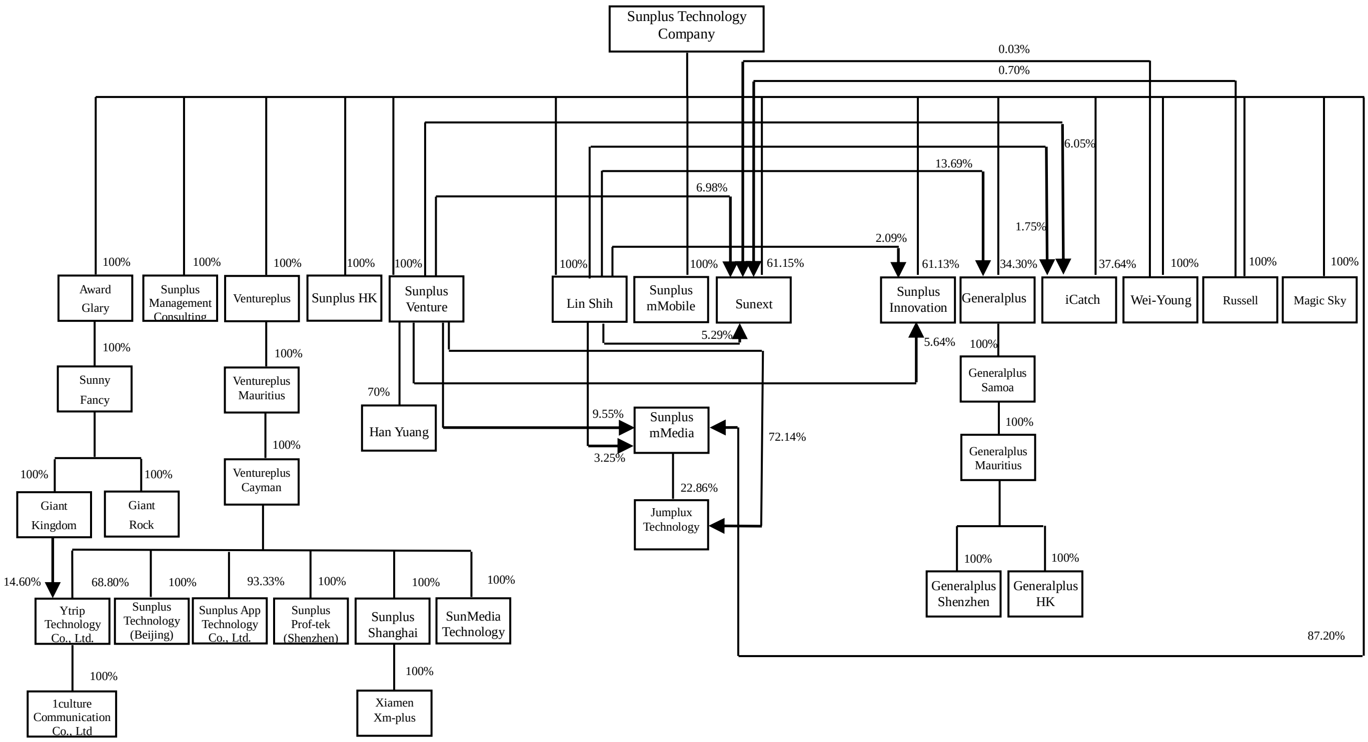
SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

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

1. GENERAL INFORMATION

Sunplus Technology Company Limited (“Sunplus” or the “Company”) was established in August 1990. It researches, develops, designs, tests and sells high quality, high value-added consumer integrated circuits (ICs). Its products are based on core technologies in such areas as multimedia audio/video, single-chip microcontrollers and digital signal processors. These technologies are used to develop hundreds of products including various ICs: liquid crystal display, microcontroller, multimedia, voice/music, and application-specific. Sunplus’ shares have been listed on the Taiwan Stock Exchange since January 2000. Some of its shares have been issued in the form of global depositary receipts (GDRs), which have been listed on the London Stock Exchange since March 2001 (refer to Note 23).

Following is a diagram of the relationship and ownership percentages between Sunplus and its subsidiaries (collectively, the “Group”) as of December 31, 2017:



Sunplus mMobile, iCatch, Sunplus mMedia, Sunplus Innovation and Sunplus mMobile SAS research, develop, design, manufacture and sell all kinds of IC modules, application software and silicon intellectual property (SIP). Sunplus Technology (Shanghai) and SunMedia Technology development of computer software, system integration services and building rental. Sunplus Prof-tek (Shenzhen) and Sunplus Technology (Beijing) researches and sells computer software and provides system integration services. Sunplus App Technology Co., Ltd. manufacture and sale of computer software, system integration services and information management and education. Ytrip Technology mainly does system services and manages web business. 1culture Communication Co,. Ltd mainly do web business develop. Sunplus Technology (Beijing) develops Software and technology serves. Han Young mainly do information supply services, researches and sells ICs. Sunext mainly develops, and sells optical electronic and SOC (system on chip) ICs. Generalplus researches, develops, designs, manufactures, and sells custom-made ICs. Generalplus

Shenzhen and Generalplus HK do market research surveys. Sunplus HK engages in international trade. All other subsidiaries are engaged in investing activities.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors and authorized for issue on March 14, 2018.

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), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, "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 a significant effect on the Company's accounting policies:

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

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

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

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

      When the amendments are applied retrospectively from January 1, 2017, the disclosure of related party transactions is enhanced, refer to Note 34.

b. The Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the "IFRSs") endorsed by the FSC for application starting from 2018.

New, Amended or Revised Standards and Interpretations (the "New IFRSs")	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2014-2016 Cycle	Note 2
Amendments to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date of IFRS 9 and Transition Disclosures"	January 1, 2018
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendments to IFRS 15 "Clarifications to IFRS 15 Revenue from Contracts with Customers"	January 1, 2018
Amendment to IAS 7 "Disclosure Initiative"	January 1, 2017
Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfers of Investment Property"	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

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

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

1) Annual Improvements to IFRSs 2014-2016 Cycle

Several standards, including IFRS 12 "Disclosure of Interests in Other Entities" and IAS 28 "Investments in Associates and Joint Ventures," were amended in this annual improvement.

The amendment to IFRS 12 clarifies that when an entity's interest in a subsidiary, a joint venture or an associate is classified as held for sale or is included in a disposal company that is classified as held for sale, the entity is not required to disclose summarized financial information of that subsidiary, joint venture or associate in accordance with IFRS 12. However, all other requirements in IFRS 12 apply to interests in entities classified as held for sale in accordance with IFRS 5. The Company will apply the aforementioned amendment retrospectively.

2) Amendment to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"

The amendment requires that market conditions and non-vesting conditions should be taken into account and vesting conditions, other than market conditions, should not be taken into account when estimating the fair value of cash-settled share-based payments at the measurement date. Instead, they should be taken into account by adjusting the number of awards included in the measurement of the liability arising from the transaction. The amendment will be applied to cash-settled share-based payment transactions that are unvested as at January 1, 2018.

3) IFRS 9 “Financial Instruments” and related amendments

Classification, measurement and impairment of financial assets

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

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

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

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

Except for the above, all other financial assets are measured at fair value through profit or loss. However, the Company may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss. No subsequent impairment assessment is required, and the cumulative gain or loss previously recognized in other comprehensive income cannot be reclassified from equity to profit or loss.

The Company analyzed the facts and circumstances of its financial assets that exist at December 31, temporarily, 2017 and performed the assessment of the impact of IFRS 9 on the classification and measurement of financial assets. Under IFRS 9:

a) Listed shares, emerging market shares, and unlisted shares classified as available-for-sale will be classified as at fair value through profit or loss, or at fair value through other comprehensive income and the fair value gains or losses.

   Besides this, unlisted shares measured at cost will be measured at fair value instead;

b) Mutual funds classified as available-for-sale will be classified as at fair value through profit or loss because the contractual cash flows are not solely payments of principal and interest on the principal outstanding and they are not equity instruments; and

IFRS 9 requires impairment loss on financial assets to be recognized by using the “Expected Credit Losses Model”. A loss allowance is required for financial assets measured at amortized cost, investments in debt instruments measured at FVTOCI, lease receivables, contract assets arising from IFRS 15 “Revenue from Contracts with Customers”, certain written loan commitments and financial guarantee contracts. A loss allowance for 12-month expected credit losses is required for a financial asset if its credit risk has not increased significantly since initial recognition. A loss allowance for full-lifetime expected credit losses is required for a financial asset if its credit risk has increased significantly since initial recognition and is not low. However, a loss allowance for full-lifetime expected credit losses is required for trade receivables that do not constitute a financing transaction.

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

The Company has performed a preliminary assessment in which it will apply the simplified approach to recognize full-lifetime expected credit losses for trade receivables, contract assets and lease receivables. In relation to debt instrument investments and financial guarantee contracts, the Company will assess whether there has been a significant increase in credit risk to determine whether to recognize 12-month or full-lifetime expected credit losses. In general, the Company anticipates that the application of the expected credit losses model of IFRS 9 will result in an earlier recognition of credit losses for financial assets.

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

The anticipated impact on assets, liabilities and equity of retrospective application of the requirements for the classification, measurement and impairment of financial assets as of January 1, 2018 is set out below:

Impact on Assets, Liabilities and Equity	**Carrying Amount as of December 31, 2017**	**Adjustments Arising from Initial Application**	**Adjusted Carrying Amount as of January 1, 2018**
Financial assets at fair value through profit or loss - current	$ 9,468	$ 1,633,531	$ 1,642,999
Available-for-sale financial assets - current	1,633,531	(1,633,531)	-
Financial assets at fair value through profit or loss - noncurrent	89,280	434,739	524,019
Financial assets at fair value through other comprehensive income - noncurrent	-	279,700	279,700
Available-for-sale financial assets - noncurrent	189,263	(189,263)	-
Financial assets measured at cost - noncurrent	519,259	(519,259)	-
Total effect on assets	$ 2,440,801	$ 5,917	$ 2,446,718
Retained earnings	$ 2,336,709	$ 294,288	$ 2,630,997
Other equity	(26,262)	(289,849)	(352,111)
Noncontrolling interests	1,677,049	1,478	1,678,527
Total effect on equity	$ 3,951,496	$ 5,917	$ 3,957,413

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

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and will supersede IAS 18 “Revenue”, IAS 11 “Construction Contracts” and a number of revenue-related interpretations.

When applying IFRS 15, the Company recognizes revenue by applying the following steps:

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

In identifying performance obligations, IFRS 15 and the related amendments require that a good or service is distinct if it is capable of being distinct and the promise to transfer it is distinct within the context of the contract.

Currently, the estimate of allowances for sales returns which may occur in the year are recognized as provisions. Under IFRS 15, such provisions are recognized as other current liabilities. The anticipated impact on assets, liabilities and equity when retrospectively applying IFRS 15 as of January 1, 2018 is detailed below:

	December 31, 2017 Carrying Amount	Adjustments Arising from Initial Application	January 1, 2018 Adjusted Carrying Amount
Provisions - current	$ 11,555	$ (11,555)	$ -
Other current liabilities	772,858	11,555	784,413
Total effect on liabilities	$ 784,413	$ -	$ 784,413

5) Amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”

The amendments clarify that the difference between the carrying amount of a debt instrument measured at fair value and its tax base gives rise to a temporary difference, even though there are unrealized losses on that asset, irrespective of whether the Company expects to recover the carrying amount of the debt instrument by sale or by holding it and collecting contractual cash flows.

In addition, in determining whether to recognize a deferred tax asset, the Company should assess a deductible temporary difference in combination with all of its other deductible temporary differences, unless the tax law restricts the utilization of losses as deduction against income of a specific type, in which case, a deductible temporary difference is assessed in combination only with other deductible temporary differences of the appropriate type. The amendments also stipulate that, when determining whether to recognize a deferred tax asset, the estimate of probable future taxable profit may include some of the Company’s assets for more than their carrying amount if there is sufficient evidence that it is probable that the Company will achieve the higher amount, and that the estimate for future taxable profit should exclude tax deductions resulting from the reversal of deductible temporary differences.

In assessing a deferred tax asset, the Company currently assumes it will recover the asset at its carrying amount when estimating probable future taxable profit; the amendments will be applied retrospectively in 2018.

6) Amendments to IAS 40 “Transfers of Investment Property”

The amendments clarify that the Company should transfer to, or from, investment property when, and only when, a property meets, or ceases to meet, the definition of investment property and there is evidence of a change in use. In isolation, a change in management’s intentions for the use of a property does not provide evidence of a change in use. The amendments also clarify that evidence of a change in use is not limited to those illustrated in IAS 40.

The Company will reclassify property as necessary according to the amendments to reflect the conditions that exist at January 1, 2018. In addition, the Company will disclose the reclassified amounts in 2018 and the reclassified amounts of January 1, 2018 should be included in the reconciliation of the carrying amount of investment property. The Company will apply the amendments retrospectively without the use of hindsight.

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

IAS 21 stipulated that a foreign currency transaction shall be recorded on initial recognition in the functional currency by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction. IFRIC 22 further explains that the date of the transaction is the date on which an entity recognizes a non-monetary asset or non-monetary liability from payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the entity shall determine the date of the transaction for each payment or receipt of advance consideration.

The Company will apply IFRIC 22 prospectively to all assets, expenses and income recognized on or after January 1, 2018 within the scope of the interpretation.

Except for the above impact, as of the date the consolidated 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 1)**
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 “Prepayment Features with Negative Compensation”	January 1, 2019 (Note 2)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 16 “Leases”	January 1, 2019 (Note 3)
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019 (Note 4)
Amendments to IAS 28 “Long-term Interests in Associates and Joint Ventures”	January 1, 2019
IFRIC 23 “Uncertainty Over Income Tax Treatments”	January 1, 2019

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

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

Note 3: On December 19, 2017, the FSC announced that IFRS 16 will take effect starting from January 1, 2019.

Note 4: The Company shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

1) Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"

   The amendments stipulate that, when an entity sells or contributes assets that constitute a business (as defined in IFRS 3) to an associate or joint venture, the gain or loss resulting from the transaction is recognized in full. Also, when an entity loses control of a subsidiary that contains a business but retains significant influence or joint control, the gain or loss resulting from the transaction is recognized in full.

   Conversely, when an entity sells or contributes assets that do not constitute a business to an associate or joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the unrelated investors' interest in the associate or joint venture, i.e. the entity's share of the gain or loss is eliminated. Also, when an entity loses control of a subsidiary that does not contain a business but retains significant influence or joint control over an associate or a joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the unrelated investors' interest in the associate or joint venture, i.e. the entity's share of the gain or loss is eliminated.

2) IFRS 16 "Leases"

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

   Under IFRS 16, if the Company is a lessee, it shall recognize right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for low-value and short-term leases. The Company may elect to apply the accounting method similar to the accounting for operating leases under IAS 17 to low-value and short-term leases. On the consolidated statements of comprehensive income, the Company should present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed by 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.

   The application of IFRS 16 is not expected to have a material impact on the accounting of the Company as lessor.

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

3) IFRIC 23 "Uncertainty Over Income Tax Treatments"

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

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

4) Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures"

The amendments clarified that IFRS 9 shall be applied to account for other financial instruments in an associate or joint venture to which the equity method is not applied. These included long-term interests that, in substance, form part of the entity's net investment in an associate or joint venture.

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

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

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

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

6) Annual Improvements to IFRSs 2015-2017 Cycle

Several standards, including IFRS 3, IFRS 11, IAS 12 and IAS 23 "Borrowing Costs", were amended in this annual improvement. IAS 23 was amended to clarify that, if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings. The amendment shall be applied prospectively.

7) Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"

The amendments stipulate that, if a plan amendment, curtailment or settlement occurs, the current service cost and the net interest for the remainder of the annual reporting period are determined using the actuarial assumptions used for the remeasurement of the net defined benefit liabilities (assets). In addition, the amendments clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. The amendment shall be applied prospectively.

Except for the above impact, as of the date the consolidated 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

a. Statement of Compliance

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

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value.

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 of the inputs to the fair value measurement in its entirety, which are described as follows:

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

2) 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

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

c. Classification of current and noncurrent assets and liabilities

Current assets include:

1) Assets held primarily for the purpose of trading;

2) Assets expected to be realized within twelve months after the reporting period; and

3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

2) Liabilities due to be settled within twelve months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; and

3) Liabilities for which the Company does not have an unconditional right to defer settlement for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Assets and liabilities that are not classified as current are classified as noncurrent.

The Company engages in the construction business, which has an operating cycle of over one year, the normal operating cycle applies when considering the classification of the Company's construction-related assets and liabilities.

d. Basis of consolidation

1) Principles for preparing consolidated financial statements

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e. its subsidiaries).

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition up to the effective date of disposal, as appropriate.

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. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the no controlling interests even if this results in the no controlling interests having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the no controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the no controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and any investment retained in the former subsidiary at its fair value at the date when control is lost and (ii) the assets (including any goodwill) and liabilities and any no controlling interests of the former subsidiary at their carrying amounts at the date when control is lost. The Group accounts for all amounts recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

e. Foreign currencies

In preparing the financial statements of each group entity, transactions in currencies other than the entity's functional currency (foreign currencies) 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.

Nonmonetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of nonmonetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of nonmonetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Nonmonetary 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 (including of the subsidiaries, associates, joint ventures or branches operations in other countries or currencies used different with the Company) 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. Exchange differences arising are recognized in other comprehensive income (attributed to the owners of the Company and no controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Group are reclassified to profit or loss.

f. Inventories

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. The inventories of Sunplus Technology Company Limited, Generalplus Technology Inc., Sunplus Innovation Technology Inc., Sunplus mMobile Inc., iCatch Technology Inc., Sunplus mMedia Inc., Jumplux Technology and Sunext Technology Co., Ltd. are generally recorded at standard cost. On the balance sheet date, the cost is adjusted to approximate weighted-average cost method. Other subsidiaries' inventories are recorded at the weighted-average cost.

g. Investments in associates and jointly controlled entities

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Joint venture arrangements that involve the establishment of a separate entity in which ventures have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of associates and jointly controlled entities are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate and jointly controlled entity is initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate and jointly controlled entity. The Group also recognizes the changes in the Group's share of equity of associates and jointly controlled entity.

When the Group subscribes for additional new shares of the associate and jointly controlled entity at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in the associate and jointly controlled entity. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus. If the Group's ownership interest is reduced due to the additional subscription of the new shares of associate and jointly controlled entity, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate and jointly controlled entity is reclassified to profit or loss on the same basis as would be required if the investee had directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for by the equity method is insufficient, the shortage is debited to retained earnings.

When the Group's share of losses of an associate and jointly controlled entity equals or exceeds its interest in that associate and jointly controlled entity (which includes any carrying amount of the investment accounted for by the equity method and long-term interests that, in substance, form part of the Group's net investment in the associate and jointly controlled entity), the Group discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Group has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate and jointly controlled entity.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of an associate and jointly controlled entity recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date on which it ceases to have significant influence and joint control. Any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate (and the jointly controlled entity attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate and the jointly controlled entity. The Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate and the jointly controlled entity on the same basis as would be required if that associate had directly disposed of the related assets or liabilities.

When a group entity transacts with its associate (and jointly controlled entity, profits and losses resulting from the transactions with the associate are recognized in the Group' consolidated financial statements only to the extent of interests in the associate and the jointly controlled entity that are not related to the Group.

h. Property, plant and equipment

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

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such properties 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. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

i. Investment properties

Investment properties are properties held to earn rentals or for capital appreciation.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss. Depreciation is recognized using the straight-line method.

Any gain or loss arising on derecognition of the property is calculated as the difference between the net disposal proceeds and the carrying amount of the asset and is included in profit or loss in the period in which the property is derecognized.

j. Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributable goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated at first to reduce the carrying amount of any goodwill allocated to the unit, and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. The impairment loss recognized for goodwill is not reversible in subsequent periods.

k. Intangible assets

1) Intangible assets acquired separately

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 on a straight-line basis. 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. The residual value of an intangible asset with a finite useful life shall be assumed to be zero unless the Group expects to dispose of the intangible asset before the end of its economic life. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

2) Derecognition of intangible assets

Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in profit or loss when the asset is derecognized.

l. Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, 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. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

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.

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

m. Financial instruments

Financial assets and financial liabilities are recognized when a group entity 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 issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) 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 fair value through profit or loss are recognized immediately in profit or loss.

1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

a) Measurement category

Financial assets are classified into the following categories: Financial assets at fair value through profit or loss, available-for-sale financial assets and loans and receivables.

i Financial assets at fair value through profit or loss

Financial assets are classified as at fair value through profit or loss when the financial asset is either held for trading or it is designated as at fair value through profit or loss.

A financial asset may be designated as at fair value through profit or loss upon initial recognition if:

i) Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

ii) The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

iii) The contract contains one or more embedded derivatives so that the entire hybrid (combined) contract can be designated as at fair value through profit or loss.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset.

ii. Available-for-sale financial assets

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

Available-for-sale financial assets are measured at fair value. Changes in the carrying amount of available-for-sale monetary financial assets relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of or is determined to be impaired.

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established.

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

iii. Loans and receivables

Loans and receivables (including notes and trade receivables, other receivables, cash and cash equivalents, debt investments with no active market, and other receivables) are measured using the effective interest method at amortized cost less any impairment, except for short-term receivables when the effect of discounting is immaterial.

Cash equivalent includes time deposits and bonds with repurchase agreements with original maturities from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

b) Impairment of financial assets

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

For financial assets carried at amortized cost, such as trade receivables and other receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include significant financial difficulty of the issuer or counterparty, breach of contract, such as a default or delinquency in interest or principal payments, it becoming probable that the borrower will enter bankruptcy or financial re-organization, or the disappearance of an active market for that financial asset because of financial difficulties.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

In respect of available-for-sale equity securities, impairment loss previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income. In respect of available-for-sale debt securities, the impairment loss is subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

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

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

c) Derecognition of financial assets

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

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

2) Equity instruments and financial liabilities

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

a) Equity instruments

Equity instruments issued by a group entity are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

b) Financial liabilities

i. Subsequent measurement

All the financial liabilities are measured at amortized cost using the effective interest method:

ii.Derecognition of financial liabilities

The difference between the carrying amount of the financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

n. Provisions

Provisions, including those arising from the contractual obligation specified in the service concession arrangement to maintain or restore the infrastructure before it is handed over to the grantor, are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

o. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Sales returns are recognized at the time of sale provided the seller can reliably estimate future returns and recognizes a liability for returns based on previous experience and other relevant factors.

<u>Sale of goods</u>

Revenue from the sale of goods is recognized when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

1) The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;

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

3) The amount of revenue can be measured reliably;

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

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

The Group does not recognize sales revenue on materials delivered to subcontractors because this delivery does not involve a transfer of risks and rewards of materials ownership.

<u>Dividend and interest income</u>

Dividend income from investments is recognized when the shareholder's right to receive payment has been established provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

p. Leasing

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 leases.

1) The Group as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

2) The Group as lessee

Contingent rents arising under operating leases are recognized as an expense in the year in which they are incurred.

q. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Except the circumstances stated above, all the other borrowing costs are recognized in profit or loss in the period in which the borrowing costs are incurred.

r. Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attached to the grants and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire noncurrent assets are recognized as a deduction from the carrying amount of the relevant asset and recognized in profit or loss over the useful lives of the related assets.

s. Employee benefits

1) 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 services.

2) Retirement benefits

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

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost and past service cost) and net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expense in the period in which they occur, 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 (assets) represent the actual deficit (surplus) 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.

t. Share-based payment arrangements

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the employee share options is expensed on a straight-line basis over the vesting period, based on the Group's estimate of employee share options that will eventually vest, with a corresponding increase in capital surplus - employee share options. The fair value determined at the grant date of the employee share options is recognized as an expense in full at the grant date when the share options granted vest immediately.

At the end of each reporting period, The Group revises its estimate of the number of employee share options expected to vest. The impact of the revision of the original estimates is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the capital surplus - employee share options.

u. Taxation

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

<u>Current tax</u>

According to the Income Tax Law, an additional tax at 10% of inappropriate earnings is provided for as income tax in the year the shareholders approve to retain the earnings.

Adjustments of prior years’ tax liabilities are added to or deducted from the current year’s tax provision.

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. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carry forward and unused tax credits for purchases of machinery, equipment and technology, research and development expenditures, and personnel training expenditures to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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.

Current and deferred tax for the period

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

a. Estimated impairment of tangible assets and intangible assets (excluding goodwill)

The Group relies on subjective judgments and depends on industry usage patterns and related characteristics to determine cash flows, asset useful lives, and future revenues and expenses. Any change in the operating environment and corporate strategy may cause significant impairment loss.

For the year ended December 31, 2017, the Group recognized impairment losses on intangible assets of $25,190 thousand.

b. Estimated impairment of trade receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise.

As of December 31, 2017 and 2016, the carrying amount of trade receivables was $1,197,569 thousand and $1,285,645 thousand, respectively (after deducting allowance of $107,744 thousand and $78,394 thousand, respectively).

c. Income taxes

As of December 31, 2017 and 2016, the carrying amount of deferred tax assets in relation to unused tax losses both were $0, respectively. As of December 31, 2017 and 2016, no deferred tax asset has been recognized on tax losses of $3,668,373 thousand and $4,197,072 thousand, respectively, due to the unpredictability of future profit streams. The realizability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognized in profit or loss for the period in which such a reversal takes place.

d. Write-down of inventory

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

e. Impairment of investment in the associate

The Company immediately recognizes impairment loss on its net investment in the associate when there is any indication that the investment may be impaired and the carrying amount may not be recoverable. The Company's management evaluates the impairment based on the estimated future cash flow expected to be generated by the associate, including growth rate of sale and capacity of production facilities estimated by the associate's management. The Company also takes into consideration the market conditions and industry development to evaluate the appropriateness of assumptions.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2017	2016
Cash on hand	$ 10,220	$ 6,121
Checking accounts and demand deposits	1,535,059	1,839,206
Cash equivalent deposits in banks	2,602,835	2,949,414
Repurchase agreements collateralized by bonds	8,163	8,754
	$ 4,156,277	$ 4,803,495

The market rate intervals of cash in bank and bank overdrafts at the end of the reporting period were as follows:

	December 31	
	2017	2016
Bank balance	0.01%-3.60%	0.01%-8.00%
Repurchase agreement collateralized by bonds	1.00%	1.00%

7. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2017	2016
Financial assets held for trading - current		
Non-derivative financial assets		
Corporate bonds of domestic listed shares	$ 9,468	$ 106,573
Financial assets held for trading - noncurrent		
Non-derivative financial assets		
Corporate bonds of foreign non-listed shares	$ 89,280	$ -

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31	
	2017	2016
Current		
Domestic investments		
Mutual funds	$ 1,321,681	$ 1,329,829
Quoted shares	331,850	42,663
	$ 1,633,531	$ 1,372,492

(Continued)

	December 31	
	2017	2016
Noncurrent		
Domestic investments		
Quoted shares	$ 114,828	$ 900,437
Mutual funds	74,435	-
	$ 189,263	$ 900,437

(Concluded)

For the year ended December 31, 2016, the Group recognized impairment losses of $72,921 thousand, respectively.

9. FINANCIAL ASSETS MEASURED AT COST

	December 31	
	2017	2016
Noncurrent		
Domestic unlisted common shares	$ 382,170	$ 642,303
Private funds	137,089	46,958
	$ 519,259	$ 689,261
Classification according to financial asset measurement categories		
Classified as available for sale	$ 519,259	$ 689,261

Management believed that the above unlisted equity investments held by the Group, whose fair value cannot be reliably measured due to the range of reasonable fair value estimates was so significant; therefore they were measured at cost less impairment at the end of reporting period.

The Group believed that the above financial asset carried at cost had impairment losses of $203,363 thousand and $37,782 thousand as of December 31, 2017 and 2016, respectively.

10. NOTES AND ACCOUNTS RECEIVABLE, NET

	December 31	
	2017	2016
Notes receivable	$ 57	$ 165
Accounts receivable	1,305,313	1,363,852
Receivable from related parties	-	187
Allowance for doubtful accounts	(107,744)	(78,394)
	1,197,569	1,285,645
	$ 1,197,626	$ 1,285,810

Accounts receivable

The average credit period on sales of goods was 30 to 90 days without interest. In determining the recoverability of a trade receivable, the Group considered any change in the credit quality of the trade receivable since the date credit was initially granted to the end of the reporting period. Allowance for impairment loss were recognized against trade receivables based on estimated irrecoverable amounts determined by reference to past default experience of the counterparties and an analysis of their current financial position.

Of the trade receivables balance (see the aging analysis below) that are past due at the end of the reporting period, the Group had not recognized an allowance for impairment for notes and trade receivables amounting to $636 thousand and $31,446 thousand as of December 31, 2017 and 2016, respectively, because there had been no significant change in credit quality and the amounts were still considered recoverable. The Group did not hold any collateral or other credit enhancements over these balances nor did it have a legal right to make offsets against any amounts owed by the Group to the counter-party. As of March 14, 2018, the above trade receivables of December 31, 2017 that are past due but not impaired had receive 636 thousand.

The aging of receivables was as follows:

	December 31	
	2017	**2016**
0-60 days	$ 1,008,766	$ 1,099,673
61-90 days	101,429	152,837
91-120 days	86,891	5,796
121-360 days	-	104,168
More than and including 361 days	107,257	1,565
Total	$ 1,305,313	$ 1,364,039

The above aging schedule was based on the invoice date.

The aging of the receivables that are past due but not impaired was as follows:

	December 31	
	2017	**2016**
Less than and including 60 days	$ 636	$ 2,412
More than and including 91 days	-	29,034
Total	$ 636	$ 31,446

The above aging schedule was based on the past due date from end of credit term.

Movements of the allowance for impairment loss recognized on notes receivable and trade receivables were as follows:

	Individually Impaired	Collectively Impaired	Total
Balance at January 1, 2016	$ 3,091	$ -	$ 3,091
Add: Impairment losses recognized on receivable	99,500	-	99,500
Less: Amounts written off during the period as uncollectible	(24,067)	-	(24,067)
Foreign exchange translation gains	(130)	-	(130)
Balance at December 31, 2016	$ 78,394	$ -	$ 78,394
Balance at January 1, 2017	$ 78,394	$ -	$ 78,394
Add: Impairment losses recognized on receivable	29,376	-	29,376
Foreign exchange translation gains	(26)	-	(26)
Balance at December 31, 2017	$ 107,744	$ -	$ 107,744

11. INVENTORIES

	December 31	
	2017	2016
Finished goods	$ 401,352	$ 342,308
Work in progress	302,298	350,483
Raw materials	304,312	165,599
	$ 1,007,962	$ 858,390

The costs of inventories recognized as cost of goods sold for the years ended December 31, 2017 and 2016 were $3,983,043 thousand and $4,276,690 thousand, respectively.

The costs of inventories recognized as costs of goods sold for the years ended December 31, 2017 and 2016 were as follows:

	Years Ended December 31	
	2017	2016
Gains on inventory value recoveries (inventory losses)	$ (11,426)	$ 45,057
Income from scrap sales	94	428
Compensation	-	2,500
	$ (11,332)	$ 47,985

12. SUBSIDIARIES

a. The subsidiaries included in the consolidated financial statements

The information of the subsidiaries at the end of reporting period was as follows:

Name of Investor	Name of Investee	Main Businesses and Products	Percentage of Ownership December 31 2017	2016	Note
Sunplus	Sunplus Management Consulting	Management	100.00	100.00	-
	Ventureplus Group Inc.	Investment	100.00	100.00	-
	Sunplus Technology (H.K.)	International trade	100.00	100.00	-
	Sunplus Venture	Investment	100.00	100.00	-
	Lin Shih Investment	Investment	100.00	100.00	-
	Sunplus mMobile Inc.	Design of integrated circuits (ICs)	100.00	100.00	-
	Sunext Technology Co., Ltd.	Design of ICs	61.15	61.15	-
	Sunplus Innovation Technology	Design of ICs	61.13	61.41	-
	Generalplus Technology Inc. (“Generalplus”)	Design of ICs	34.30	34.30	-
	iCatch Technology Inc.	Design of ICs	37.64	37.64	Sunplus and its subsidiaries had 45.44% equity in iCatch Technology, Inc. and the Group had controlling interest over iCatch Technology, Inc.; thus, the investee was included in the consolidated financial statements.
	Wei-Young Investment Inc.	Investment	100.00	100.00	-
	Russell Holdings Limited	Investment	100.00	100.00	-
	Magic Sky Limited	Investment	100.00	100.00	-
	Sunplus mMedia Inc.	Design of ICs	87.20	87.20	-
	Award Glory	Investment	100.00	100.00	-
Ventureplus	Ventureplus Mauritius	Investment	100.00	100.00	-
Ventureplus Mauritius	Ventureplus Cayman	Investment	100.00	100.00	-
Ventureplus Cayman	Ytrip Technology	Web research and development	68.80	68.80	-
	Sunplus App Technology	Manufacturing and sale of computer software; system integration services and information management and education.	93.33	93.33	-
	Sunplus Prof-tek Technology (Shenzhen)	Development and sale of computer software and system integration services	100.00	100.00	-
	Sunplus Technology (Shanghai)	Manufacturing and sale of consumer and rental	100.00	100.00	-
	SunMedia Technology	Manufacturing and sale of computer software and system integration services	100.00	100.00	-
	Sunplus Technology (Beijing)	Manufacturing and sale of computer software and system integration services	100.00	100.00	-
Sunplus Technology (Shanghai)	Xiamen Xm-plus	Manufacturing and sale of computer software and system integration services	100.00	-	At the end December 2017, the establishment registration was completed.
Ytrip Technology	1culture Communication	Development and sale	100.00	100.00	-
Sunplus Venture	Jumplux Technology	Design of ICs	72.14	71.43	
	Han Young Technology	Design of ICs	70.00	70.00	-
	Sunext Technology Co., Ltd. (“Sunext”)	Design of ICs	6.98	6.98	Sunplus and its subsidiaries had 74.15% equity in Sunext.
	Generalplus Technology Inc.	Design of ICs	-	3.66	-
	Sunplus mMedia	Design of ICs	9.55	9.55	Sunplus and its subsidiaries had 100% equity in Sunplus mMedia.
	Sunplus Innovation	Design of ICs	5.64	5.67	Sunplus and its subsidiaries had 68.86% equity in Sunplus Innovation
	iCatch Technology, Inc.	Design of ICs	6.05	6.05	Sunplus and its subsidiaries had 45.44% equity in iCatch Technology, Inc.
Lin Shih	Generalplus Technology Inc.	Design of ICs	13.69	13.69	Sunplus and its subsidiaries had 47.99% equity in Generalplus.
	Sunext Technology	Design of ICs	5.29	5.29	Sunplus and its subsidiaries had 74.15% equity in Sunext.
	Sunplus mMedia	Design of ICs	3.25	3.25	Sunplus and its subsidiaries had 100% equity in Sunplus mMedia.
	Sunplus Innovation	Design of ICs	2.09	2.10	Sunplus and its subsidiaries had 68.86% equity in Sunplus Innovation
	iCatch Technology	Design of ICs	1.75	1.75	Sunplus and its subsidiaries had 45.44% equity in iCatch Technology, Inc. and the Group had controlling interest over iCatch Technology, Inc.; thus, the investee was included in the consolidated financial statements.
Sunplus mMobile	Sunplus mMobile SAS	Design of ICs	-	100.00	Sunplus mMobile SAS had been liquidated on January 2017.
Generalplus	Generalplus Samoa	Investment	100.00	100.00	-
Generalplus Samoa	Generalplus Mauritius	Investment	100.00	100.00	-
Generalplus Mauritius	Generalplus Shenzhen	After-sales service	100.00	100.00	-
	Generalplus HK	Sales	100.00	100.00	-

(Continued)

Name of Investor	Name of Investee	Main Businesses and Products	Percentage of Ownership December 31 2017	2016	Note
Wei-Young	Sunext Technology Co., Ltd.	Design of ICs	0.03	0.03	Sunplus and its subsidiaries had 74.15% equity in Sunext
Russell	Sunext Technology Co., Ltd.	Design of ICs	0.70	0.70	Sunplus and its subsidiaries had 74.15% equity in Sunext
Sunplus mMedia Inc.	Jumplux Technology	Design of ICs	22.86	22.86	Sunplus and its subsidiaries had 95.00% equity in Jumplux.
Award Glory	Sunny Fancy	Investment	100.00	100.00	-
Sunny Fancy	Giant Kingdom	Investment	100.00	100.00	-
	Giant Rock	Investment	100.00	100.00	The establishment registration was completed, but capital was not invested yet.
Giant Kingdom	Ytrip Technology	Web research and development	100.00	14.60	Sunplus and its subsidiaries had 83.40% equity in Ytrip Technology.

(Concluded)

The financial statements as of and for the years ended December 31, 2017 of the above subsidiaries except Sunplus Management Consulting had been audited by the auditors.

b. Subsidiary excluded from the consolidated financial statements

	The Voting Ratio of Noncontrolling Equity December 31 2017	2016
Company name		
Generalplus Technology Inc.	47.99%	48.35%

Refer to attachment 6 for registered countries and company information:

Company Name	Profits Attributed to Noncontrolling Interests Years Ended December 31 2017	2016	Noncontrolling Interests December 31 2017	2016
Generalplus Technology Inc.	$ 176,445	$ 199,087	$ 1,138,500	$ 1,060,094

The summarized financial information below represents amounts before intragroup eliminations.

	December 31 2017	2016
Current assets	$ 2,221,954	$ 2,195,024
Noncurrent assets	702,126	733,352
Current liabilities	668,110	675,737
Noncurrent liabilities	116,943	88,475
Equity	$ 2,139,027	$ 2,164,164
Equity attributable to:		
Owners of the Company	$ 1,000,527	$ 1,104,070
Noncontrolling interests	1,138,500	1,060,094
	$ 2,139,027	$ 2,164,164

	For the Years Ended December 31	
	2017	2016
Operating revenue	$ 3,151,900	$ 3,268,664
Net income	$ 359,245	$ 413,473
Other comprehensive income	(3,527)	(38,965)
Total other comprehensive income	$ 355,718	$ 374,508
Equity attributable to:		
Owners of the Company	$ 182,800	$ 214,386
Noncontrolling interests	176,445	199,087
	$ 359,245	$ 413,473
Total other comprehensive attributable to:		
Owners of the Company	$ 181,998	$ 194,252
Noncontrolling interests	173,720	180,256
	$ 355,718	$ 374,508
Cash flows		
Cash flows from operating activities	$ 275,392	$ 581,303
Cash flows used in investing activities	10,291	(153,892)
Cash flows used in financing activities	(333,788)	(390,739)
Effect of exchange rate changes on the balance of cash held in foreign currencies	281	(145)
Net cash outflow	$ (47,824)	$ 36,527
Dividend paid to noncontrolling interests		
Generalplus Technology Inc.	$ (184,157)	$ (167,356)

13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2017	2016
Investments in associates	$ 379,351	$ 323,912

a. Investments in associates

	December 31	
	2017	2016
Listed companies		
Global View Co., Ltd.	$ 379,351	$ 323,912

As the end of the reporting period, the proportion of ownership and voting rights in associates held by the Group were as follows:

	December 31	
Name of Associate	**2017**	**2016**
Global View Co., Ltd.	13%	13%

Refer to Table 6 following these Notes to Consolidated Financial Statements for information on the associates' business types, main operating locations and countries of registration.

The fair values of publicly traded investments accounted for using the equity method were based on the closing prices of those investments at the balance sheet date, as follows:

	December 31	
Name of Associate	**2017**	**2016**
Global View, Co., Ltd.	$ 392,134	$ 311,896

The summarized financial information of the Group's associates is set out below:

	December 31	
	2017	**2016**
Total assets	$ 2,062,675	$ 1,640,940
Total liabilities	$ 129,672	$ 132,352

	Years Ended December 31	
	2017	**2016**
Revenue	$ 188,461	$ 219,613
Profit for the period	$ 53,596	$ 69,013
Comprehensive income	$ 739,555	$ 73,316
Group's share of profits of associates	$ 91,044	$ 20,068

The investments accounted for by the equity method and the share of profit or loss and other comprehensive income of those investments for the year ended December 31, 2017 and 2016 was based on the associates' financial statements audited by the auditors for the same years.

b. Investments in jointly controlled entities

The Company signed an investment agreement with Silicon Integrated Systems Corp. on December 19, 2012. Both sides agreed to increase capital in Sunplus Core Inc. (renamed S2-Tek Inc. since March 11, 2013), which researches, develops, designs, and sells TV integrated circuits (ICs). The investment agreement was registered on January 21, 2013.

The Company had 99.98% equity in Sunplus Core Inc. before the investment agreement, but when the Company later subscribed for Sunplus Core Inc.'s additional new shares at a percentage different from its existing ownership percentage, the Company's equity decreased to 51.25%. When Sunplus Core Inc. changed its name to S2-Tek Inc. on January 21, 2013, a new investment agreement was made, which stated that the Company no longer had control over S2-Tek Inc. The Company continued to recognize this investment by the equity method.

Due to the market price competition and the resignation of R& D personnel, S2-Tek Inc. was not available to develop new product. Therefore, in the meeting on January 25, 2016, shareholders made a resolution to shut down the business.

SZ-Tech Inc. had been liquidated on May 3, 2016. The Company recognized $9,346 thousand loss on disposal of investment according to the estimated amount of surplus properties distributed less than the book value of the investment.

14. PROPERTY, PLANT AND EQUIPMENT

	Year Ended December 31, 2016									
	Buildings	Auxiliary equipment	Machinery and equipment	Testing equipment	Transportation equipment	Furniture and fixtures	Leasehold improvements	Other equipment	Construction in progress	Total
Cost										
Balance, beginning of year	$ 2,519,326	$ 221,075	$ 18,459	$ 502,632	$ 6,589	$ 252,178	$ 3,549	$ 23,727	$ 1,089,521	$ 4,637,056
Additions	-	17,369	1,569	94,726	950	14,385	532	399	4,426	134,356
Disposals	-	(11,491)	(1,491)	(30,812)	(1,680)	(6,629)	(647)	(123)	-	(52,873)
Reclassified to investment property	-	(19,197)	-	(16,205)	1,606	14,458	-	1,747	(1,061,106)	(1,078,697)
Effect of exchange rate changes	(98,398)	(4,873)	(2,376)	30,868	(445)	(13,416)	(150)	(4,472)	(32,816)	(126,078)
Balance, end of year	$ 2,420,928	$ 202,883	$ 16,161	$ 581,209	$ 7,020	$ 260,976	$ 3,284	$ 21,278	$ 25	$ 3,513,764
Accumulated depreciation										
Balance, beginning of year	$ 353,964	$ 84,778	$ 16,432	$ 384,626	$ 4,074	$ 199,788	$ 2,583	$ 16,218	$ -	$ 1,062,463
Depreciation expense	56,093	23,119	1,506	105,506	892	25,988	2,737	3,044	-	218,885
Disposals	-	(11,491)	(1,477)	(30,766)	(1,512)	(6,516)	(647)	(123)	-	(52,532)
Reclassified to investment property	-	-	-	(8,307)	-	7,981	-	326	-	-
Effect of exchange rate changes	(5,817)	(805)	(1,132)	29,836	(172)	(10,265)	(2,404)	(1,701)	-	7,540
Balance, end of year	$ 404,240	$ 95,601	$ 15,329	$ 480,895	$ 3,282	$ 216,976	$ 2,269	$ 17,764	$ -	$ 1,236,356
Accumulated impairment										
Balance, beginning of year										
Additions	$ -	$ -	$ -	$ 11,498	$ -	$ -	$ -	$ -	$ -	$ 11,498
Balance, end of year	$ -	$ -	$ -	$ 11,498	$ -	$ -	$ -	$ -	$ -	$ 11,498
Net, end of year	$ 2,016,688	$ 107,282	$ 832	$ 88,816	$ 3,738	$ 44,000	$ 1,015	$ 3,514	$ 25	$ 2,265,910

	Year Ended December 31, 2017									
	Buildings	Auxiliary equipment	Machinery and equipment	Testing equipment	Transportation equipment	Furniture and fixtures	Leasehold improvements	Other equipment	Construction in progress	Total
Cost										
Balance, beginning of year	$ 2,420,928	$ 202,883	$ 16,161	$ 581,209	$ 7,020	$ 260,976	$ 3,284	$ 21,278	$ 25	$ 3,513,764
Additions	-	14,060	1,144	74,072	1,612	10,862	640	698	-	103,086
Disposals	-	(8,772)	(2,430)	(53,855)	(221)	(12,586)	(506)	(62)	-	(78,432)
Reclassified to investment property	-	(23,676)	-	25	-	-	23,676	-	(25)	-
Effect of exchange rate changes	(13,579)	(6)	(256)	(35,001)	(565)	(1,369)	(742)	(142)	-	(51,148)
Balance, end of year	$ 2,407,349	$ 184,489	$ 15,131	$ 566,450	$ 7,846	$ 257,883	$ 26,352	$ 21,772	$ -	$ 3,487,272
Accumulated depreciation										
Balance, beginning of year	$ 404,240	$ 95,601	$ 15,329	$ 480,895	$ 3,282	$ 216,976	$ 2,269	$ 17,764	$ -	$ 1,236,356
Depreciation expense	53,059	25,593	702	84,445	977	22,113	453	1,099	-	188,441
Disposals	-	(8,772)	(2,353)	(53,190)	(216)	(10,926)	(506)	(62)	-	(76,025)
Reclassified to investment property	-	(2,762)	-	-	-	-	2,762	-	-	-
Effect of exchange rate changes	(497)	(163)	(178)	(33,737)	(487)	(1,839)	(283)	(32)	-	(37,152)
Balance, end of year	$ 456,802	$ 107,497	$ 13,500	$ 478,413	$ 3,556	$ 226,324	$ 4,695	$ 18,833	$ -	$ 1,311,620
Accumulated impairment										
Balance, beginning and end of year										
Additions	$ -	$ -	$ -	$ 11,498	$ -	$ -	$ -	$ -	$ -	$ 11,498
Net, end of year	$ 1,950,547	$ 74,992	$ 1,631	$ 76,539	$ 4,290	$ 31,559	$ 21,657	$ 2,939	$ -	$ 2,164,154

The above items of property, plant and equipment were depreciated on a straight-line basis over the following estimated useful lives:

Buildings	10-56 years
Auxiliary equipment	3-11 years
Machinery and equipment	3-10 years
Testing equipment	1-5 years
Transportation equipment	4-10 years
Furniture and fixtures	3-5 years
Leasehold improvements	3-11 years
Other equipment	3-10 years

Refer to Note 35 for the carrying amounts of property, plant and equipment that had been pledged by the Group to secure borrowings.

15. INVESTMENT PROPERTIES

Cost

Balance at January 1, 2016	$ 450,839
Additions	390
Reclassified	1,078,643
Effect of exchange rate differences	(84,879)
Balance at December 31, 2016	$ 1,444,993

Accumulated depreciation

Balance at January 1, 2016	$ (193,769)
Depreciation expense	(48,258)
Effect of exchange rate differences	15,938
Balance at December 31, 2016	(226,089)
	$ 1,218,904

Cost

Balance at January 1, 2017	$ 1,444,993
Additions	6,592
Reclassified	(268)
Effect of exchange rate differences	(6,256)
Balance at December 31, 2017	$ 1,435,061

Accumulated depreciation

Balance at January 1, 2017	$ (266,089)
Depreciation expense	(71,542)
Effect of exchange rate differences	1,621
Balance at December 31, 2017	(296,010)
	$ 1,139,051

The investment properties held by the Group were depreciated over their useful lives of 5 to 20 years, using the straight-line method.

The reclassification of the investment property in current period mainly consisted of the factory buildings constructed by SunMedia Technology at Chengdu in China. The construction was completed and officially operated in June 2016. The fair value of the investment properties had been determined on the basis of a valuation carried out at the reporting date December 31, 2017 and 2016 by Beijing Great wall joint property assessment limited liability company and Sichuan Wuyue joint property assessment limited liability company. The valuation was determined by the replacement cost method; the important assumptions in the valuation were as follows:

	December 31	
	2017	**2016**
Fair value	$ 1,667,833	$ 1,063,006

The fair value of the investment properties was based on a valuation carried out at the reporting date by the Suzhou Feng-Zheng PingGu Firm, independent qualified professional values not connected to the Group.

The valuation was determined by the income approach method on 2016 and was determined by the replacement cost method on 2015; the important assumptions in the valuation were as follows:

	December 31	
	2017	2016
Fair value	$ 2,310,166	$ 2,189,700
Residue Ratio		

16. INTANGIBLE ASSETS

	Year Ended December 31, 2016					
	Technology License Fees	Software	Patents	Goodwill	Technological Know-how	Total
Cost						
Balance at January 1	$ 680,811	$ 373,349	$ 114,229	$ 30,596	$ 2,460	$ 1,201,445
Additions	68,339	47,878	-	-	-	116,217
Decrease	(32,379)	(25,377)	-	-	-	(57,756)
Effect of exchange rate differences	(30)	(2,394)	-	-	-	(2,424)
Balance at December 31	$ 716,741	$ 393,456	$ 114,229	$ 30,596	$ 2,460	$ 1,257,482
Accumulated amortization						
Balance at January 1	$ 484,734	$ 337,281	$ 72,353	$ -	$ 2,460	$ 896,828
Amortization expense	75,155	35,567	6,738	-	-	117,460
Decrease	(32,379)	(25,069)	-	-	-	(57,448)
Effect of exchange rate differences	(4)	(1,514)	-	-	-	(1,518)
Balance at December 31	$ 527,506	$ 346,265	$ 79,091	$ -	$ 2,460	$ 955,322
Accumulated deficit						
Balance at January 1						
Addition	$ 111,136	$ -	$ -	$ -	$ -	$ 111,136
Balance at December 31	$ 111,136	$ -	$ -	$ -	$ -	$ 111,136
Carrying amounts at December 31, 2016	$ 78,099	$ 47,191	$ 35,138	$ 30,596	$ -	$ 191,024

	Year Ended December 31, 2017					
	Technology License Fees	Software	Patents	Goodwill	Technological Know-how	Total
Cost						
Balance at January 1	$ 716,741	$ 393,456	$ 114,229	$ 30,596	$ 2,460	$ 1,257,482
Additions	99,512	29,101	-	-	-	128,613
Decrease	(99,113)	(65,129)	-	-	(3,882)	(168,124)
Reclassified	44,922	(45,695)	271	-	-	(502)
Effect of exchange rate differences	370	(999)	10	-	1,422	(803)
Balance at December 31	$ 762,432	$ 310,734	$ 114,510	$ 30,596	$ -	$ 1,218,272

(Continued)

	Year Ended December 31, 2017					
	Technology License Fees	**Software**	**Patents**	**Goodwill**	**Technological Know-how**	**Total**
Accumulated amortization						
Balance at January 1	$ 527,506	$ 346,256	$ 79,091	$ -	$ 2,460	$ 955,322
Amortization expense	63,947	30,978	2,720	-	-	97,645
Decrease	(99,113)	(65,129)	-	-	(3,882)	(168,124)
Reclassified	36,268	(36,302)	34	-	-	-
Effect of exchange rate differences	64	(515)	1	-	1,422	972
Balance at December 31	$ 528,672	$ 275,297	$ 81,846	$ -	$ -	$ 885,815
Accumulated deficit						
Balance at January 1	$ 111,136	$ -	$ -	$ -	$ -	$ 111,136
Addition	3,613	-	21,577	-	-	25,190
Balance at December 31	$ 114,749	$ -	$ 21,577	$ -	$ -	$ 136,326
Carrying amounts at December 31, 2017	$ 119,011	$ 35,437	$ 11,087	$ 30,596	$ -	$ 196,131

(Concluded)

The company recognized impairment loss on above intangible assets ended December 31, 2017 was $25,190 thousand.

These intangible assets were depreciated on a straight-line basis over the useful lives of the assets, estimated as follows:

Technology license fees	1-10 years
Software	1-10 years
Patents	8-18 years
Technological know-how	5 years

17. OTHER ASSETS

	December 31	
	2017	**2016**
Current		
Other financial assets		
Pledged time deposits (a)	$ 291,373	$ 147,547
Other assets		
Pledged for EDA tools	$ 25,929	$ 29,985
Finance lease payables (c)	2,814	2,846
Prepayment for technical authorization	-	35,683
Others	72,218	73,694
	$ 100,961	$ 142,208

(Continued)

	December 31	
	2017	**2016**
Noncurrent		
Other financial assets		
Pledged time deposits (a)	$ 11,386	$ 13,148
Time deposits (b)	73,040	73,872
	$ 84,426	$ 87,020
Other assets		
Finance lease payables (c)	$ 107,113	$ 111,179
Refundable deposits	7,456	8,204
Others	11,370	12,014
	$ 125,939	$ 131,397

(Concluded)

a. Refer to Notes 31 and 35 for information on pledged time deposits.

b. Generalplus Shenzhen invested RMB16,000 thousand in long-term certificates of deposit with the bank in August 2016 (for durations of two to three years). The interest rates for such certificates of deposit are at fixed rates.

c. The amounts of the Group's finance lease payables for land grants in China as of December 31, 2017 and 2016 were $109,927 thousand and $114,025 thousand, respectively.

18. LOANS

Short-term borrowings

	December 31	
	2017	**2016**
Unsecured borrowings		
Bank loans	$ 444,111	$ 550,203

The weighted average effective interest rates for bank loans from January 1, 2017 to December 31, 2017 and from January 1, 2016 to December 31, 2016 were 1.80%-2.65% and 1.10%-2.40% per annum, respectively.

Long-term borrowings

The borrowings of the Group were as follows:

	Maturity Date	Significant Covenant	December 31 2017	December 31 2016
Floating rate borrowings				
Unsecured bank borrowings	2019.11.10	Repayable semiannually from November 2016	$ 200,000	$ 200,000
Secured bank borrowings	2017.10.14	Repayable in January 2019	149,143	160,140
Unsecured bank borrowings	2019.2.14	Repayable quarterly from February 2014	75,000	75,000
Unsecured bank borrowings	2018.2.10	Repayable quarterly from August 2015	-	437,500
Secured bank borrowings	2017.1.10	Repayable in January 2017	-	160,141
Secured bank borrowings	2017.12.18	Repayable in December 2017	-	160,141
Unsecured bank borrowings	2018.1.27	Repayable quarterly from July 2015	-	155,556
Secured bank borrowings	2017.3.16	Repayable semiannually from March 2012	-	77,776
			424,143	1,426,254
Less: Current portion			175,000	897,087
Long-term borrowings			$ 249,143	$ 529,167

The effective borrowing rates as of December 31, 2017 and 2016 were 1.545%-2.655% and 1.545%-2.800%.

The loan contracts require the Company to maintain certain financial ratios, such as debt ratio and current ratio as well as a restriction on net tangible assets in 2016. However, the Company's not being able to meet the ratio requirement would not be deemed to be a violation of the contracts. As of December 31, 2016, the Group was in compliance with these financial ratio requirements.

19. TRADE PAYABLES

	December 31 2017	December 31 2016
Accounts payable		
Payable - operating	$ 723,983	$ 732,964

The average credit period on purchases of certain goods was 30-60 days. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

20. PROVISIONS

	December 31 2017	December 31 2016
Customer returns and rebates	$ 11,555	$ 12,334

The provision for customer returns and rebates was based on historical experience, management's judgments and other known reasons estimated product returns and rebates may occur in the year. The provision was recognized as a reduction of operating income in the periods of the related goods sold.

21. OTHER LIABILITIES

	December 31	
	2017	2016
Current		
Other payables		
Salaries or bonuses	$ 347,067	$ 338,785
Compensation due to directors	85,979	100,673
Receipt in advance	51,096	71,683
Payable for royalties	38,743	54,790
Commissions payable	36,667	19,944
Labor/health insurance	28,702	27,208
Payables for purchases of equipment	23,444	20,316
Others	161,160	175,550
	$ 772,858	$ 808,949
Deferred revenue		
Arising from government grants (Note 29)	$ 1,663	$ 1,682
Noncurrent		
Arising from government grants (Note 29)	$ 64,844	$ 67,264

22. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

b. Defined benefit plans

Before the promulgation of the LPA, Sunplus, Generalplus, Sunext, Sunplus Innovation, Sunplus mMedia, Jumplux Technology and iCatch of the Group had a defined benefit pension plan under the Labor Standards Law. Under this plan, employees should receive either a series of pension payments with a defined annuity or a lump sum that is payable immediately on retirement and is equivalent to 2 base units for each of the first 15 years of service and 1 base unit for each year of service thereafter. The total retirement benefit is subject to a maximum of 45 units. The pension benefits are calculated on the basis of the length of service and average monthly salaries of the six month before retirement. In addition, the Group makes monthly contributions, equal to 2% of salaries, to a pension fund, which is administered by a fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name and are 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 actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out by qualifying actuaries. The principal assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2017	2016
Present value of funded defined benefit obligation	$ 290,833	$ 278,239
Fair value of plan assets	(191,869)	(185,639)
Net liabilities arising from defined benefit obligation	$ 98,964	$ 92,600

Movements in net defined benefit liabilities were as follows:

	Present Value of Funded Defined Benefit Obligation	Fair Value of Plan Assets	Net Defined Benefit Liabilities (Assets)
Balance at January 1, 2016	$ 277,337	$ 182,819	$ 94,518
Service cost			
Current service cost	1,018	-	1,018
Net interest expense (income)	4,739	3,224	1,515
Recognized gain and loss	5,757	3,224	2,533
Remeasurement			
Return on plan assets	-	(1,550)	1,550
Actuarial (gain) loss-experience adjustment	(384)	-	(384)
Actuarial (gain) loss-changes in demographic assumptions	182	-	182
Actuarial loss-changes in financial assumptions	4,775	-	4,775
Recognized in other comprehensive income	4,573	(1,550)	6,123
Contributions from employer	-	4,724	(4,724)
Benefit paid	(9,428)	(3,578)	(5,850)
Balance at December 31, 2016	$ 278,239	$ 185,639	$ 92,600
Balance at January 1, 2017	$ 278,239	$ 185,639	$ 92,600
Service cost			
Current service cost	771	-	771
Net interest expense (income)	4,357	2,993	1,364
Recognized gain and loss	5,128	2,993	2,135
Remeasurement			
Return on plan assets	-	(1,589)	1,589
Actuarial (gain) loss-experience adjustment	64	-	64
Actuarial (gain) loss-changes in demographic assumptions	2,530	-	2,530
Actuarial loss-changes in financial assumptions	4,872	-	4,872
Recognized in other comprehensive income	7,466	(1,589)	9,055
Benefit paid	-	4,826	(4,826)
Balance at December 31, 2017	$ 290,833	$ 191,869	$ 98,964

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

	For the Year Ended December 31	
	2017	2016
Operating costs	$ 273	$ 272
Selling and marketing expenses	251	306
General and administrative expenses	522	447
Research and development expenses	1,147	1,650
Net liability arising from defined benefit obligation	$ 2,193	$ 2,675

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

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

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

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

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

	December 31	
	2017	2016
Discount rate(s)	1.25%-1.50%	1.38%-1.90%
Expected rate(s) of salary increase	3.50%-6.25%	3.50%-6.25%
Resignation rate	0%-29%	0%-29%

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

	December 31, 2017	December 31, 2016
Discount rate(s)		
0.25% increase	$ (9,901)	$ (9,930)
0.25% decrease	$ 10,306	$ 10,385
Expected rate(s) of salary increase		
1% increase	$ 40,268	$ 42,338
1% decrease	$ (35,114)	$ (36,083)

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

	December 31	
	2017	2016
The expected contributions to the plan for the next year	$ 4,829	$ 4,687
The average duration of the defined benefit obligation	14-18 years	13-18 years

23. EQUITY

a. Share capital

1) Common shares:

	December 31	
	2017	2016
Numbers of shares authorized (in thousands)	1,200,000	1,200,000
Shares authorized	$ 12,000,000	$ 12,000,000
Number of shares issued and fully paid (in thousands)	591,995	591,995
Shares issued	$ 5,919,949	$ 5,919,949

Fully paid common shares, which have a par value of $10, carry one vote per share and carry a right to dividends.

Of the Group's authorized shares, 80,000 thousand shares had been reserved for the issuance of convertible bonds and employee share options.

2) Global depositary receipts

In March 2001, Sunplus issued 20,000 thousand units of global depositary receipts (GDRs), representing 40,000 thousand common shares that consisted of newly issued and originally outstanding shares. The GDRs are listed on the London Stock Exchange (code: SUPD) with an issuance price of US$9.57 per unit. As of December 31, 2017, the outstanding 175 thousand units of GDRs represented 350 thousand common shares.

b. Capital surplus

For each class of capital surplus, a reconciliation of the carrying amounts at the beginning and at the end of December 31, 2017 and 2016 was as follows:

	December 31	
	2017	2016
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (a)		
Arising from the issuance of common shares	$ 496,059	$ 703,376
Arising from the acquisition of a subsidiary	157,423	157,423
The difference between consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	140,293	10,625
May be used to offset a deficit only		
From treasury share transactions	41,466	39,686
	$ 835,241	$ 911,110

a) When the Company has no deficit, such capital surplus may be distributed as cash dividends, or may be transferred to share capital once a year and within a certain percentage of the Company's capital surplus.

c. Retained earnings and dividend policy

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to shareholders and do not include employees. The shareholders held their regular meeting on June 13, 2016 and, in that meeting, had resolved amendments to the Company's Articles of Incorporation (the "Articles"), particularly the amendment to the policy on dividend distribution and the addition of the policy on distribution of employees' compensation.

Under the dividend policy as set forth in the amended Articles, Sunplus shall appropriate from annual net income less any accumulated deficit: (a) 10% as legal reserve; and (b) special reserve equivalent to the debit balance of any accounts shown in the shareholders' equity section of the balance sheet, other than deficit.

Under the approved shareholders' resolution, the current year's net income less all the foregoing appropriations and distributions, plus the prior years' unappropriated earnings may be distributed as additional dividends. Sunplus' policy is that cash dividends should be at least 10% of total dividends distributed. However, cash dividends will not be distributed if these dividends are less than NT$0.5 per share.

Under the regulations promulgated, a special reserve equivalent to the debit balance of any account shown in the shareholders' equity section of the balance sheet (for example, unrealized loss on financial assets and cumulative translation adjustments) should be allocated from unappropriated retained earnings. For the policies on distribution of employees' compensation and remuneration to directors before and after amendment, refer to Note 25-g.

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

The Company appropriates or reverses a special reserve in accordance with Rule No. 1010012865 and Rule No. 1010047490 issued by the FSC and the directive entitled "Questions and Answers on Special Reserves Appropriated Following the Adoption of IFRSs". Distributions can be made out of any subsequent reversal of the debit to other equity items.

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

The appropriations from the 2016 and 2015 earnings were approved at the shareholders' meetings in June 2017 and on June 13, 2016, respectively. The appropriations, including dividends, were as follows:

	Appropriation of Earnings		**Dividends Per Share (NT$)**	
	For Year 2017	**For Year 2016**	**For Year 2017**	**For Year 2016**
Legal reserve	$ 9,974	$ 58,935		
Special reserve	1,068	4,094		
Cash dividend	88,681	526,875	$ 0.1498	$ 0.89

The Company's shareholders also proposed in the shareholders' meeting on June 13, 2017 to issue cash dividends from capital surplus of $207,317 thousand.

The appropriations of earnings, the bonuses for employees, and the remuneration of directors for 2016 are subject to resolution in the shareholders' meeting to be held on March 14, 2018.

	Appropriation of Earnings	**Dividends Per Share (NT$)**
Legal reserve	$ 41,321	$
Special reserve	44,284	
Cash dividend	327,551	0.5533

The Company's board of directors also proposed in the shareholders' meeting on March 14, 2018 to issue cash dividends from capital surplus of $86,846 thousand.

The appropriation of earnings for 2017 is subject to resolution in the shareholders' meeting to be held on June 11, 2018.

d. Special reserve

	For the Year Ended December 31	
	2017	**2016**
Beginning at January 1	$ 21,927	$ 17,833
Appropriations in respect of		
Others (subsidiaries' holding of Sunplus' shares)	1,068	4,094
Balance at December 31	$ 22,995	$ 21,927

e. Other equity items

1) Foreign currency translation reserve:

	For the Year Ended December 31	
	2017	**2016**
Balance at January 1	$ (62,062)	$ 97,509
Exchange differences on translating foreign operations	(59,220)	(149,205)
Share of exchange differences of associates accounted for using equity method	(818)	(10,366)
Balance at December 31	$ (122,100)	$ (62,602)

2) Unrealized gain (loss) from available-for-sale financial assets:

	For the Year Ended December 31	
	2017	**2016**
Balance at January 1	$ 306,462	$ 233,983
Changes in fair value of available-for-sale financial assets	356,999	190,894
Cumulative (gain)/loss reclassified to profit or loss on sale of available-for-sale financial assets	(610,076)	(191,293)
Reclassified adjustments to profit or loss on impairment of available-for-sale financial assets	-	72,921
Share of unrealized gain on revaluation of available-for-sale financial assets of associates accounted for using the equity method	6,453	(43)
Balance at December 31	$ 59,938	$ 306,462

f. Noncontrolling interests

	For the Year Ended December 31	
	2017	**2016**
Balance at January 1	$ 1,663,923	$ 1,695,228
Attributable to no controlling interests:		
Share of profit for the year	129,770	152,319
Exchange difference on translation foreign operations	(3,771)	(17,248)
Unrealized losses on available-for-sale financial assets	(3,772)	(765)
Actuarial gains on defined benefit plans	(400)	(1,933)
Associate’s distribution of dividends	(200,179)	(191,451)
Partial disposal of subsidiaries	88,842	8,082
Noncontrolling interests - restricted shares options held by subsidiaries’ employees	142	7,198
Noncontrolling interests related to outstanding vested share options held by the employees of subsidiaries	78	690
Others	2,356	11,803
Balance at December 31	$ 1,677,049	$ 1,663,923

g. Treasury shares

Purpose of Buyback	Shares Transferred to Employees (In Thousands of Shares)	Shares Held by Its Subsidiaries (In Thousands of Shares)	Total (In Thousands of Shares)
Number of shares as of January 1, 2016	-	3,560	3,560
Decrease	-	-	-
Number of shares as December 31, 2016	-	3,560	3,560
Number of shares as of January 1, 2017	-	3,560	3,560
Decrease	-	-	-
Number of shares as December 31, 2017	-	3,560	3,560

The Group's shares held by its subsidiaries at the end of the reporting periods were as follows:

Purpose of Buyback	Shares Transferred to Employees (in Thousands of Shares)	Shares Held by Its Subsidiaries (in Thousands of Shares)	Total (in Thousands of Shares)
December 31, 2017			
Lin Shin Investment Co., Ltd	3,560	$ 63,401	$ 58,384
December 31, 2016			
Lin Shin Investment Co., Ltd	3,560	$ 63,401	$ 40,406

Under the Securities and Exchange Act, Sunplus should neither pledge treasury shares nor exercise shareholders' rights on these shares, such as rights to dividends and to vote.

24. REVENUE

	For the Year Ended December 31	
	2017	2016
Revenue from IC	$ 6,419,659	$ 7,067,015
Rental income from property	216,055	198,761
Other	184,523	290,269
	$ 6,820,237	$ 7,556,045

25. NET PROFIT

Net profit included the following items:

Other income

	For the Year Ended December 31	
	2017	2016
Dividend income	$ 23,230	$ 33,909
Interest income	22,111	25,230
Others	52,344	51,897
	$ 97,685	$ 111,036

Other gains and losses

	For the Year Ended December 31	
	2017	2016
Gain on disposal of investment	$ 642,140	$ 184,568
Net gain on financial assets designated as at FVTPL	4,901	400
Net foreign exchange loss	(64)	(61,434)
Net loss on non-financial assets	(25,190)	-
Impairment loss on available-for-sale financial assets	(203,363)	(110,703)
Others	6,543	9,784
	$ 424,967	$ 22,615

Finance costs

	For the Year Ended December 31	
	2017	2016
Interest on bank loans	$ 25,833	$ 38,366
Other finance costs	393	1,426
	$ 26,226	$ 39,792

Information on capitalized interest is as follows:

	For the Year Ended December 31	
	2017	2016
Capitalized interest	$ -	$ 4,127
Capitalization rate	-	2.69%

Depreciation and amortization

	For the Year Ended December 31	
	2017	**2016**
Property, plant and equipment	$ 188,441	$ 218,885
Investment property	71,542	48,258
Intangible assets	97,645	117,460
	$ 357,628	$ 384,603
An analysis of depreciation by function		
Operating costs	$ 79,327	$ 56,779
Operating expenses	180,656	210,364
	$ 259,983	$ 267,143
An analysis of amortization by function		
Operating costs	$ 629	$ 911
Selling expenses	100	98
Administrative expenses	7,067	16,085
Research and development expenses	89,849	100,366
	$ 97,645	$ 117,460

Operating expenses directly related to investment properties

	For the Year Ended December 31	
	2017	**2016**
Direct operating expenses from investment property that generated rental income	$ 77,210	$ 54,979
Direct operating expenses from investment property that did not generate rental income	255,303	256,869
	$ 332,513	$ 311,848

Employee benefit expense

	For the Year Ended December 31	
	2017	**2016**
Short-term benefits	$ 1,841,778	$ 1,923,960
Post-employment benefits		
Defined contribution plans	54,695	55,405
Defined benefit plans	21,193	2,675
Other employee benefits	56,888	26,433
Share-based payments		
Equity-settled	220	730
Other employee benefits	18,521	25,703
Total employee benefit expense	$ 1,917,407	$ 2,008,473

(Continued)

	For the Year Ended December 31	
	2017	**2016**
An analysis of employee benefit expense by function		
Operating costs	$ 157,293	$ 137,985
Operating expenses	1,760,114	1,870,488
	$ 1,917,407	$ 2,008,473

(Concluded)

Employees' compensation and remuneration of directors

The Company resolved amendments to its Articles of Incorporation to distribute employees' compensation and remuneration directors at rates of no less than 1% and no higher than 1.5%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. The employees' compensation and remuneration of directors for the years ended December 31, 2017 and 2016, which have been approved by the Company's board of directors on March 14, 2018 and March 15, 2017, respectively, were as follows:

Accrual rate

	For the Year Ended December 31	
	2017	**2016**
Employees' compensation	1%	1%
Remuneration of directors	1.5%	1.5%

Amount

	For the Year Ended December 31			
	2017		**2016**	
	Cash	**Shares**	**Cash**	**Shares**
Employees' compensation	$ 4,243	$ -	$ 1,242	$ -
Remuneration of directors	6,484	-	1,863	-

If there is a change in the proposed amounts after the annual consolidated financial statements are 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 of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2016 and 2015.

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

Gain or loss on exchange rate changes

	For the Year Ended December 31	
	2017	2016
Exchange rate gains	$ 181,405	$ 146,196
Exchange rate losses	(181,469)	(207,630)
	$ (64)	$ (61,434)

26. INCOME TAXES

Income tax recognized in profit or loss

The major components of tax expense were as follows:

	For the Year Ended December 31	
	2017	2016
Current tax		
In respect of the current year	$ 92,937	$ 81,254
Adjustments for prior periods	(7,310)	1,937
	85,627	83,191
Deferred tax		
In respect of the current year	(2,200)	10,470
Income tax expense recognized in profit or loss	$ 83,427	$ 93,661

A reconciliation of accounting profit and current income tax expenses is as follows:

	Years Ended December 31	
	2017	2016
Profit before tax	$ 634,655	$ 366,167
Income tax expense at the 17% statutory rate	$ 107,891	$ 62,248
Different statutory rate in other jurisdictions	3,258	4,115
Tax effect of adjusting items:		
Nondeductible expenses in determining taxable income	(125,363)	(286)
Temporary differences	37,484	(16,002)
Tax-exempt income	-	(16)
Additional income tax on unappropriated earnings	-	866
Unrecognized temporary differences	(876)	1,280
Additional income tax under the Alternative Minimum Tax Act	9,471	298
Current investment credit	(3,306)	-
Effects of consolidated income tax filing	(40)	(67)
Current income tax expense	28,518	52,436
Deferred income tax expense		
Temporary differences	(2,200)	10,470
Loss carryforwards	-	-
Unrecognized loss carryforwards	64,418	27,929
Adjustments for prior years' tax	(7,310)	1,937
Foreign income tax expense	-	889
Income tax expense recognized in profit or loss	$ 83,427	$ 93,661

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

In February 2018, it was announced that the Income Tax Act in the ROC was amended and, starting from 2018, the corporate income tax rate will be adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings will be reduced from 10% to 5%. Deferred tax assets recognized as at December 31, 2017 are expected to be adjusted and increase by $5,509 thousand in 2018.

As the status of the 2018 appropriation of earnings is uncertain, the potential income tax consequences of the 2017 unappropriated earnings are not reliably determinable.

Current tax assets and liabilities

	December 31	
	2017	**2016**
Current tax assets		
Tax refund receivable	$ 3,431	$ 3,372
Current tax liabilities		
Income tax payable	$ 60,946	$ 42,184

Deferred tax assets and liabilities

The Group offset certain deferred tax assets and deferred tax liabilities that met the offset criteria.

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2017

Deferred Tax Assets	**Opening Balance**	**Recognized in Profit or Loss**	**Exchange Differences**	**Closing Balance**
Temporary differences				
Unrealized loss on inventories	$ 18,669	$ 1,244	$ -	$ 19,913
Fixed assets	2,992	(2,128)	-	864
Unrealized sales	622	36	-	658
Exchange (gains) losses	(1,326)	402	-	(924)
Other	8,058	2,646	-	10,704
	$ 29,015	$ 2,200	$ -	$ 31,215

For the year ended December 31, 2016

Deferred Tax Assets	Opening Balance	Recognized in Profit or Loss	Exchange Differences	Closing Balance
Temporary differences				
Unrealized loss on inventories	$ 22,867	$ (4,198)	$ -	$ 18,669
Fixed assets	4,407	(1,415)	-	2,992
Unrealized sales	378	244	-	622
Exchange losses (gains)	1,651	(2,977)	-	(1,326)
Other	10,182	(2,124)	-	8,058
	$ 39,485	$ (10,470)	$ -	$ 29,015

Unrecognized deferred tax assets

Loss Carryforwards	December 31 2017	December 31 2016
Expiry in 2017	$ -	$ 661,349
Expiry in 2018	200,391	200,391
Expiry in 2019	257,108	257,108
Expiry in 2020	251,700	251,700
Expiry in 2021	551,637	551,637
Expiry in 2022	536,364	536,364
Expiry in 2023	1,486,011	1,486,011
Expiry in 2024	65,199	65,199
Expiry in 2025	49,489	49,489
Expiry in 2026	139,632	137,824
Expiry in 2027	130,842	-
	$ 3,668,373	$ 4,197,072
Deductible temporary differences	$ 510,560	$ 404,516

Unused loss carryforwards and tax-exemptions

Loss carryforwards as of December 31, 2017 pertaining to Sunplus:

Unused Amount	Expiry Year
$ 190,618	2019
211,457	2020
322,509	2021
394,894	2022
1,163,758	2023
$ 2,283,236	

Loss carryforwards as of December 31, 2017 pertaining to Sunplus Venture:

Unused Amount	Expiry Year
$ 57,004	2018
30,907	2019
17,891	2020
4,863	2022
92,197	2023
$ 202,862	

Loss carryforwards as of December 31, 2017 pertaining to Lin Shin:

Unused Amount	Expiry Year
$ 33,437	2018
9,864	2019
39,908	2023
$ 83,209	

Loss carryforwards as of December 31, 2017 pertaining to Sunext:

Unused Amount	Expiry Year
$ 18,351	2018
120,088	2021
100,760	2022
159,490	2023
31,147	2024
975	2025
$ 430,811	

Loss carryforwards as of December 31, 2017 pertaining to iCatch:

Unused Amount	Expiry Year
$ 84,081	2026
62,122	2027
$ 146,203	

Loss carryforwards as of December 31, 2017 pertaining to Sunplus mMedia:

Unused Amount	Expiry Year
$ 91,599	2018
25,719	2019
22,352	2020
109,040	2021
35,847	2022
30,658	2023
29,360	2024
27,164	2025
11,155	2026
9,379	2027
$ 392,273	

Loss carryforwards as of December 31, 2017 pertaining to Jumplux:

Unused Amount	Expiry Year
$ 4,692	2024
21,350	2025
44,396	2026
59,341	2027
$ 129,779	

The income from the following projects is exempt from income tax for five years. The related tax-exemption periods are as follows:

Project	Tax Exemption Period
Sunplus	
Thirteenth expansion	January 1, 2013 to December 31, 2017
Fourteenth expansion	January 1, 2015 to December 31, 2019
Fifteenth expansion	January 1, 2015 to December 31, 2019
Generalplus	
Fifth expansion	January 1, 2013 to December 31, 2017
Sunplus Innovation	
Second expansion	January 1, 2013 to December 31, 2017

	December 31	
	2017	2016
Unappropriated earnings		
Generated before January 1, 1998	$ -	$ -
Generated on and after January 1, 1998	-	99,738
	$ (Note)	$ 99,738
Shareholder-imputed credits account	$ - (Note)	$ 243,091

	For the Year Ended December 31	
	2017	2016
Creditable ratio for distribution of earnings	(Note)	21.19%

Note: Since the amended Income Tax Act announced in February 2018 abolished the imputation tax system, related information for 2017 is not applicable.

Income tax assessments

The income tax returns of Sunplus, Sunplus mMobile, Generaplus, through 2013 and Sunplus Innovation, Sunplus mMedia, Sunplus management Consulting, Wei-Yough, Lin Shih, Sunplus Venture, Sunext and iCatch through 2015 had been assessed by the tax authorities.

27. EARNINGS PER SHARE

Unit: NT$ Per Share

	For the Year Ended December 31	
	2017	2016
Basic gain per share	$ 0.72	$ 0.20
Diluted earnings per share	$ 0.72	$ 0.20

The earnings and weighted average number of common shares outstanding in the computation of earnings per share were as follows:

Net profit for the year

	Years Ended December 31	
	2017	2016
Profit for the year attributable to owners of the Company	$ 421,458	$ 120,187
Effect of potentially dilutive common shares		
Bonuses for employees	-	-
Earnings used in the computation of diluted EPS from continuing operations	$ 421,458	$ 120,187

Weighted average number of common shares outstanding (in thousand shares):

	For the Year Ended December 31	
	2017	2016
Weighted average number of common shares used in the computation of basic earnings per shares	588,435	588,435
Effect of dilutive potential common shares:		
Bonuses issued to employees	284	215
Weighted average number of common shares used in the computation of diluted earnings per share	588,719	588,650

The Company can settle bonus or remuneration to employees in cash or shares. If the Company decides to use shares in settling the entire amount of the bonus or remuneration the resulting potential shares will be included in the weighted average number of shares outstanding to be used in computation of diluted earnings per share, if the effect is dilutive. This dilutive effect of the potential shares will be included in the computation of diluted earnings per share until the number of shares to be distributed to employees is determined in the following year.

28. SHARE-BASED PAYMENT ARRANGEMENTS

Employee share option plan

In their meeting on June 28, 2012, the shareholders of Sunplus Innovation Techology Inc. (SITI) approved a plan on a restricted employee share option plan (ESOP), through which employees would receive 2,400 thousand shares amounting to $24,000 thousand, with no up-front cost and at a par value of $10.00; the Financial Supervisory Commission approved this plan on June 28, 2012.

On August 7, 2013, under the board of directors' approval, SITI executed the restricted ESOP, through which employees received 1,000 thousand shares at a par value of $10.00 with no up-front cost. The shares were issued and granted on August 15, 2013, with the fair value of $8.7699.

In their meeting on April 18, 2014, the shareholders of Sunplus Innovation Technology Inc. (SITI) approved the second plan of the restricted employee share option plan (ESOP), through which employees would receive 1,400 thousand shares amounting to $14,000 thousand, with no up-front cost and at a par value of $10.00. The shares were issued and granted on April 18, 2014, with the fair value of $6.0599.

Under the restricted ESOP, employees who are still employed by SITI and pass the annual performance appraisal are eligible for a certain percentage of shareholding, as stated below.

a. 50% shareholding ratio after the second anniversary from the grant date;

b. 50% of the shareholding ratio after the third anniversary from the grant date.

The restrictions under the ESOP are as follows:

a. During the duration of the restricted ESOP, the employee may not sell, discount, transfer, grant, enact, or by any other method dispose of the shares.

b. During the duration of the restricted ESOP, employees will still receive share and/or cash dividends, and also have rights to join the capital increase by cash plan (if any).

c. Shares must be handed over to the trustees after the publication of the ESOP, and the Company may not request a return of the ESOP before the realization of the vesting conditions. If employees fail to meet the vesting conditions, SITI has the right to take back and cancel the limited employee share options, but the Company will still grant employees share and cash dividends generated during the vesting period.

Information about the Sunplus Innovation's restricted share option plan for the year ended December 31, 2017 and 2016 was as follows:

	Number of Restricted Shares (In Thousands)	
	2017	2016
Balance at January 1	234	844
Vested	(234)	(575)
Retired	-	(35)
Balance at December 31	-	234

iCatch Technology Inc.

iCatch Technology Inc. had authorized 5,929 and 1,571 thousand units of employee share options as of September 2013 ("2013 option plan") and August 2014 ("2014 option plan"), respectively, and each unit provided the holder with the right to acquire 1,000 shares. Share options were given to employees who satisfied specific conditions. The options are valid for six years and exercisable at certain percentages after the second anniversary of the grant date. Exercise price was $10 per share. If there is any changes of common shares after granted date, the option exercise price will be adjusted.

Information about the iCatch's outstanding options for the year ended December 31, 2017 and 2016 was as follows:

	2017		2016	
	Number of Options (In Thousands)	Weighted-average Exercise Price (NT$)	Number of Options (In Thousands)	Weighted-average Exercise Price (NT$)
Balance at January 1	5,743	$ 10	6,199	$ 10
Retirement	(193)	10	(387)	10
Options granted	-	-	(69)	-
Balance at December 31	5,550	10	5,743	10
Options exercisable, end of period	3,893		2,324	

As of December 31, 2017, information about iCatch's 2013 option plan outstanding and exercisable options was as follows:

	December 31	
	2017	2016
Exercise price (NT$/share)	$ 10	$ 10
Remaining contractual life (years)	1.7	2.7

As of December 31, 2017, information about iCatch's 2013 option plan outstanding and exercisable options was as follows:

	December 31	
	2017	2016
Exercise price (NT$/share)	$ 10	$ 10
Remaining contractual life (years)	2.6	3.6

Options granted were priced using the Black-Scholes pricing model and the inputs to the model were as follows:

	First Time	Second Time
Grant-date share price (NT$)	$ 3.25	$ 2.22
Exercise price (NT$)	10	10
Expected volatility	31.89%	45.42%
Expected dividend yield	-	-
Expected life (years)	4.375	4.375
Risk-free interest rate	1.67%	1.59%

29. GOVERNMENT GRANTS

In August 2013, Sun Media Technology Co., Ltd. received a government grant amounting to RMB 16,390 thousand ($79,213 thousand) for the purchase of land on which to build a plant. This amount, which was recognized as deferred revenue, will be recognized in profit or loss over the useful life of the land.

The total revenue recognized as profit for the years ended December 31, 2017 and 2016 was $1,641 and $1,766 thousand, respectively.

The Company, H.P.B. Optoelectronics Co., Ltd. and National Yunlin University Science and Technology Department of Electronic Engineering signed the contract of "The program of HD and 3D mobile panoramic assist system with real time correction" with the Hsinchu Science Park Administration, MOST, in July 2015. The government grants will be distributed to those organizations based on the process of the program. The program duration is from July 1, 2015 to June 30, 2016. As of December 31, 2017, the government grants received amounted to $2,468 thousand and were classified as nonoperating income and gains.

30. NON-CASH TRANSACTIONS

In April 2016, the Group disposed of 0.1% of its interest in Generalplus Technology Inc., reducing its controlling interest from 52.04% to 51.94%.

In August 2016, the Group disposed of 0.29% of its interest in Generalplus Technology Inc., reducing its controlling interest from 51.94% to 51.65%.

In June 2017, the Group subscribed for additional new shares of Jumplux Technology Limited at a percentage different from its existing ownership percentage and increased its controlling interest from 94.29% to 95.00%.

In October 2017, the Group disposed of 3.66% of its interest in Generalplus Technology Inc., reducing its controlling interest from 51.65% to 47.99%.

The above transactions were accounted for as equity transactions since the Group did not cease to have control over these subsidiaries.

2017

	Generalplus	Jumplux
Cash consideration received or paid	$ 219,242	$ (1,000)
Changes in noncontrolling interests calculated by changes in the proportionate interests of subsidiaries' book value of the assets	(88,842)	268
Differences in equity transactions	$ 130,400	$ (732)
Adjustments for differences in equity transactions		
Difference between consideration and carrying amount of acquired or disposed of subsidiaries	$ 130,400	$ (732)

2016

	Generalplus
Cash consideration received or paid	$ 18,844
Changes in noncontrolling interests calculated by changes in the proportionate interests of subsidiaries' book value of the assets	(8,219)
Differences in equity transactions	$ 10,625
Adjustments for differences in equity transactions	
Difference between consideration and carrying amount of acquired or disposed of subsidiaries	$ 10,625

31. OPERATING LEASE ARRANGEMENTS

The Group as lessee

Operating leases relate to leases of land with lease terms between 2 and 20 years. The Group does not have a bargain purchase option to acquire the leased land at the expiry of the lease periods.

Sunplus

The Company leases lands from Science-Based Industrial Park Administration (SBIPA) under renewable agreements expiring in December 2020, December 2021 and December 2034. The SBIPA has the right to adjust the annual lease amount. The amount was $8,259 thousand for the period ended. The Company had pledged $6,100 thousand time deposits (classified as other noncurrent financial assets) as collateral for the land lease agreements.

Future annual minimum rentals under the leases are as follows:

	December 31	
	2017	2016
Up to 1 year	$ 8,259	$ 7,781
Over 1 year to 5 years	23,855	29,091
Over 5 years	39,901	40,660
	$ 72,015	$ 77,532

Sunplus Innovation

Sunplus Innovation leases office from Science-Based Industrial Park Administration (SBIPA) under renewable agreements expiring in December 2018. The SBIPA has the right to adjust the annual lease amount of $5,459 thousand.

The future lease payables are as follows:

	December 31	
	2017	2016
Up to 1 year	$ 5,489	$ 5,489
Over 1 year to 5 years	-	5,489
	$ 5,489	$ 10,978
Refundable deposits	$ 910	$ 910

Generalplus Technology Inc.

Generalplus leases land from Science-Based Industrial Park Administration under renewable agreements expiring in December 2020. The SBIPA has the right to adjust the annual lease amount of $1,458 thousand. Generalplus deposited $3,000 thousand (classified as other noncurrent financial assets) as collateral for the land lease agreements.

Future annual minimum rentals under the leases are as follows:

	December 31	
	2017	2016
Up to 1 year	$ 1,458	$ 1,458
Over 1 year to 5 year	2,916	4,374
	$ 4,374	$ 5,832

iCatch Technology, Inc. ("iCatch")

iCatch lease offices from Siming Inc. and Siha Inc. under renewable agreements expiring in February 2017; the lease payments in 2016 were $2,093 thousand and $1,390 thousand, respectively.

The future lease payments are as follows:

	December 31	
	2017	2016
Up to 1 year	$ 581	$ 3,483
Over 1 year to 5 years	-	581
	$ 581	$ 4,064
Refundable deposits	$ 521	$ 521

The Group as lessor

Sunplus Technology (Shanghai)

Operating leases relate to the investment property owned by the Group with lease terms between 1to 5years. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have a bargain purchase option to acquire the property at the expiry of the lease period.

As of December 31, 2017 and 2016, deposits received under operating leases amounted to $37,439 thousand and $34,752 thousand, respectively.

The future minimum lease payments for non-cancellable operating lease are as follows:

	December 31	
	2017	2016
Up to 1 year	$ 97,784	$ 119,361
Over 1 year to 5 years	37,218	62,163
	$ 135,002	$ 181,524

SunMedia Technology

Operating leases relate to the investment property owned by the Group with lease terms 15 years. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have a bargain purchase option to acquire the property at the expiry of the lease period.

As of December 31, 2017 and 2016, deposits received under operating leases amounted to $6,848 thousand and $6,926 thousand, respectively.

The future minimum lease payments of non-cancellable operating lease were as follows:

	December 31	
	2017	2016
Up to 1 year	$ 83,978	$ 89,934
Over 1 to 5 years	440,026	346,718
Over 5 years	684,521	875,572
	$ 1,208,525	$ 1,307,224

32. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Group consists of [net debt (borrowings offset by cash and cash equivalents) and equity of the Group (comprising issued capital, reserves, retained earnings and other equity) attributable to owners of the Group.

The Group is not subject to any externally imposed capital requirements.

33. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments that are not measured at fair value

Except as detailed in the following table, the management considers that the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair values.

December 31, 2017

	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets					
Financial assets carried at cost	$ 519,259	$ -	$ -	$ -	$ -

December 31, 2016

	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets					
Financial assets carried at cost	$ 689,261	$ -	$ -	$ -	$ -

b. Fair value of financial instruments that are measured at fair value on recurring basis.

1) Fair value hierarchy

December 31, 2017

	Level 1	Level 2	Level 3	Total
Unlisted debt securities				
other countries	$ 9,468	-	-	$ 9,468
Financial assets at FVTPL				
Securities listed in ROC	-	89,280	-	89,280
	$ 9,468	$ 89,280	$ -	$ 98,748
Available-for-sale financial assets				
Mutual funds	$ 1,396,116	$ -	$ -	$ 1,396,116
Quoted shares	426,678	-	-	426,678
	$ 1,822,794	$ -	$ -	$ 1,822,794

December 31, 2016

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Securities listed in ROC	$ 106,573	$ -	$ -	$ 106,573
Available-for-sale financial assets				
Mutual funds	$ 1,329,829	$ -	$ -	$ 1,329,829
Quoted shares	943,100	-	-	943,100
	$ 2,272,929	$ -	$ -	$ 2,272,929

There were no transfers between Levels 1 and 2 in the current and prior periods.

2) Valuation techniques and assumptions for the purpose of measuring fair value

Financial Instruments	Valuation Techniques and Inputs
Unlisted debt securities - other countries	Based on the observable market, comparable industries are selected according to the economic situation and industrial characteristics, and fair value is calculated by adopting a value multiplier highly relevant to the underlying instrument.

c. Categories of financial instruments

	December 31	
	2017	**2016**
<u>Financial assets</u>		
Fair value through profit or loss (FVTPL)		
Held for trading	$ 98,748	$ 106,573
Loans and receivables (i)	5,901,870	6,247,008
Available-for-sale financial assets (ii)	2,342,053	2,962,190
<u>Financial liabilities</u>		
Measured at amortized cost (iii)	1,822,939	2,909,277

i) The balances included loans and receivables measured at amortized cost, which comprise cash and cash equivalents, refundable deposit, debt investments with no active market, trade and other receivables, and other financial assets. Those reclassified to held-for-sale disposal groups are also included.

ii) The balance included available - for - sale financial assets carried at cost.

iii) The balances included financial liabilities measured at amortized cost, which comprised short-term and long-term loans, guarantee deposits, trade and other payables, and long-term liabilities -current portion.

d. Financial risk management objectives and policies

The Group's major financial instruments included equity and debt investments, trade receivable, trade payables, bonds payable, borrowings and convertible notes. The Group's corporate treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Corporate Treasury function reported quarterly to the Group's risk management committee.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below). The Group entered into a variety of derivative financial instruments to manage its exposure to foreign currency risk and interest rate risk, including:

a) Foreign currency risk

A part of the Group’s cash flows is in foreign currency, and the use by management of derivative financial instruments is for hedging adverse changes in exchange rates, not for profit.

For exchange risk management, each foreign-currency item of net assets and liabilities is reviewed regularly. In addition, before obtaining foreign loans, the Group considers the cost of the hedging instrument and the hedging period.

The carrying amounts of the Group's foreign currency-denominated monetary assets and monetary liabilities (including those eliminated on consolidation) at the end of the reporting period were refer to Note 36.

Sensitivity analysis

The Group was mainly exposed to the USD and RMB.

The following table details the Group’s sensitivity to a US$1.00 and a RMB1.00 increase and decrease in New Taiwan dollars (the functional currency) against the relevant foreign currencies. US$1.00 and RMB1.00 are the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management’s assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items and foreign currency forward contracts designated as cash flow hedges, and adjusts their translation at the end of the reporting period. The number below indicates a decrease in post-tax loss/an increase in post-tax profit associated with New Taiwan dollars strengthen 1 dollar against the relevant currency.

	USD Impact	
	Years Ended December 31	
	2017	**2016**
Profit or loss	$ (17,986)	$ 5,164

	RMB Impact	
	Years Ended December 31	
	2017	**2016**
Profit or loss	$ (1,159)	$ (1,281)

b) Interest rate risk

The Group was exposed to interest rate risk because entities in the Group borrowed funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix of fixed and floating rate borrowings, and using interest rate swap contracts and forward interest rate contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite, ensuring the most cost-effective hedging strategies are applied.

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	
	2017	**2016**
Fair value interest rate risk		
Financial assets	$ 2,878,159	$ 3,149,092
Financial liabilities	191,761	176,756
Cash flow interest rate risk		
Financial assets	1,566,070	1,808,818
Financial liabilities	676,493	1,799,701

Sensitivity analysis

The sensitivity analyses below were determined based on the Group's exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. Basis points of 0.125% increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

Had interest rates increased/decreased by 0.125% and all other variables held constant, the Group's post-tax profit for the years ended December 31, 2017 and 2016 would increase/decrease by $1,122 thousand and $11 thousand, respectively.

c) Other price risk

The Group was exposed to equity price risk through its investments in listed equity securities. Equity investments are held for strategic rather than trading purposes. The Group does not actively trade these investments.

The sensitivity analyses below were determined based on the exposure to equity price risks at the end of the reporting period.

Had equity prices been 1% higher/lower, post-tax profit for the years ended December 31, 2017 and 2016 would have increased/decreased by $18,228 thousand and $22,729 thousand, respectively.

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. As at the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group is arising from the carrying amount of the respective recognized financial assets as stated in the balance sheets.

In order to minimize credit risk, the management of the Group has delegated a team responsible for determination of 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 impairment losses are made for irrecoverable amounts. In this regard, the directors of the Group consider that the Group's credit risk was significantly reduced.

The credit risk on liquid funds and derivatives was limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Trade receivables consisted of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of trade receivables and, where appropriate, credit guarantee insurance cover is purchased.

The Group's concentration of credit risk of 61% and 62% in total trade receivables as of December 31, 2017 and 2016, respectively, was related to the five largest customers within the property construction business segment.

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As of December 31, 2017 and 2016, the Group had available unutilized overdraft and financing facilities refer to the following instruction.

a) Liquidity and interest risk rate tables

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The tables included both interest and principal cash flows.

December 31, 2017

	On Demand or Less than 1 Month	1-3 Months	More than 3 Months to 1 Year	Over 1 Year to 5 Years	5+ Years
Nonderivative financial liabilities					
Noninterest bearing	$ 497,278	$ 409,619	$ 752	$ 39,605	$ -
Variable interest rate liabilities	246	-	175,000	100,000	-
Fixed interest rate liabilities	59,533	-	-	11,090	153,723
	$ 557,057	$ 409,619	$ 175,752	$ 150,695	$ 153,723

December 31, 2016

	On Demand or Less than 1 Month	1-3 Months	More than 3 Months to 1 Year	Over 1 Year to 5 Years	5+ Years
Nonderivative financial liabilities					
Noninterest bearing	$ 309,511	$ 538,459	$ 552,687	$ 32,001	$ -
Variable interest rate liabilities	117,232	96,528	720,743	915,954	-
Fixed interest rate liabilities	-	406	79,074	101,114	142,694
	$ 426,743	$ 635,393	$ 1,352,504	$ 1,049,069	$ 142,694

b) Financing facilities

	December 31	
	2017	2016
Unsecured bank overdraft facility		
Amount used	$ 710,776	$ 1,865,538
Amount unused	4,829,399	4,463,984
	$ 5,540,175	$ 6,329,522

34. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries had been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

a. Name and relationship of related parties

Name	Relationship with the Group
Global View Co., Ltd.	Associates
Beijing Golden Global View Co., Ltd.	Associates
S2-TEK INC.	Joint ventures (Note)

Note: S2-TEK INC. was liquidated in May 3, 2016.

b. Sales of goods

		For the Year Ended December 31	
Line Items	Related Party Categories	2017	2016
Sales	Associates	$ 296	$ 371
	Joint ventures	-	219
		$ 296	$ 590

Sales price to related parties is based on cost and market price. The sales terms to related parties were similar to those with external customers.

c. Receivables from related parties (excluding loans to related parties)

		December 31	
Account Item	Related Party	2017	2016
Trade receivables	Associates	$ -	$ 187

There were no guarantees on outstanding receivables from related parties. For the years ended December 31, 2017 and 2016, no impairment loss was recognized for trade receivables from related parties.

d. Other transactions with related parties

		December 31	
Account Item	Related Parties Types	2017	2016
Refundable deposits	Associates	$ 888	$ -
Operating expenses	Associates	$ 5,017	$ -
Nonoperating income and expenses	Joint ventures	$ -	$ 1,808

Administrative support services price between the Company and the related parties were negotiated and were thus not comparable with those in the market.

The pricing and the payment terms of the lease contract between the Company and the related parties were similar to those with external customers.

e. Compensation of key management personnel

	For the Years Ended December 31	
	2017	2016
Short-term employee benefits	$ 59,185	$ 81,414
Post-employment benefits	1,515	1,340
	$ 60,700	$ 82,754

The remuneration of directors and other key management personnel was determined by the Compensation Committee in accordance with individual performance and market trends.

35. PLEDGED OR MORTGAGED ASSETS

Certain assets pledged or mortgaged as collaterals for long-term bank loans, commercial paper payable, import duties, operating lease and administrative remedies for certificate of no overdue taxes were as follows:

	December 31	
	2017	2016
Buildings, net	$ 634,538	$ 653,940
Pledged time deposits (classified as other financial assets, including current and noncurrent)	302,759	160,695
Subsidiary's holding of Sunplus' shares	-	38,413
	$ 937,297	$ 853,048

36. EXCHANGE RATE OF FINANCIAL ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The significant financial assets and liabilities denominated in foreign currencies were as follows:

December 31, 2017

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 47,338	29.760	$ 1,408,779
HKD	13,832	3.807	52,658
CNY	5,011	4.565	22,875
JPY	607	0.264	160
GBP	3	40.110	120
EUR	1	35.57	36

(Continued)

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
Nonmonetary items			
USD	$ 3,000	29.760	$ 89,280
USD	501	30.571	15,316
CHF	510	30.179	15,391
Financial liabilities			
Monetary items			
USD	29,352	29.760	873,516
CNY	3,852	4.565	17,584
EUR			

(Concluded)

December 31, 2016

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 50,750	32.250	$ 1,636,688
HKD	13,836	4.158	57,530
CNY	4,045	4.617	18,676
JPY	768	0.265	204
GBP	3	39.610	119
EUR	2	33.900	68
Nonmonetary items			
USD	1,000	32.250	32,250
USD	637	30.249	19,272
EUR	510	30.179	15,391
Financial liabilities			
Monetary items			
USD	55,914	32.250	1,803,227
CNY	2,764	4.617	12,761
EUR	22	33.90	746

The foreign currency exchange loss and gain (realized and unrealized) were amounted to $64 thousand and $61,434 thousand for the ended December 31, 2017 and 2016, respectively. Due to the diversity of the functional currencies of the Group, it is unable to disclose foreign currency with significant influence.

37. ADDITIONAL DISCLOSURES

a. Following are the additional disclosures required for the Group and its investees by the Securities and Futures Bureau:

   1) Financings provided: Table 1 (attached)

   2) Endorsement/guarantee provided: Table 2 (attached)

   3) Marketable securities held: Table 3 (attached)

   4) Marketable securities acquired and disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital: Table 4 (attached)

   5) Intercompany relationships and significant intercompany transactions: Table 5 (attached)

   6) Information on investee: Table 6 (attached)

b. Information on investments in mainland China

   1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 7)

   2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: (Table 8)

      a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.

      b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.

      c) The amount of property transactions and the amount of the resultant gains or losses.

      d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.

      e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.

      f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services.

   Except for Table 1 to Table 8, there’s no further information about other significant transactions.

38. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on types of goods provided. Since all products have similar economic characteristics and product selling is centralized, the Group reports information as referring to one segment. Thus, the information of the operating segment is the same as that presented in the accompanying financial statements. That is, the revenue by sub segment and operating results for the years ended December 31, 2017 and 2016 are shown in the accompanying consolidated income statements, and the assets by segment as of December 31, 2017 and 2016 are shown in the accompanying consolidated balance sheets.

a. Segment revenues and results

The following was an analysis of the Group's operating revenue and results by reportable segment.

	Segment Revenue	
	For the Year Ended December 31	
	2017	2016
IC design	$ 6,429,596	$ 7,067,015
Income from lease of property, plant, and equipment	216,055	198,761
Other income	174,586	290,269
	$ 6,820,237	$ 7,556,045

b. Geographical information

The Group operates in two principal geographical areas - the Asia and Taiwan.

The Group's revenue from external customers by location of operations and information about its noncurrent assets by location of assets is detailed below.

	Revenue from External Customers		Noncurrent Assets	
	For the Year Ended December 31		For the Year Ended December 31	
	2017	2016	2017	2016
Asia	$ 4,594,885	$ 5,200,032	$ 1,217,087	$ 2,256,136
Taiwan	2,154,290	2,216,397	1,143,198	1,419,702
Others	71,062	139,616	-	-
	$ 6,820,237	$ 7,556,045	$ 2,360,285	$ 3,675,838

Noncurrent assets exclude noncurrent assets held for sale, financial instruments, deferred tax assets, post-employment benefits assets, and assets result from insurance contracts.

c. Information about major customers

Single customers contributing 10% or more to the Group's revenue were as follows:

	For the Year Ended December 31	
	2017	2016
Customer A	$ 1,084,015	$ 1,163,359
Customer B	798,635	N/a (Note)
Customer C	658,358	N/a (Note)

Note: The revenue contributed does not reach 10% of the Group's revenue.

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

FINANCINGS PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate	Nature of Financing	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Bad Debt	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limit
													Item	Value		
1	Ventureplus Cayman Inc.	Sun Media Technology Co., Ltd.	Other receivables	Yes	$ 113,558	$ -	$ -	-	Note 1	$ -	Note 2	$ -	-	$ -	$ 148,970 (Note 9)	$ 297,940 (Note 9)
2	Sunplus Technology (Shanghai) Co., Ltd.	Sunplus Prof-tek Technology (Shenzhen)	Receivables from related parties	Yes	14,985	-	-	1.8%	Note 1	-	Note 3	-	-	-	310,937 (Note 10)	310,937 (Note 10)
2	Sunplus Technology (Shanghai) Co., Ltd.	Sunplus Technology (Beijing)	Receivables from related parties	Yes	28,836	4,617	4,617	1.8%	Note 1	-	Note 4	-	-	-	310,937 (Note 10)	310,937 (Note 10)
2	Sunplus Technology (Shanghai) Co., Ltd.	Sunplus APP Technology	Receivables from related parties	Yes	24,219	13,851	13,851	1.8%	Note 1	-	Note 5	-	-	-	25,911 (Note 11)	51,823 (Note 11)
2	Sunplus Technology (Shanghai) Co., Ltd.	Sun Media Technology Co., Ltd.	Receivables from related parties	Yes	211,761	138,510	138,510	1.8%	Note 1	-	Note 6	-	-	-	310,937 (Note 10)	310,937 (Note 10)
3	Russell Holdings Ltd.	Sun Media Technology Co., Ltd.	Receivables from related parties	Yes	306,092	271,613	271,613	1.7%	Note 1	-	Note 7	-	-	-	416,688 (Note 12)	416,688 (Note 12)
4	Sunplus Venture Capital Co., Ltd.	Sun Media Technology Co., Ltd.	Receivables from related parties	Yes	169,491	169,491	169,491	1.5%	Note 1	-	Note 8	-	-	-	366,277 (Note 13)	366,277 (Note 13)

Note 1: Short-term financing.

Note 2: Ventureplus Cayman Inc. provided funds for the operating needs of Sun Media Technology Co., Ltd.

Note 3: Sunplus Technology (Shanghai) Co., Ltd. provided funds for the operating needs of Sunplus Prof-tek Technology (Shenzhen).

Note 4: Sunplus Technology (Shanghai) Co., Ltd. provided funds for the operating needs of Sunplus Technology (Beijing).

Note 5: Sunplus Technology (Shanghai) Co., Ltd. provided funds for the operating needs of Sunplus APP Technology.

Note 6: Sunplus Technology (Shanghai) Co., Ltd. provided funds for the operating needs of Sun Media Technology Co., Ltd.

Note 7: Russell Holdings Ltd. provided funds for the operating needs of Sun Media Technology Co., Ltd.

Note 8: Sunplus Venture Capital provided funds for the operating needs of Sun Media Technology Co., Ltd.

Note 9: The foreign company has voting shares that are directly and indirectly wholly owned by the Company's parent company. The total amount of all guarantees issued should not exceed 20% of Ventureplus Cayman Inc.'s net equity based on its latest financial statements, and the individual amount of each guarantee should not exceed 10% of Ventureplus Cayman Inc.'s net equity based on its latest financial statements; in addition, each guarantee's period should not exceed two years.

Note 10: The foreign company has voting shares that are directly and indirectly wholly owned by the Company's parent company. The total amount of all guarantees issued and the individual amount of each guarantee should not exceed 60% of Sunplus Technology (Shanghai) Co., Ltd.'s net equity as of its latest financial statements; in addition, each guarantee's period should not exceed two years.

Note 11: The aggregate amount of all guarantees issued should not exceed 10% of the net equity of Sunplus Technology (Shanghai) Co., Ltd. ("Sunplus Shanghai"), and the individual amount of each guarantee should not exceed 5% of Sunplus Shanghai's net equity, with net equity based on its latest financial statements.

Note 12: The foreign company has voting shares that are directly and indirectly wholly owned by the Company's parent company. The total amount of all guarantees issued and the individual amount of each guarantee should not exceed 80% of Russell Holdings Ltd.'s net equity as of its latest financial statements; in addition, each guarantee's period should not exceed two years.

Note 13: The total amount of all guarantees issued and the individual amount of each guarantee should not exceed 40% of Sunplus Venture Capital Co., Ltd.'s net equity as of its latest financial statements.

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

ENDORSEMENT/GUARANTEE PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Endorser/ Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party	Maximum Balance for the Period	Ending Balance	Actual Borrowing Amount	Value of Collateral Property, Plant, or Equipment	Percentage of Accumulated Amount of Collateral to Net Equity of the Latest Financial Statement	Maximum Collateral/Guarantee Amounts Allowable	Provided by the Company	Guarantee Provided by the Subsidiary	Guarantee Provided to a Subsidiary Located in Mainland China
		Name	Nature of Relationship										
0 (Note1)	Sunplus Technology Company Limited (“Sunplus”)	Ventureplus Cayman Inc.	3 (Note 4)	$ 896,624 (Note 5)	$ 161,400	$ 160,075	$ -	$ -	1.79	$ 1,793,247 (Note 6)	Yes	No	No
		Sun Media Technology Co., Ltd.	3 (Note 4)	896,624 (Note 5)	226,055	226,055	-	-	2.52	1,793,247 (Note 6)	Yes	No	Yes
		Jumplux Technology Co., Ltd.	3 (Note 4)	896,264 (Note 5)	-	-	-	-	-	1,793,247 (Note 6)	Yes	No	No
		Ytrip Technology Co., Ltd.	3 (Note 4)	896,624 (Note 5)	121,780	121,780	60,890	60,890	1.36	1,793,247 (Note 6)	Yes	No	Yes
		Sunext Technology Co., Ltd.	2 (Note 3)	896,624 (Note 5)	10,000	10,000	-	-	0.11	1,793,247 (Note 6)	Yes	No	No
1 (Note2)	RUSSELL HOLDINGS LTD.	Sun Media Technology Co., Ltd.	3 (Note 4)	312,516 (Note 7)	316,025	316,025	159,300	159,300	55.1	312,516 (Note 7)	No	No	Yes

Note 1: Issuer.

Note 2: Investee.

Note 3: The endorser directly holds more than 50% of the common shares of the endorsee.

Note 4: Sunplus and its subsidiaries jointly hold more than 50% of the common shares of the endorsee.

Note 5: For each transaction entity, the guarantee amount should not exceed 10% of the endorsement/guarantee provider’s net equity based on the provider’s latest financial statements.

Note 6: The guarantee amount should not exceed 20% of the endorsement/guarantee provider’s net equity based on the provider’s latest financial statements.

Note 7: The guarantee amount should not exceed 60% of the endorsement/guarantee provider’s net equity based on the provider’s latest financial statements.

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Security	Relationship with the Holding Company	Financial Statement Account	December 31, 2017				Note
				Shares or Units (Thousands)	Carrying Amount	Percentage of Ownership (%)	Market Value or Net Asset Value	
Sunplus Technology Company Limited (the "Company")	Fund							
	Nomura Taiwan Money Market	-	Available-for-sale financial assets	616	$ 10,000	-	$ 10,000	Note 3
	Yuanta De-Bac Money Market	-	Available-for-sale financial assets	4,188	50,048	-	50,048	Note 3
	FSITC RMB Money Market	-	Available-for-sale financial assets	5,387	52,832	-	52,832	Note 3
	Mega Diamond Money Market	-	Available-for-sale financial assets	13,197	164,508	-	164,508	Note 3
	Yuanta AUD Money Market	-	Available-for-sale financial assets	2,000	19,644	-	19,644	Note 3
	UPAMC James Bond Money Market	-	Available-for-sale financial assets	1,851	30,757	-	30,757	Note 3
	Yuanta USDMoney Market TWD	-	Available-for-sale financial assets	1,083	9,956	-	9,956	Note 3
	Jih Sun Money Market	-	Available-for-sale financial assets	3,420	56,363	-	56,363	Note 3
	Mega RMB Money Market	-	Available-for-sale financial assets	466	24,059	-	24,059	Note 3
	Taishin China-US Money Market	-	Available-for-sale financial assets	3,000	29,519	-	29,519	Note 3
	Yuanta RMB Money Market CNY	-	Available-for-sale financial assets	470	23,945	-	23,945	Note 3
	Yuanta Global USD Corporate Bond	-	Available-for-sale financial assets	2,000	19,120	-	19,120	Note 3
	PineBridge Preferred Securities Inc.	-	Available-for-sale financial assets	2,946	29,786	-	29,786	Note 3
	Yuanta USD Money Market USD	-	Available-for-sale financial assets	100	30,204	-	30,204	Note 3
	Prudential Financial RMB Money Market TWD	-	Available-for-sale financial assets	5,810	57,262	-	57,262	Note 3
	Pictet-Security R I	-	Available-for-sale financial assets	2	59,520	-	59,520	Note 3
	Yuanta Emerging Indonesia and India 4 years Bond Fund	-	Available-for-sale financial assets	1,500	14,915	-	14,915	Note 3
	Share							
	Technology Partners Venture Capital Corp.	-	Financial assets carried at cost	-		-		Note 1
	Network Capital Global Fund	-	Financial assets carried at cost	380	3,800	7	3,800	Note 1
	Availin Inc.	-	Financial assets carried at cost	9,039	93,123	17	93,123	Note 1
	Triknight Capital Corporation	-	Financial assets carried at cost	10,500	105,000	5	105,000	Note 1
	Broadcom Corporation	-	Financial assets carried at cost	4	-	-	-	Note 1
Lin Shih Investment Co., Ltd.	Fubon SSE	-	Available-for-sale financial assets	780	24,976	-	24,976	Note 3
	Fubon SZSE	-	Available-for-sale financial assets	2,180	25,135	-	25,135	Note 3
	CTBC Global iSport Fund	-	Available-for-sale financial assets	1,000	9,990	-	9,990	Note 3
	Paradigm Pion Money Market Fund	-	Available-for-sale financial assets	870	10,001	-	10,001	Note 3
	Advanced Semiconductor Engineering, Inc.	-	Available-for-sale financial assets	2,200	83,930	-	83,930	Note 2
	Taiwan Mask Corp.	-	Available-for-sale financial assets	1,301	23,418	-	23,418	Note 2
	Ruentex Material Co., Ltd.	-	Available-for-sale financial assets	20	350	-	350	Note 2
	Asolid Technology Co., Ltd.	-	Available-for-sale financial assets	134	5,179	-	5,179	Note 2
	Croup Up Industrial Co., Ltd.	-	Available-for-sale financial assets	45	2,881	-	2,881	Note 2
	Ability Enterprise Co., Ltd.	-	Available-for-sale financial assets	5,434	108,132	2	108,132	Note 2

(Continued)

Holding Company Name	Type and Name of Marketable Security	Relationship with the Holding Company	Financial Statement Account	December 31, 2017				Note
				Shares or Units (Thousands)	Carrying Amount	Percentage of Ownership (%)	Market Value or Net Asset Value	
Lin Shih Investment Co., Ltd.	Sunplus Technology Co., Ltd.	Parent company	Available-for-sale financial assets	3,560	$ 58,384	1	$ 58,384	Note 2
	Everlight Electronics Co., Ltd.-CB	-	Financial assets at fair value through profit or loss - current	80	7,984	-	7,984	Note 2
	Laster Tech Corporation Ltd.-CB	-	Financial assets at fair value through profit or loss - current	15	1,484	-	1,484	Note 2
	Minton Optic Industry Co., Ltd.	-	Financial assets carried at cost	4,272	-	7	-	Note 1
	Genius Vision Digital Co., Ltd.	-	Financial assets carried at cost	600	-	4	-	Note 1
	Chain Sea Information Integration Co., Ltd.	-	Financial assets carried at cost	69	1,121	-	1,121	Note 1
	Ortery Technologies, Inc.	-	Financial assets carried at cost	103	-	1	-	Note 1
Russell Holdings Limited	Share							
	OZ Optics Limited	-	Financial assets carried at cost	1,000	-	8	-	Note 1
	Asia B2B on Line Inc.	-	Financial assets carried at cost	1,000	-	3	-	Note 1
	Ortega InfoSystem, Inc.	-	Financial assets carried at cost	2,557	-	-	-	Note 1
	Ether Precision Inc.	-	Financial assets carried at cost	1,250	-	1	-	Note 1
	Innobrige International Inc.	-	Financial assets carried at cost	4,000	-	15	-	Note 1
	Synerchip Inc.	-	Financial assets carried at cost	6,452	-	12	-	Note 1
	Asia Tech Taiwan Venture, L.P.		Financial assets carried at cost	-	-	5	-	Note 1
	Innobrige Venture Fund ILP	-	Financial assets carried at cost	-	-	-	-	Note 1
Sunplus Venture Capital Co., Ltd.	Share							
	Yuanta De-Bao Money Market Fund	-	Available-for-sale financial assets	3,360	40,149	-	40,149	Note 3
	Fubon Financial Holding Co., Ltd.	-	Available-for-sale financial assets	1,100	56,277	-	56,277	Note 2
	Cathay Financial Holding Co., Ltd.	-	Available-for-sale financial assets	1,075	57,513	-	57,513	Note 2
	China Development Financial Holding Co., Ltd.	-	Available-for-sale financial assets	5,789	58,758	-	58,758	Note 2
	Taiwan Mask Corp.	-	Available-for-sale financial assets	1,308	23,544	-	23,544	Note 2
	Black Rock TwD Money Market Fund	-	Available-for-sale financial assets	7,745	100,020	-	100,020	Note 2
	Cathay China A50	-	Available-for-sale financial assets	1,201	25,473	-	25,473	Note 2
	Taiwan Environment Scientific Co., Ltd.	-	Available-for-sale financial assets	176	6,696	-	6,696	Note 2
	eWave System, Inc.	-	Financial assets carried at cost	1,833	-	22	-	Note 1
	Information Technology Total Services	-	Financial assets carried at cost	51	-	-	-	Note 1
	Book4u Company Limited	-	Financial assets carried at cost	9	-	-	-	Note 1
	VenGlobal International Fund	-	Financial assets carried at cost	1	-	-	-	Note 1
	Simple Act Inc.	-	Financial assets carried at cost	1,900	-	10	-	Note 1
	Feature Integration Technology Inc.	-	Financial assets carried at cost	1,386	16,215	4	16,215	Note 1
	Cyberon Corporation	-	Financial assets carried at cost	1,521	13,691	18	13,691	Note 1
	Minton Optic Industry Co., Ltd.	-	Financial assets carried at cost	5,000	-	8	-	Note 1
	Sanjet Technology Corp.	-	Financial assets carried at cost	49	-	-	-	Note 1
	Genius Vision Digital	-	Financial assets carried at cost	750	2,400	5	2,400	Note 1
	Raynergy Tek Inc.	-	Financial assets carried at cost	4,500	34,785	17	34,785	Note 1
	Ortery Technologies, Inc.	-	Financial assets carried at cost	68	-	1	-	Note 1
	Dawning Leading Technology Inc.	-	Financial assets carried at cost	3,101	17,487	1	17,487	Note 1
	Qun-Kin Venture Capital	-	Financial assets carried at cost	3,000	30,000	6	30,000	Note 1
	Grand Fortune Venture Capital Co., Ltd.	-	Financial assets carried at cost	5,000	50,000	7	50,000	Note 1
	TIEF Fund I LP	-	Financial assets carried at cost	-	46,957	7	46,957	Note 1
	Intudo Ventures I LP	-	Financial assets carried at cost	-	15,730	12	15,730	Note 1
	CDIB Capital Growth Partners L.P.	-	Financial assets carried at cost	-	28,752	-	28,752	Note 1

(Continued)

Holding Company Name	Type and Name of Marketable Security	Relationship with the Holding Company	Financial Statement Account	December 31, 2017 Shares or Units (Thousands)	Carrying Amount	Percentage of Ownership (%)	Market Value or Net Asset Value	Note
Sunplus Technology (Shanghai) Co., Ltd.	GF Money Market Fund	-	Available-for-sale financial assets	16,645	$ 76,778 (RMB 16,819)	-	$ 76,778 (RMB 16,819)	Note 3
	GF Every Day The Red Haired Type Money Market Fund	-	Available-for-sale financial assets	1,000	4,585 (RMB 1,004)	-	4,585 (RMB 1,004)	Note 3
	Chongquing CYIT Communication Technology Co., Ltd.	-	Financial assets carried at cost	-	-	3	-	Note 1
	Ready Sun Investment Group Fund	-	Financial assets carried at cost	-	45,650 (RMB 10,000)	16	45,650 (RMB 10,000)	Note 1
Generalplus Technology Inc.	Jih Sun Money Market	-	Available-for-sale financial assets	1,361	20,040	-	20,040	Note 3
	Franklin Templeton SinoAm Money Market	-	Available-for-sale financial assets	11,743	120,638	-	120,638	Note 3
	Yuanta De-Li Money Market Fund	-	Available-for-sale financial assets	629	10,190	-	10,190	Note 3
iCatch Technology Inc.	Franklin Templeton SinoAm Money Market	-	Available-for-sale financial assets	986	10,128	-	10,128	Note 3
Sunplus Innovation Technology Inc.	<u>Fund</u>							
	Mega Diamond Money Market	-	Available-for-sale financial assets	810	10,097	-	10,097	Note 3
	Yuanta USD Money Market TWD	-	Available-for-sale financial assets	14,304	131,473	-	131,473	Note 3
	Yuanta RMB Money Market	-	Available-for-sale financial assets	916	9,642	-	9,642	Note 3
	Yuanta USD Money Market USD	-	Available-for-sale financial assets	299	90,363	-	90,363	Note 3
	<u>Share</u>							
	Advanced NuMicro System, Inc.	-	Financial assets carried at cost	2,000	4,122	9	4,122	Note 1
	Advanced Silicon SA	-	Financial assets carried at cost	1,000	15,391	10	15,391	Note 1
	Point Grab Ltd.	-	Financial assets carried at cost	182	-	2	-	Note 1
Magic Sky Limited	GTA Co., Ltd.-CB	-	Financial assets at fair value through profit or loss - current	-	89,280 (US$ 3,000)	-	89,280 (US$ 3,000)	Note 2

Note 1: The market value was based on carrying amount as of December 31, 2017.

Note 2: The market value was based on the closing price as of December 31, 2017.

Note 3: The market value was based on the net asset value of the fund as of December 31, 2017.

Note 4: The exchange rate was based on the exchange rate as of December 31, 2017.

(Concluded)

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST $100 MILLION OR 20% OF THE PAID-IN CAPITAL
YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Type and Issuer of Marketable Security	Financial Statement Account	Counterparty	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares/Units (Thousands)	Amount	Shares/Units (Thousands)	Amount	Shares/Units (Thousands)	Amount	Carrying Amount	Gain (Loss) on Disposal	Shares/Units (Thousands)	Amount
Sunplus Technology Company Limited	Tatung Company	Available-for-sale financial assets	-	-	46,094	$ 439,741 (Note 1)	-	$ -	46,094	$ 702,307 (Note 2)	$ 235,542	$ 466,765	-	$ -

Note 1: The amount included the unrealized gains and losses of available-for-sale financial assets.

Note 2: The price includes the amount of the deducted and sold shares.

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Counterparty	Flow of Transaction (Note 5)	Intercompany Transactions			
			Financial Statement Account Item	Amount	Terms	Percentage of Consolidated Total Gross Sales or Total Assets
Sunplus Technology Co., Ltd. (the “Company”)	Generalplus Technology Inc.	1	Sales	$ 4,138	Note 1	0.06%
			Nonoperating income and gains	42	Note 2	-
			Notes and trade receivables	410	Note 1	-
	Sunext Technology Co., Ltd.	1	Sales	1,195	Note 1	0.02%
			Nonoperating income and gains	10,968	Notes 2 and 4	0.16%
			Notes and trade receivables	336	Note 1	-
			Other receivables	1,905	Note 3	0.01%
	Sunplus Innovation Technology Inc.	1	Sales	424	Note 1	0.01%
			Nonoperating income and gains	3,801	Note 2	0.06%
			Notes and trade receivables	74	Note 1	-
			Other receivables	636	Note 3	-
	iCatch Technology, Inc.	1	Sales	14,320	Note 1	0.21%
			Nonoperating income and gains	15,227	Note 3	0.22%
			Notes and trade receivables	2,525	Note 1	0.02%
			Other receivables	2,549	Note 3	0.02%
	Jumplux Technology Co., Ltd.	1	Sales	8,713	Note 1	0.13%
			Nonoperating income and gains	11,421	Notes 2 and 4	0.17%
			Notes and trade receivables	1,147	Note 1	0.01%
			Other receivables	1,860	Note 3	0.01%
	Sunplus mMedia Inc.	1	Nonoperating income and gains	1,692	Notes 2 and 4	0.02%
			Other receivables	894	Note 3	0.01%
Sunplus Innovation Technology Inc.	Sun Media Technology Co., Ltd.	2	Accrued expenses	829	Note 3	0.01%
			Marketing expenses	2,809	Note 2	0.04%
	Sunplus Prof-tek (Shenzhen) Co., Ltd.	2	Accrued expenses	6,357	Note 3	0.05%
			Marketing expenses	21,355	Note 2	0.31%
Generalplus Technology Inc.	Generalplus Technology (Hong Kong) Inc.	2	Marketing expenses	11,975	Note 2	0.18%
			Other accrued expenses	1,857	Note 3	0.01%
	Generalplus Technology (Shenzhen) Inc.	2	Research and development expenses	86,444	Note 2	1.27%
			Other accrued expenses	51,044	Note 3	0.33%
	Sunplus Innovation Technology Inc.	2	Sales	10	Note 1	0.06%
			Notes and trade receivables	10	Note 1	0.43%
iCatch Technology, Inc.	Sunplus Prof-tek (Shenzhen) Co., Ltd.	2	Accrued expenses	7,860	Note 3	0.06%
			Marketing expenses	29,106	Note 2	0.43%
	Sunplus Technology (Beijing)	2	Accrued expenses	235	Note 3	-
			Research and development expenses	1,447	Note 2	0.02%
	Sun Media Technology Co., Ltd.	2	Accrued expenses	927	Note 3	0.01%
			Marketing expenses	9,963	Note 2	0.15%

(Continued)

Company Name	Counterparty	Flow of Transaction (Note 5)	Intercompany Transactions			
			Financial Statement Account Item	**Amount**	**Terms**	**Percentage of Consolidated Total Gross Sales or Total Assets**
Sunext Technology Co., Ltd.	Sunplus Technology (Beijing)	2	Accrued expenses	$ 653	Note 3	-
			Research and development expenses	1,566	Note 2	0.02%
Sunplus Technology (Shanghai) Co., Ltd.	SunMedia Technology Co., Ltd.	2	Other receivables	136,950	Note 3	1.02%
			Other payable	541	Note 3	-
			Nonoperating income and gains	2,079	Note 2	0.03%
			Research and development expenses	6,672	Note 3	0.10%
	Sunplus App Technology	2	Nonoperating income and gains	234	Note 2	-
			Other receivables	13,695	Note 3	0.10%
	Sunplus Technology (Beijing)	2	Other receivables	4,565	Note 3	0.03%
			Other payables	213	Note 3	-
			Research and development expenses	8,341	Note 2	0.12%
			Nonoperating income and gains	176	Note 2	-
	Sunplus Prof-tek (Shenzhen) Co., Ltd.	2	Nonoperating income and gains	76	Note 2	-
Jumplux Technology Co., Ltd.	Sunplus Technology (Beijing)	2	Other accrued expenses	591	Note 3	-
			Research and development expenses	1,766	Note 2	0.03%-
Sunplus Venture	Sun Media Technology Co., Ltd.	2	Nonoperating income and gains	1,896	Note 2	0.03%
			Other receivables	166,809	Note 3	1.24%
Ventureplus Cayman Inc.	SunMedia Technology Co., Ltd.	2	Nonoperating income and gains	1,325	Note 2	0.02%
Russell Holdings Ltd.	SunMedia Technology Co., Ltd.	2	Other receivables	253,127	Note 3	1.88%
			Nonoperating income and gains	3,339	Note 2	0.05%
SunMedia Technology Co., Ltd.	Sunplus App Technology	2	Research and development expenses	534	Note 2	-
Ytrip Technology Co., Ltd.	1culture Communication Co., Ltd.	2	Sales	1,073	Note 1	0.01%
			Management expenses	64	Note 2	-

Note 1: The transactions were based on normal commercial prices and terms.

Note 2: The prices were based on negotiations, and the payment period and related terms were not comparable to market terms.

Note 3: The transaction payment terms were at normal commercial terms.

Note 4: Lease transaction terms were based on negotiations and, thus, were not comparable to market terms. The transactions between the Company and the counterparty were at normal terms.

Note 5: The directional flow of the transactions are indicated by the following numerals:
1 - From parent company to subsidiary.
2 - Between subsidiaries.

(Concluded)

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCES
DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2017			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				December 31, 2017	December 31, 2016	Shares (Thousands)	Percentage of Ownership (%)	Carrying Amount			
Sunplus Technology Company Limited	Ventureplus Group Inc.	Belize	Investment	$ 2,384,330 (US$ 74,305 RMB 37,900)	$ 2,384,330 (US$ 74,305 RMB 37,900)	-	100	$ 1,489,741	$ 48,687	$ 48,687	Subsidiary
	Award Glory Ltd.	Belize	Investment	22,975 (US$ 772)	22,975 (US$ 772)	-	100	(12,990)	(1,850)	(1,850)	Subsidiary
	GLOBAL VIEW CO., LTD.	Hsinchu, Taiwan	Design and sale of ICs	315,658	315,658	8,229	13	379,351	721,835	91,044	Investee
	Lin Shih Investment Co., Ltd.	Hsinchu, Taiwan	Investment	699,988	699,988	70,000	100	799,259	93,520	91,740	Subsidiary
	Generalplus Technology Inc.	Hsinchu, Taiwan	Design of ICs	281,001	281,001	37,324	34	723,246	359,245	123,223	Subsidiary
	Sunplus Venture Capital Co., Ltd.	Hsinchu, Taiwan	Investment	999,982	999,982	100,000	100	915,693	(39,688)	(39,688)	Subsidiary
	Sunplus Innovation Technology Inc.	Hsinchu, Taiwan	Design of ICs	414,663	414,663	31,450	61	481,414	(2,045)	(1,252)	Subsidiary
	Russell Holdings Limited	Cayman Islands, British West Indies	Investment	728,056 (US$ 24,060)	446,638 (US$ 14,760)	24,060	100	520,859	(22,973)	(22,973)	Subsidiary
	iCatch Technology, Inc.	Hsinchu, Taiwan	Design of ICs	207,345	207,345	20,735	38	170,748	(70,461)	(26,521)	Subsidiary
	Sunext Technology Co., Ltd.	Hsinchu, Taiwan	Design and sale of ICs	924,730	924,730	38,836	61	115,593	(719)	(439)	Subsidiary
	Sunplus mMedia Inc.	Hsinchu, Taiwan	Design of ICs	357,565	357,565	17,441	87	24,886	(23,012)	(20,067)	Subsidiary
	Sunplus Management Consulting Inc.	Hsinchu, Taiwan	Management	5,000	5,000	500	100	3,951	(60)	(60)	Subsidiary
	Sunplus Technology (H.K.) Co., Ltd.	Kowloon Bay, Hong Kong	International trade	42,163 (HK$ 11,075)	42,163 (HK$ 11,075)	11,075	100	38	(4)	(4)	Subsidiary
	Magic Sky Limited	Samoa	Investment	296,410 (US$ 9,960)	210,178 (US$ 6,760)	-	100	89,418	(6,151)	(6,151)	Subsidiary
	Sunplus mMobile Inc.	Hsinchu, Taiwan	Design of ICs	2,596,792	2,596,792	16,240	100	30,202	(238)	(238)	Subsidiary
	Wei-Young Investment Inc.	Hsinchu, Taiwan	Investment	30,157	30,157	1,400	100	17,870	3,632	3,632	Subsidiary
Lin Shih Investment Co., Ltd.	Generalplus Technology Inc.	Hsinchu, Taiwan	Design of ICs	86,256	86,256	14,892	14	290,049	359,245	49,165	Subsidiary
	Sunext Technology Co., Ltd.	Hsinchu, Taiwan	Design and sale of ICs	369,316	369,316	3,360	5	10,039	(719)	(38)	Subsidiary
	Sunplus Innovation Technology Inc.	Hsinchu, Taiwan	Design of ICs	15,701	15,701	1,075	2	14,239	(2,045)	(43)	Subsidiary
	iCatch Technology, Inc.	Hsinchu, Taiwan	Design of ICs	9,645	9,645	965	2	8,043	(70,461)	(1,234)	Subsidiary
	Sunplus mMedia Inc.	Hsinchu, Taiwan	Design of ICs	19,408	19,408	650	3	5,441	(23,012)	(748)	Subsidiary
Sunplus Venture Capital Co., Ltd.	Generalplus Technology Inc.	Hsinchu, Taiwan	Design of ICs	-	49,099	49,099	-	-	359,245	10,411	Subsidiary
	Jumplux Technology Co., Ltd.	Hsinchu, Taiwan	Design and sales of ICs	101,000	100,000	10,100	72	3,537	(59,728)	(42,891)	Subsidiary
	Sunplus Innovation Technology Inc.	Hsinchu, Taiwan	Design of ICs	57,388	57,388	2,904	6	45,451	(2,045)	(116)	Subsidiary
	iCatch Technology, Inc.	Hsinchu, Taiwan	Design of ICs	33,439	33,439	3,332	6	27,797	(70,461)	(4,262)	Subsidiary
	Sunext Technology Co., Ltd.	Hsinchu, Taiwan	Design and sale of ICs	385,709	385,709	4,431	7	13,182	(719)	(50)	Subsidiary
	Sunplus mMedia Inc.	Hsinchu, Taiwan	Design of ICs	44,878	44,878	1,909	10	729	(23,012)	(2,197)	Subsidiary
	Han Young Technology Co., Ltd.	Taipei, Taiwan	Design of ICs	4,200	4,200	420	70	1,780	-	-	Subsidiary
Russell Holdings Limited	Sunext Technology Co., Ltd.	Hsinchu, Taiwan	Design and sale of ICs	63,061 (US$ 2,119)	63,061 (US$ 2,119)	442	1	44	(719)	-	Subsidiary
Wei-Young Investment Inc.	Sunext Technology Co., Ltd.	Hsinchu, Taiwan	Design and sale of ICs	350	350	18	0.03	53	(719)	-	Subsidiary
Ventureplus Group Inc.	Ventureplus Mauritius Inc.	Mauritius	Investment	2,384,330 (US$ 74,305 RMB 37,900)	2,384,330 (US$ 74,305 RMB 37,900)	-	100	1,489,722	48,690	48,688	Subsidiary
Ventureplus Mauritius Inc.	Ventureplus Cayman Inc.	Cayman Islands, British West Indies	Investment	2,384,330 (US$ 74,305 RMB 37,900)	2,384,3302 (US$ 74,305 RMB 37,900)	-	100	1,496,190	9,154	48,690	Subsidiary
Generalplus Technology Inc.	Generalplus International (Samoa) Inc.	Samoa	Investment	568,118 (US$ 19,090)	568,118 (US$ 19,090)	19,090	100	476,192	9,154	9,154	Subsidiary
Generalplus International (Samoa) Inc.	Generalplus (Mauritius) Inc.	Mauritius	Investment	568,118 (US$ 19,090)	568,118 (US$ 19,090)	19,090	100	476,170	5,798	9,154	Subsidiary

(Continued)

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2017			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				December 31, 2017	December 31, 2016	Shares (Thousands)	Percentage of Ownership (%)	Carrying Amount			
Generalplus (Mauritius) Inc.	Generalplus Technology (Hong Kong) Inc.	Hong Kong	Sales	$ 11,606 (US$ 390)	$ 11,606 (US$ 390)	-	100	$ 5,579	$ 1,076	$ 1,076	Subsidiary
Sunplus mMedia Inc.	Jumplux Technology Co., Ltd.	Hsinchu, Taiwan	Design and sales of ICs	32,000	32,000	3,200	23	1,123	(59,728)	(13,652)	Subsidiary
Award Glory Ltd.	Sunny Fancy Ltd.	Seychelles	Investment	22,975 (US$ 772)	22,975 (US$ 772)	-	100	(12,990)	(1,850)	(1,850)	Subsidiary
Sunny Fancy Ltd.	Giant Kingdom Ltd.	Seychelles	Investment	22,975 (US$ 772)	22,975 (US$ 772)	-	100	(12,990)	(1,850)	(1,850)	Subsidiary
	Giant Rock Inc.	Anguilla	Investment	(Note 2)	(Note 2)	(Note 2)	(Note 2)	(Note 2)	(Note 2)	(Note 2)	Subsidiary

Note 1: The initial exchange rate was based on the exchange rate as of December 31, 2017.

Note 2: As of September 30, 2017, the establishment registration was completed, but capital was not invested yet.

(Concluded)

SUNPLUS TECHNOLOGY COMPANY LIMITEDAND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2017	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2017	% Ownership of Direct or Indirect Investment	Net Income (Loss) of the investee	Investment Loss (Note 2)	Carrying Amount as of December 31, 2017	Accumulated Inward Remittance of Earnings as of December 31, 2017
					Outflow	Inflow						
Sunplus Technology (Shanghai) Co., Ltd.	Development of computer software, provision of system integration services and rental of buildings	$ 511,872 (US$ 17,200)	Note 1	$ 525,413 (US$ 17,655)	$ -	$ -	$ 525,413 (US$ 17,655)	100%	$ 15,192	$ 15,192	$ 518,228	$ -
Sunplus Prof-tek (Shenzhen) Co., Ltd.	Development of computer software, provision of system integration services and rental of buildings	959,760 (US$ 32,250)	Note 1	959,760 (US$ 32,250)	-	-	959,760 (US$ 32,250)	100%	32,990	32,990	837,492	-
Sun Media Technology Co., Ltd.	Development of computer software, provision of system integration services and rental of buildings	595,200 (US$ 20,000)	Note 1	595,200 (US$ 20,000)	-	-	595,200 (US$ 20,000)	100%	40,937	40,937	185,442	-
Sunplus App Technology Co., Ltd.	Manufacturing and sale of computer software, provision of system integration services and information management and education	68,475 (RMB 15,000)	Note 1	63,089 (US$ 586 RMB 10,000)	-	-	63,089 (US$ 586 RMB 10,000)	93%	(32,369)	(32,369)	(32,372)	-
Ytrip Technology Co., Ltd.	Provision of computer system integration services, supply of general advertising and other information services	156,351 (RMB 34,250)	Note 1	134,247 (US$ 4,511)	-	-	134,247 (US$ 4,511)	83%	(12,448)	(10,382)	(75,833)	-
Sunplus Technology (Beijing)	Development of computer software, provision of system integration services and building rental	123,255 (RMB 27,000)	Note 1	123,255 (RMB 27,000)	-	-	123,255 (RMB 27,000)	100%	(1,269)	(1,269)	48,024	-
1culture Communication Co., Ltd.	Development of systems	14,836 (RMB 3,250)	Note 3	-	-	-	-	100%	162 (RMB 38)	135 (RMB 38)	114 (RMB 25)	-
Xiamen xm-plus	Development of computer software, provision of system integration services	9,130 (RMB 2,000)	Note 4	-	-	-	-	100%	(12,307) (RMB 2,704)	(12,307) (RMB 2,704)	(3,214) (RMB 704)	-

Accumulated Investment in Mainland China as of December 31, 2017	Investment Amounts Authorized by Investment Commission, MOEA	Limit on Investment
$ 2,400,964 (US$ 75,002 and RMB 37,000)	$ 2,531,100 (US$ 75,540 and RMB 62,000)	$ 5,379,742

(Continued)

Generalplus Technology Inc. (Nature of Relationship: Parent company to subsidiary)

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type (e.g. Direct or Indirect)	Accumulated Outflow of Investment from Taiwan as of January 1, 2017	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2017	% Ownership of Direct or Indirect Investment	Net Loss of the investee	Investment Loss (Note 3)	Carrying Amount as of September 30, 2017	Accumulated Inward Remittance of Earnings as of December 31, 2017
					Outflow	Inflow						
Generalplus Shenzhen	Provision of data processing services	$ 556,512 (US$ 18,700)	Note 1	$ 556,512 (US$ 18,700)	$ -	$ -	$ 556,512 (US$ 18,700)	100%	$ 8,078	$ 8,078	$ 470,591	$ -

Accumulated Investment in Mainland China as of December 31, 2017	Investment Amount Authorized by Investment Commission, MOEA	Limit on Investment
$ 556,512 (US$ 18,700)	$ 556,512 (US$ 18,700)	$ 1,283,416

Note 1: Sunplus Technology Company Limited indirectly invested in a company located in mainland China through investing in a company located in a third country.

Note 2: Based on the investee's reviewed financial statements for the same period.

Note 3: Ytrip Technology Co., Ltd. indirectly invested in a company located in mainland China.

Note 4: Sunplus Technology (Shanghai) Co., Ltd. indirectly invested in a company located in mainland China.

Note 5: The initial exchange rate was based on the exchange rate as of September 30, 2017.

(Concluded)

TABLE 8

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

SIGNIFICANT TRANSACTIONS WITH INVESTEE COMPANIES IN MAINLAND CHINA, EITHER DIRECTLY OR INDIRECTLY THROUGH A THIRD PARTY, AND THEIR PRICES, PAYMENT TERMS, AND UNREALIZED GAINS OR LOSSES
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Transaction Type	Research and Development Expense		Price	Transaction Details		Notes/Accounts Receivable (Payable)		Unrealized (Gain) Loss	Note
		Amount	%		Payment Term	Comparison with Market Transactions	Ending Balance	%		
Generalplus Technology (Shenzhen) Corp.	Development and processing services	$ 86,444	17.22	Based on contract	Based on contract	Not comparable with market transactions	$ 51,044	96.37	$ -	NA