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2017 Annual Report

Sunplus Technology Co., Ltd. Prepared by
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PLEASE READ FOLLOWING NOTICE BEFORE USING THIS REPORT

Readers are advised that the original version of the report is in Chinese. If there is any conflict between these financial statements and the Chinese version or any difference in the interpretation of the two versions, the Chinese-language report shall prevail.

In addition, certain of our financial information have been published in accordance with requirements of the Republic of China Securities and Futures Commission and are presented in conformity with accounting principles generally accepted in the Republic of China. Readers should be cautioned that these accounting principles differ in many material respects from accounting principles generally accepted in other countries.

Except as required by law, we undertake no obligation to update any forward-looking statement, whether as a result of new information, future events, or otherwise.

The materials and information provided on this report have been issued by Sunplus and are posted solely for informational purposes and is not an offer to buy or sell or a solicitation of an offer to buy or sell any securities issued by us or otherwise.

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<http://www.londonstockexchange.com>

SUNPLUS WEBSITE

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I. LETTER TO SHAREHOLDERS

BUSINESS REPORT

2016 Business Results

Sunplus consolidated net operating revenue totaled NT\$7,556 million and the gross profit were NT\$3,202 million in 2015. While R&D expense totaled NT\$1,908 million and the marketing expense were NT\$353million, G&A expenses were NT\$704million, the gain from operations summed up NT\$236 million in 2015. Including total non-operating net income NT\$130million, the profit before tax were NT\$366 million. Excluding the income tax expense NT\$94million, the net profit of the year totaled NT\$273million, attributable to owner of the Company were NT\$120 million which the earning per share after tax for 2015 was NT\$0.20.

The net sales from continuing operations in 2016 decline 10.75% compared to the same period last year. The gross margin rate was 42% in 2016, the gain from operations declines 58.27% YoY in 2016.

The interest attributable to associates and joint ventures recognized by the equity method in 2016 was reduced from NT\$254 million in 2015 to NT\$366 million in 2016, while net operating income decreased from NT\$371 million in 2015 to NT\$130 million in 2016.

The net income in 2016 were NT\$273 million which decline 67.1% compared to NT\$828million in 2015. The net profit attributable to owner of the Company were NT\$120 million which decline 79.61% compared to NT\$589 million in 2015.

The IFRS Consolidated Statement exposes other comprehensive gains and losses in 2016, Including the difference between the conversion of financial statements of foreign operating institutions, reserve for the sale of financial assets unrealized gains and losses, determine the number of reassessments of the welfare plan, the shareholding of related enterprises and joint ventures recognized by equity method, the total net profit and loss for other consolidated losses in 2016 is NT\$1,144 million. Total after 2016 net profit, the total consolidated profit and loss in 2016 was NT\$159 million, consolidated profit attributable to the Company's owners for the profit of NT \$ 27 million.

PRODUCTS R&D, TECHNOLOGIES AND OUTLOOK

Sunplus technology mergers and acquisitions of major individuals, including Sunplus Technology, Generplus Technology, SunplusIT Technology, i-Catch Technology, Sunext Technology, Jumplux Technology, and mainland subsidiary.

Sunplus is currently focuses on the development of automotive chip products and systems platform, has been launched with advanced driving support system function (ADAS) of the wafer platform products, and successfully developed includes included in the car audio and video system, Boombox · Soundbar such as audio products, portable audio and video entertainment system of single-chip products and systems solutions. There is also a high-speed interface, data converters and analog IP licenses. With the advanced driving assistance system (ADAS) related systems have been included in the national legislation to implement the norms, first-tier depot also have imported ADAS applications, the ADAS's annual compound growth rate of up to 35%, Barclays Securities estimates that ADAS penetration will exceed 25% by 2020, future related applications will be more popular, Sunplus will become the main revenue and profit growth momentum.

Generalplus Technology focuses on consumer electronics chips, the product line includes voice, multimedia, and microcontrollers, Product development market leadership. The main application products include multimedia interactive toys, education and learning, voice and LCD control, consumer digital video recorders and MCU and other related applications. 2016 successfully developed, including RISC CPU as the core of the high-second voice and audio synthesis of OTP microcontrollers, 16-bit DSP audio synthesis control chip built-in 128KB flash memory, 8-channel 12-bit ADC, 8-channel APU and integrated push-pull audio amplifier circuit of the high-end voice controller, driving recorder upgrade video resolution from 720P to 1080P, DC brushless motor FOC sensorless to zero start control, 32-bit dual-motor control chip and wear-oriented wireless charging program and many other new products, not only the technical level can continue to lead the industry, but also for the future performance of growth to add a strong force.

Sunplus Innovation and Technology focuses on computer peripheral application chip development, products include PC man-machine interface device chip, network camera chip, optical sensor, RF wireless transmission chip, remote control control IC and so on. Most of the 2016 sales amount came from the PC-related mouse and camera chip solutions, a small part from the high shot instrument, machine box, driving after the pull and remote control chip. Due to PC and laptop market shrinking, Sunplus innovation and technology in 2017 will continue to actively invest in non-PC-related products such as high shot wireless remote control and car camera, such as the proportion of revenue, return to the steady growth of the track.

I-Catch Technology research and development direction focused on low power consumption, high performance, superior HD video compression and image quality, and both low-cost structure. Research and development chips are widely used in wearable cameras, Driving recorder, UAV (Drones), digital cameras and smart home digital surveillance video (Smart Home IP cameras) and other products, 2016 active research and development using 28nm low-power advanced process, support 4K UHD ultra-high resolution, H.265 video compression and provides instant computer vision CV (Computer Vision), can be applied to high resolution and high frame rate image processing chip related products, for the i-Catch technology to provide the driving force for growth.

Sunext Technology Co., Ltd. focuses on ultra high definition Blu-ray player (4K UHD BD Player) driven by servo controller chip sales, improves overall product gross margin and sales revenue. "Multi-channel servo drive" chips for customer platforms a final system testing, plans to mass production in 2017 sales, will be the first domestic manufacturers to launch the digital multi-channel servo motor drive chip. In addition, a new generation of "microprocessor integrated multi-channel servo drive" chip will be widely used in intelligent drive products, is currently entering the final design stage, become the company's next wave of growth momentum. 2017 Sunext will gradually complete the construction of a new "smart drive" product line, and hope to become as important partners of global next generation intelligent automation.

Jumplux Technology Co., Ltd. focuses on mobile phone with USB video conversion chip development, products include Android 5.0 / 6.0 Display Mirror and Apple iOS Carplay related applications , Car USB Media Hub supports Apple Carplay and USB Android Mirror and so on. Related product development, application of PC, mobile phones and automotive technology combined into a more natural and convenient human-computer interaction scenarios, on the 2017 operation to bring growth momentum.

Subsidiaries in China include Shanghai Sunplus, Sunplus prof-tek, Sunmedia, Sunplus-EHUE and Sunplus APP. Mainly to support the company's mainland customers in the company's engineering services and business promotion.

External competition, regulations, and overall economic environment

Sunplus Technology is currently focused on the development of niche-type and has a high added value of the car with semiconductor chips, such as car audio and video products and car networking products related. Although Sunplus scale as competitors, but because of the past in the audio and video player long-term leadership of the market position, into the niche-based portable audio and video playback products, car audio and video systems and car network maintenance system and other fields, and Still quite competitive.

Generalplus Technology consumption and multimedia product line for many years, it is a market leading position, and more recently launched a number of niche products, develop diversified products and markets. If the US economy continues to recover, will help multimedia interactive toys, education and learning products, voice and LCD control toys and other related consumer market revenue and profit growth.

In response to PC and NB demand recession, Sunplus-IT technology in addition to continue to a higher degree of integration of the direction of development, improve product value and gross margin to improve the company's profit, also actively developing non-personal computer-related areas, and hoping to reduce the dependence on the PC market and the relevance.

Consumer demand for high-performance video and video products continues to innovate, i-Catch focusing on high resolution and high frame rate image processing chip market will have a very large growth space.

With the "true 4K (built-in HDR high dynamic video) ultra-high definition TV" specification established, stimulating the consumer demand for 4K ultra-high definition quality, it is expected that Sunext ultra-high-definition Blu-ray servo control chip sales will continue to improve, Sunext will be a one-stop comprehensive design services to accelerate the development of customer products and innovation.

Jumplux is currently actively involved in the new car USB Media Hub supporting Apple Carplay, and USB Android Mirror, application of PC, mobile phones and automotive technology combined into a more natural and convenient human-computer interaction scenarios, on the 2017 operation to bring high growth momentum.

With the relevant authorities of the United States and the EU to actively promote vehicle safety regulations, making ADAS related applications more and more common, in the country under the regulation of vehicles, the future consumer demand for interior ADAS equipped with a sense of demand will gradually increase, is expected to promote the current high-end models, special vehicle import-oriented ADAS, slowly penetrate into the middle of the car, so that ADAS application scale to further expand. But also because the automotive electronics market is large, attracting many domestic and foreign manufacturers have joined the size of competitors, and hoping to grab the market pie, the predictable ADAS chip market competition will be very intense.

Looking forward to 2017, in the stormy 2016 British off Europe, Trump was elected President of the United States and other unexpected international events. Rebound in international oil prices, US stock markets hitting new highs, the overall economy back to warm-up, the rise of trade barrierism, China and the East Association and other growth and cooling, The future is full of uncertain factors short-term difficult to pick up. The above factors will also affect the overall growth of Sunplus Technology, the company will also keep a close watch on the major changes that may occur in the international economic environment.

Sunplus Technology includes all of the merged individuals of the Group, will continue to deepen the core competitiveness of various fields, efforts to expand the market to increase market share, develop high

value-added products to increase gross margin, observe the boom and market trends, adjust and optimize the product line and investment, improve the performance of the industry and foreign investment, at the same time actively into the development of advanced technology, looking for the next emerging product and market, reserve a new wave of growth momentum. Expect to continue to increase profits, return the long-term support of shareholders.

All the best,
Chairman & CEO,

Chou-chye Huang

II. COMPANY PROFILE

2.1 Foundation of Sunplus

Sunplus was founded in August 3rd 1990 in Hsinchu, Taiwan.

2.2 Milestones

For the formation of the Company's share capital, please refer to pages 56-59 of this annual report.

Please refer to pages 289 to 299 of this annual report on the relationship between the Company and the investment enterprises.

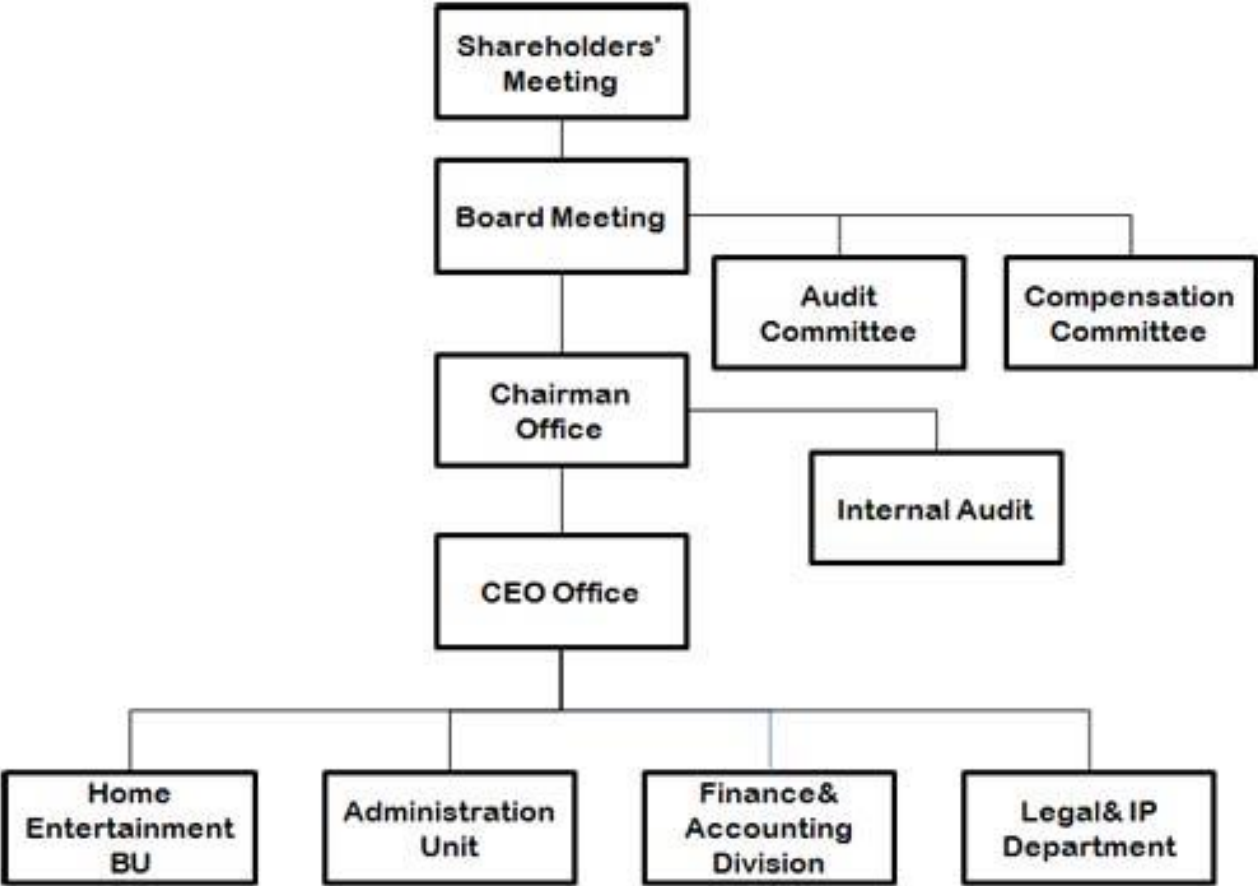
August 1990	Sunplus Technology was founded.
May 1993	Obtained approval from the SIPA to move into Hsinchu Science Park.
October 1993	Moved into Hsinchu Science Park.
September 1994	Company started in-house wafer circuit probe testing.
December 1995	Groundbreaking for the construction of Sunplus' office building, located in 19, Innovation First Road, Hsinchu Science Park.
April 1996	Evaluated as "The most productive IC design company" by Hsinchu SIPA.
January 1997	Grand opening of Sunplus' office building.
September 1997	Sunplus Technology was IPO on the Over-The-Counter stock market.
January 2000	Sunplus was listed on the main board of the Taiwan Stock Exchange (TSE).
Jun 2000	Received certificate of ISO 9001 Quality Assessment by RWTUV.
September 2000	Reorganized into three new business unit, Consumer center, Multimedia center, and production center; and the BOD appointed Mr. Yarn-Chen Chen as the president.
December 2000	Received the "Distinguished Achieved Award" from Hsinchu SIPA.
March 2001	Launched Global Depositary Receipts on the London Stock Exchange.
December 2001	Completed the Grandtech merger and announced the company's reorganization.
January 2002	Established a subsidiary in Shanghai, China to provide better service to customers in Mainland.
February 2002	Implemented ERP system successfully to enhance company's operating efficiency and competence.
Jun 2002	Purchased a new office building (B-building) at Science Park.
July 2002	Sponsored the new Innovation Park and Parking Lot at Science Park, Hsinchu.
February 2003	Licensed 32-bit core IP from MIPS Technology for next-generation consumer electronic products.
April 2003	Completed acquisition of Oak Optical Storage Business and spin-off a new venture, Sunext Technology to focus on next generation Blue Ray ODD controller.
May 2003	Licensed MPEG-4 video compression technology from DivX Networks to create DivX certified IC solution for consumer electronic products.
Jun 2003	Announced reorganization by altering the Product Business Unit Systems to Functional Business Unit Systems.
August 2003	Established a new milestone for monthly sales over NT\$1 billion.
December 2003	Won "Innovation Product Award 2003" and "R&D Performance Award 2003" from Hsinchu SIPA.
March 2004	Established a new subsidiary, Generalplus Technology to focus on consumer IC design
September 2004	Received certificate of ISO 14000 Quality Assessment.
December 2004	MFP SoC with 4800dpi image quality won "Innovation Product Award 2004" from Hsinchu SIPA.
December 2004	Won "R&D Performance Award 2004" from Hsinchu SIPA.
Jun 2005	Announced the first 32-bit processor core S+core® with Sunplus-owned instruction set architecture
Jun 2005	Launched USB2.0-to-Serial ATA bridge solution.
August 2005	Applied MPEG-4 image controlling technology to the first IP cam with resolution up to 1M pixel in the worldwide.
August 2005	Completed the merger with the 3G team of information & communication research lab ITRI and started the development of 3G cellular communication ICs.
September 2005	Established a new milestone of monthly sales up to NT\$1.899 billion as record high.
October 2005	Mass-produced the PHS mobile baseband processor.
November 2005	Announced the worldwide first DVD ICs certificated by DivX Ultra.
December 2005	Announced reorganization by altering the Functional Business Unit System to Product Business Unit System and the resolved to spin off the LCD IC business. Mr. Chou-Chye Huang was

	appointed to CEO of Sunplus.
March 2006	Completed the spin-off of the LCD IC business into Orise Technology Co., Ltd.
December 2006	Completed the spin-off of Controller & Peripheral Business Unit into Sunplus Innovation Technology Inc.
December 2006	Completed the spin-off of the Personal Entertainment Business Unit and Advanced Business Unit into Sunplus mMobile Inc.
December 2006	Established a new record high with 2006 profit after tax, NT\$2.97 billion.
February 2007	Licensed digital TV SoC IP to Silicon Image, Inc. with US\$40 million for license fee.
March 2007	Completed the return of capital with outstanding shares afterward 512,953,665 shares
April 2007	The spin-off LCD driver IC design company Orise Technology was IPO
April 2007	Sunplus mMobile spun-off Sunplus mMedia Inc.
December 2007	Highly integrated SoC SPG290 with interactive game and education function won the “Innovation Product Award 2007” from Hsinchu SIPA.
December 2007	Received certificate of IECQ 080000 for hazardous substance process management.
December 2007	Established a new subsidiary, Sunplus Prof-tek Technology, in Shenzhen
January 2008	Established a new subsidiary, Sunmedia Technology, in Chengdu.
March 2008	Sunext licensed optical storage technology to Broadcom Corporation with license income up to US\$38 million.
March 2008	Launched first DTMB demodulator for China digital broadcasting TV system among Taiwanese IC design companies.
April 2008	Established new subsidiary Sunplus APP Technology in Beijing, to follow up Sunplus University Program in China
March 2009	Joint-promoted with DTS next generation DVD SoC delivering the ultimate audio entertainment experience
October 2009	Spun off Sunplus mMedia’s product lines: PC-Cam to Sunplus Innovation Technology Inc.; PMP/MP3/DPF to Generalplus Technology Inc.; DSC to new start-up.
December 2009	Started up iCatch Technology Inc. to take over the DSC business from Sunplus mMedia Inc.
August 2010	Celebrated Sunplus’ 20th Anniversary and Kept Going for “Technology for Easy Living”
May 2011	Announced reorganization by altering the IC design Unit and System design Unit to “DVD Product Center”, “STB Product Center”, “TV Product Center” and “IP Product Center”. Appointed Dr. Archie Yeh as President of Home Entertainment Business Unit.
November 2011	The subsidiary, Generalplus Technology Co., Ltd., focused on consumer IC design listing on Taiwan Stock Exchange under the code “4952”.
May 2012	Updated the company vision from “Technology for Easy Living” to “Customers Win we win”
June 2012	Elected the 9th Board of Directors and Supervisors in AGM2012, the BOD re-elected Unanimously Mr. Chou-Chye Huang as Chairman
December 2012	Joint-invest Sunplus Core Technology (renamed: S2-tek Inc.) for TV IC design
January 2013	Reorganization to “DVD Product Center”, “STB Product Center” and “IP Product Center”.
November 2013	“DVD Product Center” renamed to “Automotive Product Center”.
January 2014	Established new subsidiary Beijing Sunplus-Ehue Tech Co., Ltd.
October 2014	Sunplus mMedia spun-off Jumplux for USB Multi-Screen Display SoC and IP Design
December 2014	The consolidated net sales reached NT\$8.71 billion
January 2015	Orise Technology merged with Focal Tech
January 2015	Disposed STB product Center
February 2015	Reorganization due to disposal of STB center, Chariman& CEO Mr. Chou-Chye Huang is acting as President of HE BU
June 2015	Elected the 10th Board of Directors and Supervisors in AGM2015, the BOD re-elected Unanimously Mr. Chou-Chye Huang as Chairman
December 2016	Completed TSMC 28nm HPC + IP development and verification

III. Corporate Governance

3.1 Organization

3.1.1 Organization Chart



3.1.2 Major Corporate Functions

March 31st, 2016

Department	Job Description
Chairman Office	(1) Engaging the strategic alliances (2) Planning and executing investment plans (3) Arranging Board of Directors Meetings (4) The planning, promotion and implementation of the Company's integrity management
CEO Office	(1) Establishing company's operational strategies, and goals (2) Auditing and improving the operating performances (3) Communicating with investors, public and media (4) Executing and managing the strategic alliances (5) Managing strategic investments
Internal Auditor	(1) Executing internal auditing plan as routine (2) Auditing subsidiaries regularly (3) Auditing special cases (4) Re-certification auditing of self-examination (5) Establishing the internal control system
Home Entertainment Business Unit	(1) Developing world-class audio and video solutions (2) Managing sales channels and distributors and providing customer services (3) Marketing and expanding business worldwide (4) Conducting production, material control, International trading affairs (5) Developing and handling quality assurance system (6) Planning new products and engaging cutting-edge technologies (7) Maintaining testing software and facility
Administration Unit	(1) Conducting general administration (2) Managing human resources and personnel (3) Establishing corporate information service to upgrade the productivity (4) Automating of business process to be more competitive (5) Consulting for management to making business decisions
Finance & Accounting Division	(1) Managing finance & accounting affairs (2) Arranging annual shareholders' meeting
Legal & IP Department	(1) Coordinating the legal and IP affairs (2) Controlling the project procedures and design documents (3) Conserving company confidential documents (4) Purchasing, maintaining librarianship (5) Conducting contracts & IP management

3.2 Directors, and Management

3.2.1 Directors& Supervisors

April 15th, 2017/Unit: shares

Title	Name	Date Elected	Initial Date Elected	Term of Office	Share holding When Elected		Current Shareholding		Spouse & Minor Shareholding		Educational Background	Positions Currently held in Other Companies (Note 2)
					Amount	%	Amount	%	Amount	%		
Chairman & CEO	Chou-Chye Huang	2015.06.12	1990.07.09	3 years	92,737,817	15.67	92,737,817	15.67	1,370,993	0.23	M.S., Electrical Engineering, National Tsing Hua University, Taiwan	Note 1
Director	Wen-Shiung Jan	2015.06.12	2009.04.30	3 years	0	0.00	0	0.00	0	0.00	MBA, International Business, National Taiwan University, Taiwan	President: YenWen Asset Management, Director: Ability Enterprise, iCatch, Sunext, Lafemarket Supervisor: Epileds Technologies, Inc., Mildex Optical Inc. Independent Director: Ko Ja (Cayman)
Director	Wen-Ren Su (Global View Co., Ltd., Representative of Legal Entity)	2015.06.12	1990.07.09	3 years	10,038,049	1.68	10,038,049	1.70	0	0.00	B.S., Accounting, Chinese Culture University	Director & President: Global View, Director: Beijing Global View, Global View(Kun Sun) Independent Director: Well Shin Technology Co., Ltd. Supervisor: BEIJING HANDHELD ELECTRONIC TECHNOLOGY
Director	Wei-Min Lin	2015.06.12	2009.04.30	3 years	0	0.00	0	0.00	0	0.00	M.S., Accountancy, Jinan University, China	CPA Auditor of Wei-Min Lin Accounting Firm Independent Director: Fu-Shin holding Cayman
Independent Director	Che-Ho Wei	2012.06.12	2009.04.30	3 years	0	0.00	0	0.00	0	0.00	Ph.D., Electronic Engineering, University of Washington, Seattle, USA	Independent Director & Compensation Committee: Genesis Photonics Inc., Zentel Electronics Corp. Director: Unizyx Holding Corporation, Arcadyan Technology Chairman : NIIEPA
Independent Director	Tse-Jen Huang	2015.06.12	2015.06.12	3 years	0	0.00	0	0.00	0	0.00	EMBA, National Taiwan University of Science and Technology	CPA and Head of Shengxin CO., CPAs Independent Director & Compensation Committee: GenMont Compensation Committee: Sunext Supervisor : My Humble House Hospitality Management Consulting Co., Ltd.
Independent Director	Yao-Ching Hsu	2015.06.12	2015.06.12	3 years	0	0.00	0	0.00	0	0.00	M.S., Laws, Cornell University, USA	Charged lawyer of Yuan Qing Patent and Trademark Office Independent Director & Compensation Committee: Sunext Independent Director: AVer Information Co., Ltd. Supervisor: Chiehching foundation

Note1 :

Chairman : Generalplus, Russell Holdings Co., Ltd.,Venturplus Group Inc., Venturplus Mauritius Inc., Venturplus Cayman Inc., Shanghai Sunplus, Sunplus Technology (HK), Sunplus Venture Capital, Lin Shih Investment, Weiyang Investment, Sunplus Management Consulting, Generalplus International (SAMOA)Inc., Sunplus Innovation Technology, Sunplus mMobile, Generalplus (MAURITIUS) Inc., Generalplus (Shenzhen), , Sunplus Prof-tek, Sunmedia, Sunplus APP, Ytrip Technology , Magic Sky Limited, , Award Glory Ltd., Sunny Fancy Ltd., Giant Rock Inc., Giant Kingdom Ltd., Radiant, Global View Co., Ltd.

Chairman & President: Sunext, Sunplus mMedia, iCatch, Jumplux, Beijing Sunplus-Ehue Tech Co., Ltd

Director: Li-Shin Hospital Research Foundation, Pan Wen Yuan Foundation, Sinocon Industrial standards Foundation, SIPP Technology, Hua-Wan Foundation, PROMISE Technology, Inc.

Note 2: None of the Company’s directors is within second-degree of consanguinity, such as a spouse or relative, to each other.

3.2.2 Directors and Supervisors' Qualifications and Independence Analysis

April 15th, 2017

Criteria	With over 5 years of working experience and one of the following professional requirements			Independent Status (Note 2)										Numbers of other public companies concurrently serving as an independent director
	An instructor of higher position in a department of commerce, law, finance, accounting, or other departments related to the Company's business in a public or private college or university	A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the Company's business	With an experience in commerce, law, finance, accounting or other specialties necessary to the Company's business	1	2	3	4	5	6	7	8	9	10	
Name (Note 1)														
Chou-Chye Huang			✓				✓	✓		✓	✓	✓	✓	
Wen-Shiung Jan			✓	✓		✓	✓	✓	✓		✓	✓	✓	2
Wen-Ren Su (Global View Co., Ltd., Representative of Legal Entity)			✓	✓	✓		✓		✓	✓	✓	✓		1
Wei-Min Lin		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Che-Ho Wei	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
Tse-Jen Huang		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3
Yao-Ching Hsu		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2

Note 1: The amount of columns depends on the actual circumstance.

Note 2: "✓" indicates the directors and supervisors meeting any of the following criteria during the term of office and two years before being elected.

- (1) Not an employee of the company or its affiliates.
- (2) Not a director or supervisor of the company or its affiliates. (This does not apply, however, in case where the position is an independent director of the company, its parent company, or a subsidiary in which the company holds, directly or indirectly, more than 50% of shares.)
- (3) Not the shareholder (with its relatives or under others' names) who holds more than 1% shareholding of the total issued shares or ranked as the Top 10 shareholders.
- (4) Not a spouse, relative within the second-degree of consanguinity, or the lineal relative within the fifth-degree of consanguinity of any of the persons in the preceding three paragraphs.
- (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of the company's issued shares or that holds shares ranked as Top 5 in holdings.
- (6) Not a director, supervisor, officer, or shareholder holding 5% or more of the shares, of a specified company or institution, which has financial or business relationship with the Company.
- (7) Not a professional individual, owner, partner, director, supervisor, or officer (and a spouse thereof) of a sole proprietorship, partnership, company, or institution which provides commercial, legal, financial, accounting, and so on, services or consultation to the company or to its affiliates.
- (8) Not a spouse or a relative within the second-degree of consanguinity to other directors of the company.
- (9) Not been a person of any condition as defined in Article 30 of the Company Law.
- (10) Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

3.2.3 Major Shareholders of Sunplus' Shareholders as Legal Entities

a) Global View's Top 10 Shareholders

April 15th, 2017

Shareholder	Holding
Sunplus Technology	13.06%
HSBC as trustee for Bank of Singapore	9.20%
Jhih-Yuan Chou	5.92%
Ting-Yi Chou	5.77%
Kai Tian Investment Co., Ltd	5.01%
Meng-Huei Lin	4.63%
HSBC as trustee for HSBC AG Singapore	4.31%
Citi bank as trustee for First Securities (HK)	3.31%
Zhen Lin	2.44%
Chen Lin	2.44%

b) Remark if the above Major Shareholders as Legal Entities:

Shareholder	Major Shareholders	Holding
HSBC as trustee for Bank of Singapore	Not Applicable	-
Kai Tian Investment Co., Ltd	Bing Huang Shi	50%
	Yi Ye Wu	50%
HSBC as trustee for HSBC AG Singapore	Not Applicable	-
Citi bank as trustee for First Securities (HK)	Not Applicable	-

3.2.4 Management Team

April 15th, 2017/Unit: shares

Title	Country of Citizenship	Name	Gender	Effective Date	Current Shareholding		Spouse’s & Minor’s Shareholding		Use the Name of Others to Hold Shares		Educational Background	Positions Currently held in Other Companies (Note 5)	With Spouse or Two Parents Relationship Manager		
					Amount	%	Amount	%	Amount	%			Job Title	Name	Relationship
Chairman & CEO	Republic of China	Chou-Chye Huang	male	1990.07.09	92,737,817	15.67	1,370,993	0.23	0	0.00	M.S., Electrical Engineering, National Tsing Hua University, Taiwan	Note:1	-	-	-
Vice President	Republic of China	Wayne Shen	male	2005.12.01	969,558	0.16	0	0.00	0	0.00	EMBA, Technology Management, National Chiao-Tung University, Taiwan	Note:2	-	-	-
Assistant VP	Republic of China	Alex Chang	male	2013.07.01	0	0.00	0	0.00	0	0.00	Master, Industrial Engineering, National Chiao-Tung University, Taiwan	Note:3	-	-	-
Assistant VP	Republic of China	Jason Lin	male	2013.11.01	146,111	0.02	0	0.00	0	0.00	Master, Industrial Engineering, National Chiao-Tung University, Taiwan	None	-	-	-
Director of Finance & Accounting Division	Republic of China	Shu-Chen Cheng	female	2013.03.01	36,067	0.00	0	0.00	0	0.00	Bachelor, Accounting, Tunghai University, Taiwan	Note:4	-	-	-

Note1 :
Chairman : Generalplus, Russell Holdings Co., Ltd.,Venturplus Group Inc., Venturplus Mauritius Inc., Venturplus Cayman Inc., Shanghai Sunplus, Sunplus Technology (HK), Sunplus Venture Capital, Lin Shih Investment, Weiying Investment, Sunplus Management Consulting, Generalplus International (SAMOA)Inc., Sunplus Innovation Technology, Sunplus mMobile, Generalplus (MAURITIUS) Inc., Generalplus (Shenzhen), , Sunplus Prof-tek, Sunmedia, Sunplus APP, Ytrip Technology , Magic Sky Limited, Beijing Sunplus-Ehue Tech Co., Ltd, Award Glory Ltd., Sunny Fancy Ltd., Giant Kingdom Ltd., Radiant, Global View Co., Ltd.
Chairman & President: Sunext, Sunplus mMedia, iCatch, Jumplux,

Note 2 :Director: Sunplus mMobile, Sunplus Innovation Technology, Beijing Sunplus-Ehue Tech Co., Ltd., Jumplux, Sunplus mMedia, Sunext, Lin-Shih investment, Weiying Investment, Sunplus Management Consulting, Sunplus Venture Capital,
Note 3: AVP: iCatch, Sunext, Jumplux, , Shanghai Sunplus
Note4: Manager: iCatch, Sunext, Jumplux

3.2.5 Remuneration to Directors, Presidents, and Vice Presidents

a) Remuneration to Directors

Units: NT\$, shares

Title	Name (Note 1)	Remuneration to Directors								Remuneration to Directors who hold a Concurrent Post in the Company								(A)+(B)+(C)+(D) +(E)+(F)+(G) % of Net Income (Note 10)		Remuneration from Long-term Investments Except Subsidiaries (Note 11)		
		Salary (A) (Note 2)		Pension (B)		Bonus from Profit Distribution (C) (Note 3)		Allowance (D) (Note 4)		(A)+(B)+(C)+ (D) %of Net Income (Note 10)		Salary, Bonus, etc. (E) (Note 5)		Pension (F)		Employee Bonus from Profit Distribution (G) (Note 6)						
		Sunplus	Consolidated Subsidiaries (Note 7)	Sunplus	Consolidated Subsidiaries (Note 7)	Sunplus	Consolidated Subsidiaries (Note 7)	Sunplus	Consolidated Subsidiaries (Note 7)	Sun plu s	Cons olidat ed Subsi diarie s (Note 7)	Sunplus	Consolid ated Subsidi aries (Note 7)	Sunplus	Consolida ted Subsidiari es (Note 7)	Sunplus		Consolidated Subsidiaries (Note 7)			Sunplus	Consolidated Subsidiaries (Note 7)
Chairman	Chou-Chye Huang	-	-	-	-	1,862,708	1,862,708	2,220,800	2,517,800	3.40	3.64	5,709,621	5,709,621	91,848	91,848	-	-	-	-	8.22	8.47	3,203,409
Director	Wen-Shiung Jan																					
Director	Global View																					
	Wen-Ren Su Representative of Legal Entity																					
Director	Wei-Min Lin																					
Independent Director	Che-Ho Wei																					
Independent Director	Tse-Jen Huang																					
Independent Director	Yao-Ching Hsu																					
* In addition to the above table revealed, in the last year, the directors of the Company provided remuneration for the services provided by all the companies in the financial report (such as advisers who are not employees): None.																						

Remuneration Class				
Remuneration to Directors	Names of Directors			
	The total amount of the first four remuneration (A)+(B)+(C)+(D)		The total amount of the first seven remuneration (A)+(B)+(C)+(D)+(E)+(F)+(G)	
	Sunplus (Note 8)		Sunplus (Note 8)	
	Consolidated Subsidiaries (Note 9) H		Consolidated Subsidiaries (J) (Note 10)	
Under NT\$2,000,000	Chou-Chye Huang, Wen-Shiung Jan, Global View, Wen-Ren Su, Wei-Min Lin, Che-Ho Wei, Tse-Jen Huang, Yao-Ching Hsu		Wen-Shiung Jan, Global View, Wen-Ren Su, Wei-Min Lin, Che-Ho Wei, Tse-Jen Huang, Yao-Ching Hsu	
NT\$2,000,000~NT\$5,000,000 (Not included)			Wen-Ren Su	
NT\$5,000,000~NT\$10,000,000 (Not included)			Chou-Chye Huang	
NT\$10,000,000~NT\$15,000,000 (Not included)				
NT\$15,000,000~NT\$30,000,000 (Not included)				
NT\$30,000,000~NT\$50,000,000 (Not included)				
NT\$50,000,000~NT\$100,000,000 (Not included)				
Total	8		8	

Note 1: Names of directors shall be disclosed separately (name of juridical-person shareholders and their representatives shall be disclosed separately), and the remuneration shall be disclosed in total amount. If a director concurrently serves as a president or vice president, his/her remuneration shall be disclosed accordingly in this table and table [c\) Remuneration to Management Team](#).

Note 2: It indicates the remuneration to directors (including salary, allowance, pension, bonus, rewards, and etc.) in the most recent fiscal year.

Note 3: It indicates the remuneration to directors from profit distribution in the most recent fiscal year according to the proposal submitted by BOD to shareholders’ meeting for approval.

Note 4: It indicates the expenses generated from directors’ business (including transportation fees, social activity fees, allowances, dormitories, company cars, and etc.) in the most recent fiscal year. If the Company provides a house, car/other transportation, or other allowances to directors, the relevant payments, calculated at actual cost or fair value, shall be disclosed. The remuneration paid to the company drivers shall be disclosed but not included in the remuneration to directors.

Note 5: It indicates the salaries, allowances, pensions, severance pay, bonuses, rewards, transportation fees, social activity fees, dormitories, cars, and etc., to directors who hold concurrently posts in the Company (including presidents, vice presidents, managers, or other employees). If the Company provides a house, car/other transportation, or other allowances to directors, the relevant payments, calculated at actual cost or fair value, shall be disclosed. The remuneration paid to the company drivers shall be disclosed but not included in the remuneration to directors.

And the salary fee recognized by IFRS 2 "Share Fundamental Contribution", including obtaining employee stock vouchers, restrictions on employee rights of new shares and participation in cash replenishment of shares and so on, should also be included in the remuneration.

Note 6: It indicates the employee bonuses (including cash and stock) paid to directors who hold concurrently posts in the Company (including presidents, vice presidents, managers, or other employees). The amount of employee bonus according to the proposal of profit distribution submitted by BOD to shareholders’ meeting for approval in the most recent fiscal year shall be disclosed. If there is no such proposal yet, the stock bonus may be calculated according to the stock bonus last year.

Note 7: The total amount remuneration paid to the Company’s directors by all the companies in the consolidated financial statements (including Sunplus) shall be disclosed.

Note 8: It indicates the numbers of directors classified by the amount of their remuneration paid by Sunplus. The amount of remuneration paid to juridical-person shareholders shall be distributed equally to each representative, and then they shall also be classified according to the amount. If the Company is willing to disclose the names of directors in each classification, the title of column shall be changed to “Names of Directors”.

Note 9: It indicates the numbers of directors classified by the amount of their remuneration paid by all the companies in the consolidated financial statements (including Sunplus). If the Company is willing to disclose the names of directors in each classification, the title of column shall be changed to “Names of Directors”.

Note 10: It indicates the net income in the most recent fiscal year.

Note 11: a. Whether the Company’s directors receive remuneration from other long-term investments except subsidiaries shall be disclosed as “Yes” or “No”.

b. If “Yes”, the amount of remuneration may be disclosed voluntarily and be included into column I; also, the title of the column shall be change to “All the Long-term Investments”.

c. The remuneration indicated here means the salaries, allowances, bonuses, and other relevant rewards paid by from other long-term investments except subsidiaries.

※The remuneration disclosed here shall not be applied for taxation purpose because those are calculated on a different basis.

b) Remuneration to Management Team

Unit: NT\$, shares

Title	Name (Note 1)	Salary (A) (Note 2)		Pension (B)		Reward, Allowance, etc. (C) (Note 3)		Bonus from Profit Distribution (D) (Note 4)				(A)+(B)+(C) +(D) % on Net Income (Note 8)		Remuneration from Long-term Investments Except Subsidiaries (Note 9)
		Sunplus	Consolidated Subsidiaries (Note 5)	Sunplus	Consolidated Subsidiaries (Note 5)	Sunplus	Consolidated Subsidiaries (Note 5)	Sunplus		Consolidated Subsidiaries (Note 5)		Sunplus	Consolidated Subsidiaries (Note 5)	
								Cash Bonus	Stock Bonus	Cash Bonus	Stock Bonus			
CEO	Chou-Chye Huang	7,982,800	7,982,800	268,608	268,608	1,653,021	1,653,021	0	0	0	0	8.24	8.24	30,000
VP	Wayne Shen													

* Regardless of title, where the job is equivalent to the general manager, deputy general manager (such as: president, chief executive, director ... etc.), should be exposed.

Remuneration to Management	Names of Presidents and Vice Presidents	
	Sunplus (Note 6)	Consolidated Subsidiaries of Sunplus (E) (Note 7)
Under NT\$2,000,000		
NT\$2,000,000~NT\$5,000,000	Wayne Shen	Wayne Shen
NT\$5,000,000~NT\$10,000,000	Chou-Chye Huang	Chou-Chye Huang
NT\$10,000,000~NT\$15,000,000		
NT\$15,000,000~NT\$30,000,000		
NT\$30,000,000~NT\$50,000,000		
NT\$50,000,000~NT\$100,000,000		
More than NT\$100,000,000		
Total	2	2

Note 1: Names of presidents and vice presidents shall be disclosed separately, and the remuneration shall be disclosed in total amount. If a director concurrently serves as a president or vice president, his/her remuneration shall be disclosed accordingly in this table and table a) Remuneration to Directors.

Note 2: It indicates the remuneration to presidents and vice presidents, including salary, allowance, pension, and severance pay) in the most recent fiscal year.

Note 3: It indicates the bonuses, rewards, transportation fees, social activity fees, dormitories, cars, and etc., to presidents and vice presidents. If the Company provides a house, car/other transportation, or other allowances to presidents and vice presidents, the relevant payments, calculated at actual cost or fair value, shall be disclosed. The remuneration paid to the company drivers shall be disclosed but not included in the remuneration to directors. And the salary fee recognized by IFRS 2 "Share Fundamental Contribution", including obtaining employee stock vouchers, restrictions on employee rights of new shares and participation in cash replenishment of shares and so on, should also be included in the remuneration.

Note 4: It indicates the employee bonuses (including cash and stock) paid to presidents and vice presidents according to the proposal of profit distribution submitted by BOD to shareholders’ meeting for approval in the most recent fiscal year. If there is no such proposal yet, the stock bonus may be calculated according to the stock bonus last year. The amount of stock bonus for public companies shall be calculated at fair value, which means the closing price on the balance sheet date. For private companies, the amount of stock bonus shall be calculated based on the net value on the last day in the fiscal year when the profit distributed. The term “Net Income” indicates the net income in the most recent fiscal year.

Note 5: The total amount remuneration paid to the Company’s presidents and vice presidents by all the companies in the consolidated financial statements (including Sunplus) shall be disclosed.

Note 6: It indicates the numbers of presidents and vice presidents classified by the amount of their remuneration paid by Sunplus. If the Company is willing to disclose the names of presidents and vice presidents in each classification, the title of column shall be changed to “Names of Presidents and Vice Presidents”.

Note 7: It indicates the numbers of presidents and vice presidents classified by the amount of their remuneration paid by all the companies in the consolidated financial statements (including Sunplus). If the Company is willing to disclose the names of presidents and vice presidents in each classification, the title of column shall be changed to “Names of Presidents and Vice Presidents”.

Note 8: It indicates the net income in the most recent fiscal year.

Note 9: a. Whether the Company’s presidents and vice presidents receive remuneration from other long-term investments except subsidiaries shall be disclosed as “Yes” or “No”.

b. If “Yes”, the amount of remuneration paid by other long-term investments except subsidiaries may be disclosed voluntarily and included into column E; also, the title of the column shall be changed to “All the Long-term Investments”.

c. The remuneration indicated here means the salaries, allowances, bonuses, and other relevant rewards paid to presidents and vice presidents who concurrently hold posts in other long-term investments except subsidiaries.

※The remuneration disclosed here shall not be applied for taxation purpose because those are calculated on a different basis.

c) Employee Bonus Granted to Management Team

Title	Name	Shares Bonus	Cash Bonus	Sum up	% on Net Income
Chairman & CEO	Chou-Chye Huang	-	-	-	-
Vice President	Wayne Shen				
Assistant VP	Jason Lin				
Assistant VP	Alex Chang				
Director of Finance & Accounting Division	Shu-Chen Cheng				

3.2.6 Analysis for remuneration paid by all the companies in the consolidated financial statements (including Sunplus) to directors, presidents and vice presidents as % net income in the most recent two years. Also, the relevant policy, standards and procedures, and the relation between remuneration and performance shall be stated.

1. Analysis for remuneration paid as % net income

Remuneration	2015		2016	
	Amount	% of Net income(Loss)	Amount	% of Net income (Loss)
Director	23,373,000	3.97%	14,285,000	11.89%
Management				

2. The remuneration is fair compared to peers and the compensations are based on the operation performance of company and individuals.

3.3 Corporate Governance Implementation

3.3.1 BOD Meeting Status

9 meetings were held in 2016 (9 meetings by 10th BOD(A)) and the attendance of directors is as follow:

Title	Name (Note 1)	Attendance in Person (B)	By Proxy	Attendance Rate B/A (%) (Note 2)	Remarks
Chairman	Chou-Chye Huang	9	0	100.00	
Director	Wen-Shiung Jan	8	1	88.89	
Director	Representative of Legal Entity , Global View Wen-Ren Su	9	0	100.00	
Director	Wei-Min Lin	9	0	100.00	
Independent Director	Che-Ho Wei	9	0	100.00	
Independent Director	Tse-Jen Huang	9	0	100.00	
Independent Director	Yao-Ching Hsu	9	0	100.00	
Other information required to be disclosed:					
1.The operation of the board if one of the following circumstances, should specify the date of the board, period, the contents of the motion, the opinions of all independent directors and the handling of opinions of independent directors:					
(1)matters listed in Article 14-3 of the Securities Exchange Act					
Board of Directors	The contents of the motion and follow-up	Article 14-3 of the Securities Exchange Act	Independence or objection		
Tenth 10th Board of Directors 2016.03.23	1. Consecutive Joint Venture Certified Public Accountants to adjust the exchange of accountants to discuss the case.	v	None		
	Opinion of independent directors : None.				
	The Company's handling of the opinions of independent directors : None.				
	Resolution results: After the chairman asked all the attendees to pass the case without objection.				
Tenth 13th Board of Directors 2016.07.27	1. 2015 Discussion on Distribution of Directors' Compensation in °	v	Note		
	Opinion of independent directors : None.				
	The Company's handling of the opinions of independent directors : None.				
	Resolution results: The remuneration of the general directors, general directors are not hesitant to participate in the discussion and vote, after consultation with the Chairman, all the independent directors attended the case without objection. Part of the remuneration of the independent directors, The independent directors shall not avoid participating in the discussion and voting according to law · by the President to consult all the general directors without objection after the adoption of the case.				
Tenth 14th Board of Directors 2016. 08. 10	1. The Company has made long-term investment to discuss the case.	v	None		
	2. The Company' s long-term investment treatment case.	v	None		
	Opinion of independent directors : None.				
	The Company's handling of the opinions of independent directors : None.				

		Resolution results: After the chairman asked all the attendees to pass the case without objection.		
Tenth 17th Board of Directors 2016. 12. 28	1. 2017 Annual Accountant Appointment and Independent Evaluation Discussion.	v	None	
	Opinion of independent directors : None.			
	The Company's handling of the opinions of independent directors : None.			
	Resolution results: After the chairman asked all the attendees to pass the case without objection.			

(2) Except for the foregoing, other board of directors who oppose or retain opinions and have a record or written statement by an independent director: None.

2.If there is Directors' avoidance of motions in conflict of interest, the Directors' names, contents of motions, causes for avoidance and voting should be specified:
The Board of Directors discussed the discussion on the distribution of directors' remuneration for the year 2015 on 2016/07/27, the remuneration of the general directors, general directors are not hesitant to participate in the discussion and vote, after consultation with the Chairman, all the independent directors attended the case without objection. Part of the remuneration of the independent directors, the independent directors shall not avoid participating in the discussion and voting according to law, by the President to consult all the general directors without objection after the adoption of the case.

3.The year and the latest year to strengthen the objectives of the board of directors, such as the establishment of an audit committee, enhance information transparency and so on) and the implementation of the situation assessment:
The Company has set up functional committees such as auditing and remuneration, review the relevant motion in accordance with its powers and submit it to the board of directors for resolution, to improve the supervision function and strengthen the management function. Board members continue to participate in the subject of corporate governance related courses, enrich new knowledge and promote communication, to continuously enhance the functions of the board.

Note 1: The name of a legal entity shareholder and its representative shall be disclosed.

Note 2: (a) If a director or supervisor being relieved of office before year end, it shall be notified as a remark. The actual rate of attendance shall be calculated according to the meetings held when he/she is at the post.

(b) If there is a re-election before year-end, the new directors and supervisors along with the original ones shall be disclosed, and the date of directors and supervisors being elected shall be stated. The actual rate of attendance shall be calculated according to the meetings held when they are at posts.

3.3.2 Audit Committee

2016 Annual Audit Committee Meeting 10 times (A), the independent directors are listed below:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate B/A (%) (Note)	Remarks
Independent director	Che-Ho Wei	10	0	100.00	
Independent director	Tse-Jen Huang	10	0	100.00	
Independent director	Yao-Ching Hsu	10	0	100.00	

Other information required to be disclosed:

1.The operation of the Audit Committee is one of the following circumstances, should specify the date of the board, period, the contents of the motion, the results of the resolutions of the Audit Committee and the handling of the opinions of the Audit Committee.

(1) The matters listed in Article 14.5 of the Securities Exchange Act.

(2) Except for the foregoing, other unapproved by the Audit Committee, and more than two-thirds of all directors agreed to the matter.

The Audit Committee	The contents of the motion and follow-up	The matters listed in Article 14.5 of the Securities Exchange Act	unapproved by the Audit Committee, and more than two-thirds of all directors agreed to the matter
The first seventh Audit Committee 2016.03.23	1. 2015 the report on the results of the internal control self-assessment report and the statement of the internal control system.	v	None
	2. The fourth quarter of 2015 the implementation of the budget report and the 2015 annual financial statements to discuss the case.	v	None
	3. Summary of Consolidated Financial Statements and Related Business Agreements in 2015.	v	None
	4. Deloitte internal adjustment replacement visa accountant discussion case	v	None
	Audit committee resolution results(2016.03.23) : All members of the Audit Committee agreed to adopt.		
	The Company's handling of the opinions of the Audit Committee : All attendees agree to pass.		
The 12th Audit Committee of the First Session 2016.08.10	1. The 2016 second quarter budget performance report and the consolidated financial statements.	v	None
	2. The Company has made long-term investment to discuss the case.	v	None
	3. The Company's long-term investment treatment case.	v	None
	Audit committee resolution results (2016.08.10) : All members of the Audit Committee agreed to adopt.		
	The Company's handling of the opinions of the Audit Committee : All attendees agree to pass.		
The 15th Audit Committee of the First Session 2016.12.28	1. 2017 Annual Accountant Appointment and Independent Evaluation Discussion.	v	None
	Audit committee resolution results (2016.12.28) : All members of the Audit Committee agreed to adopt.		
	The Company's handling of the opinions of the Audit Committee : All attendees agree to pass.		

2. If there is any avoidance of motions in conflict of interest by Independent Director, the Independent Directors’ names, contents of motions, causes for avoidance and voting should be specified: None.

3. The communication between the independent director and the internal audit manager and the accountant (should include the company's financial, business conditions to communicate matters, methods and results):

(1)The Company's accountants communicated with the independent directors on November 14, 2016 for the results of the consolidated financial statements for the third quarter of 2016.

(2) The internal audit supervisors of the Company regularly report with the independent directors on the

implementation of the internal audit plan and the implementation of the tracking report, for the implementation of the audit business and the results are fully communicated.

(3) The independent directors of the Company may at any time require the visa accountants to examine the financial statements (including the consolidated financial statements) and other relevant laws and regulations, report and communicate to independent directors.

Note:

1. At the end of the year, there are independent directors who leave, the date of departure shall be indicated in the remarks column, the actual attendance rate (%) is calculated based on the number of meetings of the Audit Committee during its term of office and its actual attendance.

2. The end of the year, have independent directors, the new and old independent directors shall be filled, and indicate in the remarks column that the independent director is the old, new or re-election and re-election date. The actual attendance rate (%) is calculated based on the number of meetings of the Audit Committee during its term of office and its actual attendance.

3.3.3 Corporate Governance Implementation as Required by Taiwan Financial Supervisory Commission

Item	Implementation Status (Note 1)			Difference to “Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies”
	Y	N	Summary	
1. Formulation of its own corporate governance principles	V		Sunplus and its subsidiaries Generalplus for the establishment of a good corporate governance system, participate in the "Code of Practice for Corporate Governance of Listed OTC", the Company's Code of Corporate Governance Practices, and has been disclosed at the Public Information Observatory and the company's website. The rest of the subsidiaries has not formulated the related principles, however all of our rules and procedures are based on laws and regulations stipulated by authorities in charge.	No major Difference
2. Shareholding Structure and Shareholders' Rights	V		(1) Sunplus and its subsidiaries Generalplus, Sunext and Sunplus Innovation Commission by the stock agency on behalf of the relevant business, and according to the law to establish a complete spokesman system. The Company and Generalplus and set up Investor Relations Responsible Personnel responsible for handling shareholder recommendations and disputes related matters. Unlisted Subsidiaries are responsible for handling shareholders' opinions, doubts and disputes.	No major Difference
1) The way handling shareholders' suggestions or disputes				
2) The Company's possession of major shareholders list and the list of ultimate owners of these major shareholders	V		(2) The Company and its subsidiaries Generalplus, Sunext, and Sunplus Innovation through the shares of the agency, master and understand the structure of major shareholders, and regularly declare the directors and managers of equity changes, to master the ultimate controlling shareholder of the major shareholders and major shareholders. The subsidiaries of the unlisted shares regularly view the register of members at the end of each month, to master the ultimate controlling shareholder of the major shareholders and major shareholders.	No major Difference
3) Risk management mechanism and fire wall between the Company and its affiliates	V		(3) The Company, Sunext and Sunplus Innovation have a "Relational transaction processing", Generalplus has a "Group Business and Related Transactions", the remaining subsidiaries also have various management methods, for the relationship between the business transactions are clearly defined, to achieve risk control mechanisms.	No major Difference
4) Disclosure agreement to prohibit that those insiders may not take advantage of undisclosed information of which they have learned to engage in insider trading.	V		(4) The Company and its subsidiaries, Generalplus and Sunext have formulated the "Internal Significant Information Disclosure and Prevention of Insider Trading Management Procedures", and told the company insiders to strictly follow, it is forbidden for insiders to use the unlisted information on the market to buy and sell securities.	No major Difference
3. Composition and Responsibilities of the BOD				
1) Board diversity policy	V		(1) Pursuant to the Company's Code of Corporate Governance Practices, members of the board of directors focus on diversity, and generally have the knowledge, skills and literacy necessary to carry out their duties. At present, 7 directors of the Company, with business, accounting, legal, business, motor and other professional background. (Note 2)	No major Difference
2) Other Functional Committees than Audit committee and Compensation Committee	V		(2) Sunplus and Genealplus have set up audit committee and compensation committee. Sunext has compensation committee. The company shall set up other functional committee if needed anytime.	No major Difference
3) Regulations governing the board performance evaluation and implementation	V		(3) The Company and its subsidiaries have not yet established a performance appraisal method for the Board of Directors, but not regularly review the board function, the future will look at the law environment, company operating conditions and management needs, assess the feasibility of assessing the performance of the board of directors.	No major Difference
4) Regular evaluation of external auditors' independency	V		(4) The Company assesses the independence of visa holders on a regular basis every year, the assessed visa accountants are in compliance with the Company's independent evaluation criteria (Note 3), and passed the resolution of the Audit Committee and the Board of Directors on December 28, 2016. Each subsidiary will assess the independence of the visa accountant at the end of the year, and the appointment of the accountant in the resolution of the board of directors.	No major Difference
4. Is the OTC Company listed in the Corporate Governance Full-time (Part-time) unit or person responsible for corporate governance related matters (Including but not limited to providing information required by directors and supervisors to perform their business, to handle matters related to the meetings of the Board of Directors and the Shareholders' Meeting in accordance with the law, for company registration and change registration, production of Board of Directors and Shareholders' Meeting)?	V		The Company and its subsidiaries appoint the Chairman's Office to be responsible for corporate governance matters, to handle matters relating to the meetings of the Board of Directors and the Shareholders' Meeting, and assist the Company in complying with the relevant laws and regulations of the Board of Directors and the Shareholders' Association, provide information necessary for the directors to carry out their business, with the latest laws and regulations related to the development of the company, to assist the directors in following the decree	No major Difference
5. Communication channel with Stakeholders (Including but not limited to shareholders, employees, customers and suppliers)	V		Sunplus and its subsidiaries maintain good relations with stakeholders including banks, suppliers, and other relevant parties. Sunplus, with a principle of honesty, provides sufficient information about the Company's operations and defends the Company's lawful rights and interests. Sunplus and Generalplus has been disclosed all contact windows with stakeholders on the company website. The remaining subsidiaries also provide detailed contact information on the company's website. The stakeholders could communicate with Sunplus if needed anytime via phone, mail, fax, email, etc.	No major Difference
6. Engaging professional shareholder services agent to handle shareholders meeting matters	V		Sunplus, Generalplus, Sunplus Innovation Technology : China Trust Commercial Bank Corporate Trust Operation and service Department Sunext: SinoPac Securities Corporate Trust Operation and service Department	No major Difference

7. Information Disclosure 1) Establishment of corporate website to disclose information regarding the Company's financials, business, and corporate governance status 2) Other information disclosure channels (ex. English website, appointing responsible people to handle information collection and disclosure, appointing spokesman, webcasting investors conference)	V		(1) Sunplus and Genealplus have established bilingual corporate website, managed by relevant departments to disclose Company's financials, business, and corporate governance status. Sunext, Sunplus Innovation, and iCatch also have established bilingual corporate website to disclose the business and product information.	No major Difference
	V		(2) Sunplus and its subsidiaries have established English website. Sunplus, Generalplus, Sunext and Sunplus Innovation Technology have assigned spokesperson, acting spokesperson and designated specialists to disclose and collect the company's information. Other subsidiaries are responsible for the collection and disclosure of company information, there is currently no speaker yet.	No major Difference
8. Other important information to facilitate better understanding of the Company's corporate governance (such as human rights, employee rights, employee wellness, community participation, social contribution, community service, investor relations, supplier relations, shareholders' rights, customer relations, the implementation of risk management policies and risk evaluation measures, the implementation of consumers/customers protection policies, and purchasing insurance for directors and supervisors.):	V		(1) Employee rights: Sunplus and its subsidiaries have made and followed the internal management procedures regarding employee rights under the regulations of the Labor Standards Act and Gender Equality in Employment Act. (2) Employee wellness: Sunplus and its subsidiaries have made and followed the internal management procedures regarding employee wellness. (3) Investor relations: Sunplus and its subsidiaries have set a investor relations professionals to communicate with investors and disclose the operations and financials. (4) Supplier relations: Sunplus and its subsidiaries have good relationship with suppliers and manage the supply chains efficiently. (5) Stakeholders: Sunplus and its subsidiarie respect all stakeholders and have established the channels to communicate with stakeholders. (6) Continuing education record of directors and supervisors: Please refer to Market Observation Post System (7) Implementation of risk management policies and risk evaluation measures: Internal rules and procedures are based on laws and regulations stipulated by authorities in charge (8) Customer: Sunplus and its subsidiaries provide best service to Customers based on internal rules and procedures (9) Sunplus and Generalplus have taken liability insurance for directors and supervisors with respect to liabilities resulting from exercising their duties in Sunplus and subsidiaries.	No major Difference
9. Please review the results of the corporate governance evaluation issued by the Corporate Governance Center of the Taiwan Stock Exchange Co., Ltd. in recent years, and to give priority to matters and measures that have not yet been improved: The results of the Company's 2016 corporate governance evaluation were 21% to 35%. The results of the evaluation have improved, and those who have not yet been improved to give priority to matters and measures, listed as follows: (1) In December 2016, the Board of Directors has assessed the independence of visa holders, and will expose the assessment process in detail in the 2016 annual report. (2) Has expired the Company's Code of Practice on Corporate Social Responsibility on the Company's website. (3) Will be 30 days before the 2017 shareholders meeting to upload the shareholders' meeting brochure and meeting supplementary information. (4) Will be 2016 annual report to expose the 105 shareholders meeting the implementation of the resolution. (5) 2017 Annual Shareholders' Regular Meeting intends to invite more than half of the directors to attend.				

Note 1: Whether or not "yes" or "no" is checked, it should be stated in the summary description field.

Note 2: The details of the implementation of the board of directors of the Company are as follows:

Name of Director	Gender	Professional background
Chou-Chye Huang	male	Listed technology company chairman
Wen-Shiung Jan	male	Director and supervisor of listed company
Global View Wen-Ren Su Representative of Legal Entity	male	General manager of listed technology companies
Wei-Min Lin	male	Accountant
Che-Ho Wei	male	Professor of Electrical Engineering and former National Science Council
Tse-Jen Huang	male	Accountant
Yao-Ching Hsu	male	Lawyer

Note 3: The evaluation criteria for the independence of the Company's accountants are as follows:

Sunplus Technology
Accountant Independence Assessment Criteria

Assessment Date: 12/12/2016

Evaluation items	Evaluation result	Whether it is independent
1. Whether the accountant has a direct or significant indirect financial interest relationship with the Company	No	Yes
2. Whether the accountant has a financing or guaranteeing action with the Company or the directors of the Company	No	Yes
3. Whether the accountant has a close business relationship or potential employment relationship with the Company	No	Yes
4. Whether the accountants and their members of the audit team are currently directors or managers in the current or the last two years or have a significant impact on the audit work	No	Yes
5. Whether the accountant has provided non-audit services to the Company that may directly affect the audit	No	Yes
6. Whether the accountant has any stock or other securities issued by the Company	No	Yes
7. Whether the accountant has a conflict with the defendant of the Company or on behalf of the Company in coordination with other third parties	No	Yes
8. Whether the accountant has a kinship with the directors, managers or persons who have a significant impact on the audit	No	Yes

3.3.4 Disclosure of Operations of the Company’s Compensation Committee:

1. Qualifications and Independence Analysis

Stausts(Note 1)	Name	With over 5 years of working experience and one of the following professional requirements			Independent Status (Note 2)								Numbers of other public companies concurrently serving on compensation committee	Remark
		An instructor of higher position in a department of commerce, law, finance, accounting, or other departments related to the Company’s business in a public or private college or university	A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the Company’s business	With an experience in commerce, law, finance, accounting or other specialties necessary to the Company’s business	1	2	3	4	5	6	7	8		
Independent Director	Che-Ho Wei	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	2	
Independent Director	Tse-Jen Huang		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3	
Independent Director	Yao-Ching Hsu		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	

Note 1: The Status is identified by director, independent director and other.

Note 2: “✓” indicates the directors and supervisors meeting any of the following criteria during the term of office and two years before being elected.

- (1) Not an employee of the company or its affiliates.
- (2) Not a director or supervisor of the company or its affiliates. (But as a company or its parent company, An independent director who is a subsidiary of the law or local law, not in this limit.)
- (3) Not the shareholder (with its relatives or under others’ names) who holds more than 1% shareholding of the total issued shares or ranked as the Top 10 shareholders.
- (4) Not a spouse, relative within the second-degree of consanguinity, or the lineal relative within the fifth-degree of consanguinity of any of the persons in the preceding three paragraphs.
- (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of the company’s issued shares or that holds shares ranked as Top 5 in holdings.
- (6) Not a director, supervisor, officer, or shareholder holding 5% or more of the shares, of a specified company or institution, which has financial or business relationship with the Company.
- (7) Not a professional individual, owner, partner, director, supervisor, or officer (and a spouse thereof) of a sole proprietorship, partnership, company, or institution which provides commercial, legal, financial, accounting, and so on, services or consultation to the company or to its affiliates.
- (8) Not been a person of any condition as defined in Article 30 of the Company Law.

2. Operation

1. BOD appointed three independent director to be members of compensation committee.
2. The term of office is 3 years from June 12th 2015. Four(A) meetings have held by of 3nd Committee in 2016.

Title	Name	Attendance in Person(B)	By Proxy	Attendance Rate(B/A) (%) (Note)	Remarks
Convener	Che-Ho Wei i	4	0	100	
Member	Tse-Jen Huang	4	0	100	
Member	Yao-Ching Hsu	4	0	100	
Other information required to be disclosed: 1. The BOD has adopted the proposal by compensation committee without dissent 2. The participated members have approved the resolutions by compensation committee. without dissent					

Note 1: (a) If the member being relieved of office before year end, it shall be notified as a remark. The actual rate of attendance shall be calculated according to the meetings held when he/she is at the post.
(b) If there is a re-appointment before year-end, the new member along with the original ones shall be disclosed, and the date of member being appointed shall be stated. The actual rate of attendance shall be calculated according to the meetings held when he/she is at the post.

3.3.5 Social Responsibilities Implementation Status (such as environment protection, community participation, contribution to community, social service, charity, consumer rights, human rights and other social responsibilities):

Item	Implementation Status (Note 1)			Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” and reasons
	Y	N	Summary (Note 2)	
1. Exercising Corporate Governance 1) The company declares its corporate social responsibility policy and examines the results of the implementation. 2) The Company organizes education and training on the implementation of corporate social responsibility initiatives on a regular basis 3) The company establishes exclusively (or concurrently) dedicated units to be in charge of proposing and enforcing the corporate social responsibility policies, and reporting the BOD 4) The company adopts employee performance evaluation system combined with corporate social responsibility policies, and that a clear and effective incentive and discipline system be established.	V		(1)The Company has established the Code of Practice on Corporate Social Responsibility, keep track of its effectiveness and continuous improvement. The subsidiaries have not formulated the corporate social responsibility policy, but still continue to practice corporate social responsibility, the policy will also be formulated in the future. (2) The Company conducts regular education and training on corporate social responsibility, the subsidiaries do not have regular staff social responsibility education and training, but by the promotion of corporate social responsibility related to the core staff arrangements for external social responsibility education and training, training frequency in accordance with the staff changes, professional division of labor and standard revision frequency, in the day-to-day business, employees are also required to comply with the relevant regulations and ethical standards, with a view to achieving the goal of corporate social responsibility. (3) The Company for the sound management of corporate social responsibility, the company set up part-time units to promote corporate social responsibility, responsible for corporate social responsibility policy, system or related management policy and the specific promotion of the proposed and implemented, and report to the Board on a regular basis. Although the subsidiaries did not set up to promote social responsibility full-time(pare-time) units, but in environmental protection and related social responsibility activities are spare no effort. (4) The Company and its subsidiaries have formulated a reasonable remuneration policy, with the staff performance appraisal system to clear and effective implementation of incentives and disciplinary system.	No major Difference No major Difference No major Difference No major Difference
2. Fostering a Sustainable Environment 1) The company endeavors to utilize all resources more efficiently and uses renewable materials which have a low impact on the environment. 2) The company establishes proper environmental management systems based on the characteristics of their industries. 3) The company monitors the impact of climate change on its operations and should establish company strategies for energy conservation and carbon and greenhouse gas reduction.	V		(1) The Company and its subsidiaries comply with the relevant environmental laws and regulations, actively respond to resource recovery and classification, and procurement of various high-performance equipment to enhance the energy, resource efficiency, the other to promote the use of renewable materials , to reduce the impact on the environment. But also to convey to employees the concept of energy saving and carbon reduction, and the implementation of education and training to achieve full environmental goals. (2) The Company and its subsidiaries attach importance to environmental management, at present, the company has passed ISO14001 certification , and employ qualified management officers in a manner superior to the requirements set out in the Act. Sunplus and Generalplus are currently in charge of two qualified labor safety and hygiene services, a qualified labor safety and health management division. The Company and its subsidiaries have promoted paperless operations and the use of energy-saving lamps and water-saving appliances, and actively promote the waste reduction activities, reduce the impact on the environment, and the use of environmentally friendly new refrigerant, to avoid damage to the ozone layer, while the implementation of readily turn off the lights, saving water policy. (3) The Company conducts annual greenhouse gas inventory, the Company and the central air-conditioning of the subsidiaries are controlled by hand, in the temperature does not reach a certain high temperature before the use of reduction, and the use of intelligent control systems and frequency conversion devices to effectively control the amount of air conditioning, can immediately detect the environmental needs and automatically adjust the amount of air conditioning, avoid unnecessary waste. Equipped with electric power automatic control equipment, monitor the use of electricity at any time , to enhance the	No major Difference No major Difference No major Difference

			efficiency of energy use, reduce power consumption, to achieve energy conservation and carbon reduction and greenhouse gas reduction of the strategic objectives.	
3. Preserving Public Welfare				
1) The company adopts relevant management policies and processes complying with relevant laws and regulations and the International Bill of Human Rights	V		(1) The Company and its subsidiaries comply with the labor laws and regulations, and set relevant working rules, safeguard employees' rights and interests, and provide information to enable employees to understand their rights and interests.	No major Difference
2) The company provides an effective and appropriate grievance mechanism and channels with response to any employee's grievance in an appropriate manner.	V		(2) Sunplus, Generalplus, Sunext and Sunplus Innovation have a "Employee Appeals Scheme" setting out the complaint and handling procedures, construction of employee complaints mechanism and communication channels, to protect employees' rights. The remaining subsidiaries were held through a labor conference, staff communication will be coordinated, and set up online views exchange channels, understand the idea of both employers and employees, create a win-win situation.	No major Difference
3) The company provides safe and healthful work environments for their employees, and organizes training on safety and health for their employees on a regular basis.	V		(3) The Company and its subsidiaries provide facilities and the environment which are superior to the Labor Safety and Health Act. Set up special organizations and personnel according to law, implementation of environmental safety and health management related matters. workplace regular automatic check, to ensure the safety of employees, the environment and equipment. And provide a periodical health check that is superior to the law. Provide staff career development good environment, provide a variety of educational training and training programs.	No major Difference
4) The company establishes a platform to facilitate regular two-way communication between the management and the employees, and informs employees of operation changes that might have material impacts by reasonable means.	V		(4) The Company and its subsidiaries regularly handle the employee satisfaction survey and staff communication meeting, understand your colleagues' recognition and understanding of corporate policy.	No major Difference
5) The company establishes effective training programs to foster career skills of their employees' careers	V		(5) The Company and the subsidiaries of the Ministry of Human Resources for the development of peer development of a complete training program, so that colleagues can perform their duties in the existing posts, at the same time, the necessary skills for promotion.	No major Difference
6) In the process of research and development, procurement, production, operations, and services, the company establishes policies and grievance mechanism to protect on consumer rights and interests	V		(6) The Company and its subsidiaries have customer service management procedures and customer complaints related treatment, effectively handle customer complaints and provide timely services.	No major Difference
7) The company follows relevant laws, regulations and international guidelines when marketing or labeling their products and services	V		(7) The Company and its subsidiaries are responsible for the marketing and labeling of products and services, comply with the relevant laws and regulations and international standards of our customers and suppliers.	No major Difference
8) Prior to engaging in commercial dealings, The company assess whether there is any record of a supplier's impact on the environment and society	V		(8) The Company and its subsidiaries preferred suppliers with environmental responsibility, and have the relevant management approach.	No major Difference
9) When The company enters into a contract with any of their major suppliers, the content should include terms stipulating mutual compliance with corporate social responsibility policy, and that the contract may be terminated or rescinded any time if the supplier has violated such policy and has caused significant negative impact on the environment and society of the community of the supply source.	V		(9) All suppliers of the Company are subject to the Company's honest policies, do not receive gifts, rebates, and prohibit irregular transactions, if there is a breach of the break, in order to the most reasonable offer, the best quality, and the best service, to achieve the company and suppliers work together to enhance the purpose of corporate responsibility. Generalplus and suppliers signed by the contract, it is not clear if there is a breach of social responsibility, or other circumstances that have a significant adverse effect on society, the Company may terminate or terminate the terms of the Contract, but when the company has a need, the supplier shall cooperate with the terms of the Environmental and Social Responsibility Letter. Sunext, Sunplus Innovation, iCatch and Jumplux future contract with major suppliers, depending on the actual needs of the content will include compliance with both sides of the corporate social responsibility policy, and if the supplier is involved in a policy violation, and have a significant impact on the environment and society of the source community, may terminate or terminate the terms of the contract at any time.	No major Difference
4. Enhancing Information Disclosure				
1) The company discloses the relevant and reliable information relating to their corporate social responsibility on company website and Market Observation Post System.			Sunplus, Generalplus, Sunext and Sunplus Innovation in the annual report of shareholders to disclose the implementation of social responsibility information, upload annual report to public information station, You can also contact the public information station at the company's website.	No major Difference
5. If the Company has its own Corporate Social Responsibility Code in accordance with the Code of Practice for Corporate Social Responsibility of Listed Companies, Please describe the difference between the operation and the code: The Company has established the Corporate Social Responsibility Code, for related issues such as sustainable management, environmental protection, employee rights, social welfare and related information, Are the internal system of norms. The subsidiaries have not yet defined the corporate social responsibility policy, but related issues such as sustainable management, environmental protection, employee rights, social welfare and related information, are the internal system of norms. To fulfill corporate social responsibility, the Company and its subsidiaries will from time to time contribute to environmental protection, social contribution, social services, social welfare, consumer rights, human rights, safety and health and other social responsibility activities.				
6. Other important information to facilitate better understanding of the Company's corporate social responsibility practices (1) Sunplus and the subsidiaries for the professional IC design company, IC research and development and design based, department of non-polluting industries, there is no environmental pollution situation. (2) Sunplus and its subsidiaries are actively involved in relevant activities related to social welfare from time to time.				

(3) Based on the concept of professional services, the Company and its subsidiaries have formulated the relevant guidelines for the implementation of the relevant customers, in order to seek the fastest solution to customer questions.
(4) Sunplus and its subsidiaries are responsible for the management of the Company's employees in accordance with the Labor Standards Act, and by hand to deal with the work of employees, to protect its basic rights and interests.
(5) Sunplus and its subsidiaries refer to the Labor Safety and Health Act, for safety and health work, to protect the health and safety of labor.
7. If the products or corporate social responsibility reports have received assurance from external institutions, they should state so below: None

Note 1: Operation Check whether "Yes" or "No" is checked, should be described in the summary description field.

Note 2: The company has prepared corporate social responsibility report, the abstract statement can be used to indicate the way in which the corporate social responsibility report is reviewed and the index page is replaced.

3.3.6 Implementation of Ethical Corporate Management

Sunplus discloses financial reports according to the regulations of the government.

In order to enhance transparency and protect shareholders’ rights and interests, Sunplus announces financial results and business information on TSE and Sunplus’ websites regularly.

Item	Implementation Status (Note 1)			Deviations from “Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies” and reasons
	Y	N	Summary	
1. Promulgation ethical corporate management principles 1) The company shall clearly specify in their rules and external documents the ethical corporate management policies and the commitment by the board of directors and the management on rigorous and thorough implementation of such policies 2) The company shall adopt programs to prevent unethical conduct and setting out in each program the standard operating procedures, conduct guidelines, penalties, and complaints with respect to the company's operations and business 3) The company shall establish the prevention programs which business activities within their business scope which are possibly at a higher risk of being involved in an unethical conduct, and strengthen the preventive measures	V V V		(1) Sunplus and Generalplus have a "Business Operation Procedures and Conduct Guide", as a clear business integrity of the policy, practice, as well as the board of directors and management to actively implement the business policy commitment. The rest of the subsidiaries uphold the "integrity", "creative", "quality", "service" business philosophy, the development of the company's internal management system and methods, implementation of the implementation of the review. (2) Sunplus and Generalplus respectively have the "prosecution system", "Code of Conduct for Employees", "Code of Conduct for Directors and Managers", “Report the handling of cases of unlawful and unethical or dishonesty”, and "Goodwill Operational Procedures and Conduct Guide", guidance on procedures and conduct of relevant actions to prevent dishonesty, For the staff of the Company in violation of the integrity of the circumstances of the circumstances, shall be dismissed or dismissed in accordance with the relevant laws and regulations or by the personnel personnel of the company. The "rules of work" of the subsidiaries are prohibited from breaches of dishonesty, for violation of the provisions of the punishment and appeals system. (3) Sunplus and Generalplus have a "Business Operation Procedures and Conduct Guide", it is forbidden to provide or receive improper benefits. Sunplus has a "prosecution system", Generalplus official website set up online "reporting system", encourage reporting of any unlawful or breaches of ethical code of conduct or code of conduct. The remaining subsidiaries are in the "working rules", the report of the integrity of employees and the disciplinary system, and through the internal control system effective implementation, to reduce the risk of dishonesty, to guard against the effect.	No major Difference No major Difference No major Difference
2. Implementation of ethical corporate management 1) The Company shall gain a thorough knowledge of the status of the other party's ethical management, and shall make observance of the ethical management policy of this Company part of the terms and conditions of the contract 2) The Company shall designate the responsible unit with respect to ethical corporate management of implementation. The BOD shall monitor the implementation regularly. 3) The Company shall promulgate policies for preventing conflicts of interests and offer appropriate means to voluntarily explain whether their interests would potentially conflict with those of the companies. 4) The companies shall establish effective accounting systems and internal control systems and Internal auditors shall periodically examine the compliance 5) The company shall periodically organize or engage out-sourcing training programs of ethical corporate management	V V V V		(1) Sunplus and Generalplus shall, in accordance with the Guidance on Procedures and Conduct of Honesty Operation Procedures, specify the contract to be fully aware of the integrity of the other business, and the company's integrity management policy into the terms of the contract. The remaining subsidiaries are subject to customer credit rating and supplier management, carefully assess the legitimacy of the object, to avoid dishonest business activities. (2) Sunplus and Generalplus for the sound management of the integrity of management, designated chairman of the room to promote business integrity management unit, responsible for the development and promotion of integrity management policies and preventive programs. The responsible unit reports to the board of directors on an annual basis. (3) The communication channels between the Company and its subsidiaries and the management department are smooth, if any problems are found, can respond to management. In addition to that, responsible for the integrity of the business-related departments are in accordance with their duties according to the law related matters, to prevent conflicts of interest and to provide appropriate statements on the operation of the pipeline. (4) Sunplus, Generalplus, Sunext and Sunplus Innovation have established an effective accounting system and internal control system for the implementation of credit management, internal auditors regularly check the implementation of the internal control system, and through the implementation of self-inspection system, to ensure the effectiveness of the internal control system, as the basis for the declaration of internal control system, and reported to the board of directors. (5) Sunplus and Generalplus have a "Business Operation Procedures and Conduct Guide", built-in integrity business in the corporate culture, and from time to time in the meeting in the publicity. Also in the internal announcement to the company employees to guide the integrity of operating procedures and conduct guidelines, the implementation of the company in good faith based on the core values and business philosophy.	No major Difference No major Difference No major Difference No major Difference No major Difference
3. Whistle-blowing System (1) The Company shall have in place a formal channel for receiving reports on unethical conduct, and establish a well-defined	V		(1) Sunplus has a "prosecution system", Generalplus has a "report on the handling of cases of unlawful and unethical or dishonesty", the remaining subsidiaries have a "Employee Appeals Scheme", the Company and its subsidiaries are assigned	No major Difference

disciplinary and complaint system to handle violation of the ethical corporate management rules.			to the appropriate admissibility of the person in charge, as a convenient report of the staff when the report.	
(2) The Company shall set up procedures to handle with Whistle-blowing System and Confidentiality of the identity of whistle-blowers	V		(2) The Company and its subsidiaries have the relevant reporting and appeals, the contents of the clear report of the operating procedures and related confidentiality principles.	No major Difference
(3) The Company shall have measures for protecting whistle-blowers from inappropriate disciplinary actions due to their whistle-blowing.	V		(3) The procedures for the protection of the prosecutor in the relevant reporting and appeals of the Company and its subsidiaries	No major Difference
4. Disclose of its implementation of ethical corporate management 1) The company shall disclose the status of the enforcement of their own ethical corporate management best practice principles on their company websites			Sunplus and Generalplus have been on the company's website and public information observatory, expose the "Goodwill Operational Procedures and Conduct Guide", and in the company's Web site to expose the implementation of integrity management situation.	No major Difference
5. If the Company has its own Code of Practice on the basis of the Code of Practice for the Listing of Goodwill Company on Listing, please describe the difference between the operation and the code: The Company and the subsidiaries and the manufacturers and organizations are uphold the principle of operating integrity.				
6. Other important information that helps to understand the operation of the company's integrity: (Such as the company to review and amend the integrity of the business rules and regulations) The Company and the subsidiaries in good faith as a fundamental, to all employees uphold the spirit of good faith, responsible for investors, customers and society. The company has a complaint, the report letter box, employees who find any violation of the principle of good faith or harm the company's reputation, can be reported or reported through the Internet. In addition, the Company and the subsidiaries and related manufacturers and partners for long-term cooperation, and express contract, set up relevant full-time staff involved, Maintain long-term stable cooperative relations.				

Note 1: Operation Check whether "Yes" or "No" is checked, should be described in the summary description field.

3.3.7 Formulate Corporate Governance Rules and Regulations:

The Company has a Code of Corporate Governance Practices, to protect the interests of shareholders, strengthen the functions of the board of directors, respect for the interests of stakeholders, to enhance the transparency of information, etc. are relevant norms, also for the Taiwan Stock Exchange Co., Ltd. for corporate governance review one by one to review the actual implementation of the assessment indicators, hoping to help companies gradually build a good corporate governance system, to enhance the effectiveness of corporate governance. The Company's corporate governance operation, please refer to this Annual Report, Corporate Governance Report III, Corporate Governance Operations (pages 22-49), for the Code of Corporate Governance Practices, please contact our website.

3.3.8 Other Matters Needed to Improve the Company’s Implementation of Corporate Governance:

None

3.3.9 Internal Control System Execution Status and Information

a) Statement of Internal Control System

Sunplus Technology Co., Ltd. Statement of Internal Control System

Date: **March 15th, 2017**

Based on the findings of a self-assessment, Sunplus states the following with regard to our internal control system during **January 1st – December 31st, 2016**:

Sunplus is fully aware that establishing, operating, and maintaining an internal control system are the responsibility of Board of Directors and management team. Sunplus has established such a system aimed at providing reasonable assurance regarding achievement of objectives in the following categories: (a) effectiveness and efficiency of operations (including profitability, performance, and protection of assets), (b) reliability of financial reporting, and (c) compliance with applicable laws and regulations.

An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can only reasonable assurance of accomplishment for the three objectives mentioned above. Moreover, the effectiveness of an internal control system may be subject to changes of environment and circumstances. Nevertheless, Sunplus' internal control system contains self-monitoring mechanisms, and Sunplus takes corrective actions whenever a deficiency is identified.

Sunplus evaluates the design and operating effectiveness of our internal control system based on "Regulations Governing the Establishment of Internal Control Systems by Public Companies" (herein below, the "Regulations"). The criteria adopted by the Regulations identify five components of internal control based on the process of management control: (a) control environment, (b) risk assessment, (c) control activities, (d) information and communication, and (e) monitoring. Each component further contains several items. Please refer to the Regulations for details.

Sunplus has evaluated the design and operating effectiveness of our internal control system according to the aforesaid criteria.

Based on the findings of the evaluation mentioned in the preceding paragraph, Sunplus believe that, during the **year 2016**, our internal control system (including the supervision and management of subsidiaries), as well as our internal control to monitor the achievement of our objectives concerning operational effectiveness and efficiency, reliability of financial reporting, and compliance with applicable laws and regulations, were effective in design and operation, and reasonably assured the achievement of the above-stated objectives.

This statement is an integral part of Sunplus' annual report for the **year 2016** and prospectus, and would be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Article 20, 32, 171, and 174 of the "Securities and Exchange Law".

This statement has been passed by the Board of Directors Meeting held on **March 15th, 2017**, with all six attending directors expressing dissenting opinions, and the remainder all affirming the content of this statement.

Sunplus Technology Co., Ltd.



Chou-Chye Huang
Chairman& CEO

b) The Company's Internal Control System Audit Report by External Auditors: Not applicable

3.3.10 Regulatory Authorities' Legal Penalties to the Company, and the Company's Resulting Punishment on Its Employees: None

3.3.11 Major Resolutions by the Shareholders' Meetings and the Board of Directors Meetings

2016 The implementation of the resolution of the shareholders' meeting			
Date	Decision Maker	Resolution matters and implementation	
2016.06.13	Shareholders' Meeting	1.Adoption of amendment of the Articles of Association of the Company. Implementation of the situation: Was approved by the Ministry of Economic Affairs on June 29, 2016 and posted on the company's website. 2. To recognize the Company's 2015 annual business report and financial statements. Implementation of the situation: The relevant bibliography has been filed with the competent authority for filing and announcement in accordance with the relevant laws and regulations. 3. To recognize the Company's 2015 earnings distribution case. Implementation of the situation: Proposed on August 17, 2016 for the ex-dividend basis, September 06, 2016 is the date of payment (Cash dividend of \$.89 per share) 4. To remove the restrictions on the directors' activities of the Company. Implementation of the situation: Effective from the shareholders' meeting.	
2016 and as of the date of publication of the annual report of the board of directors important matters			
Date	Decision Maker	Case	Result
2016.07.27	Board Meeting	1. Discussion on the Distribution of Directors' Compensation in 2015.	The remuneration of the general directors, general directors are not hesitant to participate in the discussion and vote, after consultation with the Chairman, all the independent directors attended the case without objection. Part of the remuneration of the independent directors, the independent directors shall not avoid participating in the discussion and voting according to law, by the President to consult all the general directors without objection after the adoption of the case.
2016.08.10	Board Meeting	1. Consolidated financial statements for the second quarter of 2016. 2. The Company has made long-term investment to discuss the case. 3. The Company's long-term investment treatment case.	After the chairman asked all the attendees to pass the case without objection.
2016.11.14	Board Meeting	1. Summary of financial statements for the third quarter of 2016.	After the chairman asked all the attendees to pass the case without objection.
2017.02.14	Board Meeting	1. The Company's long-term investment treatment discussion.	After the chairman asked all the attendees to pass the case without objection.
2017.03.15	Board Meeting	1. Discussions on the remuneration of employees and the distribution of directors' remuneration in the year of 2016.	After the chairman asked all the attendees to pass the case without objection.

		2. Discussion case of summary of consolidated financial statements for 2016. 3. Discussion case of Business Report for the 2016 Annual Report. 4. Discussion case of Breakdown of the Company's surplus distribution for 2016 5. Deal with the capital reserve distribution cash discussion case. 6. Revision of the discussion of the Company's "Acquisition or Disposal of Asset Processing Procedures". 7. The Company's "Endorsement Warrant Work Procedures" amendments to the discussion. 8. Discussion on "Restrictions on Canceling the Competition of Directors of the Company". 9. The convening of the ordinary shareholders 'meeting in 2016 and the discussion of the shareholders' proposal.	
2017.05.10	Board Meeting	1. Consolidated financial statements for the first quarter of 2017.	After the chairman asked all the attendees to pass the case without objection.

3.3.12 The most recent year and as of the date of report publication the directors have different opinions and record or written statements by the board of directors through important resolutions, its main content:

None

3.3.13 The most recent year and as of the date of report publication, the person related with financial report that resignation of summary of the situation.

None

3.4 Audit Fees

Audit Firm	Name of Auditor		Duration of auditing	Remarks
Deloitte & Touche	Zheng-Zhi Lin	Shu-Jay Huang	2016.01.01~2016.12.31	

Amount \ Item		Audit fee	Non-audit fee	Total
1.	Under NT\$2,000,000		✓	
2.	NT\$2,000,000 ~ NT\$4,000,000			
3.	NT\$4,000,000 ~ NT\$6,000,000	✓		✓
4.	NT\$6,000,000 ~ NT\$8,000,000			
5.	NT\$8,000,000 ~ NT\$10,000,000			
6.	Over NT\$10,000,000			

1. Payment of visa accountants, visa accountants and their relationship between the firm's non-audit fees accounted for the proportion of the audit fee of more than one-fourth per cent, should disclose the amount of audit and non-audit fees and non-audit services: Not applicable.
2. Replacement of accounting firms and replacement of annual audit fees paid to replace the previous year's audit fee reductions, should be exposed before and after the replacement of audit fees to reduce the amount, proportion and reason: Not applicable.
3. The audit fee is reduced by more than 15% over the previous year, should reduce the amount of audit fees, the proportion and reason: Not applicable.

3.5 Replacement of Auditors

Not applicable due to internal job rotation of Audit Firm

3.6 Chairman, Presidents, and Managers in Charge of Finance and Accounting Who Held a Position in Sunplus' Independent Audit Firm or Its Affiliates during the Recent Year

Not applicable

3.7 Net Change in Shareholding and Net Changes in Shares Pledged by Directors, Management, and Shareholders with 10% Shareholding or More

3.7.1 Net Change in Shareholding and Net Changes in Shares Pledged by Directors, Management, and Shareholders with 10% Shareholding or More

Unit: Shares

Title	Name	2016		Ended of April 15th, 2017	
		Shareholding Increased (decreased)	Shares Pledged (Released)	Shareholding Increased (decreased)	Shares Pledged (Released)
Chairman& CEO	Chou-Chye Huang	0	12,500,000 (13,757,038)	0	0
Director	Global View Co., Ltd.	0	0	0	0
Director	Wen-Shiung Jan	0	0	0	0
Director	Wei-Min Lin	0	0	0	0
Independent Director	Che-Ho Wei	0	0	0	0
Independent Director	Tse-Jen Huang	0	0	0	0
Independent Director	Yao-Ching Hsu	0	0	0	0
VP	Wayne Shen	0	0	0	0
Director of Finance & Accounting Division	Shu-Chen Cheng	0	0	0	0
AVP	Alex Chang	0	0	0	0
AVP	Jason Lin	0	0	0	0

3.7.2 Stock Trade

Name (Note 1)	Transfer Reason	Transaction Date	Name of Counter Party	Nature of Relationship	Amount of Shares	Transaction Price
-	-	-	-	-	-	-

3.7.3 Shares Pledge with Related Parties

Ended of April 15th, 2016

Name (Note 1)	Reason of Pledge (Note 2)	Date of Change	Name of Counter Party	Nature of Relationship	Amount of Shares	Percentage of Shareholding	Percentage of Shares Pledge	Transaction Price
Chou-Chye Huang	Pledged	2016.12.08	Far East Bank	None	7,500,000	15.67%	48.47%	-
Chou-Chye Huang	Released	2016.04.26	Far East Bank	None	9,000,000	15.67%	48.47%	-

Note 1: Including Directors, managers and shareholders holding more than 10%

Note 2: Reasons for shares pledged or released

3.8Top 10 Shareholders & Related Parties

Name	Current Shareholding		Shareholding under Spouse & Minor		Shareholding under Others' Name		Relationship with related-parties	
	Amount of Shares	Holding %	Amount of Shares	Holding %	Amount of Shares	Holding %	Name	Relationship
Chou-Chye Huang	92,737,817	15.67%	1,370,993	0.23%	-	-	Lin-Shih. Global View	Board Director (Representative of Legal Entity)
De-Zhong Liu	13,045,795	2.20%	2,006,943	0.34%	-	-	-	-
Global View Co., Ltd.	10,038,049	1.70%	-	-	-	-	Chou-Chye Huang	Board Director Representative of Legal Entity)
Chou-Chye Huang Representative of Legal Entity)	92,737,817	15.67%	1,370,993	0.23%	-	-	-	-
Chartered Bank in custody for Vaticanard Emerging Markets Stock Index Fund	9,365,000	1.58%	-	-	-	-	-	-
Chih-Hao Gong	8,443,160	1.43%	771,433	0.13%	-	-	-	-
Wen-Qin Lee	7,000,000	1.18%	1,647,542	0.28%	-	-	-	-
Citibank (Taiwan) Commercial Bank entrusted custody of the emerging market assessment fund investment account	5,918,620	1.00%	-	-	-	-	-	-
JP Morgan in custody for Advanced Starlight Advanced Total International Stock Index	5,294,000	0.89%	-	-	-	-	-	-
Citibank (Taiwan) Commercial Bank is entrusted to custody of the Norwegian central bank	4,903,000	0.83%	-	-	-	-	-	-
Lin-Shih Investment	3,559,996	0.60%	-	-	-	-	Chou-Chye Huang	Chairman (Representative of Legal Entity)
Chou-Chye Huang (Representative of Legal Entity)	92,737,817	15.67%	1,370,993	0.23%	-	-	-	-

3.9 Long-term Investment Ownership

December 31st, 2016/Unit: thousand shares, %

Long-term Investments (Note)	Sunplus Investment		Shareholding of Director, Supervisor, Management or Subsidiary		Synthetic Shareholding	
	Amount of Shares	Holding %	Amount of Shares	Holding %	Amount of Shares	Holding %
Sunext Technology	38,836	61	8,251	13	47,087	74
Generalplus Technology	37,324	34	18,875	18	56,199	52
Sunplus Innovation Technology	31,450	61	3,979	8	35,429	69
Sunplus mMedia Inc.	17,441	87	2,559	13	20,000	100
iCatch Technology Inc.	20,735	38	4,347	8	25,082	46
Global View Co., Ltd.	8,229	13	183	-	8,412	13
Tatung Company	46,094	2	553	-	46,647	2
Broadcom Corporation	4	-	-	-	4	-

Note: Except companies listed above, all other long-term investments are held by the parent company.

IV. Capital & Shares

4.1 Capitalization

April 15th, 2017

Month/Year	Price (NT\$)	Authorized capital		Issued capital		Remark		
		Shares (thousand shares)	Amount (NT\$K)	Shares (thousand shares)	Amount (NT\$K)	Funding (NT\$K)	Funding Except Cash	Note
08/1990	10	2,300	23,000	620	6,200	Cash Offering 6,200	None	Not IPO yet
08/1990	10	2,300	23,000	1,150	11,500	Cash Offering 5,300	None	Not IPO yet
03/1992	10	2,300	23,000	2,300	23,000	Cash Offering 11,500	None	Not IPO yet
12/1993	10	6,000	60,000	6,000	60,000	Cash Offering 20,900 Capitalization of Profits 16,100	None	Not IPO yet
09/1994	10	19,800	198,000	19,800	198,000	Cash Offering 60,000 Capitalization of Profits 78,000	None	Not IPO yet
06/1995	10	39,600	396,000	39,600	396,000	Capitalization of Profits 198,000	None	06/28/1995 SFC No. 37335
06/1996	10	64,360	643,600	64,360	643,600	Capitalization of Profits 247,600	None	06/26/1996 SFC No. 40155
06/1997	10	105,500	1,055,000	105,500	1,055,000	Capitalization of Profits 411,400	None	06/10/1997 SFC No.46641
06/1998	10	184,000	1,840,000	184,000	1,840,000	Capitalization of Profits	None	06/08/1998 SFC No.49408

						785,000		
06/1999	10	269,120	2,691,200	269,120	2,691,200	Capitalization of Profits 851,200	None	06/23/1999 SFC No.57760
06/2000	10	600,000	6,000,000	370,000	3,700,000	Capitalization of Profits 1,008,800	None	06/03/2000 SFC No.48003
09/2000	10	600,000	6,000,000	390,000	3,900,000	Cash Offering for GDR 200,000	None	09/18/2000 SFC No 72620
06/2001	10	700,000	7,000,000	534,000	5,340,000	Capitalization of Profits 1,440,000	None	06/27/2001 SFC No 140791
12/2001	10	700,000	7,000,000	544,742	5,447,424	Merger from Grandtech 10,742	None	12/12/2001 SFC No 173137
06/2002	10	1,000,000	10,000,000	694,950	6,949,500	Capitalization of Profits 957,334 And Capital Surplus 544,742	None	05/30/2002 SFC No.129546
07/2003	10	1,000,000	10,000,000	777,504	7,775,040	Capitalization of Profits 130,590 And Capital Surplus 694,950	None	05/22/2003 SFC No.0920122560
06/2004	10	1,000,000	10,000,000	875,254	8,752,544	Capitalization of Profits 355,500 And Capital Surplus 622,004	None	06/15/2004 SFC No.0930126644
07/2005	10	1,050,000	10,500,000	945,570	9,455,700	Capitalization of Profits 487,576 And Capital Surplus 175,051 Employee Stock Option 40,529	None	07/11/2005 FSC No. 0940127940 TSE No.09400288741
11/2005	10	1,050,000	10,500,000	948,147	9,481,472	Employee Stock Option 25,772	None	TSE No.09400340711
03/2006	10	1,050,000	10,500,000	948,730	9,487,297	Employee Stock Option 5,825	None	TSE No.09500052761
06/2006	10	1,050,000	10,500,000	949,784	9,497,844	Employee Stock Option 10,547	None	TSE No.09500116511
06/2006	10	1,200,000	12,000,000	1,021,358	10,213,578	Capitalization of Profits 508,844 And Capital Surplus 189,230 Employee Stock Option	None	FSC No.0950126238

						17,660		
11/2006	10	1,200,000	12,000,000	1,022,777	10,227,773	Employee Stock Option 14,195	None	TSE No.0950030505
01/2007	10	1,200,000	12,000,000	512,212	5,122,119	Capital Reduction 5,114,358 Employee Stock Option 8,703	None	FSC No.0950159014
03/2007	10	1,200,000	12,000,000	512,954	5,129,537	Employee Stock Option 7,418	None	TSE No.0960005441
09/2007	10	1,200,000	12,000,000	554,240	5,542,399	Capitalization of Profits 288,622 And Capital Surplus 102,415 Employee Stock Option 21,825	None	FSC No.0960038299
11/2007	10	1,200,000	12,000,000	556,051	5,560,514	Employee Stock Option 18,115	None	TSE No.0960037136
03/2008	10	1,200,000	12,000,000	556,750	5,567,504	Employee Stock Option 6,990	None	TSE No.09700075761
05/2008	10	1,200,000	12,000,000	556,893	5,568,931	Employee Stock Option 1,427	None	TSE No.09700142371
09/2008	10	1,200,000	12,000,000	598,203	5,982,028	Capitalization of Profits 301,637 And Capital Surplus 111,092 Employee Stock Option 368	None	FSC No.0970036239
02/2009	10	1,200,000	12,000,000	596,910	5,969,099	Treasury Stock write-off 12,929	None	TSE No.0980003591
03/2014	10	1,200,000	12,000,000	591,995	5,919,949	Treasury Stock write-off 4,915	None	TSE No.13000058351

April 15th, 2017/Unit: shares

Type	Authorized Capital				Remark
	Issued Shares	Treasury Stock Shares	Un-issued Shares	Total	
Common Share	591,994,919	0	608,005,081	1,200,000,000	

SHELF REGISTRATION

Type	Shares Expected to Issue		Issued Shares		Objective and Expected Benefit of Issued Shares	Expected time of Un-issued Shares	Remark
	Total Shares	Amount	Amount	Price			
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

4.1.1 Composition of Shareholders

April 15th, 2017/Unit: share

Shareholder Amount	Government	Financial Institutions	Others Juridical Person	Foreign Institutions and natural Person	Domestic Retail investors	Treasury Stock	Total
Persons	0	4	118	123	64,784	0	65,029
Shares	0	73,347	25,227,849	61,384,924	505,308,799	0	591,994,919
Shareholding	0.00%	0.01%	4.26%	10.37%	85.36%	0.00%	100.00%

4.1.2 Distribution Profile of Shareholder Ownership – Common Share

April 15th, 2017/Par value per share: NT\$10

Shareholding Ownership	Number of Shareholders (persons)	Shares Owned (shares)	Holding (%)
1~999	29,545	2,783,717	0.47%
1,000~5,000	23,323	53,906,774	9.11%
5,001~10,000	5,851	46,925,490	7.93%
10,001~15,000	1,735	21,684,853	3.66%
15,001~20,000	1,400	26,272,470	4.44%
20,001~30,000	1,066	27,551,809	4.65%
30,001~40,000	543	19,516,587	3.30%
40,001~50,000	375	17,574,518	2.97%
50,001~100,000	678	48,951,185	8.27%
100,001~200,000	281	39,668,664	6.70%
200,001~400,000	126	34,978,315	5.91%
400,001~600,000	44	21,529,707	3.64%
600,001~800,000	15	10,775,480	1.82%
800,001~1,000,000	14	12,809,221	2.16%
Over 1,000,001	33	207,066,129	34.97%
Total	65,029	591,994,919	100.00%

4.1.3 Distribution Profile of Shareholder Ownership – Preferred Shares

Not Applicable

4.1.4 Major Shareholders

April 15th, 2017

Shareholding Name	Shares Owned	Holding %
Chou-Chye Huang	92,737,817	15.67%
De-Zhong Liu	13,045,795	2.20%
Global View Co., Ltd.	10,038,049	1.70%
Chartered Bank in custody for Vaticanard Emerging Markets Stock Index Fund	9,365,000	1.58%
Chih-Hao Gong	8,443,160	1.43%
Wen-Qin Lee	7,000,000	1.18%
Citibank (Taiwan) Commercial Bank entrusted custody of the emerging market assessment fund investment account	5,918,620	1.00%
JP Morgan in custody for Advanced Starlight Advanced Total International Stock Index	5,294,000	0.89%
Citibank (Taiwan) Commercial Bank is entrusted to custody of the Norwegian central bank	4,903,000	0.83%
Lin-Shih Investment	3,559,996	0.60%

4.1.5 Net Worth, Earnings, Dividends, and Market Price per Share

Year		2015	2016	Ended of March 31st, 2017
Item				
Market Price	Highest	19.95	13.55	12.95
	Lowest	9.61	9.87	11.00
	Average	13.70	11.61	11.99
Net Worth	Before Distribution	16.10	15.24	15.35
	After Distribution	15.21	(Note 1)	(Note 1)
Earnings Per Share	Weighted Average Shares	588,434,923	588,434,923	588,434,923
	EPS (Note 2)	Before Adjustment	1.00	0.20
		After Adjustment	1.00	(Note 1)
Dividends Per Share	Cash Dividends	0.89	(Note 1)	-
	Stock Dividends	From Profits	-	(Note 1)
		From Surplus	-	(Note 1)
	Accumulated Undistributed Dividends	-	(Note 1)	-
Return on Investment	Price/Earnings Ratio (Note 3)	13.70	58.05	22.20
	Price/Dividend Ratio (Note 4)	15.39	(Note 1)	-
	Cash Dividends Yield Rate (Note 5)	0.06	(Note 1)	-

Note 1: Pending shareholders' approval

Note 2: Retroactively adjusted for stock dividends and stock bonus to employees

Note 3: Price/Earnings ratio=average market price/earnings per share

Note 4: Price/dividends ratio=Average market price/cash dividends per share

Note 5: Cash dividends yield rate=cash dividend per share/average market price per share

4.1.6 Dividend Policy

a) Dividend policy in the "Article of Incorporation"

Our dividend policy is made according to regulations set forth in the "Company Act" and the "Article of Incorporation". The dividends can be in the form of cash or stock, which depends on the status of company's capital, financial structure, operational needs, retained earnings and industrial environment. The dividend policy for this year will follow the aforementioned rules and maintain the policy of cash dividend with stock dividend, while cash part shall not be less than 10% of the total dividend.

b) Stock dividends for 2016

Board' proposal waiting for shareholders' approval :(1).legal reserve NT\$9,973,801 (2)Special reserve NT\$1,067,998 (3) Case Dividend NT\$88,680,839 (NT\$0.1498 per share)

c) The proposed capital reserve of the shareholders' meeting is cashed out

The Company's capital reserve for the year 2016 was cashed out, was approved by the board of directors on March 15, 2017 (not yet passed by the shareholders' meeting), it is proposed to allocate more than NT\$207,316,621 of the capital reserve of the excess amount of the issued amount of the

issued shares to the shareholders, shareholding of the cash register on the basis of the capital reserve, NT\$0.3502 in cash per share.

d) Expected Variation: None

4.1.7 Impact to Profits and EPS Resulting from Dividend Distribution

Due to no official financial guidance there is no related information to disclose.

4.1.8 Profits Distributed as Employee Rewards and Directors and Supervisors' Compensation

a) Regulations Concerning Rewards to Employees, Directors, and Supervisors in the "Article of Incorporation"

If the Company has a profit for the year, should be raised not less than one percent for the staff and not more than one percent. Five for the directors reward. But the company still has accumulated losses (including the adjustment of undistributed surplus amount), should be kept in advance to make up the amount.

The former employee is remunerated by stock or cash, which shall be made to include the employees of the subsidiary who meet the conditions set by the Board. The remuneration of the former directors is only in cash.

The first two items should be resolved by the board of directors, and report to the shareholders' meeting.

When allocating the net profits of each fiscal year, the Company should pay the taxes and make up the losses in previous years; and then shall set aside 10% of the rest after paying tax and making up loss as a legal capital reserve until the accumulated legal capital reserve has equaled the total capital of the Company; In accordance with the law or the competent authorities, to allocate or rotate the special surplus reserve, the surplus surplus, together with the previous accumulated unallocated surplus, is the shareholder's dividend, the board of directors is proposing to assign a motion, to be circulated after the resolution of the shareholders' meeting. But the ratio of the distributions offered by the surplus and the cash dividends of the shareholders, depending on the actual profit and the state of the funds, adjusted by the shareholders' meeting. The above cash dividend shall not be less than 10% of the total dividend of the shareholders to be distributed, but the cash dividend per share is lower than NT\$0.5 will not be issued.

In the event that the previous year's accrued or current year occurred but the annual after-tax surplus was not included in the shareholders', accrual of the same amount of surplus reserve due from the previous year's accumulated unallocated surplus, and deducted before being allocated for distribution.

b) BOD Proposal to Distribute Profits as Bonus to Employees, Directors, and Supervisors

The BOD meeting proposed to distribute the profits in 2016

Cash bonus to Employee NT\$1,241,806

Cash bonus to Directors NT\$1,862,708

c) Bonus to Employees, Directors, and Supervisors for last fiscal year

Approval by shareholders' meeting on June 13th, 2016, the company decided to distribute the profits of 2015

Cash rewards to Employee NT\$6,088,770

Cash bonus to Directors NT\$9,133,154

The above distributions are not different from those of the Board of Directors of the Company dated 23 March 2016.

4.1.9 Buyback of Common Shares

None

4.2 Issuance of Corporate Bonds

None

4.3 Preferred Shares

None

4.4 Issuance of GDR

March 31st, 2017

Item		Issuing Date	March 16, 2001
Issuing Date			March 16, 2001
Issuance & Listing			London Stock Exchange Listed
Total Amount			US\$191,400,000
Offering Price per Unit			US\$9.57
Issued Units			14,737,222.5
Underlying Securities			Offering 20,000,000 new shares of common stock of par value NT\$10
Common Shares Represented			29,474,455 Common Shares
Rights and Obligations of GDR holders			Same as common share holders
Trustee			N/A
Depository Bank			The Bank of New York
Custodian Bank			Mega International Commercial Bank
GDRs Outstanding			176,225 units
Apportionment of the expenses for the issuance and maintenance			All fees and expenses related to issuance of GDRs were borne to the selling shareholders and Sunplus, while the maintenance expenses such as annual listing fees, information disclosure fees and other expenses were borne by Sunplus
Terms and Conditions in the Deposit Agreement and Custody Agreement			-
Closing price per GDRs	2016	Highest	US\$0.82
		Lowest	US\$0.60
		Average	US\$0.72
	Ended of March 31st, 2017	Highest	US\$0.83
		Lowest	US\$0.70
		Average	US\$0.77

4.5 Employee Stock Options Plan

4.5.1 Issuance of Employee Stock Options and Its Impact to Shareholders Equity

4.5.2 Stock Option to Management Team and Top 10 Individual

4.6 Restricted Employees Stock

Not applicable

4.7 Mergers and Acquisitions

Not Applicable

V. Financial Plan & Implementation

Not Applicable

VI. Business Highlight

6.1 Business Activities

6.1.1 Business Scope

a) Major Business

CC01080 Manufacturing of electronic component

I501010 Product Designing

F401010 International Trading

I301010 Software Design Services

I301020 Data Processing Services

R&D, Manufacturing, Testing, Selling of

(1) ICs

(2) modules

(3) Application software

(4) IPs

(5) Trading and Agency Business of ICs

b) Product Segments and Sales Amount

Unit: NT\$K, %

Product Categories	2015	
	Amount	Percentage %
Multimedia ICs	7,067,015	93.53
Other	489,030	6.47
Total	7,556,045	100.00

6.1.2 Plan to develop new products (services)

Company	Plans to develop new products
Sunplus Technology	(1) Car entertainment system chip (2) Android platform products (3) Vehicle navigation and driving assistance system flat (4) High-speed interface IP (5) High - performance data converter (6) Analog IP
Generalplus Technology	(1) Consumer product line More audio channel / voice and image output higher resolution / support higher data compression rate / built-in more standard interface (standard interface) / low operating voltage and low power (low power) of the product (2) Multimedia product line Provides high, medium and low order multimedia IC solutions, focusing on high-speed CPU / DSP performance, high-resolution image compression, playback and storage technology (3) MCU product line Home appliances, handheld devices, PC and other peripheral applications related to the microcontroller, charging microcontrollers, high-performance brushless motor microcontrollers and other related products
Sunplus Innovation Technology	(1) High integration, multi-function micro-controller (2) High-integration, multi-functional optical mouse system integrated chip (3) Wireless mouse, wireless keyboard and

	intelligent remote control overall solution (4) USB3.0 Advanced 8Mp NB/Web Cam Controller IC (5) USB3.0 3D NB/Web Cam Controller IC (6) USB2.0 Low Power NB Cam Controller IC
iCatch Technology	(1) H.265 UHD (4K) / SHV (8K) SoC chip products: used in ultra-high quality, high compression, high performance, low power image processing products (2) High-speed interface IC: to provide high-speed, high-quality transmission interface, to connect multiple video recorders. Used in 360-degree panoramic video car and monitor the market demand
Sunext Technology	(1) Advanced high - end process ultra - high quality Blu - ray read - only storage control chip (2) Multi-channel optical storage servo motor drive control chip

6.1.3 Industry Overview

a) Industry Status and Exhibition

2016 global IC design industry share to the highest in the United States, Taiwan second, China has grown fast and has risen to third place. According to the Institute of Industry Intelligence Research (MIC) estimates, Taiwan IC design industry in 2016 outstanding performance, 2017 will remain growing momentum, and because of the strong demand for high-end process, Taiwan wafer foundry output will grow. And driven by high-end packaging needs, Taiwan IC packaging and testing industry to restore growth momentum. In the IC design industry, ITRI IEK industry analyst Zhehao Fan pointed out, at present, the international semiconductor manufacturers emphasize life applications and user experience, technology layout direction will also be its own advantages of technology as the core, locking the wisdom of computing, wisdom, sensory transmission and other things required for the development of the three major technical direction, build a more open industrial ecology, more interoperable platform.

b) Supply Chain

In the product development flow, Sunplus focuses on IC design, system design, wafer testing and sales services but out-sources most of the manufacturing including mask making, wafer fabrication, wafer sawing, packaging and final testing. The infrastructure of semiconductor industry in Taiwan is very efficient; we have foundries like TSMC, UMC, etc., and backend assembly and testing houses such ASE, SPIL and KYEC. Since those factories are located in Hsinchu Science Park or nearby, the “Cluster” effect could enable high production efficiency.

c) Market Trend and Competition

Company	Main Product	Product development trends and competitive situation
Sunplus	IC products used in DVD players, automotive information and entertainment systems, and authorized high-speed interface IP, high-performance data converter IP and analog IP	The company's IC products, the main hardware technology is DSP and RISC processor as the core, with a variety of different image processing and sound processing algorithms, can handle applications that require complex math operations, can be applied to DVD players, automotive information and entertainment systems products, at present, a large number of products used in front and rear loading vehicle information entertainment system, and the introduction of advanced vehicle assist system (ADAS) platform control chip,

		Foreign European and Japanese semiconductor manufacturers and domestic MediaTek as the main competitor.
Generalplus	A.Consumer IC : 1. 8/16-bit LCD control IC 2. 8/16/32-bit voice / music control IC 3.16-bit SMS / caller ID B. Multimedia IC 1. 16/32-bit MCU/DSP JPEG/MPEG/H.263/H.264 Decoder/Encoder C. MCU IC 1.Remote control IC 2. Motor Control IC 3. Industrial Control IC	In the intelligent interactive toys and educational learning platform products and competitors compared, the company's special wisdom interactive technology and complete the total solution favored by customers, and technology leadership and response quickly known, will raise the threshold of competition, and leading the industry to launch 16/32 bit platform, and provide customers with complete development tools and libraries, it is easy to develop content , to achieve the competitor is not easy to achieve interactive features, the leading position in the industry.
Sunplus Innovation Technology	Micro-control product line, used in computer and home appliances such as keyboard, mouse, and remote control; Image product line, used in external network camera, NB laptop built-in network camera	Optical mouse image sensor main suppliers to the original phase technology-based, MCU major suppliers to Holtek, Sonix, Elan and the company mainly. The company's leading industry has introduced a high-integrated wired optical mouse single chip, provide Total solution for customers with wired and wireless handsets, and become a major supplier of optical mouse optical chips. NB Camera IC leading manufacturers for the domestic Sonix Technology and Realtek, the company in the plug-in Webcam product competition, has been the major international manufacturers, including Logitech (Logitech) and other quality recognition, as its long-term cooperation with the supplier.
iCatch	1. H.264 FHD SoC chip products: Used in H.264 video compression, high resolution digital camera with high resolution and high frame rate (FHD DSC), wearable carriage, carriage recorder (Car Cameras), IP Security Cameras and Sport Cameras. 2. Mjpeg HD SoC chip products: For low-cost HD DSC, Sport Cameras, Car Cameras, IP Security Cameras, 3. ISP SoC chip products: Used in Tablet PC, Smart Phone required video recording function.	Medium and low order digital cameras are driven by mobile devices, resulting in global digital camera sales continue to show a downward trend. But the public for high-performance video and video products demand continues to introduce new, equipped with H.264 / H.265 video compression, high resolution and high frame rate of high-end digital camera, wearable camera, sports video recorder, driving recorder and IP camera growth of five applications can be expected. Digital video and imaging system single chip core technology threshold high, the main competitor is only Ambarella.
Sunext	Light storage control chip Multi-channel digital motor driven chip	With the Ultra HD Blu-ray (Ultra HD BD) standard specification, with 4K TV strong promotion and gradually popular, ultra-high-definition Blu-ray player will be 4K film and television content broadcast the main medium. Ultra-high-definition Blu-ray player servo control chip has been officially mass production, Sunext will become the opportunity to grow revenue. In addition, Hong Yang and actively develop multi-channel digital motor-driven chip products, is entering the final commercialization system integration and

		customer recognition stage, the core technology will be the basis for the development of Sunext, and hope to become the automation industry integration program of the best supply partners.
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6.1.4 Technology and Development

a) R&D expenditure

Unit: NT\$K, %

Item \ Year	2016	Ended March 31st, 2017
Expense	1,908,288	436,146
Percentage to Revenue	25%	30%

b) R&D Accomplishment

Company	Accomplishment	Applications
Sunplus	H.264 decoder MPEG2/4 decoder Servo Control HDMI DVD JPEG decoder Video encoder	1. Automotive information and entertainment system chip 2. Car Play / Android Auto platform products 3. ADAS system platform 4. High-speed interface IP 5. High - performance data converter 6. Analog IP
Generalplus	4-ch Voice/Music IC LCD Controller 8-ch Voice synthesizer USB audio controller SoC for dash cam supporting HD 720p SoC for dash cam supporting HD 1080p Remote controller with LCD controller integrated High anti - interference touch IC Wireless charging controller	RISC CPU ARM Coretex-M4 32bits CPU MCU for home appliance, wireless charger, etc.
Sunplus Innovation Technology	1.MCU for mouse/KB controller, remote controller 2.ISP for PC camera, NB cam, web cam, etc 3..Low power consumption high integration microcontrollers 4.Wireless transmission technology with voice input and 3D navigation 5. USB2.0 to SATAII bridge 6. Face and gesture identification IC	MCU, highly integrated optical mouse controller, wireless mouse/KB controller, USB3.0 Web cam controller , USB 2.0 low power NB cam controller, etc.
iCatch	JPEG encoding MPEG4 encoding H.264 encoding H.265 encoding	H.265 UHD SoC highspeed interface control
Sunext	USB DVD-RW SoC Optical servo controller for CD/DVD/BD	UBD motor driver

6.1.5 Business Plan

Sunplus Technology Co., Ltd. is a leading provider of home entertainment multimedia IC solutions and now turns to focus on automotive applications which Sunplus has launched the IC solutions supporting advanced driving assistance systems(ADAS). And the successful development of car Car Play / Android Auto audio and video systems, Boombox, Soundbar and other audio products, portable audio and video entertainment system, single-chip products and

systems. Meanwhile, Sunplus is offering high-speed I/O IPs, high performance data conversion IPs, and analog IPs for a broad range of applications on consumer, portable, and connected devices. With ADAS related systems are included in the national legislation to implement the norms, first-tier depot also have imported ADAS applications, Institutions estimate the ADAS's annual compound growth rate of up to 35%, Barclays Securities estimates that ADAS penetration will exceed 25% by 2020, future related applications will be more popular, Sunplus will become the main revenue and profit growth momentum.

Generalplus leads in supplying consumer IC solutions including LCD IC, micro-controller IC, Speech IC, Music Synthesizer, Tel-Communication IC, Remote controller IC, Driver IC and ASICs which can be applied to multimedia interactive toys, educational learning aids, camcorders, MP3 and so on. Generalplus has launched the SoC embedded with 32bits ARM Cortex-M4 CPU for 720P/1080P H.264 video encoding, voice and music synthesizer embedded with OTP and RISC processor, LCD controller for color LCM, remote controller, MCU to supporting Qi wireless charging, etc.

Sunplus Innovation Technology focus on providing best cost-performance IC solutions for PC Peripherals targeting Human Interface Devices, PC/NB Camera, Industry Control, optical sensor, RF transceiver, etc. Sunplus Innovation Technology also engages in product development of gesture recognition and control for potential future growth.

iCatch Technology Inc. focuses on developing the digital video & image SoC solutions. Despite of crowding out effect from handset devices, there are still growing demands of DSLR, wearable camera, dashcam, video camcorder with high performance, high definition, high frame rate, and H.264/H.265 video compression that iCatch will keep focusing on those image processing applications in the future.

Sunext Technology delivers semiconductors and solutions for Optical Disk drives. Along with specification settlement of Ultra HD BD and more presenting Ultra HD products, Sunext will develop IC solutions of ultra-high-definition (UHD) playback solutions. Meanwhile Sunext has developed multi-channels digital motor driver IC solutions which could be another growth driver for Sunext.

In long-term development, Sunplus and subsidiaries will try hard to focusing its core business, developing highly valued products, enhancing product portfolio and margin, gaining market shares, and improving operating and non-operating profits in order to make the better return of equities for our shareholders.

6.2 Market Status

6.2.1 Market Analysis

a) Market Analysis by Region

Unit: NT\$K, %

Area	2016	
	Amount (NT\$K)	Percentage (%)
Asia	5,200,032	68.82
Taiwan	2,216,397	29.33
Others	139,616	1.85
Total	7,556,045	100

b) Market Share

According to Institute for information industry MIC statistics, 2016 Taiwan IC design industry in mainland China smart phone customers outstanding performance, memory control IC manufacturers into the international supply chain, and panel driver IC manufacturers in the LCD TV high-resolution

panel shipments increased and many other advantages, 2016 Taiwan IC design output growth of more than 2015 11.3%, to NT\$574.6 billion. The Company consolidated revenue of NT\$7.56 billion in 2016, market share of about 1.3%.

c) Demand and Growth

Institute of Industry Intelligence (MIC) estimates, 2017 Taiwan's semiconductor industry in the terminal decline slowed down, smart phones grew slightly, wafer foundry new capacity driven out, Each industry is expected to maintain growth momentum. Taiwan's semiconductor industry output value in 2017 will reach NT\$2,404.4 Billion, grew 6.1% over 2016, performance is still superior to the global average. Institute for information industry consultant Chunhui Hong said, Taiwan's semiconductor industry's main sub-industries are more than 2015 growth. It is estimated that Taiwan's semiconductor output will reach NT\$2,265.9 billion, growth rate 6.7%, growth rate is better than the world.

Looking ahead 2017 years, Institute for information industry MIC said, Taiwan IC design firms in the high (low) order smart phone application chip products shipments are expected to continue to increase, and in the PC-related application chip containing Type C, SSD control IC and other shipments are also optimistic, coupled with the emerging applications, including automotive IC-related products shipped under the lead, Taiwan's IC design industry in 2017 is still expected to maintain growth, in general, 2017 Taiwan IC design industry output value will grow more than 2016 nearly 7%, to NT\$614.8 billion.

Global automotive electronics in the automatic driving vehicles, car networking market driven by the overall demand continues to expand, ITRI IEK research manager Yuxian Shi said, it is estimated that the output value of the global automotive electronics and car network in 2023 will be worth US\$4,500 billion. Killer products for the front anti-collision, automatic emergency braking system, the whole week video, light up (LIDAR) and into the vehicle's vehicle control system, the future of 16 automotive electronics and vehicles active safety, energy saving and environmental protection products compound growth rate of more than 25%, prompting Taiwan to enter the " Predict advanced driving safety assistance system" (Smart ADAS) from the original " Active driving safety assistance system ", to provide Taiwan-funded communications and car to the trend of large-scale integration of active, Also detonated the new car power security opportunities.

Company	Product	Demands
Sunplus	Car infotainment & ADAS	ADAS (advanced driver assistance system) has been adopted by worldwide leading car brand names and government trend to enforce launch ADAS in very near future. The automobile will be the very important and growing application for semiconductor industry with computer, consumer and communication. The CAGR of ADAS applications could reach 25% till 2020 by Braclays securities
Generalplus	Education and learning toys	Electronic education toys have been more than ten years of history, because of its excellent interaction and sound and light effects, can help children to learn from the shape, name, number to text and so on, through fun games and interactive processes, due to the prevalence of smart phones and tablet PCs, for school age children and adolescents, in the electronic trend, manufacturers have also begun to launch such as Tablet PC learning platform, children in the subtle, but also

		because the learning effect is better than traditional books development of fast learning, so the market continues to grow rapidly.
	Intelligent interactive toys	In recent years, the rapid development of electronic chips and a large number of various sensors used, so that toys are no longer just dull and passive amusement equipment, but with a lot of sound and light effects and interactive features of interesting products, at the same time in the smart phone, flat on the Apps game popular, toy manufacturers also follow the trend of the launch of interactive toys with Apps, but also caused another wave. At present, toy manufacturers do not have enough to develop the interactive electronic toys, at the same time with a variety of strong movies, TV animation, so that each year has a high degree of electronic toys growth, at present, the annual turnover of intelligent interactive toys of the Company can reach hundreds of millions of pieces, for the highest market share of IC design company.
	Wireless charging	The development of wireless charging technology, has now gradually become standardized. According to the market regulator IHS iSuppli forecast 2015 will exceed 100 million units of electronic devices equipped with wireless charging function. IHS also statistics, Global Wireless Receiver and Transmitter Market, Is expected to grow from 25 million in 2013 to 1.7 billion in 2023, a number of mobile phone manufacturers have been imported wireless charging, the market will continue to be optimistic.
	Driving recorder market	Driving record total 720P market size in 2014 has exceeded 10 million units, while the 1080P part of the show doubled growth, 2014 has exceeded 8 million units, coupled with the demand for dual photographic lens gradually rise, it is expected that there will still be a lot of room for growth in the market in the next few years.

Sunplus Innovation	Keyboard, mouse, and remote control PC / NB cam	PC laptop market shrunk by nearly 10%, Competition in the same industry is more intense, resulting in PC peripheral applications based HID man-machine interface device market, declining state. In the Tablet PC with smart home appliances will be very promising market direction. 5Mp and 8Mp Tablet PC with Internet Camera is a new demand and technical ability to upgrade, the company has been in this direction of high-end video products into research and development, create new products and applications for tablets. Also actively increase the non-PC-related product lines such as high-shot wireless remote control and car camera, reduce the dependence on the PC market.
iCatch	High - order digital camera Wearable camera Driving recorder IP camera	The public for high-performance video and video products to improve demand, equipped with H.264 / H.265 video compression, high resolution and high frame rate of high-end digital cameras, wearable cameras, driving recorders and IP camera growth of the four applications can be expected, the four major application market from 2013 to 2017 annual growth rate will be more than 35%.
Sunext	Ultra HD Blu-ray player	Major TV manufacturers for the promotion of 4K TV spare no effort, in order to maintain the 4K video content playback quality and consumer viewing effect, Ultra-high-definition Blu-ray player (UHD BD Player) will be 4K film and television content broadcast the main media. So ultra-high-definition Blu-ray servo control chip will have the opportunity to gradually grow in the future.

d) Competition and Business Strategy

(1) Competition Analysis

(a) Accumulation and impartation of the experience of the R&D team

The company since its inception in 1990 that is positioned as IC design company, management team has established a complete product development, technology management, marketing and other systems, and passed on to the backward employees, so that technology without fault, customers less complain, the staff personal growth achievements. In addition, Sunplus

and actively establish a patent layout, so that the core IP research and development can create more value.

- (b) Focus on high-level consumer IC market, enlarge the distance from competitors
Since the IC market is extremely competitive and stagnation is an ever-present trap, we keep on bringing in a large number of R&D resources to develop new high-level consumer products and widening the distance between us and other competitors. Meanwhile, Sunplus' numerous product lines give us a tremendous advantage over our competitors. We are the kind of customer that prized by most wafer foundries because our wafer demand does not fluctuate when a few products are eliminated. Due to our steady stream orders to our wafer suppliers, we enjoy more consistent wafer supply during peak seasons over our competitors. This also allows us to keep our wafer costs at a competitive rate.
- (c) Strategic cooperation with upper stream and down- stream factories
In recent years, Sunplus has increased cooperation between our upper stream and down-stream factories. We believe that this new strategic and more dynamic cooperation relationship will bring positive contributions to our production and marketing in the long term.
- (d) Maintain long-term and stable cooperative relationship with customers
Consumer electronic products rely on IC to raise their added-on value; consequently the manufacturers and brand-names choose their IC suppliers with extreme caution by evaluating their product specification, features, delivery term, yield rate, and sales service. IC design houses have to work in coordination with customers to build up long-term relationship and facilitate the cooperation.
Sunplus is always devoted itself to cutting-edge technology development and have accumulated IC design expertise. We also adopted distributors as expanding sales channels to reach more customers with strongly support and best service. Till today, we have sustained a strong relationship with a lot of end-product manufacturers worldwide.

(2) Advantages

- (a) Sunplus offers high value-added products to enable customer to win the market.
- (b) The growing demand for SoC complicates IC product development and raises the entry barrier, which benefits IC design companies with rich resources like Sunplus.
- (c) Sunplus has strong IC design capability to meet customers' requirements for time to market and costs reduction.
- (d) Sunplus has built up long-term relationship with wafer foundries due to our steady demand for wafers, and therefore we can get stable supply and lower prices from wafer foundries.
- (e) Sunplus have developed a strong technology and customer base on car entertainment IC that makes Sunplus easier to get into automotive ADAS applications

(3) Disadvantages

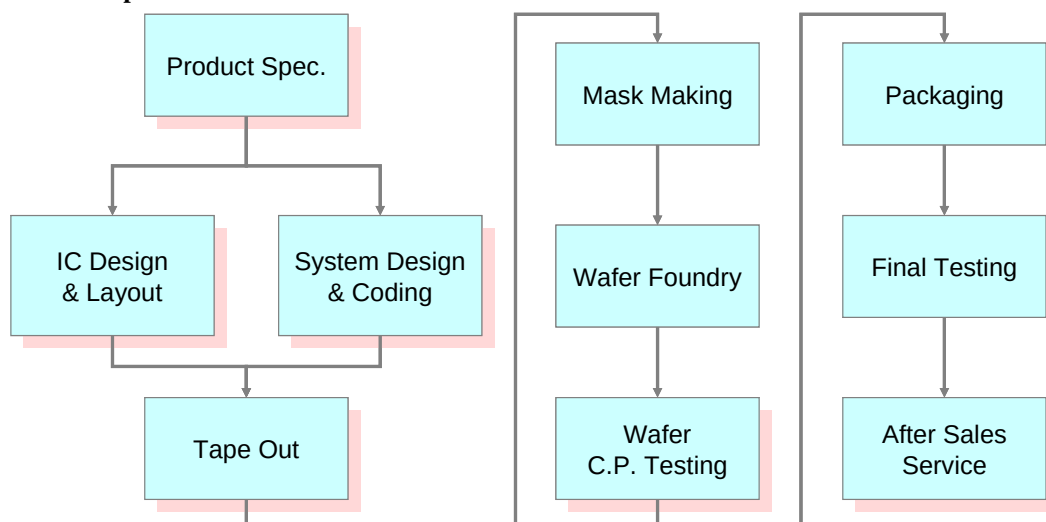
- (a) The competitors are mainly international and big IC design companies.
- (b) Revenue and growth are slowing down due to poor PC demands.
- (c) SoC design and integration of features and functions, which developing products costs are a lot more than before, has become the trend of IC design.
- (d) Consumer application demands link to world economics.
- (e) There is high entry-barrier to get into automotive market.

(4) Business Strategy

- (a) Developing new and high value-added products.
- (b) Process migration to make per wafer productivity higher and drive cost down.
- (c) Expanding strategic partnership with clients to create win-win situation.
- (d) Collaboration with partners to broaden IP licensing sources.

6.2.2 Product Applications and Development Flow

a) IC Development Flow



In the product development flow, Sunplus focuses on IC design, system design, wafer testing and sales services but out-sources most aspects of the manufacturing including mask making, wafer fabrication, wafer sawing, packaging, and final testing.

6.2.3 Major Suppliers

The major materials are wafers, at present the main suppliers for domestic and foreign wafer foundry manufacturers, whose wafer supplements are sufficient and stable.

Main raw material name	Major suppliers	Supply status
Wafer	A, B, E	Quality and supply stability, long-term cooperation, the supply situation is good.

6.2.4 Major Customers and Suppliers in the Recent Two Years

a) Major Customers

Unit: NT\$K

2015				2016				End of March, 31, 2017			
Customer	Sales Amount	% of Total Sales	Relation with Sunplus	Customer	Sales Amount	% of Total Sales	Relation with Sunplus	Customer	Sales Amount	% of Total Sales	Relation with Sunplus
B	1,198,755	14.16	No	B	1,163,359	15.40	No	B	232,941	15.75	No
A	771,782	9.12	No	E	663,911	8.78	No	F	165,394	11.19	No
D	697,688	8.24	No	A	642,032	8.50	No	E	140,886	9.53	No
Others	5,797,608	68.48		Others	5,086,743	67.32		Others	939,415	63.53	
Net sales	8,465,833	100.00		Net sales	7,556,045	100.00		Net sales	1,478,636	100.00	

b) Major Supplier

Unit: NT\$K

2015				2016				End of March, 31, 2017			
Supplier	Purchasing Value	% of Total Purchasing	Relation with Sunplus	Supplier	Purchasing Value	% of Total Purchasing	Relation with Sunplus	Supplier	Purchasing Value	% of Total Purchasing	Relation with Sunplus
A	2,040,135	48.57	No	A	1,018,182	39.74	No	A	272,872	40.04	No
D	314,178	7.48	No	E	300,928	11.75	No	B	63,042	9.25	No
C	304,073	7.24	No	B	252,531	9.86	No	E	57,086	8.38	No
Others	1,541,980	36.71		Others	990,182	38.65		Others	288,441	42.33	
Net purchase	4,200,366	100.00		Net purchase	2,561,823	100.00		Net purchase	681,441	100.00	

6.2.5 Production

Unit: thousand pcs, NT\$K

Product \ Year	2015			2016		
	Capacity	Output	Value	Capacity	Output	Value
Multimedia ICs	-	678,337	4,966,186	-	650,156	4,142,925
Other ICs	-	165	145,260	-	68	66,964
Total	-	678,502	5,111,446	-	650,224	4,209,889

Note: Sunplus out-sourced production to wafer foundries, so there is no capacity limitation.

6.2.6 Sales

Unit: thousand pcs, NT\$K

Product \ Year	2015				2016			
	Local		Export		Local		Export	
	Quantity	Sales	Quantity	Sales	Quantity	Sales	Quantity	Sales
Multimedia IC	220,622	2,467,957	461,770	5,482,816	204,732	2,138,510	443,226	4,928,505
Other ICs	-	70,877	-	444,183	-	77,887	-	411,143
Total	220,622	2,538,834	461,770	5,926,999	204,732	2,216,397	443,226	5,339,648

6.3 Personnel Structure

Year		2015	2016	End of March 31, 2016
Workforce Structure by Job Function	R&D	990	899	892
	Production	107	119	115
	Administration	420	397	392
	Total	1,517	1,415	1,399
Average Age		32.7	35.0	35.6
Average Years Served		5.14	6.50	6.67
Workforce Structure by Education Degree	Ph.D.	1%	1%	1%
	Master	38%	40%	39%
	Bachelor	48%	48%	49%
	Other Higher Education	9%	7%	7%
	High School	4%	4%	4%
	Total	100%	100%	100%

6.4 Environmental Protection & Expenditures

6.4.1 Environmental Protection

The company is a high-tech integrated circuit professional IC design firms, in the Hsinchu Science and Technology Industrial Park in the semiconductor research and development, all products commissioned at home and abroad well-known integrated circuit manufacturers manufacturing wafer, relevant aspects of the environmental pollution regulations and the losses caused by non-violation of environmental regulations. Sunplus does not violate any EPA regulation regarding pollutants and environmental protection.

To adhere to the conception of Earth Vision, Sunplus has established the environment protection system for fulfilling policies, social responsibilities and obligations, and been ISO-14001 certified.

To reduce the environmental impact of E-Waste, Sunplus supplies customers with hazardous substances free (HSF) and satisfying products, and has been IECQ QC080000 certified.

In order to reduce the impact of the greenhouse effect on the climate, Sunplus in addition to independent inventory of greenhouse gas emissions, and actively strengthen the staff awareness of environmental protection, promote waste reduction and recycling, energy saving and water conservation, with a view to reducing environmental pollution, saving energy consumption.

6.4.2 Working Environment

To allocate sole-duty organization and employees to execute the matters concern to environment security and sanitation management according to Laws.

To examine the working environment regularly to maintain the security of environment and equipment.

To review the working environment and set up related devices with a standard higher than regulation.

To hold the physical examination for new employees and the regular health examination for employees on the job with higher perception than laws.

6.5 Employees

6.5.1 Employee Welfare

We strive to provide a clean and supportive environment for our employees. We established an Employee Welfare Committee to operate welfare activities including emergency aid, educational grants, book purchase subsidies, social club activities and overseas trips. We also comply with the Labor Standards Law to conduct labor insurance and retirement system programs, and participation with the National Health Insurance plan according to the National Health Insurance Act. Moreover, we also handle group insurance and insurance for employees' family to ensure security for our employees.

6.5.2 Pension Plan

Sunplus has a pension plan for all regular employees, which provides benefits according to the Labor Standard Law. The Company makes monthly contributions, equal to 2% of salaries, to the pension fund, which is administered by a pension fund monitoring committee. The contributions are deposited in the committee's name in the Central Trust of China. Since July 1, 2005, employees who choose Labor Pension Act Implementation Rules of the Labor Pension, the Company makes monthly contributions, equal to 6% of salaries to the personal pension fund of Bureau of Labor Insurance.

6.5.3 Other Affairs

Sunplus have smooth commutation channels with employees. Employees could address their opinions to management team directly. All operations are based on the Labor Standard Law. Sunplus' labor relations are outstanding. We are proud to say that there has not been a single loss resulting from a labor dispute since the establishment of the company.

6.5.4 Training

The Company provides various kinds of external professional training courses & internal training regarding management, professional skills, general skills, special skills, and self-development.

6.5.5 Loss from Controversy between Labor and Management

None

6.6 Important Contracts

Contract	Counter Party	Term	Content	Restriction
Lease of Land	Hsinchu Science Park Administration	1995/8/01-2034/12/31	Lease of Land	Self-use
Lease of office	Hsinchu Science Park Administration	2012/01/01~2018.12.31	Lease of office	-
Licensing	KPENV	2006.Feb ~	IP Licensing	Subject to agreement
Licensing	Broadcom International	2008.Feb ~	IP Licensing	Subject to agreement
Licensing	ARM Limited	2007.12.27 ~	ARM7 TDMI-Score	Only license Generalplus
Licensing	ARM Limited	2010.06.01 ~	CORETEX-A8 Score	Only license Generalplus
Licensing	ARM Limited	2008.03.09 ~	ARM926EJ-Score	Only license Generalplus

VII. Financial Statements

7.1 Condensed Financial Statement and Auditors' Opinions by adopting IFRSs

7.1.1 Condensed Balance Sheet by adopting IFRSs-Consolidated

Unit: NT\$K

Year		Recent 5 Years (Note 1)					End of March 31, 2017 (Note 4)
		2012	2013	2014	2015	2016	
Item							
Current Assets		9,038,348	8,275,040	8,037,727	8,705,229	8,792,142	8,028,588
Fixed Assets		1,943,786	2,154,641	3,490,672	3,563,095	2,265,910	2,183,344
Intangible Assets		442,646	335,098	278,188	193,481	191,024	185,725
Other Assets		3,138,650	3,436,833	3,012,857	3,137,202	3,379,946	2,858,967
Total Assets		14,563,430	14,201,612	14,819,444	15,599,007	14,629,022	13,256,624
Current Liabilities	Before Distribution	2,697,452	2,709,677	2,826,174	2,740,858	3,045,403	1,795,195
	After Distribution	2,697,452	2,709,677	3,181,372	3,267,733	(註 2)	(註 2)
Non-Current Liabilities		1,738,161	1,126,423	1,070,564	1,632,909	895,442	715,683
Total Liabilities	Before Distribution	4,435,613	3,836,100	3,896,738	4,373,767	3,940,845	2,510,878
	After Distribution	4,435,613	3,836,100	4,251,936	4,900,642	(註 2)	(註 2)
Equity Attributed to Shareholder of the parent		8,570,655	8,776,889	9,324,318	9,530,012	9,024,254	9,085,345
Capital Stock		5,969,099	5,969,099	5,919,949	5,919,949	5,919,949	5,919,949
Capital Surplus		939,124	950,179	936,051	897,317	911,110	911,121
Retain Earnings	Before Distribution	1,714,020	1,813,177	2,221,787	2,444,655	2,012,196	2,329,937
	After Distribution	1,714,020	1,813,177	1,866,589	1,917,780	(註 2)	(註 2)
Unrealized Gain (Loss) on Financial Merchandise		103,648	199,670	309,932	331,492	244,400	(12,261)
Cumulative translation adjustments		(155,236)	(155,236)	(63,401)	(63,401)	(63,401)	(63,401)
Unrealized Net Loss on the Costs of Pensions		1,557,162	1,588,623	1,598,388	1,695,228	1,663,923	1,660,401
Total Equity	Before Distribution	10,127,817	10,365,512	10,922,706	11,225,240	10,688,177	10,745,746
	After Distribution	10,127,817	10,365,512	10,567,508	10,698,365	(註 2)	(註 2)

Note 1: Figures are audited by adopting IFRSs

Note 2: Distribution is waiting to be approved in Shareholders' Meeting

Note 3: Figures are audited and adjusted by adopting IAS19

Note 4: Figures are reviewed by CPA adopting IFRSs

7.1.2 Balance Sheet by adopting IFRSs- Standalone

Unit: NT\$K

Year		Recent 5 Years (Note 1)				
		2012	2013	2014 (Note3)	2015	2016
Item						
Current Assets		4,129,502	3,021,678	3,213,839	3,273,115	3,267,397
Fixed Assets		829,572	815,874	775,098	744,937	722,145
Intangible Assets		268,059	225,196	200,631	67,742	68,497
Other Assets		6,333,581	6,800,274	7,055,589	7,279,247	6,465,991
Total Assets		11,560,714	10,863,022	11,245,157	11,365,041	10,524,030
Current Liabilities	Before Distribution	1,624,269	1,348,302	1,154,078	836,984	898,923
	After Distribution	1,624,269	1,348,302	1,509,276	1,363,859	(Note2)
Non-Current Liabilities		1,365,790	737,831	766,761	998,045	600,853
Total Liabilities	Before Distribution	2,990,059	2,086,133	1,920,839	1,835,029	1,499,776
	After Distribution	2,990,059	2,086,133	2,276,037	2,361,904	(Note2)
Equity Attributed to Shareholder of the parent						
Capital Stock		5,969,099	5,969,099	5,919,949	5,919,949	5,919,949
Capital Surplus		939,124	950,179	936,051	897,317	911,110
Retain Earnings	Before Distribution	1,714,020	1,813,177	2,221,787	2,444,655	2,012,196
	After Distribution	1,714,020	1,813,177	1,866,589	1,917,780	(Note2)
Unrealized Gain (Loss) on Financial Merchandise		103,648	199,670	309,932	331,492	244,400
Cumulative translation adjustments		(155,236)	(155,236)	(63,401)	(63,401)	(63,401)
Unrealized Net Loss on the Costs of Pensions		-	-	-	-	-
Total Equity	Before Distribution	8,570,655	8,776,889	9,324,318	9,530,012	9,024,254
	After Distribution	8,570,655	8,776,889	8,969,120	9,003,137	(Note2)

Note 1: Figures are audited by adopting IFRSs

Note 2: Distribution is waiting to be approved in Shareholders' Meeting

Note 3: Figures are reviewed and adjusted by adopting IAS19

7.1.3 Condensed Income Statement adopting IFRSs -Consolidated

Unit: NT\$K

Item \ Year	Recent 5 Years (Note 1)					End of March 31, 2017 (Note 4)
	2012	2013	2014 (Note2&3)	2015	2016	
Net Sales	8,615,264	8,521,868	7,871,515	8,465,833	7,556,045	1,478,636
Gross Profit (Loss)	3,269,420	3,391,968	3,314,401	3,522,625	3,202,488	573,844
Income from Operation (Loss)	(435,426)	(14,260)	552,876	566,540	236,391	(74,800)
Non-operating Income (Expense)	(460,228)	180,004	390,694	371,467	129,776	412,759
Income (Loss)Before Tax	(895,654)	165,744	943,570	938,007	366,167	337,958
Income (Loss) From Operations of Continued Segments (Loss)	(916,235)	128,547	886,956	856,125	272,506	327,477
Income (Loss) From Operations of Discontinued Segments	-	-	(332,841)	(27,845)	-	-
Consolidated Net Income (Loss)	(916,235)	128,547	554,115	828,280	272,506	327,477
Other comprehensive income (Loss) for the period, net of income tax	456,145	162,015	124,871	18,282	(113,556)	(270,051)
Total Comprehensive Income (Loss) for the Period	(460,090)	290,562	678,986	846,562	158,950	57,426
Net Profit (Loss) Attributable to: Owner of the Company	(933,609)	52,785	422,852	589,348	120,187	317,741
Net Profit (Loss) Attributable to: Non-controlling interests	17,374	75,762	131,263	238,932	152,319	9,736
Total Comprehensive Income (Loss) Attributable to: Owner of the Company	(472,162)	195,179	536,619	609,203	26,577	61,080
Total Comprehensive Income (Loss) Attributable to: Non-controlling interests	12,072	95,383	142,367	237,359	132,373	(3,654)
Earnings per share (Loss)	(1.59)	0.09	0.72	1.00	0.20	0.54

Note 1: Figures are audited for the past-5 years by CPA adopting IFRSs

Note 2: Figures are reviewed and adjusted by adopting IAS19

Note 3: Figures are adjusted because Sunplus decided to dispose STB center to Availink Inc.by Board Meeting on 2015/1/20

Note4: Figures are audited by adopting IFRSs.

7.1.4 Condensed Income Statement adopting IFRSs -Standalone

Unit: NT\$K

Item \ Year	Recent 5 Years (Note 1)				
	2012	2013	2014 (Note2&3)	2015	2016
Net Sales	3,141,160	3,112,736	2,577,171	2,671,392	1,904,224
Gross Profit(Loss)	1,094,491	1,076,054	944,754	1,011,207	767,713
Income from Operation(Loss)	(375,271)	(54,374)	178,340	167,996	(79,166)
Non-operating Income (Expense)	(558,338)	84,323	582,468	453,504	200,242
Income (Loss)Before Tax	(933,609)	29,949	760,808	621,500	121,076
Income(Loss) From Operations of Continued Segments(Loss)	(933,609)	52,785	755,693	617,193	120,187
Income(Loss) From Operations of Discontinued Segments	-	-	(332,841)	(27,845)	-
Net Income (Loss)	(933,609)	52,785	422,852	589,348	120,187
Other comprehensive income (Loss) for the period, net of income tax	461,447	142,394	113,767	19,855	(93,610)
Total Comprehensive Income(Loss) for the Period	(472,162)	195,179	536,619	609,203	26,577
Net Profit(Loss) Attributable to: Owner of the Company	(933,609)	52,785	422,852	589,348	120,187
Net Profit (Loss)Attributable to: Non-controlling interests	-	-	-	-	-
Total Comprehensive Income (Loss)Attributable to: Owner of the Company	(472,162)	195,179	536,619	609,203	26,577
Total Comprehensive Income (Loss)Attributable to: Non-controlling interests	-	-	-	-	-
Earnings per share (Loss)	(1.59)	0.09	0.72	1.00	0.20

Note 1: Figures are audited for the past-5 years by CPA adopting IFRSs

Note 2: Figures are reviewed and adjusted by adopting IAS19

Note 3: Figures are adjusted because Sunplus decided to dispose STB center to Availink Inc.by Board Meeting on 2015/1/20

7.2 Condensed Financial Statement and Auditors' Opinions by Taiwan GAAP

7.2.1 Condensed Balance Sheet -Taiwan GAAP-Consolidated

Year		For recent 5 years (Note 1)				
		2008	2009	2010	2011	2012
Item						
Current Assets		9,796,714	10,822,015	11,486,582	8,682,455	9,053,872
Bond& Investment		3,207,420	4,840,639	4,239,553	2,394,980	3,598,655
Fixed Assets		1,612,190	1,226,172	1,173,773	1,649,559	1,943,055
Intangible Assets		1,632,022	1,121,928	891,766	676,915	558,783
Other Assets		1,343,542	1,126,403	718,363	694,064	404,271
Total Assets		17,591,888	19,137,157	18,510,037	14,097,973	15,558,636
Current Liabilities	Before Distribution	4,514,455	4,241,446	3,752,814	3,069,081	2,654,495
	After Distribution	4,514,455	4,241,446	4,230,342	3,069,081	2,654,495
Long-term Liabilities		-	1,470,500	132,500	-	1,368,398
Other Liabilities		538,134	365,182	349,169	363,997	308,144
Total Liabilities	Before Distribution	5,052,589	6,077,128	4,234,483	3,433,078	4,331,037
	After Distribution	5,052,589	6,077,128	4,712,011	3,433,078	4,331,037
Capital Stock		5,982,028	5,969,099	5,969,099	5,969,099	5,969,099
Capital Surplus		1,587,558	1,871,301	1,969,595	1,730,465	1,716,655
Retain Earnings	Before Distribution	3,924,634	4,306,149	5,079,860	2,617,410	1,940,440
	After Distribution	3,924,634	4,306,149	4,602,332	2,617,410	1,940,440
Unrealized Gain (Loss) on Financial Merchandise		(561,966)	116,449	(172,567)	(1,190,315)	188,110
Cumulative translation adjustments		149,639	110,973	(18,662)	90,505	3,155
Unrealized Net Loss on the Costs of Pensions		-	-	-	-	-
Total Equity	Before Distribution	12,539,299	13,060,029	14,275,554	10,664,895	11,227,599
	After Distribution	12,539,299	13,060,029	13,798,026	10,664,895	11,227,599

Note 1: Figures are audited for the past-5 years

7.2.2 Condensed Income Statement-Taiwan GAAP-Standalone

Year		For recent 5 years (Note 1)				
		2008	2009	2010	2011	2012
Item						
Current Assets		2,837,092	6,227,432	5,609,370	3,422,494	4,102,736
Bond& Investment		7,445,768	8,161,338	8,544,972	6,445,698	7,343,777
Fixed Assets		836,326	843,627	784,822	721,693	764,855
Intangible Assets		551,787	318,756	216,747	269,542	253,732
Other Assets		1,260,233	849,309	443,536	407,443	169,124
Total Assets		12,931,206	16,400,462	15,599,447	11,266,870	12,634,224
Current Liabilities	Before Distribution	1,731,341	2,592,439	2,547,924	2,012,399	1,615,699
	After Distribution	1,731,341	2,592,439	3,025,452	2,012,399	1,615,699
Long-term Liabilities		0	1,257,500	75,500	0	1,223,194
Other Liabilities		249,443	239,953	212,099	192,543	133,108
Total Liabilities	Before Distribution	1,980,784	4,089,892	2,835,523	2,204,942	2,972,001
	After Distribution	1,980,784	4,089,892	3,313,051	2,204,942	2,972,001
Capital Stock		5,982,028	5,969,099	5,969,099	5,969,099	5,969,099
Capital Surplus		1,587,558	1,871,301	1,969,595	1,730,465	1,716,655
Retain Earnings	Before Distribution	3,924,634	4,306,149	5,079,860	2,617,410	1,940,440
	After Distribution	3,924,634	4,306,149	4,602,332	2,617,410	1,940,440
Unrealized Gain (Loss) on Financial Merchandise		(561,966)	116,449	(172,567)	(1,190,315)	188,110
Cumulative translation adjustments		149,639	110,973	(18,662)	90,505	3,155
Unrealized Net Loss on the Costs of Pensions		-	-	-	-	-
Total Equity	Before Distribution	10,950,422	12,310,570	12,763,924	9,061,928	9,662,223
	After Distribution	10,950,422	12,310,570	12,286,396	9,061,928	9,662,223

Note 1: Figures are audited for the past-5 years

7.2.3 Condensed P&L by Taiwan GAAP-Consolidated

Unit: NT\$K

Item \ Year	For recent 5 years (Note 1)				
	2008	2009	2010	2011	2012
Net Sales	16,177,800	17,891,157	12,765,140	9,251,963	8,615,264
Gross Profit	4,713,417	5,624,097	4,992,470	3,097,921	3,269,420
Income from Operation	(943,667)	549,993	749,647	(803,383)	(433,457)
Non-operating Income	1,254,017	724,991	1,000,274	508,290	231,526
Non-operating Expense	174,219	361,069	396,860	1,415,653	435,483
Income From Operations of Continued Segments-Before Tax	136,131	913,915	1,353,061	(1,710,746)	(637,414)
Income From Operations of Continued Segments-After Tax	77,630	496,977	921,992	(2,005,564)	(657,995)
Income From Operations of Discontinued Segments	-	-	-	-	-
Extraordinary Gain (Loss)	-	-	-	-	-
Cumulative Effect of Changes in Accounting Principles	-	-	-	-	-
Net Income	77,630	496,977	921,992	(2,005,564)	(657,995)
EPS	0.01	0.64	1.3	(3.37)	(1.15)

Note 1: Figures are audited for the past-5 years

7.2.4 Condensed P&L by Taiwan GAAP-Standalone

Unit: NT\$K

Item \ Year	For recent 5 years (Note 1)				
	2008	2009	2010	2011	2012
Net Sales	6,093,179	7,349,600	6,129,584	3,599,747	3,141,160
Gross Profit	2,357,964	2,434,607	2,255,319	958,074	1,094,491
Income from Operation	516,709	586,440	336,416	(554,981)	(377,320)
Non-operating Income	727,781	665,689	849,816	343,330	103,710
Non-operating Expense	1,084,466	554,466	40,159	1,557,724	403,360
Income From Operations of Continued Segments-Before Tax	160,024	697,663	1,146,073	(1,769,375)	(676,970)
Income From Operations of Continued Segments-After Tax	8,383	381,515	773,711	(1,984,922)	(676,970)
Income From Operations of Discontinued Segments	-	-	-	-	-
Extraordinary Gain (Loss)	-	-	-	-	-
Cumulative Effect of Changes in Accounting Principles	-	-	-	-	-
Net Income	8,383	381,515	773,711	(1,984,922)	(676,970)
EPS	0.01	0.64	1.30	(3.37)	(1.15)

Note 1: Figures are audited for the past-5 years

7.2.5 Auditors' Opinions

Year	CPA	Audit Opinion
2012	Tung-Hui Yeh, Hung-Peng Lin	An unqualified opinion
2013	Tung-Hui Yeh, Hung-Peng Lin	An unqualified opinion
2014	Tung-Hui Yeh, Hung-Peng Lin	An unqualified opinion
2015	Tung-Hui Yeh, Shu-Jay Huang	An unqualified opinion
2016	Zheng-Zhi Lin, Shu-Jay Huang	An unqualified opinion

7.3 Financial Analysis for recent 5 years

7.3.1 Financial Analysis (consolidated by IFRSs)

Analysis Item		Year	Recent 5 years (Note 1)					End of March 31, 2017 (Note 2)
			2012	2013	2014 (Note 9&10)	2015	2016	
Capital Structure	Debts ratio (%)		30.45	27.01	26.29	28.03	26.93	18.94
	Long-term fund to Property, plant and equipment (%)		591.43	513.78	331.73	350.30	495.04	508.24
Liquidity	Current ratio (%)		335.06	305.38	284.40	317.60	288.70	447.22
	Quick ratio (%)		262.11	262.76	228.76	257.15	251.00	368.48
	Times interest earned (times)		Note4	541.79	1,853.70	2,518.77	1,020.20	3,117.48
Operating Performance	Average collection turnover (times)		6.29	5.81	4.82	5.13	5.29	4.98
	Average collection days		58	63	76	71	69	73
	Inventory turnover (times)		3.83	3.88	4.02	3.84	4.18	3.94
	Payment turnover (times)		7.00	6.48	5.87	7.09	6.23	5.39
	Average inventory turnover days		95	94	91	95	87	93
	Fixed assets turnover (times)		4.43	3.96	2.79	2.40	2.59	2.66
	Property, plant and equipment turnover (times)		0.59	0.60	0.54	0.56	0.50	0.42
Profitability	Return on total assets (%)		(6.16)	1.11	4.01	5.65	2.02	2.41
	Return on stockholders' equity (%)		(8.82)	1.25	5.20	7.47	2.48	3.05
	Profit before tax to paid-in capital (%) (Note 8)		(15.00)	2.78	10.32	15.37	6.19	5.71
	Profit after tax to net sales (%)		(10.63)	1.50	7.03	9.78	3.60	22.14
	Earnings per share (NT\$)		(1.59)	0.09	0.72	1.00	0.20	0.54
Cash Flow	Cash flow ratio (%)		Note5	49.23	10.64	36.73	40.69	Note5
	Cash flow adequacy ratio (%) (Note3)		63.37	96.14	49.41	46.54	54.36	73.68
	Cash flow reinvestment ratio (%)		Note6	10.35	1.30	3.64	4.08	Note6
Leverage	Operating leverage		Note7	Note7	6.07	5.55	11.54	Note7
	Financial leverage		Note7	Note7	1.07	1.07	1.20	Note7

Variation Analysis 2016 vs. 2015

1. Long-term funds increase in fixed asset ratio, mainly due to the decrease in net fixed assets during the year.
2. Interest protection multiplier is reduced, mainly due to the decrease in net profit before interest income and interest expense.
3. Return on assets and decrease in return on shareholders' equity, mainly due to the decrease in the net profit after deducting the share of sales income and the recognition of the shareholding profit and loss.
4. Pre-tax net profit to reduce the ratio of paid-in capital, mainly due to the decrease in the net profit attributable to the decrease in the share of the related businesses and joint ventures recognized in the current year.
5. Profitability and earnings per share are reduced, mainly due to the decrease in net profit after tax in the current year.
6. Increased operating leverage, mainly due to the decrease in operating profit during the year.

Note 1: Figures have been audited by adopting IFRSs.

Note 2: Figures 1Q'17 have been audited by adopting IFRSs.

Note 3: Cash flow adequacy ratio is calculated based on the data by Taiwan GAAP.

Note 4: Figures not listed due to loss before tax and interests

Note 5: Figures not listed due to negative cash flow

Note 6: Figures not listed due to cash flow from operating less than cash dividends

Note 7: Figures not listed due to operating loss

Note 8: for those stock without par value or par value not equal to NT\$10, the ratio of Operating income to paid-in capital (%) is calculated by ratio to attributable to Owner of the Company

Note9: Figures are reviewed and adjusted by adopting IAS19

Note 10: Figures are adjusted because Sunplus decided to dispose STB center to Availink Inc.by Board Meeting on 2015/1/20

7.3.2 Financial Analysis (Standalone) by IFRSs

Analysis Item		Recent 5 years (Note 1)				
		2012	2013	2014	2015 (Not 7&8)	2016
Capital Structure	Debts ratio (%)	25.86	19.20	17.08	16.14	14.25
	Long-term fund to Property, plant and equipment (%)	1,180.59	1,153.30	1,287.75	1,400.06	1,322.92
Liquidity	Current ratio (%)	254.24	224.11	278.47	391.06	363.47
	Quick ratio (%)	139.46	186.24	212.16	334.88	319.86
	Times interest earned (times)	Note2	196.76	3,120.87	2,662.46	687.97
Operating Performance	Average collection turnover (times)	6.00	4.90	3.30	4.00	4.26
	Average collection days	61	74	111	91	86
	Inventory turnover (times)	2.47	2.60	2.84	2.86	3.23
	Payment turnover (times)	6.66	6.25	4.54	7.26	8.57
	Average inventory turnover days	148	140	129	128	113
	Fixed assets turnover (times)	3.72	3.78	3.23	3.51	2.59
	Property, plant and equipment turnover (times)	0.28	0.28	0.23	0.23	0.17
Profitability	Return on total assets (%)	(7.98)	0.69	4.01	5.39	1.25
	Return on stockholders' equity (%)	(10.60)	0.60	4.67	6.25	1.29
	Profit before tax to paid-in capital (%) (Note 6)	(15.64)	0.50	7.22	10.02	2.04
	Profit after tax to net sales (%)	(29.72)	1.69	16.40	22.06	6.31
	Earnings per share (NT\$)	(1.59)	0.09	0.72	1.00	0.20
Cash Flow	Cash flow ratio (%)	Note4	57.72	24.04	70.01	86.72
	Cash flow adequacy ratio (%) (Note2)	126.64	150.42	100.10	97.84	84.41
	Cash flow reinvestment ratio (%)	Note4	7.86	2.63	2.10	2.49
Leverage	Operating leverage	Note5	Note5	4.48	5.42	Note5
	Financial leverage	Note5	Note5	1.16	1.17	Note5

Variation Analysis 2016 vs. 2015

1. Interest protection multiple declines, mainly due to the decline in net profit after the current year.
2. Accounts payable turnover increased, mainly due to the decline in operating income this year, due to decline in accounts payable.
3. Fixed asset turnover, total asset turnover decreased, mainly due to the decline in operating income this year.
4. Return on assets and decrease in return on shareholders' equity, mainly due to the decline in operating income this year, net profit after tax due to decline.
5. Pre-tax net profit accounted for% of paid-up capital, the rate of return and earnings per share decreased, mainly due to the decline in operating income this year, net profit after tax due to decline
6. The cash flow ratio increases, mainly due to the increase in dividends received during the year, resulting in an increase in net cash inflow from operating activities.

* If the company has prepared an individual financial report, Should be prepared by the company's individual financial ratio analysis.

* The financial information of the International Financial Reporting Standards is less than five years, should be prepared in the following table (2) the use of China's financial accounting standards of financial information.

1. Capital Structure Analysis

- (1) Debts ratio = Total Liabilities/Total Assets
- (2) Long term fund to Property, plant and equipment = (Total Equity + Non-Current Liabilities)/ Property, plant and equipment

2. Liquidity Analysis

- (1) Current Ratio = Current Assets/Current Liabilities
- (2) Quick Ratio = (Current Assets – Inventories – Prepaid Expenses)/Current Liabilities

(3) Times Interest Earned	= Earnings before Interest and Taxes/Interest Expenses
3. Operating Performance Analysis	
(1) Average Collection Turnover	= Net Sales/Average Trade Receivables
(2) Average Collection Days	= 365/Receivables Turnover Rate
(3) Average Inventory Turnover	= Cost of Sales/Average Inventory
(4) Average Payment Turnover	= Cost of Sales/Average Trade Payables
(5) Average Inventory Turnover Days	= 365/Average Inventory Turnover
(6) Property, plant and equipment Turnover	= Net Sales/ Average Property, plant and equipment
(7) Total Assets Turnover	= Net Sales/Average Total Assets
4. Profitability Analysis	
(1) Return on Total Assets	= {Net Income + Interest Expense × (1 – Effective tax rate)}/Average Total Assets
(2) Return Ratio on Stockholders' Equity	= Net Income/Average Total Equity
(3) Profit after Tax to Net Sales	= Net Income/Net Sales
(4) Earnings Per Shares	= (Net Profit Attributable to Owner of the Company – Preferred Stock Dividend)/ Weighted Average Number of Shares Outstanding
5. Cash Flow	
(1) Cash Flow Rate	= Net Cash Provided by Operating Activities/Current Liabilities
(2) Cash Flow Adequacy Ratio	= Five-Year Cash from Sum of Operations /(Five-Year Capital Expenditure + Inventory Increase + Cash Dividend)
(3) Cash flow reinvestment ratio	= (Net Cash Provided by Operating Activities – Cash Dividend)/(Property, plant and equipment + Long-term Investment + Other Non-current Assets + Working Capital)
6. Leverage	
(1) Operating Leverage	= (Net Sales – Operating Expenses & Cost)/Operating Income
(2) Financial Leverage	= Operating Income/(Operating Income – Interest Expenses)

Note 1: Figures have been audited by adopting IFRSs.

Note 2: Income tax and interest expense before the profit and loss is pure, so it is not listed.

Note 3: Cash flow adequacy ratio is calculated based on the data by Taiwan GAAP.

Note 4: The operating activity is net cash outflow, so it is not listed.

Note 5: Figures not listed due to operating loss.

Note 6: for those stock without par value or par value not equal to NT\$10, the ratio of Operating income to paid-in capital (%) is calculated by ratio to attributable to Owner of the Company

Note 7: Figures are reviewed and adjusted by adopting IAS19

Note 8: Figures are adjusted because Sunplus decided to dispose STB center to Availink Inc.by Board Meeting on 2015/1/20

7.3.3 Financial Analysis (Consolidated) by Taiwan GAAP

Analysis \ Year		Fore recent 5 years (Note 1)				
		2008	2009	2010	2011	2012
Capital Structure	Debts ratio (%)	28.72	31.76	22.88	24.35	27.84
	Long-term fund to fixed assets (%)	777.78	1185.03	1227.50	646.53	648.26
Liquidity	Current ratio (%)	217.01	255.15	306.08	282.82	341.08
	Quick ratio (%)	142.50	216.20	245.51	242.46	268.52
	Times interest earned (times)	2.49	12.89	31.25	Note 4	Note 4
Operating Performance	Average collection turnover (times)	5.21	7.68	6.12	5.95	6.37
	Average collection days	70	48	60	61	57
	Inventory turnover (times)	3.90	5.9	4.62	3.98	3.84
	Payment turnover (times)	7.34	11.92	6.91	5.93	5.95
	Average inventory turnover days	94	62	79	92	95
	Fixed assets turnover (times)	10.03	14.56	10.88	5.61	4.43
	Total assets turnover (times)	0.92	0.93	0.69	0.66	0.55
Profitability	Return on total assets (%)	0.76	3.04	5.08	(0.12)	(0.04)
	Return on stockholders' equity (%)	0.58	3.88	6.75	(0.16)	(0.06)
	Operating income to paid-in capital (%)	(10.77)	8.58	12.56	(13.46)	(0.07)
	Profit before tax to paid-in capital (%)	2.28	15.31	22.67	(28.66)	(0.11)
	Profit after tax to net sales (%)	0.48	2.78	7.22	(21.68)	(0.08)
	Earnings per share (NT\$)	0.01	0.64	1.30	(3.37)	(1.15)
Cash Flow	Cash flow ratio (%)	18.07	46.25	34.01	34.19	Note 5
	Cash flow adequacy ratio (%)	125.30	124.87	97.31	95.41	63.48
	Cash flow reinvestment ratio (%)	Note 2	11.29	7.55	3.80	Note 2
Leverage	Operating leverage	Note 3	8.73	5.55	Note 3	Note 3
	Financial leverage	Note 3	1.00	1.00	Note 3	Note 3

Note 1: Figures are audited for the past-5 years

Note 2: Figures not listed due to cash flow from operating less than cash dividends.

Note 3: Figures not listed due to operating loss.

Note 4: Figures not listed due to net loss before tax.

Note 5: Figures not listed because of net cash flow out from operating activities.

7.3.4 Financial Analysis (Standalone) by Taiwan GAAP

Analysis \ Year		Fore recent 5 years (Note 1)				
		2008	2009	2010	2011	2012
Capital Structure	Debts ratio (%)	15.32	24.94	18.18	19.57	23.52
	Long-term fund to fixed assets (%)	1,309.35	1,608.3	1,635.97	1,255.65	1,423.20
Liquidity	Current ratio (%)	163.87	240.22	220.15	170.07	253.93
	Quick ratio (%)	100.11	205.98	162.22	141.17	179.62
	Times interest earned (times)	8.20	21.45	61.34	Note 3	Note 3
Operating Performance	Average collection turnover (times)	6.12	7.42	5.14	5.07	6.18
	Average collection days	60	49	71	72	59
	Inventory turnover (times)	3.69	5.89	3.64	2.83	2.47
	Payment turnover (times)	5.85	8.38	5.51	6.01	6.66
	Average inventory turnover days	99	62	100	129	148
	Fixed assets turnover (times)	7.29	8.71	7.81	4.99	4.11
	Total assets turnover (times)	0.59	0.47	0.39	0.32	0.25
Profitability	Return on total assets (%)	0.18	2.78	4.93	(14.71)	(5.47)
	Return on stockholders' equity (%)	0.07	3.28	6.17	(18.19)	(7.23)
	Operating income to paid-in capital (%)	8.64	9.82	5.64	(9.30)	(6.32)
	Profit before tax to paid-in capital (%)	2.68	11.69	19.20	(29.64)	(11.34)
	Profit after tax to net sales (%)	0.14	5.19	12.62	(55.14)	(21.55)
	Earnings per share (NT\$)	0.01	0.64	1.3	(3.37)	(1.15)
Cash Flow	Cash flow ratio (%)	120.99	35.9	33.08	48.75	Note 4
	Cash flow adequacy ratio (%)	129.07	167.84	158.44	151.87	126.64
	Cash flow reinvestment ratio (%)	5.81	6.27	6.00	5.21	Note 4
Leverage	Operating leverage	4.05	3.73	5.37	Note 2	Note 2
	Financial leverage	1.04	1.06	1.06	Note 2	Note 2

Note 1: Figures are audited for the past-5 years

Note 2: Figures not listed due to operating loss.

Note 3: Figures not listed due to net loss before tax.

Note 4: Figures not listed because of net cash flow out from operating activities.

7.4 Audit Committee's Report

Sunplus Technology Co., Ltd. Audit Committee's Report

Sunplus' Board has submitted the 2016 business report, financial statements and distribution of 2015 earnings. The Deloitte & Touche CPA firm has audited the financial statements, and issued an audit report. The Audit Committee has reviewed the 2015 business report, financial statements and distribution of 2015 earnings, and verified that they comply with the Company Law and relevant regulations. According to Article 14-4 of Securities Exchange Law and Article 219 of the Company Law, I hereby submit this report.

To Sunplus 2017 Annual General Shareholders' Meeting

Sunplus Technology Co., Ltd.
Audit Committee
Convener,

Che-Ho Wei
March 15th, 2017

7.5 Consolidated Financial Statements and Auditors' Audit Report

Sunplus Technology Company Limited and Subsidiaries

**Consolidated Financial Statements for the
Years Ended December 31, 2016 and 2015 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, 2016 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 15, 2017

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, 2016 and 2015 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 Sunplus Technology Company Limited and its subsidiaries as of December 31, 2016 and 2015, and their consolidated financial performance and their 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 parent company only financial statements for the year ended December 31, 2016. These matters were addressed in the context of our audit of the parent company only 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 26 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 account receivables which are more than one month overdue, or if there are any account receivables which are within one month and, furthermore, the account receivables exceed 10% of the client's approved 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 risk has been truly transferred.
 - 5) Verifying the amounts of account receivables, certificates of remittance and counterparties are consistent with the recorded amounts and counterparties and had 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, 2016 and 2015 on which we have issued an unmodified opinion.

Responsibilities of Management and Those Charged with Governance for the Parent Company Only 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 Parent Company Only 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, 2016 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
Hsinchu, Taiwan
Republic of China

March 15, 2017

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, 2016 AND 2015 (In Thousands of New Taiwan Dollars)

ASSETS	2016		2015	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 4,803,495	33	\$ 4,442,810	29
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	106,573	1	24,200	-
Available-for-sale financial assets - current (Notes 4 and 8)	1,372,492	9	961,646	6
Debt investments with no active market - current (Notes 4 and 9)	-	-	15,389	-
Notes and trade receivables, net (Notes 4, 5, 11 and 36)	1,285,810	9	1,569,460	10
Other receivables (Note 36)	75,627	-	34,731	-
Inventories (Notes 4, 5 and 12)	858,390	6	1,225,022	8
Other current assets (Note 19)	<u>289,755</u>	<u>2</u>	<u>431,971</u>	<u>3</u>
Total current assets	<u>8,792,142</u>	<u>60</u>	<u>8,705,229</u>	<u>56</u>
NONCURRENT ASSETS				
Available-for-sale financial assets - noncurrent (Notes 4 and 8)	900,437	6	1,518,898	10
Financial assets carried at cost (Notes 4 and 10)	689,261	5	528,590	3
Investments accounted for using the equity method (Notes 4, 5 and 15)	323,912	2	639,017	4
Property, plant and equipment (Notes 4, 5, 16 and 37)	2,265,910	16	3,563,095	23
Investment properties (Notes 4, 5 and 17)	1,218,904	8	257,070	2
Intangible assets (Notes 4, 5 and 18)	191,024	1	193,481	1
Deferred tax assets (Notes 4, 5 and 28)	29,015	-	39,485	-
Other noncurrent assets (Notes 19 and 33)	<u>218,417</u>	<u>2</u>	<u>154,142</u>	<u>1</u>
Total noncurrent assets	<u>5,836,880</u>	<u>40</u>	<u>6,893,778</u>	<u>44</u>
TOTAL	<u>\$ 14,629,022</u>	<u>100</u>	<u>\$ 15,599,007</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 20)	\$ 550,203	4	\$ 646,093	4
Trade payables (Note 21)	732,964	5	665,304	4
Current tax liabilities (Notes 4 and 28)	42,184	-	54,096	1
Provisions - current (Notes 4 and 22)	12,334	-	15,339	-
Deferred revenue - current (Notes 4, 23 and 31)	1,682	-	1,819	-
Current portion of long-term loans (Notes 4, 20 and 37)	897,087	6	619,678	4
Other current liabilities (Note 23)	<u>808,949</u>	<u>6</u>	<u>738,529</u>	<u>5</u>
Total current liabilities	<u>3,045,403</u>	<u>21</u>	<u>2,740,858</u>	<u>18</u>
NONCURRENT LIABILITIES				
Long-term borrowings (Notes 20 and 37)	529,167	4	1,256,373	8
Deferred revenue - noncurrent, net of current portion (Notes 4, 23 and 31)	67,264	-	74,591	-
Net defined benefit liabilities (Notes 4 and 24)	98,266	1	98,425	1
Guarantee deposits (Note 33)	199,856	1	202,181	1
Other noncurrent liabilities, net of current portion (Note 23)	<u>889</u>	<u>-</u>	<u>1,339</u>	<u>-</u>
Total noncurrent liabilities	<u>895,442</u>	<u>6</u>	<u>1,632,909</u>	<u>10</u>
Total liabilities	<u>3,940,845</u>	<u>27</u>	<u>4,373,767</u>	<u>28</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4 and 25)				
Common shares	<u>5,919,949</u>	<u>40</u>	<u>5,919,949</u>	<u>38</u>
Capital surplus	<u>911,110</u>	<u>6</u>	<u>897,317</u>	<u>6</u>
Retained earnings				
Legal reserve	1,890,531	13	1,831,596	12
Special reserve	21,927	-	17,833	-
Unappropriated earnings (accumulated deficit)	<u>99,738</u>	<u>1</u>	<u>595,226</u>	<u>4</u>
Total retained earnings	<u>2,012,196</u>	<u>14</u>	<u>2,444,655</u>	<u>16</u>
Other equity	<u>244,400</u>	<u>2</u>	<u>331,492</u>	<u>2</u>
Treasury shares (Note 37)	<u>(63,401)</u>	<u>-</u>	<u>(63,401)</u>	<u>(1)</u>
Total equity attributable to owners of the Company	9,024,254	62	9,530,012	61
NONCONTROLLING INTERESTS (Notes 4 and 25)	<u>1,663,923</u>	<u>11</u>	<u>1,695,228</u>	<u>11</u>
Total equity	<u>10,688,177</u>	<u>73</u>	<u>11,225,240</u>	<u>72</u>
TOTAL	<u>\$ 14,629,022</u>	<u>100</u>	<u>\$ 15,599,007</u>	<u>100</u>

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, 2016 AND 2015

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2016		2015	
	Amount	%	Amount	%
NET OPERATING REVENUE (Notes 4, 26, and 36)	\$ 7,556,045	100	\$ 8,465,833	100
OPERATING COSTS (Notes 12, 24 ,27 and 36)	<u>4,353,557</u>	<u>58</u>	<u>4,943,208</u>	<u>58</u>
GROSS PROFIT	<u>3,202,488</u>	<u>42</u>	<u>3,522,625</u>	<u>42</u>
OPERATING EXPENSES (Notes 24, 27 and 36)				
Selling and marketing	353,047	5	375,719	4
General and administrative	704,206	9	644,724	8
Research and development	<u>1,908,288</u>	<u>25</u>	<u>1,934,765</u>	<u>23</u>
Total operating expenses	<u>2,965,541</u>	<u>39</u>	<u>2,955,208</u>	<u>35</u>
OTHER OPERATING INCOME AND EXPENSES	<u>(556)</u>	<u>-</u>	<u>(877)</u>	<u>-</u>
PROFIT FROM OPERATIONS	<u>236,391</u>	<u>3</u>	<u>566,540</u>	<u>7</u>
NONOPERATING INCOME AND EXPENSE (Notes 4, 27 and 36)				
Other income	111,036	1	125,905	1
Other gains and losses	22,615	-	28,812	-
Finance costs	(39,792)	-	(37,629)	-
Share of profit of associates and joint ventures (Note 13)	<u>35,917</u>	<u>1</u>	<u>254,379</u>	<u>3</u>
Total nonoperating income and expenses	<u>129,776</u>	<u>2</u>	<u>371,467</u>	<u>4</u>
PROFIT BEFORE INCOME TAX	366,167	5	938,007	11
INCOME TAX EXPENSE (Notes 4 and 28)	<u>93,661</u>	<u>1</u>	<u>81,882</u>	<u>1</u>
NET PROFIT FOR THE YEAR	272,506	4	856,125	10
NET LOSS FROM DISCONUTINUED OPERATIONS (Note 13)	<u>-</u>	<u>-</u>	<u>(27,845)</u>	<u>-</u>
NET PROFIT OF THE PERIOD	<u>272,506</u>	<u>4</u>	<u>828,280</u>	<u>10</u>

(Continued)

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2016		2015	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4, 24 and 25)				
Item that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit plans	(8,451)	-	(3,686)	-
Item that may be reclassified Subsequently to profit or loss				
Exchange differences on traslating foreign operations	(166,453)	(3)	(26,801)	-
Unrealized gain (loss) on available-for-sale financial assets	71,757	1	53,414	-
Share of other comprenensive (loss) income of associates and joint venture	<u>(10,409)</u>	<u>-</u>	<u>(4,645)</u>	<u>-</u>
Other comprehensive (loss) income for the year, net of income tax	<u>(113,556)</u>	<u>(2)</u>	<u>18,282</u>	<u>-</u>
TOTAL COMPREHENSIVE PROFIT FOR THE YEAR	<u>\$ 158,950</u>	<u>2</u>	<u>\$ 846,562</u>	<u>10</u>
NET PROFIT ATTRIBUTABLE TO:				
Owner of the Company	\$ 120,187	2	\$ 589,348	7
Noncontrolling interests	<u>152,319</u>	<u>2</u>	<u>238,932</u>	<u>3</u>
	<u>\$ 272,506</u>	<u>4</u>	<u>\$ 828,280</u>	<u>10</u>
TOTAL COMPREHENSIVE PROFIT ATTRIBUTABLE TO:				
Owner of the Company	\$ 26,577	-	\$ 609,203	7
Noncontrolling interests	<u>132,373</u>	<u>2</u>	<u>237,359</u>	<u>3</u>
	<u>\$ 158,950</u>	<u>2</u>	<u>\$ 846,562</u>	<u>10</u>
EARNINGS PER SHARE (New Taiwan dollars; Note 29)				
From continuing and discontinued operations				
Basic	<u>\$ 0.20</u>		<u>\$ 1.00</u>	
Diluted	<u>\$ 0.20</u>		<u>\$ 1.00</u>	
From continuing operations				
Basic	<u>\$ 0.20</u>		<u>\$ 1.05</u>	
Diluted	<u>\$ 0.20</u>		<u>\$ 1.05</u>	

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, 2016 AND 2015
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company											
	Share Capital Issued and Outstanding (Note 25)			Retained Earnings (Note 25)			Other Equity (Notes 4 and 25)			Total	Noncontrolling Interests (Notes 4 and 25)	Total Equity
							Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Treasury Shares (Notes 4, 25 and 37)			
	Share (Thousands)	Amount	Capital Surplus (Notes 4 and 25)	Legal Reserve	Special Reserve	Unappropriated Earnings (Accumulated Deficits)						
BALANCE, JANUARY 1, 2015	591,995	\$ 5,919,949	\$ 936,051	\$ 1,790,538	\$ 22,639	\$ 408,610	\$ 128,258	\$ 181,674	\$ (63,401)	\$ 9,324,318	\$ 1,598,388	\$ 10,922,706
Appropriation of the 2014 earnings												
Legal reserve	-	-	-	41,058	-	(41,058)	-	-	-	-	-	-
Cash dividends for common shares	-	-	-	-	-	(355,198)	-	-	-	(355,198)	-	(355,198)
Special reserve	-	-	-	-	(4,806)	4,806	-	-	-	-	-	-
Changes in capital surplus from investments in associates and joint ventures accounted for by the equity method	-	-	-	-	-	(753)	-	-	-	(753)	-	(753)
Disposal of investment accounted for using the equity method	-	-	(40,863)	-	-	-	-	(41)	-	(40,904)	-	(40,904)
Difference between stock price and book value from disposal of subsidiaries	-	-	-	-	-	(8,783)	-	-	-	(8,783)	-	(8,783)
Changes of equity of subsidiaries	-	-	(7)	-	-	-	-	-	-	(7)	-	(7)
Net profit for the year ended December 31, 2015	-	-	-	-	-	589,348	-	-	-	589,348	238,932	828,280
Other comprehensive income for the year ended December 31, 2015, net of income tax	-	-	-	-	-	(1,746)	(30,749)	52,350	-	19,855	(1,573)	18,282
Total comprehensive income for the year ended December 31, 2015	-	-	-	-	-	587,602	(30,749)	52,350	-	609,203	237,359	846,562
Adjustment of capital surplus for the company's Cash dividends received by subsidiaries	-	-	2,136	-	-	-	-	-	-	2,136	-	2,136
Decrease in noncontrolling interests	-	-	-	-	-	-	-	-	-	-	(140,519)	(140,519)
BALANCE, DECEMBER 31, 2015	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)	-	-	-	-	-	-
Disposal of investment accounted for using the equity method	-	-	10,625	-	-	-	-	-	-	10,625	-	10,625
Difference between stock price and book value from disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-
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 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 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's 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

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, 2016 AND 2015 (In Thousands of New Taiwan Dollars)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax		
Income before income tax from continuing operations	\$ 366,167	\$ 938,007
Income before income tax from discontinued operations	-	(27,845)
	<u>366,167</u>	<u>910,162</u>
Adjustments for:		
Depreciation expenses	267,143	265,097
Amortization expenses	117,460	99,923
Bad-debt expenses	99,500	1,823
Net loss on fair value change of financial assets designated as of fair value through profit or loss	(400)	191
Financial costs	39,792	37,629
Interest income	(25,230)	(37,908)
Dividend income	(33,909)	(32,026)
Share of profits of associates and joint ventures accounted for using equity method	(35,917)	(254,379)
Loss (gain) on disposal of property, plant and equipment	248	(6,389)
Loss (gain) on disposal of intangible assets	308	(279,900)
Loss (gain) on disposal of subsidiaries	9,346	(906,358)
Gain on disposal of investments	(193,914)	(89,496)
Impairment loss recognized on financial assets	110,703	986,550
Impairment loss recognized non-financial assets	-	94,123
Realized gain on the transactions with associates and joint ventures accounted for equity method using	-	(1,098)
Net loss (gain) on foreign currency exchange	21,152	13,395
Amortization of prepaid lease payments	2,988	3,085
Changes in operating assets and liabilities:		
Increase in financial assets held for trading	(79,700)	(8,460)
Decrease in trade receivables	192,751	154,863
(Increase) decrease in other receivables	(46,086)	79,588
Decrease in inventories	366,632	122,720
(Increase) decrease in other current assets	(36,468)	40,107
Decrease (increase) in trade payables	66,883	(63,232)
Decrease in provisions	(3,005)	(6,510)
Decrease in deferred revenue	(1,767)	(4,573)
Increase (decrease) in other current liabilities	91,039	(105,976)
Decrease in accrued pension liabilities	(8,528)	(13,366)
Cash generated from operations	<u>1,287,188</u>	<u>999,585</u>
Interest received	29,466	33,991
Dividend received	58,597	56,714
Interest paid	(40,031)	(38,011)
Income tax paid	<u>(95,775)</u>	<u>(45,422)</u>
Net cash generated from operating activities	<u>1,239,445</u>	<u>1,006,857</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of available-for-sale financial assets	(1,620,456)	(1,555,020)
Proceeds of the sale of available-for-sale financial assets	2,006,547	1,801,694
Proceeds from capital reduction of available-for-sale financial assets	-	163,721
Purchase of debt investments with no active market	-	(15,389)

(Continued)

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars)

	2016	2015
Proceeds of the sale of debt investments with no active market	15,950	16,256
Purchase of financial assets measured at cost	(201,958)	(394,900)
Acquisition of associates	2,811	9,486
Capital return to the Company-liquidation of joint ventures	306,497	-
Proceeds from disposal of subsidiaries	18,713	-
Proceeds from capital reduction of associates accounted for by equity method	-	35,269
Payments for property, plant and equipment	(163,849)	(380,807)
Proceeds of the disposal of property, plant and equipment	93	23,904
(Increase) decrease in refundable deposits	(2,709)	1,653
Payments for intangible assets	(114,805)	(127,979)
Proceeds of the disposal of intangible assets	-	299,971
Payments for investment properties	(390)	(922)
Decrease (increase) on other non-current assets	<u>105,728</u>	<u>(165,013)</u>
Net cash generated from (used in) investing activities	<u>352,172</u>	<u>(288,076)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
(Repayments) proceeds of short-term borrowings	(95,890)	342,008
Proceeds of long-term borrowings	200,000	700,000
Repayments of long-term borrowings	(646,140)	(406,710)
Proceeds of guarantee deposits received	43,986	14,501
Refund of guarantee deposits received	(41,043)	(32,783)
Dividends paid to interest	(526,875)	(355,198)
Dividends paid to noncontrolling interest	(188,283)	(143,997)
Increase in noncontrolling interests	<u>6,768</u>	<u>1,097</u>
Net cash (used in) generated from financing activities	<u>(1,247,477)</u>	<u>118,918</u>
EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>16,545</u>	<u>28,379</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	360,685	866,078
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>4,442,810</u>	<u>3,576,732</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 4,803,495</u>	<u>\$ 4,442,810</u>

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

(Concluded)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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 25).

The diagram illustrates the corporate ownership structure of Sunplus Technology. At the top, Sunplus Technology is shown with various ownership percentages leading to numerous subsidiaries and divisions. Key entities include Sunplus Innovation, Sunplus mMedia, Sunplus mMobile, and Sunplus mSAS. The diagram also shows ownership by individuals like Han Yuang and Generalplus, and by entities like iCatch and Wei Young. The diagram is a detailed map of the company's corporate structure.

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 15, 2017.

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

- a. Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) endorsed by the FSC for application starting from 2017.

Rule No. 1050050021 and Rule No. 1050026834 issued by the FSC stipulated that starting January 1, 2017, the Corporation should apply the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRS, IAS, IFRIC and SIC (collectively, the "IFRSs") issued by the IASB and endorsed by the FSC for application starting from 2017.

New, Amended or Revised Standards and Interpretations	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016 (Note 3)
Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"	January 1, 2016
Amendment to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"	January 1, 2016
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016
Amendment to IAS 1 "Disclosure Initiative"	January 1, 2016
Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"	January 1, 2016
Amendments to IAS 16 and IAS 41 "Agriculture: Bearer Plants"	January 1, 2016
Amendment to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
Amendment to IAS 27 "Equity Method in Separate Financial Statements"	January 1, 2016
Amendment to IAS 36 "Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets"	January 1, 2014
Amendment to IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014
IFRIC 21 "Levies"	January 1, 2014

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

Note 2: The amendment to IFRS 2 applies to share-based payment transactions with grant date on or after July 1, 2014; the amendment to IFRS 3 applies to business combinations with acquisition date on or after July 1, 2014; the amendment to IFRS 13 is effective immediately; the remaining amendments are effective for annual periods beginning on or after July 1, 2014.

Note 3: The amendment to IFRS 5 is applied prospectively to changes in a method of disposal that occur in annual periods beginning on or after January 1, 2016; the remaining amendments are effective for annual periods beginning on or after January 1, 2016.

The initial application in 2017 of the above IFRSs and related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers would not have any material impact on the Corporation's accounting policies, except for the following:

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

The amendment clarifies that the recoverable amount of an asset or a cash-generating unit is disclosed only when an impairment loss on the asset has been recognized or reversed during the period. Furthermore, if the recoverable amount of an item of property, plant and equipment for which impairment loss has been recognized or reversed is fair value less costs of disposal, the Group is required to disclose the fair value hierarchy. If the fair value measurements are categorized within [Level 2/Level 3], the valuation technique and key assumptions used to measure the fair value are disclosed. The discount rate used is disclosed if such fair value less costs of disposal is measured by using present value technique. The amendment will be applied retrospectively.

2) Annual Improvements to IFRSs: 2010-2012 Cycle

Several standards, including IFRS 2 "Share-based Payment", IFRS 3 "Business Combinations" and IFRS 8 "Operating Segments", were amended in this annual improvement.

The amended IFRS 2 changes the definitions of "vesting condition" and "market condition" and adds definitions for "performance condition" and "service condition". The amendment clarifies that a performance target can be based on the operations (i.e. a non-market condition) of the Group or another entity in the same group or the market price of the equity instruments of the Group or another entity in the same group (i.e. a market condition); that a performance target can relate either to the performance of the Group as a whole or to some part of it (e.g. a division); and that the period for achieving a performance condition must not extend beyond the end of the related service period. In addition, a share market index target is not a performance condition because it not only reflects the performance of the Group, but also of other entities outside the Group. The share-based payment arrangements with market conditions, non-market conditions or non-vesting conditions will be accounted for differently, and the aforementioned amendment will be applied prospectively to those share-based payments granted on or after January 1, 2017.

IFRS 3 was amended to clarify that contingent consideration should be measured at fair value, irrespective of whether the contingent consideration is a financial instrument within the scope of IFRS 9 or IAS 39. Changes in fair value should be recognized in profit or loss. The amendment will be applied prospectively to business combination with acquisition date on or after January 1, 2017.

The amended IFRS 8 requires the Group to disclose the judgments made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have "similar economic characteristics". The amendment also clarifies that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segments' assets are regularly provided to the chief operating decision-maker. The judgements made in applying aggregation criteria should be disclosed retrospectively upon initial application of the amendment in 2017.

When the amended IFRS 13 becomes effective in 2017, the short-term receivables and payables with no stated interest rate will be measured at their invoice amounts without discounting, if the effect of not discounting is immaterial.

IAS 24 was amended to clarify that a management entity providing key management personnel services to the Group is a related party of the Group. Consequently, the Group is required to disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

3) Annual Improvements to IFRSs: 2011-2013 Cycle

Several standards, including IFRS 3, IFRS 13 and IAS 40 “Investment Property”, were amended in this annual improvement.

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

4) Amendments to IFRS 11 “Accounting for Acquisitions of Interests in Joint Operations”

The amendments require that the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in IFRS 3, is required to apply all of the principles on business combinations accounting in IFRS 3 and other IFRSs with the exception of those principles that conflict with the guidance in IFRS 11. Accordingly, a joint operator that is an acquirer of such an interest has to:

- Measure most identifiable assets and liabilities at fair value;
- Expense acquisition-related costs (other than debt or equity issuance costs);
- Recognize deferred taxes;
- Recognize any goodwill or bargain purchase gain;
- Perform impairment tests for the cash generating units to which goodwill has been allocated;
- Disclose required information relevant for business combinations.

The amendments also apply to the formation of a joint operation if, and only if, an existing business is contributed to the joint operation on its formation by one of the parties that participate in the joint operation.

The amendments do not apply on the acquisition of an interest in a joint operation when the parties sharing control are under common control before and after the acquisition.

The above amendments will be applied to interest in joint operations acquired on or after January 1, 2017. Amounts of interests in joint operations acquired in prior periods are not adjusted.

5) Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”

The entity should use appropriate depreciation and amortization method to reflect the pattern in which the future economic benefits of the property, plant and equipment and intangible asset are expected to be consumed by the entity.

The amended IAS 16 “Property, Plant and Equipment” requires that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate. The amended standard does not provide any exception from this requirement.

The amended IAS 38 “Intangible Assets” requires that there is a rebuttable presumption that an amortization method that is based on revenue that is generated by an activity that includes the use of

an intangible asset is not appropriate. This presumption can be overcome only in the following limited circumstances:

- a) In which the intangible asset is expressed as a measure of revenue (for example, the contract that specifies the entity's use of the intangible asset will expire upon achievement of a revenue threshold); or
- b) When it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

An entity should apply the aforementioned amendments prospectively for annual periods beginning on or after the effective date.

6) Annual Improvements to IFRSs: 2012-2014 Cycle

Several standards, including IFRS 5 "Non-current assets held for sale and discontinued operations", IFRS 7, IAS 19 and IAS 34, were amended in this annual improvement.

IAS 19 was amended to clarify that the depth of the market for high quality corporate bonds used to estimate discount rate for post-employment benefits should be assessed by the market of the corporate bonds denominated in the same currency as the benefits to be paid, i.e. assessed at currency level (instead of country or regional level). The amendment will be applied from January 1, 2016, and any adjustment arising from the initial application of the amendment will be recognized in net defined benefit liabilities, deferred tax asset and retained earnings.

7) 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 by the FSC for application starting from 2017. In addition, as a result of the post implementation review of IFRSs in Taiwan, the amendments also include 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 Group are deemed to have a substantive related party relationship, unless it can be demonstrated that no control, joint control, or significant influence exists. Furthermore, the amendments require the disclosure of the names of the related parties and the relationship with whom the Group has significant transaction. If the transaction or balance with a specific related party is 10% or more of the Group'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 after business combination and the expected benefit on acquisition date.

The disclosures of related party transactions and impairment of goodwill will be enhanced when the above amendments are retrospectively applied in 2017.

Except for the above impacts, as of the date the consolidated financial statements were authorized for issue, the Group continues assessing other possible impacts that application of the aforementioned amendments and the related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers will have on the Group's financial position and financial performance, and will disclose these other impacts when the assessment is completed.

b. New IFRSs in issue but not yet endorsed by FSC

The Group has not applied the following IFRSs issued by the IASB but not yet endorsed by the FSC.

The FSC announced that amendments to IFRS 4 (only the overlay approach can be applied), IFRS 9 and IFRS 15 will take effect starting January 1, 2018. As of the date the parent company only financial statements were authorized for issue, the FSC has not announced the effective dates of other new IFRSs.

New, Amended or Revised Standards and Interpretations	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2014-2016 Cycle	Note 2
Amendment 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
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 15 “Revenue from Contracts with Customers”	January 1, 2018
Amendments to IFRS 15 “Clarifications to IFRS15 Revenue from Contracts with Customers”	January 1, 2018
IFRS 16 “Leases”	January 1, 2019
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 amendment to IAS 28 is retrospectively applied for annual periods beginning on or after January 1, 2018.

The initial application of the above New IFRSs, whenever applied, would not have any material impact on the Group’s accounting policies, except for the following:

1) IFRS 9 “Financial Instruments”

Recognition and measurement of financial assets

With regards 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 Group'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 the contractual cash flows, the financial assets are measured at amortized cost and are assessed for impairment continuously with impairment loss recognized in profit or loss, if any. 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 the collecting of contractual cash flows and the selling of 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 gain or loss 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 above, all other financial assets are measured at fair value through profit or loss. However, the Group 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 impairment of financial assets

IFRS 9 requires that impairment loss on financial assets is recognized by using the "Expected Credit Losses Model". The credit loss allowance is required for financial assets measured at amortized cost, financial assets mandatorily 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 the 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 Group takes into account the expected credit losses on initial recognition in calculating the credit-adjusted effective interest rate. Subsequently, any changes in expected losses are recognized as a loss allowance with a corresponding gain or loss recognized in profit or loss.

Transition

Financial instruments that have been derecognized prior to the effective date of IFRS 9 cannot be reversed to apply IFRS 9 when it becomes effective. Under IFRS 9, the requirements for classification, measurement and impairment of financial assets are applied retrospectively with the difference between the previous carrying amount and the carrying amount at the date of initial application recognized in the current period and restatement of prior periods is not required. The requirements for general hedge accounting shall be applied prospectively and the accounting for hedging options shall be applied retrospectively.

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

The amendments stipulated 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 in 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.

3) IFRS 15 “Revenue from Contracts with Customers” and related amendment

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, an entity shall recognize revenue by applying the following steps:

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

In identifying performance obligations, IFRS 15 and related amendment 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.

When IFRS 15 and related amendment are effective, an entity may elect to apply this Standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying this Standard recognized at the date of initial application.

4) IFRS 16 “Leases”

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

Under IFRS 16, if the Group is a lessee, it shall recognize right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for low-value and short-term leases. The Group may elect to apply the accounting method similar to the accounting for operating lease under IAS 17 to the low-value and short-term leases. On the consolidated statements of comprehensive income, the Group should present the depreciation expense charged on the right-of-use asset separately from interest expense accrued on the lease liability; interest is computed by using effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of the lease liability are classified within financing activities; cash payments for interest portion are classified within operating activities.

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

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

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

The amendment clarifies that the difference between the carrying amount of the 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 Group 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 Group 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 amendment also stipulates that, when determining whether to recognize a deferred tax asset, the estimate of probable future taxable profit may include some of the Group’s assets for more than their carrying amount if there is sufficient evidence that it is probable that the Group 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.

6) Amendment to IFRS 2 “Classification and Measurement of Share-based Payment Transactions”

The amendment requires that market condition and non-vesting condition should be taken into account and vesting conditions, other than market conditions, should not be taken into account when estimating the fair value of the cash-settled share-based payment 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. This amendment applies to share-based payment transactions that are unvested at the date the Group first applies the amendment and to share-based payment transactions with a grant date on or after the date the Group first applies the amendment.

7) 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.

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

The amendments clarify that the Group should transfer to, or from, investment property when, and only when, the property meets, or ceases to meet, the definition of investment property and there is evidence of the 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 the evidence of the change in use is not limited to those illustrated in IAS 40.

The Group may elect to apply the amendments prospectively and reclassify the property as required to reflect the conditions that exist at the date of initial application. The Group is also required to disclose the reclassified amounts and such amounts should be included in the reconciliation of the carrying amount of investment property. Alternatively, the Group may elect to apply the amendments retrospectively if, and only if, that is possible without the use of hindsight.

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

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

The Group shall apply IFRIC 22 either retrospectively or prospectively to all assets, expenses and income in the scope of the Interpretation initially recognized on or after (a) the beginning of the reporting period in which the entity first applies IFRIC 22, or (b) the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies IFRIC 22.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 non-current.

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 venturers 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's 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 equivalent, debt investments with no active market, and other receivables) are measured at amortized cost using the effective interest method, 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, highly liquid, readily convertible to a known amount of cash and be 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:

i) 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.

Sale of goods

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.

Dividend and interest income

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 service.

2) Retirement benefits

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

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

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

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.

Current tax

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

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, 2016 and 2015, the Group recognized impairment losses on intangible assets of \$0 and assets of \$94,123 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, 2016 and December 31, 2015, the carrying amount of trade receivables was \$1,285,645 thousand and \$1,569,393 thousand, respectively (after deducting allowance of \$78,394 thousand and \$3,091 thousand, respectively).

c. Income taxes

As of December 31, 2016 and December 31, 2015, the carrying amount of deferred tax assets in relation to unused tax losses both were \$0, respectively. As of December 31, 2016 and December 31, 2015, no deferred tax asset has been recognized on tax losses of \$5,485,452 thousand and \$4,615,552 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	
	2016	2015
Cash on hand	\$ 6,121	\$ 4,122
Checking accounts and demand deposits	1,839,206	1,569,563
Cash equivalent deposits in banks	2,949,414	2,807,612
Repurchase agreements collateralized by bonds	<u>8,754</u>	<u>61,513</u>
	<u>\$ 4,803,495</u>	<u>\$ 4,442,810</u>

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

	December 31	
	2016	2015
Bank balance	0.01%~8%	0.01%-4.0%
Repurchase agreement collateralized by bonds	1.00%	1.0%

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

	December 31	
	2016	2015
<u>Financial assets held for trading</u>		
Non-derivative financial assets		
Corporate bonds of domestic listed stocks	<u>\$ 106,573</u>	<u>\$ 24,200</u>

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31	
	2016	2015
<u>Domestic investments</u>		
- Mutual funds	\$ 1,329,829	\$ 874,799
- Quoted shares	<u>943,100</u>	<u>1,605,745</u>
	<u>\$ 2,272,929</u>	<u>\$ 2,480,544</u>
Current	\$ 1,372,492	\$ 961,646
Noncurrent	<u>900,437</u>	<u>1,518,898</u>
	<u>\$ 2,272,929</u>	<u>\$ 2,480,544</u>

For the year ended December 31, 2016 and 2015, the Group recognized impairment losses of \$72,921 thousand and \$824,007 thousand, respectively.

9. DEBT INVESTMENTS WITH NO ACTIVE MARKET - CURRENT

	December 31	
	2016	2015
Fixed income fund	\$ -	\$ 15,389

In May 2015, the Group bought a fixed-income German fund established for meeting certain building needs. The fund price is US\$500 thousand and the effective interest rate of fund is 8%.

10. FINANCIAL ASSETS MEASURED AT COST

	December 31	
	2016	2015
Domestic unlisted common shares	<u>\$ 689,261</u>	<u>\$ 528,590</u>
Classified as available for sale	<u>\$ 689,261</u>	<u>\$ 528,590</u>

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 \$37,782 thousand and \$99,497 thousand as of December 31, 2016 and 2015, respectively.

11. NOTES AND ACCOUNTS RECEIVABLE, NET

	December 31	
	2016	2015
Notes receivable	\$ 165	\$ 67
Accounts receivable	1,363,852	1,562,435
Receivable from related parties	187	10,049
Allowance for doubtful accounts	(78,394)	(3,091)
	<u>1,285,645</u>	<u>1,569,393</u>
	<u>\$ 1,285,810</u>	<u>\$ 1,569,460</u>

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 \$31,446 thousand and \$121,854 thousand as of December 31, 2016 and 2015, 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 15, 2017, the above trade receivables of December 31, 2016 that are past due but not impaired had receive 2,412 thousand.

The aging of receivables was as follows:

	December 31	
	2016	2015
0-60 days	\$ 1,099,673	\$ 1,261,621
61-90 days	152,837	247,213
91-120 days	5,796	61,927
121-360 days	104,168	1,723
More than 360 days	<u>1,565</u>	<u>-</u>
Total	<u>\$ 1,364,039</u>	<u>\$ 1,572,484</u>

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	
	2016	2015
Less than 60 days	\$ 2,412	\$ 121,854
More than 90 days	<u>29,034</u>	<u>-</u>
Total	<u>\$ 31,446</u>	<u>\$ 121,854</u>

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, 2015	\$ 1,565	\$ -	\$ 1,565
Add: Impairment losses recognized on receivable	1,823	-	1,823
Less: Amounts written off during the period as uncollectible	(269)	-	(269)
Foreign exchange translation gains	<u>(28)</u>	<u>-</u>	<u>(28)</u>
Balance at December 31, 2015	<u>\$ 3,091</u>	<u>\$ -</u>	<u>\$ 3,091</u>
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	<u>(130)</u>	<u>-</u>	<u>(130)</u>
Balance at December 31, 2016	<u>\$ 78,394</u>	<u>\$ -</u>	<u>\$ 78,394</u>

12. INVENTORIES

	December 31	
	2016	2015
Finished goods	\$ 342,308	\$ 476,212
Work in progress	350,483	509,470
Raw materials	<u>165,599</u>	<u>239,340</u>
	<u>\$ 858,390</u>	<u>\$ 1,225,022</u>

The costs of inventories recognized as cost of goods sold for the years ended December 31, 2016 and 2015 were \$4,276,690 thousand and \$4,916,716 thousand, respectively.

The costs of inventories recognized as costs of goods sold for the years ended December 31, 2104 and 2013 were as follows:

	Years Ended December 31	
	2016	2015
Reversal of inventory write-downs	\$ 45,057	\$ 94,665
Income from scrap sales	428	246
Compensation	<u>2,500</u>	<u>-</u>
	<u>\$ 47,985</u>	<u>\$ 94,911</u>

13. NON-CURRENT ASSETS AND DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE

a. Discontinued operations

On January 20, 2015, the Company's board of directors entered into an agreement to sell the STB (set-top box) product center to Availink, Inc. This sale was completed in March 2015.

Please refer to Note 32 for Gains (loss) on disposal calculation.

Loss from discontinued operations was as follows:

	For the Year Ended December 31,2015
Net loss for the period	\$ (315,011)
Gains on disposal (see Note 32)	<u>287,166</u>
	<u>\$ (27,845)</u>

Segment revenue and cash flow results:

	For the Year Ended December 31,2015
Operating revenue	\$ 96,100
Operating costs	<u>(230,623)</u>
Gross loss	(134,523)
Selling and marketing expenses	(1,982)
General and administrative expenses	(4,302)
Research and development expenses	<u>(80,081)</u>
Loss from operations	(220,888)
Other loss	<u>(94,123)</u>
Loss before tax	<u>(315,011)</u>
Net loss for the period	<u>\$ (315,011)</u>
Loss from discontinued operations attributable to:	
Owners of the Company	\$ (315,011)
Non-controlling interest	<u>-</u>
	<u>\$ (315,011)</u>
Net cash used in operating activities	<u>\$ (48,216)</u>
Net cash outflows	<u>\$ (48,216)</u>

There was no tax expense or benefit related to the gain (loss) on discontinued operations.

The carrying amounts of assets and liabilities of the STB product center at the date of disposal are disclosed in Note 32.

14. 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		Note
			December 31		
			2016	2015	
Sunplus	Sunplus Management Consulting	Management	100.00	100.00	-
	Ventureplus Group	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	Design of integrated circuits (ICs)	100.00	100.00	-
	Sunext Technology Co., Ltd.	Design and sale of ICs	61.15	61.15	-
	Sunplus Innovation Technology	Design of ICs	61.41	62.10	-
	Generalplus Technology	Design of ICs	34.30	34.30	Sunplus and its subsidiaries had
	(“Generalplus”)				51.65% equity in Generalplus.
	iCatch Technology	Design of ICs	37.64	37.69	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	-	At the end of March 2016, the
					establishment registration was
					completed.
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	80.56	-
	Sunplus App Technology	Manufacturing and sale of	93.33	93.33	-
		computer software; system			
		integration services and			
		information management and			
		education.			
	Sunplus Prof-tek Technology	Development and sale of	100.00	100.00	-
	(Shenzhen)	computer software and system			
	Sunplus Technology (Shanghai)	Manufacturing and sale of	100.00	100.00	-
		consumer and rental			
	SunMedia Technology	Manufacturing and sale of	100.00	100.00	-
		computer software and system			
		integration services			
	Sunplus Technology (Beijing)	Manufacturing and sale of	100.00	100.00	-
		computer software and system			
		integration services			
Ytrip Technology	1culture Communication	Development and sale	100.00	100.00	-
Sunplus Venture	Jumplux Technology	Design and sale of ICs	71.43	-	
	Han Young Technology	Design of ICs	70.00	70.00	-
	Sunext Technology Co., Ltd.	Design and sale of ICs	6.98	6.98	Sunplus and its subsidiaries had
	(“Sunext”)				74.15% equity in Sunext.
	Generalplus Technology Inc.	Design of ICs	3.66	3.95	Sunplus and its subsidiaries had
					51.65% equity in Generalplus.

	Sunplus mMedia	Design of ICs	9.55	9.55	Sunplus and its subsidiaries had 100% equity in Sunplus mMedia.
	Sunplus Innovation	Design of ICs	5.67	5.73	Sunplus and its subsidiaries had 69.18% equity in Sunplus Innovation
	iCatch Technology, Inc.	Design of ICs	6.05	5.87	Sunplus and its subsidiaries had 45.44% equity in iCatch Technology, Inc.
Lin Shih	Generalplus Technology	Design of ICs	13.69	13.69	Sunplus and its subsidiaries had 51.65% equity in Generalplus.
	Sunext Technology	Design and sale of ICs	5.29	5.29	
	Sunplus mMedia	Design of ICs	3.25	3.25	Sunplus and its subsidiaries had 100% equity in Sunplus mMedia.
	Sunplus Innovation	Design of ICs	2.10	2.12	Sunplus and its subsidiaries had 69.18% equity in Sunplus Innovation
Lin Shih	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	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	-
Wei-Young	Generalplus Technology	Design of Ics	-	0.10	
	Sunext Technology Co., Ltd.	Design and sale of Ics	0.03	0.03	Sunplus and its subsidiaries had 74.15% equity in Sunext
Russell	Sunext Technology Co., Ltd.	Design and sale of Ics	0.70	0.70	Sunplus and its subsidiaries had 74.15% equity in Sunext
Sunplus mMedia Inc.	Jumplux Technology	Design and sale of Ics	22.86	80.00	-

(Continued)

Name of Investor	Name of Investee	Main Businesses and Products	Percentage of Ownership		Note
			December 31		
			2016	2015	
Award Glory	Sunny Fancy	Investment	100.00	-	At the end of March 2016, the establishment registration was completed.
Sunny Fancy	Giant Kingdom	Investment	100.00	-	At the end of March 2016, the establishment registration was completed.
	Giant Rock	Investment	100.00	-	At the end of December 2016, the establishment registration was completed, but capital was not invested yet.
Giant Kingdom	Ytrip Technology	Web research and development	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, 2015 of the above subsidiaries except Sunplus Management Consulting had been audited by the auditors.

b. Subsidiary excluded from the consolidated financial statements

Company name	The Voting Ratio of Non-controlling Equity	
	December 31	
	2016	2015
Generalplus Technology Inc.	48.35%	47.96%

Please refer to attachment 5 for registered countries and company information:

Company name	Profits Attributed to Non-controlling Interests		Non-controlling Interests	
	Years Ended December 31		December 31	
	2016	2015	2016	2015
Generalplus Technology Inc.	\$ 199,087	\$ 186,169	\$ 1,060,094	\$ 1,039,112

The summarized financial information below represents amounts before intragroup eliminations.

	December 31	
	2016	2015
Current assets	\$ 2,195,024	\$ 2,176,779
Non-current assets	733,352	721,161
Current liabilities	675,737	677,744
Non-current liabilities	88,475	82,329
Equity	<u>\$ 2,164,164</u>	<u>\$ 2,137,867</u>
Equity attributable to:		
Owners of the Company	\$ 1,104,070	\$ 1,098,755
Non-controlling interests	<u>1,060,094</u>	<u>1,039,112</u>
	<u>\$ 2,164,164</u>	<u>\$ 2,137,867</u>

	For the Years Ended December 31	
	2016	2015
Operating revenue	\$ 3,268,664	\$ 3,081,376
Net income	\$ 413,473	\$ 388,158
Other comprehensive income	<u>(38,965)</u>	<u>(9,179)</u>
Total other comprehensive income	<u>\$ 374,508</u>	<u>\$ 378,979</u>
Equity attributable to:		
Owners of the Company	\$ 214,386	\$ 201,989
Non-controlling interests	<u>199,087</u>	<u>186,169</u>
	<u>\$ 413,473</u>	<u>\$ 388,158</u>
Total other comprehensive attributable to:		
Owners of the Company	\$ 194,252	\$ 197,214
Non-controlling interests	<u>180,256</u>	<u>181,765</u>
	<u>\$ 374,508</u>	<u>\$ 378,979</u>
Cash flows		
Cash flows from operating activities	\$ 587,072	\$ 491,767
Cash flows used in investing activities	(153,892)	(165,941)
Cash flows used in financing activities	(390,739)	(209,190)
Effect of exchange rate changes on the balance of cash held in foreign currencies	<u>(5,914)</u>	<u>(1,741)</u>
Net cash outflow	<u>\$ 36,527</u>	<u>\$ 114,895</u>
Dividend paid to non-controlling interests		
Generalplus Technology Inc.	<u>\$ (167,356)</u>	<u>\$ (146,133)</u>

15. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2016	2015
Investments in associates	\$ 323,912	\$ 339,023
Investments in jointly controlled entities	<u>-</u>	<u>299,994</u>
	<u>\$ 323,912</u>	<u>\$ 639,017</u>

a. Investments in associates

	December 31	
	2016	2015
Listed companies		
Global View Co., Ltd.	<u>\$ 323,912</u>	<u>\$ 339,023</u>

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

Name of Associate	December 31	
	2016	2015
Global View Co., Ltd.	13%	13%

In their meeting on September 30, 2014, the shareholders of Orise Technology (“Orise”) approved the merger of Orise and FocalTech-Systems (“FocalTech”) Technology, with FocalTech as the survivor entity, and the merger and share transfer will take effect on January 2, 2015. Orise will issue new common shares, and FocalTech swapped 1 common share for 4.8 common shares of Orise. After the merger, the Group had a gain of \$906,358 thousand, but the Group’s equity interest in Orise decreased from 34% to 12%, resulting in the Group’s losing significant influence on Orise. Thus, the Group reclassified its investment in Orise to available-for-sale financial asset. Orise was renamed FocalTech Systems in January 2014.

In their meeting on June 17, 2014, the board of directors of Global View Co., Ltd. (“Global”) elected the Company’s director as a board member. The Company thus considered that it acquired significant influence in Global and reclassified its holding of Global shares from available-for-sale financial assets to an investment in an associate.

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:

Name of Associate	December 31	
	2016	2015
Global View, Co., Ltd.	<u>\$ 311,896</u>	<u>\$ 252,233</u>

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

	December 31	
	2016	2015
Total assets	<u>\$ 1,640,940</u>	<u>\$ 1,678,504</u>
Total liabilities	<u>\$ 132,352</u>	<u>\$ 54,232</u>

	Years Ended December 31	
	2016	2015
Revenue	<u>\$ 219,613</u>	<u>\$ 27,550</u>
Profit for the period	<u>\$ 69,013</u>	<u>\$ (16,446)</u>
Comprehensive income	<u>\$ 73,316</u>	<u>\$ 106,589</u>
Group’s share of profits of associates	<u>\$ 20,068</u>	<u>\$ 18,145</u>

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, 2016 and 2015 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.

The interests in the jointly controlled entities which were accounted for using the equity method are summarized as follows:

	December 31
	2015
Current assets	\$ 938,782
Noncurrent assets	\$ 18
Current liabilities	\$ 353,473
Noncurrent liabilities	\$ -
	Years Ended December 31
	2015
Sales	\$ 1,039,015
Costs of sales	\$ 779,526
Operating expenses	\$ 278,128
Nonoperating income and expenses	\$ 478,977
Income tax expense	\$ -
Share of profit or loss of associates and joint ventures	\$ 236,234
Share of comprehensive income of associates and joint ventures	\$ 236,234

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, 2015 was based on the associates' financial statements audited by the auditors for the same years.

16. PROPERTY, PLANT AND EQUIPMENT

	Year Ended December 31, 2015									
	Buildings	Auxiliary equipment	Machinery and equipment	Testing equipment	Transportation equipment	Furniture and fixtures	Leasehold improvements	Other equipment	Construction in progress	Total
<u>Cost</u>										
Balance, beginning of year	\$ 2,516,262	\$ 205,872	\$ 20,988	\$ 492,573	\$ 11,306	\$ 267,052	\$ 5,623	\$ 23,743	\$ 957,782	\$ 4,501,201
Additions	45,404	28,260	640	133,284	960	14,099	-	6,374	149,784	379,406
Disposals	(16,283)	(14,029)	(11,687)	(118,790)	(5,797)	(15,604)	(2,302)	(6,279)	-	(190,691)
Effect of exchange rate changes	(26,057)	972	8,518	(4,435)	120	(13,969)	228	(111)	(18,045)	(52,860)
Balance, end of year	<u>2,519,326</u>	<u>221,075</u>	<u>18,459</u>	<u>502,632</u>	<u>6,589</u>	<u>252,178</u>	<u>3,549</u>	<u>23,727</u>	<u>1,089,521</u>	<u>4,637,056</u>
<u>Accumulated depreciation</u>										
Balance, beginning of year	303,556	73,331	18,932	374,204	9,077	202,317	3,479	14,135	-	999,031
Depreciation expense	56,092	27,916	11,409	116,408	498	26,820	2,114	2,563	-	243,820
Disposals	(5,232)	(14,029)	(11,673)	(113,424)	(5,487)	(14,357)	(2,002)	(6,971)	-	(173,175)
Effect of exchange rate changes	(452)	(2,440)	(2,236)	7,438	(14)	(14,992)	(1,008)	6,491	-	(7,213)
Balance, end of year	<u>353,964</u>	<u>84,778</u>	<u>16,432</u>	<u>384,626</u>	<u>4,074</u>	<u>199,788</u>	<u>2,583</u>	<u>16,218</u>	<u>-</u>	<u>1,062,463</u>
<u>Accumulated impairment</u>										
Balance, beginning of year	-	-	-	11,498	-	-	-	-	-	11,498
Balance, end of year	-	-	-	11,498	-	-	-	-	-	11,498
Net, end of year	<u>\$ 2,165,362</u>	<u>\$ 136,297</u>	<u>\$ 2,027</u>	<u>\$ 106,508</u>	<u>\$ 2,515</u>	<u>\$ 52,390</u>	<u>\$ 966</u>	<u>\$ 7,509</u>	<u>\$ 1,089,521</u>	<u>\$ 3,563,095</u>
	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
<u>Cost</u>										
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	<u>\$ 2,420,928</u>	<u>\$ 202,883</u>	<u>\$ 16,161</u>	<u>\$ 581,209</u>	<u>\$ 7,020</u>	<u>\$ 260,976</u>	<u>\$ 3,284</u>	<u>\$ 21,278</u>	<u>\$ 25</u>	<u>\$ 3,513,764</u>
<u>Accumulated depreciation</u>										
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	<u>\$ 404,240</u>	<u>\$ 95,601</u>	<u>\$ 15,329</u>	<u>\$ 480,895</u>	<u>\$ 3,282</u>	<u>\$ 216,976</u>	<u>\$ 2,269</u>	<u>\$ 17,764</u>	<u>\$ -</u>	<u>\$ 1,236,356</u>
<u>Accumulated impairment</u>										
Balance, beginning of year	-	-	-	11,498	-	-	-	-	-	11,498
Additions	-	-	-	11,498	-	-	-	-	-	11,498

Balance, end of year	\$ <u> </u> =	\$ <u> </u> =	\$ <u> </u> =	\$ <u>11,498</u>	\$ <u> </u> =	\$ <u> </u> =	\$ <u> </u> =	\$ <u> </u> =	\$ <u> </u> =	\$ <u>11,498</u>
Net, end of year	\$ <u>2,016,688</u>	\$ <u>107,282</u>	\$ <u>832</u>	\$ <u>88,816</u>	\$ <u>3,738</u>	\$ <u>44,000</u>	\$ <u>1,015</u>	\$ <u>3,514</u>	\$ <u>25</u>	\$ <u>2,265,910</u>

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	4-11 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 37 for the carrying amounts of property, plant and equipment that had been pledged by the Group to secure borrowings.

17. INVESTMENT PROPERTIES

Cost

Balance at January 1, 2015	\$ 458,669
Additions	992
Effect of exchange rate differences	<u>(8,752)</u>
Balance at December 31, 2015	<u>\$ 450,839</u>

Accumulated depreciation

Balance at January 1, 2015	\$ (176,006)
Depreciation expense	(21,277)
Effect of exchange rate differences	<u>3,514</u>
Balance at December 31, 2015	<u>(193,769)</u>
	<u>\$ 257,070</u>

Cost

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

Accumulated depreciation

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

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, 2016 by 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,
	2016
Fair value	\$ 1,063,006
Discount rate	6%

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	
2016	2015

Fair value	<u>\$ 2,189,700</u>	<u>\$ 389,809</u>
Residue Ratio		83.33%
Discount rate	5.65%	

18. INTANGIBLE ASSETS

	Year Ended December 31, 2015					
	Technology License Fees	Software	Patents	Goodwill	Technological Know-how	Total
<u>Cost</u>						
Balance at January 1	\$ 700,653	\$ 346,096	\$ 114,229	\$ 30,596	\$ 2,460	\$ 1,194,034
Additions	98,509	31,110	-	-	-	129,619
Decrease	(118,344)	(3,336)	-	-	-	(121,680)
Effect of exchange rate differences	(7)	(521)	-	-	-	(528)
Balance at December 31	<u>680,811</u>	<u>373,349</u>	<u>114,229</u>	<u>30,596</u>	<u>2,460</u>	<u>1,201,445</u>
<u>Accumulated amortization</u>						
Balance at January 1	524,354	306,403	65,616	-	2,460	898,833
Amortization expense	59,244	33,942	6,737	-	-	99,923
Decrease	(98,865)	(2,744)	-	-	-	(101,609)
Effect of exchange rate differences	1	(320)	-	-	-	(319)
Balance at December 31	<u>484,734</u>	<u>337,281</u>	<u>72,353</u>	<u>-</u>	<u>2,460</u>	<u>896,828</u>
Accumulated deficit						
Balance at January 1	17,013	-	-	-	-	17,013
Addition	<u>94,123</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>94,123</u>
Balance at December 31	<u>111,136</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>111,136</u>
Carrying amounts at December 31, 2016	<u>\$ 84,941</u>	<u>\$ 36,068</u>	<u>\$ 41,876</u>	<u>\$ 30,596</u>	<u>\$ -</u>	<u>\$ 193,481</u>
	Year Ended December 31, 2016					
	Technology License Fees	Software	Patents	Goodwill	Technological Know-how	Total
<u>Cost</u>						
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	<u>\$ 716,741</u>	<u>\$ 393,456</u>	<u>\$ 114,229</u>	<u>\$ 30,596</u>	<u>\$ 2,460</u>	<u>\$ 1,257,482</u>
<u>Accumulated amortization</u>						
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	<u>\$ 527,506</u>	<u>\$ 346,265</u>	<u>\$ 79,091</u>	<u>\$ -</u>	<u>\$ 2,460</u>	<u>\$ 955,322</u>
Accumulated deficit						
Balance at January 1						

Addition	\$ 111,136	\$ -	\$ -	\$ -	\$ -	\$ 111,136
Balance at December 31	<u>\$ 111,136</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 111,136</u>
Carrying amounts at						
December 31, 2015	<u>\$ 78,099</u>	<u>\$ 47,191</u>	<u>\$ 35,138</u>	<u>\$ 30,596</u>	<u>\$ -</u>	<u>\$ 191,024</u>

Intangible assets consisted of fees paid to Oak Technology (“Oak”) for the Group to use Oak’s technology on light storage solutions to develop SOC DVD/VCD (system on a chip digital compact disk/video compact disk) players.

The company recognized impairment loss on above intangible assets ended December 31, 2016 and 2015 was \$0 and \$94,123 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

19. OTHER ASSETS

	December 31	
	2016	2015
Pledged time deposits (Note 37)	\$ 160,695	\$ 259,876
Finance lease payables	114,025	126,438
Other financial assets	73,872	79,920
Prepayment for technical authorization	35,683	-
Refundable deposits (Note 33)	8,204	5,495
Other	<u>115,693</u>	<u>114,384</u>
	<u>\$ 508,172</u>	<u>\$ 586,113</u>
Current	\$ 289,755	\$ 431,971
Noncurrent	<u>218,417</u>	<u>154,142</u>
	<u>\$ 508,172</u>	<u>\$ 586,113</u>

The amounts of the Group’s finance lease payables for land grants in China as of December 31, 2016 and 2015 were \$114,025 thousand and \$126,438 thousand, respectively.

20. LOANS

Short-term borrowings

	December 31	
	2016	2015
<u>Unsecured borrowings</u>		
Bank loans	<u>\$ 550,203</u>	<u>\$ 646,093</u>

The weighted average effective interest rates for bank loans from January 1, 2015 to December 31, 2015 and from January 1, 2016 to December 31, 2015 were 1.10%-2.40% and 1.14%-2.20% per annum, respectively.

Long-term borrowings

The borrowings of the Group were as follows:

			December 31	
	Maturity Date	Significant Covenant	2016	2015
<u>Floating rate borrowings</u>				
Unsecured bank borrowings	2018.2.10	Repayable quarterly from August 2015	\$ 437,500	\$ 500,000
Unsecured bank borrowings	2019.11.10	Repayable semiannually from November 2016	200,000	-
Secured bank borrowings	2017.1.10	Repayable in January 2017	160,141	194,613
Secured bank borrowings	2017.12.18	Repayable in December 2017	160,141	162,178
Secured bank borrowings	2017.7.14	Repayable in July 2017	160,140	162,178
Unsecured bank borrowings	2018.1.27	Repayable quarterly from July 2015	155,556	200,000
Secured bank borrowings	2017.3.16	Repayable semiannually from March 2012	77,776	233,332
Unsecured bank borrowings	2019.2.14	Repayable quarterly from February 2014	<u>75,000</u>	<u>243,750</u>
			<u>\$ 1,426,254</u>	<u>\$ 1,876,051</u>
Current			\$ 897,087	\$ 619,678
Noncurrent			<u>529,167</u>	<u>1,256,373</u>
			<u>\$ 1,426,254</u>	<u>\$ 1,876,051</u>

The effective borrowing rates as of December 31, 2016 and 2015 were 1.546%-2.8039% and 1.705%-2.8562%.

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 2015 and 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 and 2015, the Group was in compliance with these financial ratio requirements.

21. TRADE PAYABLES

	December 31	
	2016	2015
<u>Accounts payable</u>		
Payable - operating	<u>\$ 732,964</u>	<u>\$ 665,304</u>

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.

22. PROVISIONS

	December 31	
	2016	2015
Customer returns and rebates	<u>\$ 12,334</u>	<u>\$ 15,339</u>

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.

23. OTHER LIABILITIES

	December 31	
	2016	2015
<u>Other payables</u>		
Salaries or bonuses	\$ 338,785	\$ 371,315
Compensation due to directors and supervisors	100,673	109,637
Receipt in advance	71,683	22,891
Payable for royalties	54,790	37,065
Labor/health insurance	27,208	27,961
Payables for purchases of equipment	20,316	49,809
Commissions payable	19,944	12,815
Others	<u>176,439</u>	<u>108,375</u>
	<u>\$ 809,838</u>	<u>\$ 739,868</u>
<u>Deferred revenue</u>		
Arising from government grants (Note 31)	<u>\$ 68,946</u>	<u>\$ 76,410</u>
<u>Current</u>		
— Other liabilities	\$ 808,949	\$ 738,529
— Deferred revenue	<u>1,682</u>	<u>1,819</u>
	<u>\$ 810,631</u>	<u>\$ 740,348</u>
<u>Noncurrent</u>		
— Other current liabilities	\$ 889	\$ 1,339
— Deferred revenue	<u>67,264</u>	<u>74,591</u>
	<u>\$ 68,153</u>	<u>\$ 75,930</u>

24. 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, Jumps Technology, Sunplus mMedia 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	
	2016	2015
Present value of funded defined benefit obligation	\$ 278,239	\$ 277,337
Fair value of plan assets	<u>(185,639)</u>	<u>(182,819)</u>
Net liability arising from defined benefit obligation	<u>\$ 92,600</u>	<u>\$ 94,518</u>

Movements in net defined benefit liability were as follows:

	Present Value of Funded Defined Benefit Obligation	Fair Value of Plan Assets	Net Defined Benefit Liability (Asset)
Balance at January 1, 2015	<u>\$ 279,700</u>	<u>\$ 176,652</u>	<u>\$ 103,048</u>
Service cost			
Current service cost	1,544	-	1,544
Disposal gain	(11,649)	-	(11,649)
Net interest expense (income)	<u>5,579</u>	<u>3,585</u>	<u>1,994</u>
Recognized gain and loss	(4,526)	3,585	(8,111)
Remeasurement			
Return on plan assets	-	1,133	(1,133)
Actuarial (gain) loss-experience adjustment	1,863	-	1,863
Actuarial (gain) loss-changes in demographic assumptions	158	-	158
Actuarial loss-changes in financial assumptions	<u>3,782</u>	<u>-</u>	<u>3,782</u>
Recognized in other comprehensive income	<u>5,803</u>	<u>1,133</u>	<u>4,670</u>
Contributions from employer	-	5,089	(5,089)
Benefit paid	<u>(3,640)</u>	<u>(3,640)</u>	<u>-</u>
Balance at December 31, 2015	<u>\$ 277,337</u>	<u>\$ 182,819</u>	<u>\$ 94,518</u>

(Continued)

	Present Value of Funded Defined Benefit Obligation	Fair Value of Plan Assets	Net Defined Benefit Liability (Asset)
Balance at January 1, 2016	<u>\$ 277,337</u>	<u>\$ 182,819</u>	<u>\$ 94,518</u>
Service cost			
Current service cost	1,018	-	1,018
Net interest expense (income)	<u>4,739</u>	<u>3,224</u>	<u>1,515</u>
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	<u>4,775</u>	<u>-</u>	<u>4,775</u>
Recognized in other comprehensive income	<u>4,573</u>	<u>(1,550)</u>	<u>6,123</u>
Contributions from employer	-	4,724	(4,724)
Benefit paid	<u>(9,428)</u>	<u>(3,578)</u>	<u>(5,850)</u>
Balance at December 31, 2016	<u>\$ 278,239</u>	<u>\$ 185,639</u>	<u>\$ 92,600</u> (Concluded)

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	
	2016	2015
Operating costs	\$ 272	\$ 509
Selling and marketing expenses	306	416
General and administrative expenses	447	761
Research and development expenses	<u>1,650</u>	<u>(9,918)</u>
Net liability arising from defined benefit obligation	<u>\$ 2,675</u>	<u>\$ (8,232)</u>

The above expense recognized in profit or loss was due to the company's sale of the STB (set-top box) product center in March 2015, resulting in the layoff of this center's employees. The Company recognized a disposal gain of \$11,649 thousand and recognized \$1,606 thousand as defined benefit obligation remeasurement under other comprehensive income.

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	
	2016	2015
Discount rate(s)	1.38%-1.90%	1.60%-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, 2016	December 31, 2015
Discount rate(s)		
0.25% increase	\$ (9,930)	\$ (10,215)
0.25% decrease	\$ 10,385	\$ 10,705
Expected rate(s) of salary increase		
1% increase	\$ 42,338	\$ 44,351
1% decrease	\$ (36,083)	\$ (37,661)

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	
	2016	2015
The expected contributions to the plan for the next year	\$ 4,687	\$ 5,037
The average duration of the defined benefit obligation	13-18 years	14-22 years

25. EQUITY

a. Share capital

Ordinary shares:

	December 31	
	2016	2015
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 ordinary 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.

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, 2016 and 2015 was as follows:

	December 31
--	--------------------

	2016	2015
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (a)</u>		
Arising from the issuance of common shares	\$ 703,376	\$ 703,376
Arising from treasury share transactions	39,686	36,518
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	10,625	-
<u>May be used to offset a deficit only</u>		
From treasury share transactions	<u>39,686</u>	<u>36,518</u>
	<u>\$ 911,110</u>	<u>\$ 897,317</u>

- 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.

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 and supervisors before and after amendment, please refer to Note 27-6.

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 2015 and 2014 earnings were approved at the shareholders' meetings on June 13, 2016 and June 12, 2015, respectively. The appropriations, including dividends, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For Year 2015	For Year 2014	For Year 2015	For Year 2014
Unappropriated retain earnings to cover losses	\$ -	\$ 12,806	\$ -	\$ -
Legal reserve	58,935	41,058	-	-
Special reserve	4,094	(4,806)	-	-
Cash dividend	526,875	355,198	0.89	0.6

The appropriations of earnings, the bonus to employees, and the remuneration to directors and supervisors for 2016 are subject to the resolution of the shareholders' meeting to be held on March 15, 2017.

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 9,974	\$ -
Special reserve	1,068	-
Cash dividend	88,681	0.1498

Other equity items

Foreign currency translation reserve:

	For the Year Ended December 31	
	2016	2015
Balance at January 1	\$ 97,509	\$ 128,258
Exchange differences arising on translating the foreign operations	<u>(159,571)</u>	<u>(30,749)</u>
Balance at December 31	<u>\$ (62,602)</u>	<u>\$ 97,509</u>

Unrealized gain/loss from available-for-sale financial assets:

	For the Year Ended December 31	
	2016	2015
Balance at January 1	\$ 233,983	\$ 181,674
Unrealized gain arising on revaluation of available-for-sale financial assets	190,894	(681,379)
Cumulative (gain)/loss reclassified to profit or loss on sale of available-for-sale financial assets	(191,293)	(88,395)
Cumulative loss reclassified to profit or loss on impairment of available-for-sale financial assets	72,921	824,007
The proportionate share of other comprehensive income/losses reclassified to profit or loss upon partial disposal of associates	-	(41)
Share of unrealized gain on revaluation of available-for-sale financial assets of associates accounted for using the equity method	<u>(43)</u>	<u>(1,883)</u>
Balance at December 31	<u>\$ 306,462</u>	<u>\$ 233,983</u>

Noncontrolling interests

	For the Year Ended December 31	
	2016	2015
Balance at January 1	\$ 1,695,228	\$ 1,598,388
Attributable to no controlling interests:		
Share of profit for the year	152,319	238,932
Exchange difference arising on translation of foreign entities	(17,248)	1,288
Unrealized gains on available-for-sale financial assets	(765)	(819)
Actuarial gains on defined benefit plans	(1,933)	(2,042)
Cash dividends distributed by subsidiaries	(191,451)	(146,133)
Partial disposal of interests in subsidiaries	8,082	-
Equity instruments held by the employees of subsidiaries	7,198	4,325
Non-controlling interest arising from acquisition of subsidiaries	690	190
Others	<u>11,803</u>	<u>1,289</u>
Balance at December 31	<u>\$ 1,663,923</u>	<u>\$ 1,695,228</u>

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, 2015	-	3,560	3,560
Decrease	<u>-</u>	<u>-</u>	<u>-</u>
Number of shares as December 31, 2015	<u>-</u>	<u>3,560</u>	<u>3,560</u>
Number of shares as of January 1, 2016	-	3,560	3,560
Decrease	<u>-</u>	<u>-</u>	<u>-</u>
Number of shares as December 31, 2016	<u>-</u>	<u>3,560</u>	<u>3,560</u>

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 Held by Its Subsidiaries (in Thousands of Shares)	Total (in Thousands of Shares)
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Shares)

December 31, 2016

Lin Shin Investment Co., Ltd	3,560	<u>\$ 63,401</u>	<u>\$ 40,406</u>
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December 31, 2015

Lin Shin Investment Co., Ltd	3,560	<u>\$ 63,401</u>	<u>\$ 41,474</u>
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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.

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, 2016, the outstanding 176 thousand units of GDRs represented 352 thousand common shares.

26. REVENUE

	For the Year Ended December 31	
	2016	2015
Revenue from IC	\$ 7,067,015	\$ 7,950,773
Rental income from property	198,761	147,725
Other	<u>290,269</u>	<u>367,335</u>
	<u>\$ 7,556,045</u>	<u>\$ 8,465,833</u>

27. NET PROFIT

Net profit included the following items:

Other income

	For the Year Ended December 31	
	2016	2015
Interest income	\$ 25,230	\$ 37,908
Dividend income	33,909	32,026
Others	<u>51,897</u>	<u>55,971</u>
	<u>\$ 111,036</u>	<u>\$ 125,905</u>

Other gains and losses

	For the Year Ended December 31	
	2016	2015
Gain on disposal of investment	\$ 184,568	\$ 995,854
Net loss on financial assets designated as at FVTPL	400	(191)
Net foreign exchange gains	(61,434)	(1,795)
Impairment loss on available-for-sale financial assets	(110,703)	(986,550)
Others	<u>9,784</u>	<u>21,494</u>
	<u>\$ 22,615</u>	<u>\$ 28,812</u>

Finance costs

	For the Year Ended December 31	
	2016	2015
Interest on bank loans	\$ 38,366	\$ 36,885
Other finance costs	<u>1,426</u>	<u>744</u>
	<u>\$ 39,792</u>	<u>\$ 37,629</u>

Information on capitalized interest is as follows:

	For the Year Ended December 31	
	2016	2015
Capitalized interest	\$ 4,127	\$ 10,688
Capitalization rate	2.69%	2.86%

Depreciation and amortization

	For the Year Ended December 31	
	2016	2015
Property, plant and equipment	\$ 218,885	\$ 243,820
Investment property	48,258	21,277
Intangible assets	<u>117,460</u>	<u>99,923</u>
	<u>\$ 384,603</u>	<u>\$ 365,020</u>

An analysis of depreciation by function		
Operating costs	\$ 56,779	\$ 31,275
Operating expenses	<u>210,364</u>	<u>233,822</u>
	<u>\$ 267,143</u>	<u>\$ 265,097</u>

An analysis of amortization by function		
Operating costs	\$ 911	\$ 1,002
Selling expenses	98	204
Administrative expenses	16,085	22,430
Research and development expenses	<u>100,366</u>	<u>76,287</u>
	<u>\$ 117,460</u>	<u>\$ 99,923</u>

Operating expenses directly related to investment properties

	For the Year Ended December 31	
	2016	2015
Direct operating expenses from investment property that generated rental income	\$ 54,979	\$ 22,510
Direct operating expenses from investment property that did not generate rental income	<u>256,869</u>	<u>92,768</u>
	<u>\$ 311,848</u>	<u>\$ 115,278</u>

Employee benefit expense

	For the Year Ended December 31	
	2016	2015
Short-term benefits	\$ 1,923,960	\$ 2,079,942

Post-employment benefits		
Defined contribution plans	55,405	54,387
Defined benefit plans	<u>2,675</u>	<u>(8,232)</u>
Other employee benefits	<u>26,433</u>	<u>28,500</u>
Total employee benefit expense	<u>\$ 2,008,473</u>	<u>\$ 2,154,597</u>
An analysis of employee benefit expense by function		
Operating costs	\$ 137,985	\$ 159,390
Operating expenses	<u>1,870,488</u>	<u>1,995,207</u>
	<u>\$ 2,008,473</u>	<u>\$ 2,154,597</u>

a. Employees' compensation and remuneration of directors and supervisors for 2016 and 2015

Under the Company Act as amended in May 2015, the Company resolved amendments to its Articles of Incorporation to distribute employees' compensation and remuneration to directors at rates no less than 1% and no higher than 1.5%, respectively, of net profit before income tax, employees' compensation, and remuneration to directors. The employees' compensation and remuneration of directors and supervisors for the years ended December 31, 2016 and 2015 which have been approved by the Company's board of directors on March 15, 2017 and March 23, 2016, respectively, were as follows:

Accrual rate

	For the Year Ended December 31	
	2016	2015
Employees' compensation	1%	1%
Remuneration of directors	1.5%	1.5%

Amount

	For the Year Ended December 31			
	2016		2015	
	Cash	Share	Cash	Share
Employees' compensation	\$ 1,242	\$ -	\$ 6,089	\$ -
Remuneration of directors	1,863	-	9,133	-

If there is a change in the proposed amounts after the annual 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 financial statements for the year ended December 31, 2015.

Information on the employees' compensation and remuneration of directors resolved by the Company's board of directors in 2017 and 2016 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

b. Bonus to employees and remuneration of directors and supervisors for 2014

The appropriations of bonuses to employees and remuneration to directors and supervisors for 2014 have been approved in the shareholders' meetings on June 12, 2015 were as follows:

	For the Year Ended December 31, 2015	
	Cash Dividends	Share Dividends
Bonus to employees	\$ 191	\$ -
Remuneration of directors and supervisors	287	-

The bonus to employees and the remuneration to directors and supervisors for the years ended December 31, 2014 approved in the shareholders' meetings on June 12, 2015 and the amounts recognized in the financial statements for the years ended December 31, 2014 was as follows:

	For the Year Ended December 31, 2015	
	Bonus to Employees	Remuneration of Directors and Supervisors
Amounts approved in shareholders' meetings	\$ 191	\$ 287
Amounts recognized in respective financial statements	110	165

The differences were adjusted to profit and loss for the year ended December 31, 2015.

Information on the bonus to employees, directors and supervisors proposed by the Company's board of directors in 2015 is available on the Market Observation Post System website of the Taiwan Stock Exchange.

Gain or loss on exchange rate changes

	For the Year Ended December 31	
	2016	2015
Exchange rate gains	\$ 146,196	\$ 212,926
Exchange rate losses	<u>(207,630)</u>	<u>(214,721)</u>
	<u>\$ (61,434)</u>	<u>\$ (1,795)</u>

28. INCOME TAXES

Income tax recognized in profit or loss

The major components of tax expense were as follows:

	For the Year Ended December 31	
	2016	2015
Current tax		
In respect of the current year	\$ 81,254	\$ 83,464
Adjustments for prior periods	1,937	(4,008)
Others	<u>-</u>	<u>(215)</u>
	83,191	79,241
Deferred tax		
In respect of the current year	10,470	2,548
Others	<u>-</u>	<u>93</u>
Income tax expense recognized in profit or loss	<u>\$ 93,661</u>	<u>\$ 81,882</u>

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

	Years Ended December 31	
	2016	2015
Profit before tax	<u>\$ 366,167</u>	<u>\$ 910,162</u>
Income tax expense at the 17% statutory rate	\$ 62,248	\$ 154,727
Different statutory rate in other jurisdictions	4,115	393
Tax effect of adjusting items:		
Nondeductible expenses in determining taxable income	(286)	(233,250)
Temporary differences	(16,002)	254,168
Tax-exempt income	(16)	(51)
Additional income tax on unappropriated earnings	866	1,339
Unrecognized temporary differences	1,280	(70)
Additional income tax under the Alternative Minimum Tax Act	298	2,396
Effects of consolidated income tax filing	<u>(67)</u>	<u>-</u>
Current income tax expense	52,436	179,652
Deferred income tax expense		
Temporary differences	10,470	(9,425)
Loss carryforwards	-	12,066
Unrecognized loss carryforwards	27,929	(98,796)
Adjustments for prior years' tax	1,937	(4,008)
Foreign income tax expense	<u>889</u>	<u>2,393</u>
Income tax expense recognized in profit or loss	<u>\$ 93,661</u>	<u>\$ 81,882</u>

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.

As the status of 2017 appropriations of earnings is uncertain, the potential income tax consequences of 2016 10% additional income tax on unappropriated earnings are not reliably determinable.

Current tax assets and liabilities

	December 31	
	2016	2015
Current tax assets		
Tax refund receivable		

	<u>\$ 3,372</u>	<u>\$ 3,974</u>
Current tax liabilities		
Income tax payable	<u>\$ 42,184</u>	<u>\$ 54,096</u>

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, 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	<u>10,182</u>	<u>(2,124)</u>	<u>-</u>	<u>8,058</u>
	<u>\$ 39,485</u>	<u>\$ (10,470)</u>	<u>\$ -</u>	<u>\$ 29,015</u>

For the year ended December 31, 2015

Deferred Tax Assets	Opening Balance	Recognized in Profit or Loss	Exchange Differences	Closing Balance
Temporary differences				
Unrealized loss on inventories	\$ 16,290	\$ 6,577	\$ -	\$ 22,867
Fixed assets	5,796	(1,389)	-	4,407
Intangible assets	(2,499)	2,499	-	-
Unrealized sales	309	69	-	378
Exchange (gains) losses	(2,026)	3,677	-	1,651
Deferred credits	187	(187)	-	-
Other	<u>12,003</u>	<u>(1,912)</u>	<u>91</u>	<u>10,182</u>
	30,060	9,334	91	39,485
Loss carryforwards	<u>12,066</u>	<u>(11,760)</u>	<u>(306)</u>	<u>-</u>
	<u>\$ 42,126</u>	<u>\$ (2,426)</u>	<u>\$ (215)</u>	<u>\$ 39,485</u>

Unrecognized deferred tax assets

Loss Carryforwards	December 31	
	2016	2015
Expiry in 2016	\$ -	\$ 214,649
Expiry in 2017	750,814	760,232
Expiry in 2018	200,391	174,294
Expiry in 2019	434,804	53,474
Expiry in 2020	477,930	225,295
Expiry in 2021	850,390	861,189
Expiry in 2022	659,713	654,850
Expiry in 2023	1,553,756	1,451,074
Expiry in 2024	150,023	169,458
Expiry in 2025	194,911	51,037
Expiry in 2026	<u>212,720</u>	<u>-</u>
	<u>\$ 5,485,452</u>	<u>\$ 4,615,552</u>
Deductible temporary differences	<u>\$ 404,516</u>	<u>\$ 405,185</u>

Unused loss carryforwards and tax-exemptions

Loss carryforwards as of December 31, 2016 pertaining to Sunplus:

Unused Amount	Expiry Year
\$ 368,314	2019
437,687	2020
621,262	2021
518,243	2022
1,231,503	2023
84,824	2024
145,422	2025
<u>74,298</u>	2026
<u>\$ 3,481,553</u>	

Loss carryforwards as of December 31, 2016 pertaining to Sunplus Venture:

Unused Amount	Expiry Year
\$ 48,960	2017
57,004	2018
30,907	2019
17,891	2020
4,863	2022
<u>92,197</u>	2023
<u>\$ 251,822</u>	

Loss carryforwards as of December 31, 2016 pertaining to Lin Shin:

Unused Amount	Expiry Year
\$ 40,505	2017
33,437	2018
9,864	2019
<u>39,908</u>	2023
<u>\$ 123,714</u>	

Loss carryforwards as of December 31, 2016 pertaining to Sunext:

Unused Amount	Expiry Year
\$ 661,349	2017
18,351	2018
120,088	2021
100,760	2022
159,490	2023
31,147	2024
<u>975</u>	2025
<u>\$ 1,092,160</u>	

Loss carryforwards as of December 31, 2016 pertaining to iCatch:

Unused Amount	Expiry Year
<u>\$ 82,053</u>	2026

Loss carryforwards as of December 31, 2016 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
<u>11,753</u>	2026
<u>\$ 383,492</u>	

Loss carryforwards as of December 31, 2016 pertaining to Jumplux:

Unused Amount	Expiry Year
\$ 4,692	2024
21,350	2025
<u>44,616</u>	2026
<u>\$ 70,658</u>	

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
<u>Sunplus</u>	
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
<u>Generalplus</u>	
Fifth expansion	January 1, 2013 to December 31, 2017
<u>Sunplus Innovation</u>	
Second expansion	January 1, 2013 to December 31, 2017
<u>Integrated income tax</u>	

	December 31	
	2016	2015
Imputation credits accounts	<u>\$ 243,091</u>	<u>\$ 313,104</u>
	For the Year Ended December 31	
	2016 (Expected)	2015
Creditable ratio for distribution of earnings	21.19%	20.91%

Income tax assessments

The income tax returns of Sunplus, Sunplus mMobile, Generaplus, through 2012 and Sunplus Innovation, Sunplus mMedia, Sunplus management Consulting, Wei-Yough, Lin Shih, Sunplus Venture, Sunext and iCatch through 2013 had been assessed by the tax authorities.

29. EARNINGS (LOSS) PER SHARE

Unit: NT\$ Per Share

	For the Year Ended December 31	
	2016	2015
<u>Basic gain (loss) per share</u>		
From continuing operations	\$ 0.20	\$ 1.05
From discontinued operations	<u>-</u>	<u>(0.05)</u>
Total basic earnings per share	<u>\$ 0.20</u>	<u>\$ 1.00</u>
<u>Diluted earnings (loss) per share</u>		
From continuing operations	\$ 0.20	\$ 1.05
From discontinued operations	<u>-</u>	<u>(0.05)</u>
Total diluted earnings (loss) per share	<u>\$ 0.20</u>	<u>\$ 1.00</u>

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

Net Profit (loss) for the Year

For the Year Ended December 31	
2016	2015

Profit for the year attributable to owners of the Company	\$ 120,187	\$ 589,348
Earnings used in the computation of basic EPS	120,187	589,348
Less: Loss for the period from discontinued operations used in the computation of basic EPS from discontinued operation	-	(27,845)
Earnings used in the computation of basic EPS from continuing operations	120,187	617,193
Effect of potentially dilutive ordinary shares		
Bonus to employee	-	-
Earnings used in the computation of diluted EPS from continuing operations	\$ 120,187	\$ 617,193

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

	For the Year Ended December 31	
	2016	2015
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:		
Bonus issue to employees	215	528
Weighted average number of common shares used in the computation of diluted earnings per share	588,650	588,963

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.

30. SHARE-BASED PAYMENT ARRANGEMENTS

Employee share option plan

In their meeting on June 28, 2012, the shareholders of Sunplus Innovation Technology Inc. (SITI) approved a plan on a restricted employee stock ownership 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 stock is issued and granted on August 15, 2013, with the fair value of 8.7699 NTD.

In their meeting on April 18, 2014, the shareholders of Sunplus Innovation Technology Inc. (SITI) approved the second plan of the restricted employee stock ownership 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 stock is issued and granted on April 18, 2014, with the fair value of 6.0599 NTD.

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:

The restrictions under the ESOP are as follows:

- a. During the duration of the restricted ESOP, the employee may not vend, discount, transfer, grant, enact, or any other methods.
- b. During the duration of the restricted ESOP, employees will still receive stock 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 condition. If employees fail to meet the vesting condition, SITI has the right to take back and cancel the limited employee stock ownership, but the Company will still grant employees stock and cash dividends generated during the vesting period.

Information about the Sunplus Innovation's restricted stock plan for the year ended December 31, 2016 and 2015 was as follows:

	Number of Restricted Stock (In Thousands)	
	2016	2015
Balance at January 1	844	2,315
Vest	(575)	(353)
Retirement	<u>(35)</u>	<u>(1,118)</u>
Balance at December 31	<u><u>234</u></u>	<u><u>844</u></u>

iCatch Technology Inc.

iCatch Technology Inc. had authorized 5,929 and 1,571 thousand units employee stock options as at September, 2013 ("2013 option plan") and August 2014 ("2014 option plan"), respectively, each unit could acquired for 1,000 shares. Stock options were given to employees those 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 stocks after granted date, option exercise price will be adjusted.

Information about the iCatch's outstanding options for the year ended December 31, 2016 and 2015 was as follows:

	2016		2015	
	Number of Options (In Thousands)	Weighted-a verage Exercise Price (NT\$)	Number of Options (In Thousands)	Weighted-a verage Exercise Price (NT\$)
Balance at January 1	6,199	\$	7,500	\$ 10
Retirement	(387)		(1,282)	10
Options granted	<u>(69)</u>		<u>(19)</u>	10
Balance at December 31	<u>5,743</u>		<u>6,199</u>	10
Options exercisable, end of period	<u>5,743</u>		<u>6,199</u>	10

As of December 31, 2016, information about iCatch's 2013 option plan outstanding and exercisable options was as follows:

Exercise Price (NT\$)	Outstanding Options			Options Exercisable	
	Number Outstanding (Thousands)	Remaining Contractual Life (In Years)	Exercise Price (NT\$/Per Share)	Number Exercisable (Thousand)	Exercise Price (NT\$/Per Share)
\$10	<u>4,172</u>	2.7	\$10	<u>2,324</u>	\$ -

As of December 31, 2016, information about iCatch's 2013 option plan outstanding and exercisable options was as follows:

Exercise Price (NT\$)	Outstanding Options			Options Exercisable	
	Number Outstanding (Thousands)	Remaining Contractual Life (In Years)	Exercise Price (NT\$/Per Share)	Number Exercisable (Thousand)	Exercise Price (NT\$/Per Share)
\$10	<u>1,571</u>	3.6	\$10	<u>-</u>	\$ -

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)	4.375years	4.375 years
Risk-free interest rate	1.67%	1.59%

31. 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, 2016 and 2015 was 1,766 and 1,833 thousand respectively.

The Company signed the contract of [The development program of the sensor IC of Electrocardiogram with low power consumption and Noise, the SDK system of Electrocardiogram, and the project of Hardware development] with Institute for Information Industry, III for short, on June, 2014. The program started from November 7, 2013 to May 6, 2015. As of December 31, 2015, the government grants received was amounted to 6,199 thousand dollars, and was classified

to Non-operating income and gains.

The compans and H.P.B Optoelectronics Co., Ltd. and National Yunlin University science and Technology Department of Electronic Engineering Cosigned the contract of [The program of HD and 3D mobile panoramic assist system with real time correction] with Hsinchu Science Park Administration, MOST, on July, 2015. The government grants will distribute to those organizations based on the process of the program. The program started from July 1, 2015 to June 30, 2016. The government grants received was amounted to 2,468 thousand dollars, and was classified to Non-operating income and gains.

32. DISPOSAL OF SUBSIDIARIES

As stated in Note 13, the Group lost its control over Sunplus Core Technology Co., Ltd. and disposed of another subsidiary. Related information is as follows:

	STB Product Center
a. Consideration received from the disposal	<u>\$ 333,000</u>
b. Analysis of assets and liabilities on the date control was lost	
Current assets	
Prepaid royalty	\$ 20,000
Noncurrent assets	
Property, plant and equipment	2,830
Intangible asset	<u>20,004</u>
Net assets disposed of	<u>\$ 42,834</u>

Gain on disposal of subsidiary \$287,166 thousand included loss on discontinuing segment (Note 13).

33. OPERATING LEASE ARRANGEMENTS

The Group as lessee

Operating leases relate to leases of land with lease terms between 2 and 8 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 \$7,781 thousand for the period ended. The Company had pledged \$6,100 thousand time deposits (classified as other non-current assets) as collateral for the land lease agreements.

Future annual minimum rentals under the leases are as follows:

	December 31	
	2016	2015
Up to 1 year	\$ 7,781	\$ 7,815
Over 1 year to 5 years	29,091	31,262
Over 5 years	<u>40,660</u>	<u>45,692</u>
	<u>\$ 77,532</u>	<u>\$ 84,769</u>

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	
	2016	2015
Up to 1 year	\$ 5,489	\$ 5,459
Over 1 year to 5 years	<u>5,489</u>	<u>10,919</u>
	<u>\$ 10,978</u>	<u>\$ 16,378</u>
Refundable deposits	<u>\$ 910</u>	<u>\$ 1,660</u>

Generalplus

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 restricted assets) as collateral for the land lease agreements.

Future annual minimum rentals under the leases are as follows:

	December 31	
	2016	2015
Up to 1 year	\$ 1,458	\$ 1,474
Over 1 year to 5 year	<u>4,374</u>	<u>5,896</u>
	<u>\$ 5,832</u>	<u>\$ 7,370</u>

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	
	2016	2015
Up to 1 year	\$ 3,483	\$ 538
Over 1 year to 5 years	<u>581</u>	<u>-</u>
	<u>\$ 4,064</u>	<u>\$ 538</u>
Refundable deposits	<u>\$ 521</u>	<u>\$ 521</u>

The Group as lessor

Sunplus Technology (Shanghai)

Operating leases relate to the investment property owned by the Group with lease terms between 1 to 5 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, 2016 and 2015, deposits received under operating leases amounted to \$34,752 thousand and \$35,410 thousand, respectively.

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

	December 31	
	2016	2015
Up to 1 year	\$ 119,361	\$ 117,457
Over 1 year to 5 years	<u>62,163</u>	<u>109,985</u>
	<u>\$ 181,524</u>	<u>\$ 227,442</u>

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, 2016, deposits received under operating leases amounted to \$6,926 thousand, respectively.

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

	December 31, 2016
Up to 1 year	\$ 89,934
Over 1 to 5 years	346,718
Over 5 years	<u>875,572</u>
	<u>\$ 1,307,224</u>

34. 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.

35. 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			
	2016		2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Financial assets</u>				
Financial assets carried at cost	\$ 689,261	\$ -	\$ 528,590	\$ -
Debt investment with no active market	-	-	15,389	-

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

1) Fair value hierarchy

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
Securities listed in ROC	943,100	-	-	943,100
	\$ 2,272,929	\$ -	\$ -	\$ 2,272,929

December 31, 2015

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Securities listed in ROC	\$ 24,200	\$ -	\$ -	\$ 24,200
Available-for-sale financial assets				
Mutual funds	\$ 874,799	\$ -	\$ -	\$ 874,799
Securities listed in ROC	1,605,745	-	-	1,605,745
	\$ 2,480,544	\$ -	\$ -	\$ 2,480,544

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

The fair value of financial instruments which has standard clause and will be transacted in active market is according to market value including public convertible bond, equity investment and mutual funds.

c. Categories of financial instruments

	December 31	
	2016	2015
<u>Financial assets</u>		
Fair value through profit or loss (FVTPL)		
Held for trading	\$ 106,573	\$ 24,200
Loans and receivables (i)	6,247,008	6,147,805
Available-for-sale financial assets (ii)	2,962,190	3,009,134
<u>Financial liabilities</u>		
Measured at amortized cost (iii)	2,909,277	3,389,629

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 38.

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 RMB\$1.00 increase and decrease in New Taiwan dollars (the functional currency) against the relevant foreign currencies. US\$1.00 and RMB\$1.00 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	
	2016	2015
Profit or loss	\$ 5,164	\$ (2,199)
	RMB impact	
	Years Ended December 31	
	2016	2015
Profit or loss	\$ (1,281)	\$ (55,486)

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	
	2016	2015
Fair value interest rate risk		
Financial assets	\$ 3,149,092	\$ 3,110,718
Financial liabilities	176,756	170,588
Cash flow interest rate risk		
Financial assets	1,808,818	1,587,426
Financial liabilities	1,799,701	2,351,556

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% basis point and all other variables held constant, the Group's post-tax profit for the years ended December 31, 2016 would increase/decrease by \$11 thousand and December 31, 2015 increase/decrease by \$955 thousand.

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, 2016 and 2015 would have increased/decreased by \$22,729 thousand and \$24,805 thousand.

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. 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 62% and 54% in total trade receivables as of December 31, 2016, December 31, 2015, 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, 2016, December 31, 2015, 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, 2016

	Weighted Average Effective Interest Rate (%)	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
<u>Nonderivative Financial liabilities</u>						
Noninterest bearing	-	\$ 309,511	\$ 538,459	\$ 552,687	\$ 32,001	\$ -
Variable interest rate liabilities	1.545~2.8039	117,232	96,528	720,743	915,954	-
Fixed interest rate liabilities	0.9~2.4	-	406	79,074	101,114	142,694
		<u>\$ 426,743</u>	<u>\$ 635,393</u>	<u>\$ 1,352,504</u>	<u>\$ 1,049,069</u>	<u>\$ 142,694</u>

December 31, 2015

	Weighted Average Effective Interest Rate (%)	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
<u>Nonderivative Financial</u> <u>liabilities</u>						
Noninterest bearing		\$ 311,829	\$ 539,694	\$ 597,928	\$ 34,621	\$ -
Variable interest rate	1.705-2.8562	117,232	96,528	750,198	917,294	-
liabilities						
Fixed interest rate liabilities	0.8-2.2	-	440	85,548	108,806	142,694
		<u>\$ 429,061</u>	<u>\$ 636,662</u>	<u>\$ 1,433,674</u>	<u>\$ 1,060,721</u>	<u>\$ 142,694</u>

b) Financing facilities

	<u>December 31</u>	
	<u>2016</u>	<u>2015</u>
Unsecured bank overdraft facility		
Amount used	\$ 1,865,538	\$ 2,582,603
Amount unused	<u>4,463,984</u>	<u>3,770,817</u>
	<u>\$ 6,329,522</u>	<u>\$ 6,353,420</u>

36. 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. Sales of goods

Line Items	Related Party Categories	<u>For the Year Ended December 31</u>	
		<u>2016</u>	<u>2015</u>
Sales	Associates	\$ 371	\$ -
	Joint ventures	<u>219</u>	<u>84,420</u>
		<u>\$ 590</u>	<u>\$ 84,420</u>

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.

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

Account Item	Related Party	<u>December 31</u>	
		<u>2016</u>	<u>2015</u>
Trade receivables	Associates	\$ 187	\$ -
	Joint ventures	<u>-</u>	<u>10,049</u>
		<u>\$ 187</u>	<u>\$ 10,049</u>
Other receivable	Joint ventures	<u>\$ -</u>	<u>\$ 1,262</u>

There were no guarantees on outstanding receivables from related parties.

c. Other transactions with related parties

Account Item	Related Parties Types	December 31	
		2016	2015
Operating expenses	Joint ventures	\$ <u>-</u>	\$ <u>13,931</u>
Nonoperating income and expenses	Joint ventures	\$ <u>1,808</u>	\$ <u>24,166</u>

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

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.

d. Compensation of key management personnel:

	For the Years Ended December 31	
	2016	2015
Short-term employee benefits	\$ 81,414	\$ 60,407
Post-employment benefits	<u>1,340</u>	<u>1,235</u>
	\$ <u>82,754</u>	\$ <u>61,642</u>

37. PLEDGED OR MORTGAGED ASSETS

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

	December 31	
	2016	2015
Buildings, net	\$ 653,940	\$ 673,342
Pledged time deposits (classified as other assets, including current and noncurrent)	160,695	259,876
Subsidiary's holding of Sunplus' stock	<u>38,413</u>	<u>39,429</u>
	\$ <u>853,048</u>	\$ <u>972,647</u>

38. 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, 2016

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
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

December 31, 2015

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
CNY	\$ 57,606	4.995	\$ 287,742
USD	57,883	32.825	1,900,009
JPY	359	0.273	98
HKD	93	4.235	394
GBP	3	48.670	146
EUR	2	35.880	72
Nonmonetary items			
USD	997	32.825	32,727
EUR	510	35.880	18,299

Financial liabilities

Monetary items			
USD	55,684	32.825	1,827,827
CNY	2,120	4.995	10,589

The foreign currency exchange loss and gain (realized and unrealized) were amounted to \$61,434 thousand and \$1,795 thousand for the ended December 31, 2016 and 2015, respectively. Due to the diversity of the functional currencies of the Group, it is unable to disclose foreign currency with significant influence.

39. 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.

40. 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, 2016 and 2015 are shown in the accompanying consolidated income statements, and the assets by segment as of December 31, 2016 and 2015 are shown in the accompanying consolidated balance sheets.

The segment information reported on the following pages does not include any amounts for these discontinued operations, which are described in more detail in Note 13.

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	
	2016	2015
IC design	\$ 7,067,015	\$ 7,950,773
Income from lease of property, plant, and equipment	198,761	147,725
Other income	<u>290,269</u>	<u>367,335</u>
	<u>\$ 7,556,045</u>	<u>\$ 8,465,833</u>

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		Non-current Assets	
	For the Year Ended December 31		For the Year Ended December 31	
	2016	2015	2016	2015
Asia	\$ 5,200,032	\$ 5,650,767	\$ 2,256,136	\$ 2,516,438
Taiwan	2,216,397	2,538,834	1,419,702	1,497,208
Others	<u>139,616</u>	<u>276,232</u>	<u>-</u>	<u>-</u>
	<u>\$ 7,556,045</u>	<u>\$ 8,465,833</u>	<u>\$ 3,675,838</u>	<u>\$ 4,013,646</u>

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	
	2016	2015
Customer A	\$ 1,163,359	\$ 1,947,996
Customer B	516,627	680,691

TABLE 1

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

FINANCINGS PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2016
(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.	Sunplus Prof-tek Technology (Shenzhen)	Other receivables	Yes	\$ 45,403	\$ -	\$ -	2.37%	Note 1	\$ -	Note 2	\$ -	-	\$ -	\$ 145,616 (Note 11)	\$ 291,232 (Note 11)
1	VENTUREPLUS CAYMAN INC.	Sun Media Technology Co., Ltd.	Other receivables	Yes	113,558	113,558	74,624	2.27%-2.28%	Note 1	-	Note 3	-	-	-	145,616 (Note 11)	291,232 (Note 11)
1	VENTUREPLUS CAYMAN INC.	Ytrip Technology Co., Ltd.	Other receivables	Yes	37,475	-	-	2.20%-2.60%	Note 1	-	Note 4	-	-	-	72,808 (Note 12)	145,616 (Note 12)
2	Sunplus Technology (Shanghai) Co., Ltd.	1culture Communication Co., Ltd	Receivables from related parties	Yes	1,150	-	-	1.80%	Note 1	-	Note 5	-	-	-	25,409 (Note 13)	50,817 (Note 13)
2	Sunplus Technology (Shanghai) Co., Ltd	Ytrip Technology Co., Ltd.	Receivables from related parties	Yes	3,497	-	-	1.80%	Note 1	-	Note 6	-	-	-	25,409 (Note 13)	50,817 (Note 13)
2	Sunplus Technology (Shanghai) Co., Ltd.	Sunplus APP Technology	Receivables from related parties	Yes	25,266	14,985	14,985	1.80%	Note 1	-	Note 7	-	-	-	25,409 (Note 13)	50,817 (Note 13)
2	Sunplus Technology (Shanghai) Co., Ltd.	Sunplus Technology (Beijing)	Receivables from related parties	Yes	14,985	14,985	14,985	1.80%	Note 1	-	Note 8	-	-	-	304,904 (Note 14)	304,904 (Note 14)
2	Sunplus Technology (Shanghai) Co., Ltd.	Sunplus Prof-tek Technology (Shenzhen)	Receivables from related parties	Yes	14,985	14,985	14,985	1.80%	Note 1	-	Note 9	-	-	-	304,904 (Note 14)	304,904 (Note 14)
2	Sunplus Technology (Shanghai) Co., Ltd.	Sun Media Technology Co., Ltd.	Receivables from related parties	Yes	154,845	104,895	104,895	1.60%	Note 1	-	Note 10	-	-	-	304,904 (Note 14)	304,904 (Note 14)

Note 1: Short-term financing.

Note 2: Ventureplus Cayman Inc. provided funds for Sunplus Prof-tek Technology (Shenzhen) to its need of operation.

Note 3: Ventureplus Cayman Inc. provided funds for Sun Media Technology Co., Ltd. to its need of operation.

Note 4: Ventureplus Cayman Inc. provided funds for Ytrip Technology Co., Ltd. to its need of operation.

Note 5: Sunplus Technology (Shanghai) Co., Ltd. provided funds for the operating needs of 1culture Communication Co, .Ltd.

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

Note 7: Sunplus Technology (Shanghai) Co., Ltd. provided funds for the operating needs of Sunplus APP Technology.

Note 8: Sunplus Technology (Shanghai) Co., Ltd. provided funds for the operating needs of Sunplus Technology (Beijing).

Note 9: Sunplus Technology (Shanghai) Co., Ltd. provided funds for the operating needs of Sunplus Prof-tek Technology (Shenzhen).

- Note 10: Sunplus Technology (Shanghai) Co., Ltd. provided funds for the operating needs of Sun Media Technology Co., Ltd.
- Note 11: The foreign company has voting shares that are directly and indirectly wholly owned by the Group’s parent company. The total amounts of all guarantees issued should not exceed 20% of Ventureplus Cayman Inc. net equity based on the latest financial statements, and the individual amounts of the guarantee should not exceed 10% of Ventureplus Cayman Inc. net equity based on the latest financial statements; in addition, the guarantee period should not exceed two years.
- Note 12: The amount should not exceed 10% of Ventureplus Cayman Inc. net equity based on the latest financial statements, and the individual amounts of the guarantee should not exceed 5% of Ventureplus Cayman Inc. net equity based on the latest financial statements.
- Note 13: The aggregate amount should not exceed 10% of the net equity of Sunplus Technology (Shanghai) Co., Ltd. (“Sunplus Shanghai”), and the individual amounts of the guarantee should not exceed 5% of Sunplus Shanghai’s net equity, with net equity based on this lender’s latest financial statements.
- Note 14: The foreign company has voting shares that are directly and indirectly wholly owned by the Company’s parent company. The total amounts of all guarantees issued and the individual amounts of the guarantee should not exceed 60% of Sunplus Technology (Shanghai) Co., Ltd.’s net equity as of the latest financial statements; in addition, the guarantee period should not exceed two years.

(Concluded)

TABLE 2

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

ENDORSEMENT/GUARANTEE PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2016
(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/Guara ntee 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)	\$ 902,425 (Note 5)	\$ 288,490	\$ 161,400	\$ 81,575	\$ -	1.69	\$ 1,804,851 (Note 6)	Yes	No	No
		Sun Media Technology Co., Ltd.	3 (Note 4)	902,425 (Note 5)	943,470	912,580	752,930	-	9.55	1,804,851 (Note 6)	Yes	No	Yes
		Jumplux Technology Co., Ltd.	3 (Note 4)	902,425 (Note 5)	35,000	35,000	35,000	-	0.37	1,804,851 (Note 6)	Yes	No	No
		Ytrip Technology Co., Ltd.	3 (Note 4)	902,425 (Note 5)	191,310	128,940	128,940	64,400	1.35	1,804,851 (Note 6)	Yes	No	Yes
		Sunext Technology Co., Ltd.	2 (Note 3)	902,425 (Note 5)	30,000	10,000	10,000	-	0.10	1,804,851 (Note 6)	Yes	No	No
1 (Note2)	RUSSELL HOLDINGS LTD.	Sun Media Technology Co., Ltd.	3 (Note 4)	172,812 (Note 7)	159,300	159,300	-	-	55.31	172,812 (Note 7)	No	No	Yes

Note 1: Issuer.

Note 2: Investee.

Note 3: Directly holds more than 50% of the common shares of a subsidiary.

Note 4: Common shares held by the Sunplus and its subsidiaries jointly own more than 50% of the investee company.

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

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

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

TABLE 3

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2016

(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, 2016				Note
				Shares or Units (Thousands)	Carrying Value	Percentage of Ownership (%)	Market Value or Net Asset Value	
Sunplus Technology Company Limited (the “Company”)	<u>Fund</u>							
	Nomura Global High Dividend Act	-	Available-for-sale financial assets	616	\$ 9,963	-	\$ 9,963	Note 3
	FSITC Money Market	-	Available-for-sale financial assets	290	51,256	-	51,256	Note 3
	Yuanta Wan Tai Money Fund	-	Available-for-sale financial assets	2,010	30,178	-	30,178	Note 3
	Mega Diamond Money Market	-	Available-for-sale financial assets	13,197	163,881	-	163,881	Note 3
	Prudential Financial Money Market Fund	-	Available-for-sale financial assets	1,925	30,153	-	30,153	Note 3
	UPAMC James Bond Money Market	-	Available-for-sale financial assets	1,851	30,651	-	30,651	Note 3
	KGI Economic Moat Fund	-	Available-for-sale financial assets	500	5,640	-	5,640	Note 3
	Yuanta Emerging Indonesia Opp Bd	-	Available-for-sale financial assets	500	5,525	-	5,525	Note 3
	Jih Sun Money Market	-	Available-for-sale financial assets	3,420	50,166	-	50,166	Note 3
	Mega RMB Money Market	-	Available-for-sale financial assets	466	23,419	-	23,419	Note 3
	Taishin China-US Money Market	-	Available-for-sale financial assets	3,000	30,228	-	30,228	Note 3
	Yuanta RMB Money Market CNY	-	Available-for-sale financial assets	470	23,407	-	23,407	Note 3
	Yuanta Global USD Corporate Bond TWD A	-	Available-for-sale financial assets	2,000	19,582	-	19,582	Note 3
	Yuanta USD Money Market USD	-	Available-for-sale financial assets	100	32,368	-	32,368	Note 3
	Prudential Financial RMB Money Mkt TWD	-	Available-for-sale financial assets	2,593	24,860	-	24,860	Note 3
	<u>Stock</u>							
	FocalTech Inc.	-	Available-for-sale financial assets	8,839	311,117	3	311,117	Note 2
	United Microelectronics Corp.	-	Available-for-sale financial assets	1,968	22,431	-	22,431	Note 2
	Tatung Company	-	Available-for-sale financial assets	46,094	439,741	2	439,741	Note 2
	<u>Fund</u>							
	Technology Partners Venture Capital Corp.	-	Financial assets carried at cost	213	2,133	7	2,133	Note 1
	Network Capital Global Fund	-	Financial assets carried at cost	380	3,800	11	3,800	Note 1
	Availin Inc.	-	Financial assets carried at cost	9,039	189,690	17	189,690	Note 1
	Triknigh 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.	Asolid Technology Co., Ltd.	-	Available-for-sale financial assets	31	1,759	-	1,759	Note 2
	Ruentex Material Co., Ltd	-	Available-for-sale financial assets	20	346	-	346	Note 2
	Compeq Manufacturing Co., Ltd.	-	Available-for-sale financial assets	1,000	15,550	-	15,550	Note 2
	Wafer works Corporation	-	Available-for-sale financial assets	1,536	22,119	-	22,119	Note 2
	AP Memory Technology Co., Ltd.	-	Available-for-sale financial assets	40	2,888	-	2,888	Note 2
	Yuanta Great China TMT TWD Acc	-	Available-for-sale financial assets	3,133	29,133	-	29,133	Note 3
	Yuanta New ASEAN Balanced TWD	-	Available-for-sale financial assets	2,000	18,980	-	18,980	Note 3

(Continued)

Holding Company Name	Type and Name of Marketable Security	Relationship with the Holding Company	Financial Statement Account	December 31, 2016				Note
				Shares or Units (Thousands)	Carrying Value	Percentage of Ownership (%)	Market Value or Net Asset Value	
Lin Shih Investment Co., Ltd.	Fubon SSE	-	Available-for-sale financial assets	340	\$ 9,180	-	\$ 9,180	Note 3
	Fubon SZSE	-	Available-for-sale financial assets	920	8,602	-	8,602	Note 3
	CTBC Global Silver Age Income	-	Available-for-sale financial assets	1,000	10,100	-	10,100	Note 3
	CTBC Hwa-win Money Market Fund	-	Available-for-sale financial assets	4,581	50,002	-	50,002	Note 3
	Yuanta China Balance Fund	-	Available-for-sale financial assets	213	2,827	-	2,827	Note 3
	KGI High Sharpe Global Bal TWD ACC	-	Available-for-sale financial assets	15	151	-	151	Note 3
	Ability Enterprise Co., Ltd.	-	Available-for-sale financial assets	5,434	91,287	2	91,287	Note 2
	Sunplus Technology Co., Ltd.	Parent Company	Available-for-sale financial assets	3,560	40,406	1	40,406	Notes 2 and 4
	Minton Optic Industry Co., Ltd.	-	Financial assets carried at cost	4,272	-	7	-	Note 1
	Miracle Technology Co., Ltd.	-	Financial assets carried at cost	1,036	11,152	10	11,152	Note 1
	Genius Vision Digital Co., Ltd.	-	Financial assets carried at cost	600	3,676	4	3,676	Note 1
	Lingri Technology Co., Ltd.	-	Financial assets carried at cost	304	3,040	19	3,040	Note 1
	Sanjet Technology Corp.	-	Financial assets carried at cost	8	-	-	-	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
	Everlight Electronics Co., Ltd.-CB	-	Financial assets at fair value through profit or loss - current	80	7,916	-	7,916	Note 2
	AWEA MECHANTRONIC CO., LTD. -CB	-	Financial assets at fair value through profit or loss - current	21	2,100	-	2,100	Note 2
	King Yuan Electronics Co., Ltd.-OCB	-	Financial assets at fair value through profit or loss - current	1,000	32,379	-	32,379	Note 2
Russell Holdings Limited	<u>Stock</u>							
	Asia Tech Taiwan Venture, L.P.		Financial assets carried at cost	-	-	5	-	Note 1
	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 Info System, Inc.	-	Financial assets carried at cost	2,557	-	-	-	Note 1
	Ether Precision Inc.	-	Financial assets carried at cost	1,250	-	1	-	Note 1
	Innobrige Venture Fund ILP	-	Financial assets carried at cost	-	36,991	-	36,991	Note 1
					(US\$ 1,147)		(US\$ 1,147)	
	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
Sunplus Venture Capital Co., Ltd.	King Yuan Electronics Co., Ltd.-OCB	-	Financial assets at fair value through profit or loss - current	20	64,178	-	64,178	Note 1
					(US\$ 1,990)		(US\$ 1,990)	
	<u>Stock</u>							
	Yuanta De-Bao Money Market Fund	-	Available-for-sale financial assets	8,398	100,003	-	100,003	Note 2
	King Yuan Electronics Co., Ltd.	-	Available-for-sale financial assets	1,793	45,177	-	45,177	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	-	3	-	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

(Continued)

Holding Company Name	Type and Name of Marketable Security	Relationship with the Holding Company	Financial Statement Account	December 31, 2016				Note
				Shares or Units (Thousands)	Carrying Value	Percentage of Ownership (%)	Market Value or Net Asset Value	
Sunplus Venture Capital Co., Ltd.	Miracle Technology Co., Ltd.	-	Financial assets carried at cost	1,042	\$ 11,220	10	\$ 11,220	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	15,000	5	15,000	Note 1
	Touch Screen Glass Technology Co., Ltd.	-	Financial assets carried at cost	4,500	45,000	18	45,000	Note 1
	Ortery Technologies, Inc.	-	Financial assets carried at cost	68	-	1	-	Note 1
	Taiwan Environmental Scientific Co., Ltd.	-	Financial assets carried at cost	981	27,900	3	27,900	Note 1
	Dawning Leading Technology Inc.	-	Financial assets carried at cost	3,101	42,000	1	42,000	Note 1
	Qun-Xin 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	-	46,958	-	46,958	Note 1
Sunplus Technology (Shanghai) Co., Ltd.	Gf Money Market Fund	-	Available-for-sale financial assets	12,050	56,303 (RMB\$ 12,195)	-	56,303 (RMB\$ 12,195)	Note 3
	Gf Every Day The Red Haired Type Money Market Fund	-	Available-for-sale financial assets	3,565	16,446 (RMB\$ 3,562)	-	16,446 (RMB\$ 3,562)	Note 3
	GF Money Market Fund B	-	Available-for-sale financial assets	9,950	46,516 (RMB\$ 10,075)	-	46,516 (RMB\$ 10,075)	Note 3
	Chongqing Chong You Information Technology Co., Ltd.	-	Financial assets carried at cost	-	-	3	-	Note 1
Wei-Young Investment Inc.	Elitegroup Computer Systems	-	Available-for-sale financial assets	238	3,713	-	3,713	Note 2
Generalplus Technology Inc.	Jih Sun Money Market	-	Available-for-sale financial assets	3,011	44,172	-	44,172	Note 3
	UPAMC James Bond Money Market	-	Available-for-sale financial assets	1,513	25,055	-	25,055	Note 3
	Prudential Financial Return	-	Available-for-sale financial assets	6,458	99,605	-	99,605	Note 3
	Franklin Templeton Sinoam Money Market	-	Available-for-sale financial assets	2,955	30,243	-	30,243	Note 3
	Yuanta De-Li Money Market Fund	-	Available-for-sale financial assets	1,243	20,082	-	20,082	Note 3
iCatch Technology Inc.	Franklin Templeton Sinoam Money Market	-	Available-for-sale financial assets	986	10,088	-	10,088	Note 3
Sunplus Innovation Technology Inc.	<u>Fund</u>							
	Fuh Hwa You Li Money Market	-	Available-for-sale financial assets	2,253	30,103	-	30,103	Note 3
	Mega Diamond Money Market	-	Available-for-sale financial assets	810	10,059	-	10,059	Note 3
	Fubon Chi-Hsiang Money Market	-	Available-for-sale financial assets	1,930	30,005	-	30,005	Note 3
	Yuanta USD Money Market TWD	-	Available-for-sale financial assets	11,091	109,108	-	109,108	Note 3
	Yuanta RMB Money Market TWD	-	Available-for-sale financial assets	916	9,424	-	9,424	Note 3
	Yuanta USD Money Market USD	-	Available-for-sale financial assets	100	32,365	-	32,365	Note 3
	<u>Stock</u>							
	Advanced NuMicro System, Inc.	-	Financial assets carried at cost	2,000	4,121	9	4,122	Note 1
	Advanced Silicon SA	-	Financial assets carried at cost	1,000	15,392	10	15,391	Note 1
	Point Grab Ltd.	-	Financial assets carried at cost	182	15,150	2	15,150	Note 1

(Continued)

- Note 1: The market value was based on carrying value as of December 31, 2016.
- Note 2: The Market value was based on the closing price as of December 31, 2016.
- Note 3: The market value was based on the net asset value of fund as of December 31, 2016.
- Note 4: As of December 31, 2016, the above marketable securities, except the holdings of Lin Shih Investment Co., Ltd. of the shares of Sunplus Technology Company Limited with a market value \$38,413 thousand had not been pledged or mortgaged.
- Note 5: The exchange rate was based on the exchange rate as of December 31, 2016.

(Concluded)

TABLE 4

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, 2016
(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	
					Unit (Thousands)	Amount	Unit (Thousands)	Amount	Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Unit (Thousands)	Amount
Sunplus Technology Company Limited	FocalTech Inc.	Available-for-sale financial assets	-	-	29,271	\$ 999,590 (Note)	-	\$ -	20,432	\$ 657,218	\$ 550,524	\$ 106,694	8,839	\$ 311,117 (Note)

Note: The amount was include changes in fair value of available-for-sale financial assets and impairment loss on available-for-sale financial assets.

TABLE 5

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Company Name	Counterparty	Flow of Transactions (Note 5)	Intercompany Transactions			
			Financial Statements Account Item	Amount	Terms	Percentage of Consolidated Total Gross Sales or Total Assets
Sunplus Technology Co., Ltd. ("parent company")	Generalplus Technology Corp.	1	Sales	\$ 4,601	Note 1	0.06%
			Nonoperating income and gains	78	Note 2	-
			Notes and accounts receivable	518	Note 1	-
			Other receivables	6	Note 3	-
	Sunext Technology Co., Ltd.	1	Sales	1,002	Note 1	0.01%
			Nonoperating income and gains	10,839	Notes 2 and 4	0.14%
			Notes and accounts receivable	198	Note 1	-
			Other receivables	1,845	Note 3	0.01%
	Sunplus Innovation Technology Inc.	1	Sales	590	Note 1	0.01%
			Nonoperating income and gains	3,792	Notes 2 and 4	0.05%
			Notes and accounts receivable	245	Note 1	-
			Other receivables	623	Note 3	-
	iCatch Technology, Inc.	1	Sales	12,891	Note 1	0.17%
			Nonoperating income and gains	15,085	Notes 2 and 4	0.21%
			Notes and accounts receivable	800	Note 1	0.01%
			Other receivables	2,627	Note 3	0.02%
	Sunplus Technology (H.K.) Co., Ltd.	1	Marketing expense	1,549	Note 2	0.02%
	Jumplux Technology Co., Ltd.	1	Sales	3,096	Note 1	0.04%
			Nonoperating income and gains	7,891	Note 2	0.10%
			Notes and accounts receivable	553	Note 1	-
			Other receivables	1,782	Note 3	0.01%
	Sunplus mMedia Inc.	1	Sales	2,039	Note 1	0.03%
			Nonoperating income and gains	2,089	Notes 2 and 4	0.03%
			Marketing expenses	(311)	Note 2	-
			Administrative expenses	94	Note 2	-
Sunplus Innovation Technology Inc.	Sun Media Technology Co., Ltd.	2	Marketing expenses	2,824	Note 2	0.04%
			Other accrued expense	736	Note 3	0.01%
	Sunplus Prof-tek (Shenzhen) Co., Ltd.	2	Other accrued expense	7,933	Note 3	0.05%
			Marketing expenses	26,600	Note 2	0.35%
Generalplus Technology Corp.	Generapllus Technology (H.K.) Corp.	2	Marketing expense	17,774	Note 2	0.24%
			Other accrued expense	4,478	Note 3	0.03%
	Generalplus Technology (Shenzhen) corp.	2	Research and development	89,569	Note 2	1.19%
			Other accrued expense	34,966	Note 3	0.24%

(Continued)

Company Name	Counter-Party	Flow of Transactions (Note 5)	Intercompany Transactions			
			Financial Statements Account Item	Amount	Terms	Percentage of Consolidated Total Gross Sales or Total Assets
iCatch Technology, Inc.	Sunplus Prof-tek (Shenzhen) Co., Ltd.	2	Marketing expenses	\$ 26,341	Note 2	0.35%
			Accrued expenses	7,088	Note 3	0.05%
	SunMedia Technology Co., Ltd.	2	Marketing expenses	29,832	Note 2	0.39%
			Accrued expenses	7,317	Note 3	0.05%
	Sunplus Technology (Beijing)	2	Research and development	518	Note 2	0.01%
			Accrued expenses	231	Note 3	-
Sunext Technology Co., Ltd.	Sunplus App Technology	2	Research and development expense	12	Note 2	-
	Sunplus Technology (Beijing)	2	Accrued expenses	608	Note 3	-
			Research and development expense	749	Note 2	0.01%
Sunplus Technology (Shanghai) Co., Ltd.	SunMedia Technology Co., Ltd.	2	Other receivables	96,957	Note 3	0.66%
			Nonoperating income and gains	1,619	Note 2	0.02%
			Research and development expense	8,686	Note 2	0.11%
	Sunplus Prof-tek (Shenzhen) Co., Ltd.	2	Other receivables	13,851	Note 3	0.09%
			Nonoperating income and gains	15	Note 2	-
	Sunplus App Technology	2	Other receivables	13,851	Note 3	0.09%
			Nonoperating income and gains	239	Note 2	-
			Research and development expense	24	Note 2	-
	Sunplus Technology (Beijing)	2	Other receivables	13,851	Note 3	0.09%
			Accrued expenses	2,019	Note 3	0.01%
Sunplus mMedia Inc.	Sunplus Technology (Beijing)	2	Research and development expense	7,046	Note 2	0.09%
			Nonoperating income and gains	30	Note 2	-
			Research and development	547	Note 2	0.01%
			Other accrued expense	834	Note 3	0.01%
			Research and development expense	3,641	Note 2	0.05%
Jumplux Technology Co., Ltd.	Sunplus Technology (Beijing)	2	Nonoperating income and gains	1,836	Note 2	0.02%
			Nonoperating income and gains	734	Note 2	0.01%
			Other receivables	74,706	Note 3	0.51%
			Nonoperating income and gains	1,333	Note 2	0.02%
VENTUREPLUS CAYMAN INC.	Sunplus Prof-tek (Shenzhen) Co., Ltd.	2	Nonoperating income and gains	1,333	Note 2	0.02%
	Ytrip Technology Co., Ltd.	2	Nonoperating income and gains	734	Note 2	0.01%
	SunMedia Technology Co., Ltd.	2	Other receivables	74,706	Note 3	0.51%
Sunplus APP Technology Co., Ltd.	Sunplus Technology (Beijing)	2	Sales	194	Note 1	-
			Research and development expense	179	Note 2	-

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

Note 2: The prices were based on negotiations and but 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 were thus not comparable to market terms. The transactions between the Company and counter-party were at normal terms.

Note 5: 1 - From parent company to subsidiary.
2 - Between subsidiaries.

TABLE 6

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCES

DECEMBER 31, 2016

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of September 30, 2016			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				December 31, 2016	December 31, 2015	Shares (Thousands)	Percentage of Ownership	Carrying Value			
Sunplus Technology Company Limited	Ventureplus Group Inc.	Belize	Investment	\$ 2,571,321 (US\$ 74,305 RMB\$ 37,900)	\$ 2,571,321 (US\$ 74,305 RMB\$ 37,900)	-	100	\$ 1,456,206	\$ (148,167)	\$ (148,167)	Subsidiary
	Award Glory Ltd.	Belize	Investment	24,897 (US\$ 772)	-	-	100	(11,236)	(3,225)	(3,225)	Subsidiary
	GLOBAL VIEW CO., LTD.	Hsinchu, Taiwan	Design and sale of ICs	315,658	315,658	8,229	13	323,912	153,633	20,068	Investee
	Lin Shih Investment Co., Ltd.	Hsinchu, Taiwan	Investment	699,988	699,988	70,000	100	794,315	158,724	126,706	Subsidiary
	Generalplus Technology Inc.	Hsinchu, Taiwan	Design of ICs	281,001	281,001	37,324	34	731,737	413,473	141,823	Subsidiary
	Sunplus Venture Capital Co., Ltd.	Hsinchu, Taiwan	Investment	999,982	999,982	100,000	100	846,259	14,708	22,173	Subsidiary
	Sunplus Innovation Technology Inc.	Hsinchu, Taiwan	Design of ICs	414,663	414,663	31,450	61	524,574	27,404	16,921	Subsidiary
	Russell Holdings Limited	Cayman Islands, British West Indies	Investment	476,010 (US\$ 14,760)	476,010 (US\$ 14,760)	14,760	100	288,020	1,749	1,749	Subsidiary
	iCatch Technology, Inc.	Hsinchu, Taiwan	Design of ICs	207,345	207,345	20,735	38	197,578	(83,602)	(31,489)	Subsidiary
	Sunext Technology Co., Ltd.	Hsinchu, Taiwan	Design and sale of ICs	924,730	924,730	38,836	61	116,471	14,627	8,945	Subsidiary
	Sunplus mMedia Inc.	Hsinchu, Taiwan	Design of ICs	357,565	357,565	17,441	87	45,130	(30,455)	(26,557)	Subsidiary
	Sunplus Management Consulting Inc.	Hsinchu, Taiwan	Management	5,000	5,000	500	100	4,011	(50)	(50)	Subsidiary
	Sunplus Technology (H.K.) Co., Ltd.	Kowloon Bay, Hong Kong	International trade	46,050 (HK\$ 11,075)	46,050 (HK\$ 11,075)	11,075	100	45	168	168	Subsidiary
	Magic Sky Limited	Samoa	Investment	218,010 (US\$ 6,760)	211,560 (US\$ 6,560)	6,000	100	221	(6,478)	(6,478)	Subsidiary (Note 1)
	S2-TEK INC.	Hsinchu, Taiwan	Design of ICs	-	362,285	-	2	-	30,925	702	Investee
	Sunplus mMobile Inc.	Hsinchu, Taiwan	Design of ICs	2,596,792	2,596,792	16,240	100	30,440	(1,139)	(1,139)	Subsidiary
	Wei-Young Investment Inc.	Hsinchu, Taiwan	Investment	30,157	30,157	1,400	100	16,517	2,862	448	Subsidiary
Lin Shih Investment Co., Ltd.	Generalplus Technology Inc.	Hsinchu, Taiwan	Design of ICs	86,256	86,256	14,892	14	293,490	413,473	56,587	Subsidiary
	Sunext Technology Co., Ltd.	Hsinchu, Taiwan	Design and sale of ICs	369,316	369,316	3,360	5	10,116	14,627	774	Subsidiary
	Sunplus Innovation Technology Inc.	Hsinchu, Taiwan	Design of ICs	15,701	15,701	1,075	2	15,713	27,404	578	Subsidiary
	iCatch Technology, Inc.	Hsinchu, Taiwan	Design of ICs	9,645	9,645	965	2	9,304	(83,602)	(1,465)	Subsidiary
	Sunplus mMedia Inc.	Hsinchu, Taiwan	Design of ICs	19,408	19,408	650	3	6,196	(30,455)	(990)	Subsidiary
	S2-TEK INC.	Hsinchu, Taiwan	Design of ICs	-	132,788	-	-	-	30,925	7,415	Investee
Sunplus Venture Capital Co., Ltd.	Generalplus Technology Inc.	Hsinchu, Taiwan	Design of ICs	49,099	56,050	3,983	4	91,481	413,473	15,847	Subsidiary
	Jumplux Technology Co., Ltd.	Hsinchu, Taiwan	Design and sales of IC	100,000	-	10,000	71	46,797	(44,252)	(20,986)	Subsidiary
	Sunplus Innovation Technology Inc.	Hsinchu, Taiwan	Design of ICs	57,388	57,388	2,904	6	49,436	27,404	1,562	Subsidiary
	iCatch Technology, Inc.	Hsinchu, Taiwan	Design of ICs	32,319	32,319	3,232	6	32,151	(83,602)	(4,921)	Subsidiary
	Sunext Technology Co., Ltd.	Hsinchu, Taiwan	Design and sale of ICs	385,709	385,709	4,431	7	13,282	14,627	1,020	Subsidiary
	Sunplus mMedia Inc.	Hsinchu, Taiwan	Design of ICs	44,878	44,878	1,909	10	2,945	(30,455)	(2,907)	Subsidiary
	Han Young Technology Co., Ltd.	Taipei, Taiwan	Design of ICs	4,200	4,200	420	70	1,781	-	-	Subsidiary
	S2-TEK INC.	Hsinchu, Taiwan	Design of ICs	-	133,846	-	-	-	30,925	7,732	Investee
Russell Holdings Limited	Sunext Technology Co., Ltd.	Hsinchu, Taiwan	Design and sale of ICs	68,338 (US\$ 2,119)	68,338 (US\$ 2,119)	442	1	1,325 (US\$ 41)	12,515	102 (US\$ 3)	Subsidiary
Wei-Young Investment Inc.	Generalplus Technology Inc.	Hsinchu, Taiwan	Design of ICs	-	1,800	-	-	-	413,473	130	Subsidiary
	Sunext Technology Co., Ltd.	Hsinchu, Taiwan	Design and sale of ICs	350	350	18	-	53	14,627	4	Subsidiary

Ventureplus Group Inc.	Ventureplus Mauritius Inc.	Mauritius	Investment	2,571,321 (USD 74,305 RMB 37,900)	2,571,321 (US\$ 74,305 RMB\$ 37,900)	-	100	1,509,186	(148,166)	(148,166)	Subsidiary
Ventureplus Mauritius Inc.	Ventureplus Cayman Inc.	Cayman Islands, British West Indies	Investment	2,571,321 (USD 74,305 RMB 37,900)	2,571,321 (US\$ 74,305 RMB\$ 37,900)	-	100	1,456,798	(148,166)	(148,166)	Subsidiary
Generalplus Technology Inc.	Generalplus International (Samoa) Inc.	Samoa	Investment	615,653 (US\$ 19,090)	615,653 (US\$ 19,090)	19,090	100	472,689	9,289	9,289	Subsidiary
Generalplus International (Samoa) Inc.	Generalplus (Mauritius) Inc.	Mauritius	Investment	\$ 615,653 (US\$ 19,090)	\$ 615,653 (US\$ 19,090)	19,090	100	472,687	9,289	9,289	Subsidiary

(Continued)

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of September 30, 2016			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				December 31, 2016	December 31, 2015	Shares (Thousands)	Percentage of Ownership	Carrying Value			
Generalplus (Mauritius) Inc.	Generalplus Technology (Hong Kong) Co., Ltd.	Hong Kong	Sales	12,578 (US\$ 390)	12,578 (US\$ 390)	-	100	4,949	1,246	1,246	Subsidiary
Sunplus mMobile Inc.	Sunplus mMobile SAS	France	Design of ICs	16,170 (EUR 477)	16,170 (EUR 477)	-	100	-	267	267	Subsidiary (Note 1)
Sunplus mMedia Inc.	Jumplux Technology Co., Ltd.	Hsinchu, Taiwan	Design and sales of IC	32,000	32,000	3,200	23	14,975	(44,252)	(18,612)	Subsidiary
Award Glory Ltd.	Sunny Fancy Ltd.	Seychelles	Investment	24,897 (US\$ 772)	-	-	100	(11,236)	(3,225)	(3,225)	Subsidiary
Sunny Fancy Ltd.	Giant Kingdom Ltd.	Seychelles	Investment	24,897 (US\$ 772)	-	-	100	(11,236)	(3,225)	(3,225)	Subsidiary
	Giant Rock Inc.	Anguilla	Investment	(Note 3)	(Note 3)	(Note 3)	(Note 3)	(Note 3)	(Note 3)	(Note 3)	Subsidiary

Note 1: Current capital registration has not been completed.

Note 2: The initial exchange rate was based on the exchange rate as of December 31, 2016.

Note 3: As of December 31, 2016, the establishment registration was completed, but capital was not invested yet.

(Concluded)

TABLE 7

SUNPLUS TECHNOLOGY COMPANY LIMITEDAND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2016
(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, 2016	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2016	% Ownership of Direct or Indirect Investment	Net Income (Loss) of the investee	Investment Loss (Note 2)	Carrying Value as of December 31, 2016	Accumulated Inward Remittance of Earnings as of December 31, 2016
					Outflow	Inflow						
Sunplus Technology (Shanghai) Co., Ltd.	Development of computer software, system integration services and building rental	\$ 554,700 (US\$ 17,200)	Note 1	\$ 569,374 (US\$ 17,655)	\$ -	\$ -	\$ 569,374 (US\$ 17,655)	100%	\$ 34,971	\$ 34,971	\$ 508,173	\$ -
Sunplus Prof-tek (Shenzhen) Co., Ltd.	Development of computer software, system integration services and building rental	1,040,063 (US\$ 32,250)	Note 1	1,040,063 (US\$ 32,250)	-	-	1,040,063 (US\$ 32,250)	100%	(10,169)	(10,169)	813,289	-
Sun Media Technology Co., Ltd.	Development of computer software and system integration services	645,000 (US\$ 20,000)	Note 1	645,000 (US\$ 20,000)	-	-	645,000 (US\$ 20,000)	100%	(89,453)	(89,453)	145,236	-
Sunplus App Technology Co., Ltd.	Manufacturing and sale of computer software; system integration services and information management and education	69,255 (RMB\$ 15,000)	Note 1	65,069 (US\$ 586 RMB\$ 10,000)	-	-	65,069 (US\$ 586 RMB\$ 10,000)	93%	(27,361)	(27,361)	(1,758)	-
Ytrip Technology Co., Ltd.	Computer system integration services and supplying general advertising and other information services.	158,132 (RMB\$ 34,250)	Note 1	120,938 (US\$ 3,750)	24,542 (US\$ 761)	-	145,480 (US\$ 4,511)	83%	(37,583)	(37,583)	(66,005)	-
1culture Communication Co., Ltd.	Development system	15,005 (RMB\$ 3,250)	Note 1	15,005 (US\$ 3,250)	-	-	15,005 (US\$ 3,250)	100%	144 (RMB\$ 37)	144 (RMB\$ 37)	60 (RMB\$ 13)	-
Sunplus Technology (Beijing)	Development of computer software, system integration services and building rental	124,659 (RMB\$ 27,000)	Note 1	124,659 (RMB\$ 27,000)	-	-	124,659 (RMB\$ 27,000)	100%	(28,049)	(28,049)	49,846	-

Accumulated Investment in Mainland China as of December 31, 2016	Investment Amounts Authorized by Investment Commission, MOEA	Limit on Investment
\$ 2,589,645 (US\$ 75,002 RMB\$ 37,000)	\$ 2,676,249 (US\$ 75,540 RMB\$ 52,000)	\$ 5,414,552

(Continued)

Generalplus Technology (Nature of Relationship: 1)

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, 2016	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2016	% Ownership of Direct or Indirect Investment	Net Loss of the investee	Investment Loss (Note 3)	Carrying Value as of December 31, 2016	Accumulated Inward Remittance of Earnings as of December 31, 2016
					Outflow	Inflow						
Generalplus Shenzhen	Data processing service	\$ 603,075 (US\$ 18,700)	Note 1	\$ 603,075 (US\$ 18,700)	\$ -	\$ -	\$ 603,075 (US\$ 18,700)	100%	\$ 8,043	\$ 8,043	\$ 467,719	\$ -

Accumulated Investment in Mainland China as of December 31, 2016	Investment Amount Authorized by Investment Commission, MOEA	Limit on Investment
\$ 603,075 (US\$ 18,700)	\$ 603,075 (US\$ 18,700)	\$ 1,298,498

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 company in the same period reviewed financial statements.

Note 3: The initial exchange rate was based on the exchange rate as of December 31, 2016.

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, 2016
(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	\$ 89,569	17%	Based on contract	Based on contract	Not comparable with market transactions	\$ 34,966	87%	\$ -	NA

**7.6 The Company's individual financial report for the past year
has been audited by the accountant**

Sunplus Technology Company Limited

**Parent Company Only Financial Statements for the
Years Ended December 31, 2016 and 2015 and
Independent Auditors' Report**

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Sunplus Technology Company Limited

Opinion

We have audited the accompanying parent company only financial statements of Sunplus Technology Company Limited (the "Company"), which comprise the parent company only balance sheets as of December 31, 2016 and 2015, and the parent company only statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Corporation as of December 31, 2016 and 2015, and the parent company only financial performance and the parent company only cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements section of our report. We are independent of the Corporation 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 parent company only financial statements for the year ended December 31, 2016. These matters were addressed in the context of our audit of the parent company only 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 Company's total revenue and was material. For a detailed explanation of revenue, refer to Note 22 of the accompanying parent company only 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 account receivables which are more than one month overdue, or if there are any account receivables which are within one month overdue and, furthermore, the account receivables exceed 10% of the client's approved 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 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 into 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 Company'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 on 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 on 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 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 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 risk has been truly transferred.
 - 5) Verifying the amounts of accounts receivable, certificates of remittance and counterparty are consistent with the recorded amount and counterparty and had been approved by the competent supervisor.

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

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

In preparing the parent company only financial statements, management is responsible for assessing the Corporation'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 Corporation 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 Corporation's financial reporting process.

Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company only 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 parent company only 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 parent company only 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 Corporation'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 Corporation'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 parent company only 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 Corporation to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Corporation to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with 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 parent company only financial statements for the year ended December 31, 2016 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 15, 2017

Notice to Readers

The accompanying financial statements are intended only to present the parent company only 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 parent company only financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying parent company only 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 the parent company only financial statements shall prevail.

SUNPLUS TECHNOLOGY COMPANY LIMITED

PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars, Except Par Value)

ASSETS	2016		2015		LIABILITIES AND EQUITY	2016		2015	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents (Notes 4 and 6)	\$ 1,957,745	19	\$ 1,809,365	16	Short-term bank borrowings (Note 16)	\$ 37,500	-	\$ -	-
Available-for-sale financial assets - current (Notes 4 and 7)	531,277	5	436,970	4	Trade payables (Note 17)	144,804	1	120,424	1
Trade receivables, net (Notes 4, 5, 9 and 31)	350,206	3	543,156	5	Current tax liabilities (Notes 4 and 24)	-	-	297	-
Other receivables (Note 31)	36,134	-	13,419	-	Provisions - current (Notes 4 and 18)	9,154	-	9,319	-
Inventories (Notes 4, 5 and 10)	257,230	3	445,353	4	Current portion of long-term bank loans (Notes 4, 16 and 32)	416,665	4	457,500	4
Other current assets (Note 15)	<u>134,805</u>	<u>1</u>	<u>24,852</u>	<u>-</u>	Other current liabilities (Notes 19 and 31)	<u>290,800</u>	<u>3</u>	<u>249,444</u>	<u>2</u>
Total current assets	<u>3,267,397</u>	<u>31</u>	<u>3,273,115</u>	<u>29</u>	Total current liabilities	<u>898,923</u>	<u>8</u>	<u>836,984</u>	<u>7</u>
NONCURRENT ASSETS					NONCURRENT LIABILITIES				
Available-for-sale financial assets - noncurrent (Notes 4 and 7)	773,289	7	1,295,103	11	Long-term bank loans, net of current portion (Notes 16 and 32)	529,167	5	899,582	8
Financial assets carried at cost (Notes 4 and 8)	300,623	3	219,574	2	Net defined benefit liabilities (Notes 4 and 20)	9,005	-	7,174	-
Investments accounted for using the equity method (Notes 4, 5 and 12)	5,375,436	51	5,747,927	51	Guarantee deposits	62,681	1	90,839	1
Property, plant and equipment (Notes 4, 5 , 13 , 31 and 32)	722,145	7	744,937	6	Other noncurrent liabilities, net of current portion (Note 19)	<u>-</u>	<u>-</u>	<u>450</u>	<u>-</u>
Intangible assets (Notes 4, 5 and 14)	68,497	1	67,742	1	Total noncurrent liabilities	<u>600,853</u>	<u>6</u>	<u>998,045</u>	<u>9</u>
Deferred tax assets (Notes 4, 5 and 24)	2,485	-	2,485	-	Total liabilities	<u>1,499,776</u>	<u>14</u>	<u>1,835,029</u>	<u>16</u>
Other noncurrent assets (Notes 15, 28 and 32)	<u>14,158</u>	<u>-</u>	<u>14,158</u>	<u>-</u>	EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY				
Total noncurrent assets	<u>7,256,633</u>	<u>69</u>	<u>8,091,926</u>	<u>71</u>	Share capital (Notes 4 and 21)				
					Common shares	5,919,949	56	5,919,949	52
					Capital surplus	911,110	9	897,317	8
					Retained earnings				
					Legal reserve	1,890,531	18	1,831,596	16
					Special reserve	21,927	-	17,833	-
					Retained earnings	99,738	1	595,226	6
					Other equity	244,400	2	331,492	3
					Treasury shares	(63,401)	-	(63,401)	(1)
					Total equity	<u>9,024,254</u>	<u>86</u>	<u>9,530,012</u>	<u>84</u>
TOTAL	<u>\$ 10,524,030</u>	<u>100</u>	<u>\$ 11,365,041</u>	<u>100</u>	TOTAL	<u>\$ 10,524,030</u>	<u>100</u>	<u>\$ 11,365,041</u>	<u>100</u>

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

SUNPLUS TECHNOLOGY COMPANY LIMITED

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME YEARS ENDED DECEMBER 31, 2016 AND 2015

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2016		2015	
	Amount	%	Amount	%
NET OPERATING REVENUE (Notes 4, 22 and 31)	\$ 1,904,224	100	\$ 2,671,392	100
OPERATING COSTS (Notes 10, 20 and 23)	<u>1,136,511</u>	<u>60</u>	<u>1,660,185</u>	<u>62</u>
GROSS PROFIT	<u>767,713</u>	<u>40</u>	<u>1,011,207</u>	<u>38</u>
OPERATING EXPENSES (Notes 20, 23 and 31)				
Selling and marketing	57,111	3	66,060	3
General and administrative	271,729	14	211,475	8
Research and development	<u>518,039</u>	<u>27</u>	<u>565,676</u>	<u>21</u>
Total operating expenses	<u>846,879</u>	<u>44</u>	<u>843,211</u>	<u>32</u>
(LOSS) INCOME FROM OPERATIONS	<u>(79,166)</u>	<u>(4)</u>	<u>167,996</u>	<u>6</u>
NONOPERATING INCOME AND EXPENSE (Notes 4, 23 , 26 and 31)				
Other income	50,086	3	65,392	3
Other gains and losses	48,150	2	89,543	3
Finance costs	(20,592)	(1)	(24,254)	(1)
Share of profit (loss) of associates and joint ventures	<u>122,598</u>	<u>6</u>	<u>322,823</u>	<u>12</u>
Total nonoperating income and expenses	<u>200,242</u>	<u>10</u>	<u>453,504</u>	<u>17</u>
PROFIT BEFORE INCOME TAX	121,076	6	621,500	23
INCOME TAX EXPENSE (Notes 4 and 24)	<u>889</u>	<u>-</u>	<u>4,307</u>	<u>-</u>
NET PROFIT FROM CONTINUING OPEARATIONS	120,187	6	617,193	23
NET LOSS FROM DISCONTINUED OPEARATIONS (Note 11)	<u>-</u>	<u>-</u>	<u>(27,845)</u>	<u>(1)</u>
NET PROFIT OF THE PERIOD	<u>120,187</u>	<u>6</u>	<u>589,348</u>	<u>22</u>
OTHER COMPREHENSIVE INCOME				
Item that will not be reclassified subsequently to profit or loss				

(Continued)

SUNPLUS TECHNOLOGY COMPANY LIMITED

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME YEARS ENDED DECEMBER 31, 2016 AND 2015

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2016		2015	
	Amount	%	Amount	%
Remeasurement of defined benefit plans (Notes 4 , 20 and 21)	(3,886)	-	(434)	-
Share of other comprehensive income of associates and joint ventures accounted for using equity method	(2,632)	-	(1,312)	-
Item that may be reclassified Subsequently to profit or loss				
Exchange differences on translating foreign operations	(5,231)	(1)	10,204	-
Unrealized gain on available-for-sale financial assets	111,333	6	71,619	3
Share of other comprehensive (loss) income of associates and joint ventures accounted for using equity method	<u>(193,194)</u>	<u>(10)</u>	<u>(60,222)</u>	<u>(2)</u>
Other comprehensive (loss) income for the year, net of income tax	<u>(93,610)</u>	<u>(5)</u>	<u>19,855</u>	<u>1</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 26,577</u>	<u>1</u>	<u>\$ 609,203</u>	<u>23</u>
EARNINGS PER SHARE (New Taiwan dollars, Note 25)				
From continuing and discontinued operations				
Basic	<u>\$ 0.20</u>		<u>\$ 1.00</u>	
Diluted	<u>\$ 0.20</u>		<u>\$ 1.00</u>	
From continuing operations				
Basic	<u>\$ 0.20</u>		<u>\$ 1.05</u>	
Diluted	<u>\$ 0.20</u>		<u>\$ 1.05</u>	

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

(Concluded)

SUNPLUS TECHNOLOGY COMPANY LIMITED

PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars)

	Share Capital Issued and Outstanding (Note 21)		Capital Surplus (Notes 4 and 21)	Retained Earnings (Note 21)			Other Equity (Notes 4 and 21)		Treasury Shares (Notes 4 and 21)	Total Equity
	Share (Thousands)	Amount		Legal Reserve	Special Reserve	Unappropriated Earnings (Accumulated Deficits)	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets		
BALANCE, JANUARY 1, 2015	591,995	\$ 5,919,949	\$ 936,051	\$ 1,790,538	\$ 22,639	\$ 408,610	\$ 128,258	\$ 181,674	\$ (63,401)	\$ 9,324,318
Appropriation of the 2014 earnings										
Legal reserve	-	-	-	41,058	-	(41,058)	-	-	-	-
Special reserve	-	-	-	-	(4,806)	4,806	-	-	-	-
Cash dividends for common shares	-	-	-	-	-	(355,198)	-	-	-	(355,198)
Changes in capital surplus from investments in associates and joint ventures accounted for by the equity method	-	-	-	-	-	(753)	-	-	-	(753)
Disposal of investment accounted for using the equity method	-	-	(40,863)	-	-	-	-	(41)	-	(40,904)
Difference between stock price and book value from disposal of subsidiaries	-	-	-	-	-	(8,783)	-	-	-	(8,783)
Changes of equity of subsidiaries	-	-	(7)	-	-	-	-	-	-	(7)
Net profit for the year ended December 31, 2015	-	-	-	-	-	589,348	-	-	-	589,348
Other comprehensive income for the year ended December 31, 2015, net of income tax	-	-	-	-	-	(1,746)	(30,749)	52,350	-	19,855
Total comprehensive income for the year ended December 31, 2015	-	-	-	-	-	587,602	(30,749)	52,350	-	609,203
Adjustment of capital surplus for the company's Cash dividends received by subsidiaries	-	-	2,136	-	-	-	-	-	-	2,136
BALANCE, DECEMBER 31, 2015	591,995	5,919,949	897,317	1,831,596	17,833	595,226	97,509	233,983	(63,401)	9,530,012
Appropriation of the 2015 earnings										
Legal reserve	-	-	-	58,935	-	(58,935)	-	-	-	-
Special reserve	-	-	-	-	-	(526,875)	-	-	-	(526,875)
Cash dividends for common shares	-	-	-	-	4,094	(4,094)	-	-	-	-
Difference between stock price and book value from disposal of subsidiaries	-	-	10,625	-	-	-	-	-	-	10,625
Changes of equity of subsidiaries	-	-	-	-	-	(19,253)	-	-	-	(19,253)
Net profit for the year ended December 31, 2016	-	-	-	-	-	120,187	-	-	-	120,187
Other comprehensive income for the year ended December 31, 2016, net of income tax	-	-	-	-	-	(6,518)	(159,571)	72,479	-	(93,610)
Total comprehensive income for the year ended December 31, 2016	-	-	-	-	-	113,669	(159,571)	72,479	-	26,577
Disposal of treasury shares	-	-	3,168	-	-	-	-	-	-	3,168
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

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

SUNPLUS TECHNOLOGY COMPANY LIMITED

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2016 AND 2015

(In Thousands of New Taiwan Dollars)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash generated from operations		
Income before income tax from continuing operations	\$ 121,076	\$ 621,500
Income before income tax from discontinued operations	-	(27,845)
Income before income tax	121,076	593,655
Adjustments for:		
Depreciation expenses	70,570	81,752
Amortization expenses	29,140	31,731
Impairment losses recognized on receivables	75,134	-
Financial costs	20,592	24,254
Interest income	(5,983)	(10,599)
Dividend income	(14,715)	(18,255)
Share of associates and joint ventures accounted for using equity method	(122,598)	(287,550)
Gain on disposal of property, plant and equipment	-	(7,266)
Gain on disposal of intangible assets	-	(279,900)
Gain on disposal of available-for-sale financial assets	(108,956)	(33,590)
Loss (gain) on disposal of investment accounted for using the equity method	414	(889,145)
Impairment loss recognized on financial assets	94,268	892,443
Impairment loss recognized non-financial assets	-	94,123
Realized gain on the transactions with associates and joint ventures	(827)	(1,248)
Net gain on foreign currency exchange	(5,728)	(3,375)
Changes in operating assets and liabilities:		
Decrease in trade receivables	120,876	250,483
(Increase) decrease in other receivables	(11,788)	20,991
Decrease in inventories	188,123	268,206
(Increase) decrease in other current assets	(44,387)	29,896
Increase (decrease) in trade payables	24,380	(216,128)
Decrease in provisions	(165)	(6,850)
Increase (decrease) in other current liabilities	35,467	(65,181)
Decrease in defined benefit liabilities	(2,055)	(13,122)
	462,838	455,325
Interest received	5,974	10,625
Dividend received	332,908	147,451
Interest paid	(20,838)	(23,991)
Income tax paid	(1,251)	(3,377)
Net cash generated from operating activities	779,631	586,033
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of available-for-sale financial assets	(167,029)	(135,000)
Proceeds of the sale of available-for-sale financial assets	731,634	229,225
Proceeds from capital reduction of available-for-sale financial assets	-	124,894

(Continued)

SUNPLUS TECHNOLOGY COMPANY LIMITED

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2016 AND 2015

(In Thousands of New Taiwan Dollars)

	2016	2015
Capital return to the Company on financial assets carried at cost	1,423	1,200
Purchase of investments accounted for using the equity method	(31,695)	(56,256)
Capital return to the Company-liquidation of joint ventures	13,583	-
Proceeds from capital reduction of associates accounted for by equity method	-	35,269
Payments for property, plant and equipment	(54,797)	(50,126)
Proceeds of the disposal of property, plant and equipment	40	10,096
Payments for intangible assets	(28,483)	(11,329)
Proceeds of the disposal of intangible assets	-	299,904
Purchase of financial assets measured at cost	(105,000)	(295,000)
Increase in pledged time deposits	(64,500)	-
(Increase) decrease in other assets - noncurrent	<u>-</u>	<u>71</u>
Net cash generated from investing activities	<u>295,176</u>	<u>152,948</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
(Repayments) proceeds of short-term borrowings	37,500	(100,000)
Proceeds of long-term borrowings	200,000	700,000
Repayments of long-term borrowings	(611,250)	(394,306)
Proceeds of guarantee deposits received	12,132	-
Refund of guarantee deposits received	(37,934)	-
Dividends paid to owners of the Company	<u>(526,875)</u>	<u>(355,198)</u>
Net cash used in financing activities	<u>(926,427)</u>	<u>(149,504)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	148,380	589,477
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>1,809,365</u>	<u>1,219,888</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 1,957,745</u>	<u>\$ 1,809,365</u>

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

(Concluded)

SUNPLUS TECHNOLOGY COMPANY LIMITED

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2016 AND 2015

(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 devices. 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 depository receipts (GDRs), which have been listed on the London Stock Exchange since March 2001 (refer to Note 21).

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

2. APPROVAL OF FINANCIAL STATEMENTS

The parent company only financial statements were approved by the board of directors and authorized for issue on March 15, 2017.

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

- a. Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) endorsed by the FSC for application starting from 2017.

Rule No. 1050050021 and Rule No. 1050026834 issued by the FSC stipulated that starting January 1, 2017, the Corporation should apply the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRS, IAS, IFRIC and SIC (collectively, the “IFRSs”) issued by the IASB and endorsed by the FSC for application starting from 2017.

New, Amended or Revised Standards and Interpretations	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016 (Note 3)
Amendments to IFRS 10, IFRS 12 and IAS 28 “Investment Entities: Applying the Consolidation Exception”	January 1, 2016
Amendment to IFRS 11 “Accounting for Acquisitions of Interests in Joint Operations”	January 1, 2016
IFRS 14 “Regulatory Deferral Accounts”	January 1, 2016
Amendment to IAS 1 “Disclosure Initiative”	January 1, 2016
Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”	January 1, 2016
Amendments to IAS 16 and IAS 41 “Agriculture: Bearer Plants”	January 1, 2016

(Continued)

New, Amended or Revised Standards and Interpretations	Effective Date Announced by IASB (Note 1)
Amendment to IAS 19 “Defined Benefit Plans: Employee Contributions”	July 1, 2014
Amendment to IAS 27 “Equity Method in Separate Financial Statements”	January 1, 2016
Amendment to IAS 36 “Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets”	January 1, 2014
Amendment to IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting”	January 1, 2014
IFRIC 21 “Levies”	January 1, 2014
	(Concluded)

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

Note 2: The amendment to IFRS 2 applies to share-based payment transactions with grant date on or after July 1, 2014; the amendment to IFRS 3 applies to business combinations with acquisition date on or after July 1, 2014; the amendment to IFRS 13 is effective immediately; the remaining amendments are effective for annual periods beginning on or after July 1, 2014.

Note 3: The amendment to IFRS 5 is applied prospectively to changes in a method of disposal that occur in annual periods beginning on or after January 1, 2016; the remaining amendments are effective for annual periods beginning on or after January 1, 2016.

The initial application in 2017 of the above IFRSs and related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers would not have any material impact on the Corporation’s accounting policies, except for the following:

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

The amendment clarifies that the recoverable amount of an asset or a cash-generating unit is disclosed only when an impairment loss on the asset has been recognized or reversed during the period. Furthermore, if the recoverable amount of an item of property, plant and equipment for which impairment loss has been recognized or reversed is fair value less costs of disposal, the Group is required to disclose the fair value hierarchy. If the fair value measurements are categorized within Level 2 or Level 3, the valuation technique and key assumptions used to measure the fair value are disclosed. The discount rate used is disclosed if such fair value less costs of disposal is measured by using present value technique. The amendment will be applied retrospectively.

2) Annual Improvements to IFRSs: 2010-2012 Cycle

Several standards, including IFRS 2 “Share-based Payment”, IFRS 3 “Business Combinations” and IFRS 8 “Operating Segments”, were amended in this annual improvement.

The amended IFRS 2 changes the definitions of “vesting condition” and “market condition” and adds definitions for “performance condition” and “service condition”. The amendment clarifies that a performance target can be based on the operations (i.e. a non-market condition) of the Group or another entity in the same group or the market price of the equity instruments of the Group or another entity in the same group (i.e. a market condition); that a performance target can relate either to the performance of the Group as a whole or to some part of it (e.g. a division); and that the period for achieving a performance condition must not extend beyond the end of the related service period. In addition, a share market index target is not a performance condition because it not only reflects the performance of the Group, but also of other entities outside the Group. The share-based payment arrangements with market conditions, non-market conditions or non-vesting conditions

will be accounted for differently, and the aforementioned amendment will be applied prospectively to those share-based payments granted on or after January 1, 2017.

IFRS 3 was amended to clarify that contingent consideration should be measured at fair value, irrespective of whether the contingent consideration is a financial instrument within the scope of IFRS 9 or IAS 39. Changes in fair value should be recognized in profit or loss. The amendment will be applied prospectively to business combination with acquisition date on or after January 1, 2017.

The amended IFRS 8 requires the Group to disclose the judgments made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have “similar economic characteristics”. The amendment also clarifies that a reconciliation of the total of the reportable segments’ assets to the entity’s assets should only be provided if the segments’ assets are regularly provided to the chief operating decision-maker. The judgements made in applying aggregation criteria should be disclosed retrospectively upon initial application of the amendment in 2017.

When the amended IFRS 13 becomes effective in 2017, the short-term receivables and payables with no stated interest rate will be measured at their invoice amounts without discounting, if the effect of not discounting is immaterial.

IAS 24 was amended to clarify that a management entity providing key management personnel services to the Group is a related party of the Group. Consequently, the Group is required to disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

3) Annual Improvements to IFRSs: 2011-2013 Cycle

Several standards, including IFRS 3, IFRS 13 and IAS 40 “Investment Property”, were amended in this annual improvement.

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

4) Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”

The entity should use appropriate depreciation and amortization method to reflect the pattern in which the future economic benefits of the property, plant and equipment and intangible asset are expected to be consumed by the entity.

The amended IAS 16 “Property, Plant and Equipment” requires that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate. The amended standard does not provide any exception from this requirement.

The amended IAS 38 “Intangible Assets” requires that there is a rebuttable presumption that an amortization method that is based on revenue that is generated by an activity that includes the use of an intangible asset is not appropriate. This presumption can be overcome only in the following limited circumstances:

- a) In which the intangible asset is expressed as a measure of revenue (for example, the contract that specifies the entity’s use of the intangible asset will expire upon achievement of a revenue threshold); or
- b) When it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

An entity should apply the aforementioned amendments prospectively for annual periods beginning on or after the effective date.

5) Annual Improvements to IFRSs: 2012-2014 Cycle

Several standards, including IFRS 5 “Non-current assets held for sale and discontinued operations”, IFRS 7, IAS 19 and IAS 34, were amended in this annual improvement.

IAS 19 was amended to clarify that the depth of the market for high quality corporate bonds used to estimate discount rate for post-employment benefits should be assessed by the market of the corporate bonds denominated in the same currency as the benefits to be paid, i.e. assessed at currency level (instead of country or regional level). The amendment will be applied from January 1, 2016, and any adjustment arising from the initial application of the amendment will be recognized in net defined benefit liabilities, deferred tax asset and retained earnings.

6) 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 by the FSC for application starting from 2017. In addition, as a result of the post implementation review of IFRSs in Taiwan, the amendments also include 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 Group are deemed to have a substantive related party relationship, unless it can be demonstrated that no control, joint control, or significant influence exists. Furthermore, the amendments require the disclosure of the names of the related parties and the relationship with whom the Group has significant transaction. If the transaction or balance with a specific related party is 10% or more of the Group’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 after business combination and the expected benefit on acquisition date.

The disclosures of related party transactions and impairment of goodwill will be enhanced when the above amendments are retrospectively applied in 2017.

Except for the above impacts, as of the date the consolidated financial statements were authorized for issue, the Group continues assessing other possible impacts that application of the aforementioned amendments and the related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers will have on the Group's financial position and financial performance, and will disclose these other impacts when the assessment is completed.

b. New IFRSs in issue but not yet endorsed by FSC

The Group has not applied the following IFRSs issued by the IASB but not yet endorsed by the FSC.

The FSC announced that amendments to IFRS 4 (only the overlay approach can be applied), IFRS 9 and IFRS 15 will take effect starting January 1, 2018. As of the date the parent company only financial statements were authorized for issue, the FSC has not announced the effective dates of other new IFRSs.

New, Amended or Revised Standards and Interpretations	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2014-2016 Cycle	Note 2
Amendment to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	January 1, 2018
Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date of IFRS 9 and Transition Disclosures"	January 1, 2018
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 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendments to IFRS 15 "Clarifications to IFRS15 Revenue from Contracts with Customers"	January 1, 2018
IFRS 16 "Leases"	January 1, 2019
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 amendment to IAS 28 is retrospectively applied for annual periods beginning on or after January 1, 2018.

The initial application of the above New IFRSs, whenever applied, would not have any material impact on the Group's accounting policies, except for the following:

1) IFRS 9 "Financial Instruments"

Recognition and measurement of financial assets

With regards 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 Group'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 the contractual cash flows, the financial assets are measured at amortized cost and are assessed for impairment continuously with impairment loss recognized in profit or loss, if any. 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 the collecting of contractual cash flows and the selling of 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 gain or loss 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 above, all other financial assets are measured at fair value through profit or loss. However, the Group 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 impairment of financial assets

IFRS 9 requires that impairment loss on financial assets is recognized by using the "Expected Credit Losses Model". The credit loss allowance is required for financial assets measured at amortized cost, financial assets mandatorily 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 the 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 Group takes into account the expected credit losses on initial recognition in calculating the credit-adjusted effective interest rate. Subsequently, any changes in expected losses are recognized as a loss allowance with a corresponding gain or loss recognized in profit or loss.

Transition

Financial instruments that have been derecognized prior to the effective date of IFRS 9 cannot be reversed to apply IFRS 9 when it becomes effective. Under IFRS 9, the requirements for classification, measurement and impairment of financial assets are applied retrospectively with the difference between the previous carrying amount and the carrying amount at the date of initial application recognized in the current period and restatement of prior periods is not required. The requirements for general hedge accounting shall be applied prospectively and the accounting for hedging options shall be applied retrospectively.

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

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, an entity shall recognize revenue by applying the following steps:

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

In identifying performance obligations, IFRS 15 and related amendment 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.

When IFRS 15 and related amendment are effective, an entity may elect to apply this Standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying this Standard recognized at the date of initial application.

3) IFRS 16 “Leases”

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

Under IFRS 16, if the Group is a lessee, it shall recognize right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for low-value and short-term leases. The Group may elect to apply the accounting method similar to the accounting for operating lease under IAS 17 to the low-value and short-term leases. On the consolidated statements of comprehensive income, the Group should present the depreciation expense charged on the right-of-use asset separately from interest expense accrued on the lease liability; interest is computed by using effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of the lease liability are classified within financing activities; cash payments for interest portion are classified within operating activities.

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

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

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

The amendment clarifies that the difference between the carrying amount of the 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 Group 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 Group 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 amendment also stipulates that, when determining whether to recognize a deferred tax asset, the estimate of probable future taxable profit may include some of the Group's assets for more than their carrying amount if there is sufficient evidence that it is probable that the Group 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.

5) 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.

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

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

The Group shall apply IFRIC 22 either retrospectively or prospectively to all assets, expenses and income in the scope of the Interpretation initially recognized on or after (a) the beginning of the reporting period in which the entity first applies IFRIC 22, or (b) the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies IFRIC 22.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of Compliance

The accompanying parent company only 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 for Preparation

The Company financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values.

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 non-current.

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. Foreign currencies

In preparing the financial statements of the Company, transactions in currencies other than the Company'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 parent company only financial statements, the assets and liabilities of the Company'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.

e. 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. Inventories are recorded at weighted-average cost on the balance sheet date.

f. Investments Accounted for Using Equity Method

1) Investment in subsidiaries

Subsidiaries are the entities controlled by the Company.

Under the equity method, the investment is initially recognized at cost and the carrying amount is increased or decreased to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary after the date of acquisition. Besides, the Company also recognizes the Company's share of the change in other equity of the subsidiary.

Changes in the Company's ownership interests in subsidiaries that do not result in the Company's loss of control over the subsidiaries are accounted for as equity transactions. Any difference between the carrying amounts of the investment and the fair value of the consideration paid or received is recognized directly in equity.

When the Company's share of losses of a subsidiary equals or exceeds its interest in that subsidiary (which includes any carrying amount of the investment in subsidiary accounted for by the equity method and long-term interests that, in substance, form part of the Company's net investment in the subsidiary), the Company continues recognizing its share of further losses.

The acquisition cost in excess of the acquisition-date fair value of the identifiable net assets acquired is recognized as goodwill. Goodwill is not amortized. The acquisition-date fair value of the net identifiable assets acquired in excess of the acquisition cost is recognized immediately in profit or loss.

When testing for impairment, the cash-generating unit is determined based on the financial statements as a whole by comparing its recoverable amount with its carrying amount. If the recoverable amount of the asset subsequently increases, the reversal of the impairment loss is recognized as a gain, but the increased carrying amount of an asset after a reversal of an impairment loss shall not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized on the asset in prior years. An impairment loss recognized for goodwill shall not be reversed in a subsequent period.

When the Company ceases to have control over a subsidiary, any retained investment is measured at fair value at that date and the difference between the previous carrying amount of the subsidiary attributable to the retained interest and its fair value is included in the determination of the gain or loss. Furthermore, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Company had directly disposed of the related assets or liabilities.

Profits and losses from downstream transactions with a subsidiary are eliminated in full. Profits and losses from upstream with subsidiary and side stream transactions between subsidiaries are recognized in the Company's financial statements only to the extent of interests in the subsidiary that are not related to the Company.

2) Investments in associates and jointly controlled entities

An associate is an entity over which the Company 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 Company's share of the profit or loss and other comprehensive income of the associate and jointly controlled entity. The Company also recognizes the changes in the Company's share of equity of associates and jointly controlled entity.

When the Company 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 Company's proportionate interest in the associate and jointly controlled entity. The Company records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus. If the Company'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 Company'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 Company's net investment in the associate and jointly controlled entity), the Company discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Company 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 Company'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 Company'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 Company 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 Company entity transacts with its associate (and jointly controlled entity, profits and losses resulting from the transactions with the associate are recognized in the Company' consolidated financial statements only to the extent of interests in the associate and the jointly controlled entity that are not related to the Company.

g. Property, plant and equipment

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

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.

h. Intangible assets

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized 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 Company 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.

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.

i. Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Company 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.

j. 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: Available-for-sale financial assets, and loans and receivables.

i. 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 Company'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.

ii. Loans and receivables

Loans and receivables (including notes and trade receivables, other receivables, cash and cash equivalent, debt investments with no active market, and other receivables) are measured at amortized cost using the effective interest method, 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, highly liquid, readily convertible to a known amount of cash and be 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 Company'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 Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

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

2) Equity instruments and financial liabilities

Debt and equity instruments issued by a Company 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 Company 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.

k. 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).

l. 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.

Sale of goods

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 Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- 2) The Company 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 Company; and
- 5) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

The Company 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.

Dividend and interest income

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 Company 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 Company 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.

m. 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 Company as lessor

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

2) The Company as lessee

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

n. Government grants

Government grants are not recognized until there is reasonable assurance that the Company will comply with the conditions attached to them 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 Company recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Company 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.

o. 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 service.

2) Retirement benefits

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

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

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

p. Taxation

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

1) Current tax

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.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities 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 Company 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 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 liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which The Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

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

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

The Company 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, 2016 and 2015, the Company recognized impairment losses on intangible assets of \$0 and \$94,123 thousand, respectively.

b. Estimated impairment of trade receivables

When there is objective evidence of impairment loss, the Company 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, 2016 and 2015, the carrying amount of trade receivables was \$350,206 thousand and \$543,156 thousand, respectively (after deducting allowance of \$76,699 thousand and \$1,565 thousand, respectively).

c. Income taxes

As of December 31, 2016 and 2015, no deferred tax asset has been recognized on tax losses of \$3,481,553 thousand and \$2,655,834 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	
	2016	2015
Cash on hand	\$ 418	\$ 457
Checking accounts and demand deposits	804,827	739,458
Cash equivalent deposits in banks	<u>1,152,500</u>	<u>1,069,450</u>
	<u>\$ 1,957,745</u>	<u>\$ 1,809,365</u>

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

	December 31	
	2016	2015
Bank balance	0.01%-0.63%	0.05%-4%

7. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31	
	2016	2015
<u>Domestic investments</u>		
- Mutual funds	\$ 531,277	\$ 436,970
- Quoted shares	<u>773,289</u>	<u>1,295,103</u>
	<u>\$ 1,304,566</u>	<u>\$ 1,732,073</u>
Current	\$ 531,277	\$ 436,970
Noncurrent	<u>773,289</u>	<u>1,295,103</u>
	<u>\$ 1,304,566</u>	<u>\$ 1,732,073</u>

For the year ended December 31, 2016 and 2015, the Company recognized impairment losses of \$71,740 and \$809,661, respectively.

8. FINANCIAL ASSETS MEASURED AT COST

	December 31	
	2016	2015
Domestic unlisted common shares	<u>\$ 300,623</u>	<u>\$ 219,574</u>
Classified as available for sale	<u>\$ 300,623</u>	<u>\$ 219,574</u>
Current	\$ -	\$ -
Noncurrent	<u>300,623</u>	<u>219,574</u>
	<u>\$ 300,623</u>	<u>\$ 219,574</u>

Management believed that the above unlisted equity investments held by the Company, 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 Company believed that the above financial asset carried at cost had impairment losses of \$22,528 and \$82,782 as of December 31, 2016 and 2015, respectively.

9. ACCOUNTS RECEIVABLE, NET

	December 31	
	2016	2015
Accounts receivable	\$ 424,590	\$ 537,356
Receivable from related parties	2,315	7,365
Allowance for doubtful accounts	<u>(76,699)</u>	<u>(1,565)</u>
	<u>\$ 350,206</u>	<u>\$ 543,156</u>

Accounts receivable

The average credit period on sales of goods was 30 to 60 days without interest. In determining the recoverability of a trade receivable, the Company 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 Company had not recognized an allowance for impairment for notes and trade receivables amounting to \$29,034 thousand and \$121,854 thousand as of December 31, 2016 and 2015, respectively, because there had been no significant change in credit quality and the amounts were still considered recoverable. The Company 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 Company to the counter-party. As of March 15, 2017, of the above trade receivables that were past due but not impaired as of December 31, 2016, the Group had received \$0 thousand.

The aging of receivables was as follows:

	December 31	
	2016	2015
0-60 days	\$ 282,096	\$ 392,240
61-90 days	38,688	95,480
91-120 days	388	55,278
121-360 days	104,168	1,723
More than 360 days	<u>1,565</u>	<u>-</u>
Total	<u>\$ 426,905</u>	<u>\$ 544,721</u>

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	
	2016	2015
Less than 60 days	\$ -	\$ 121,854
More than 90 days	<u>29,034</u>	<u>-</u>
Total	<u>\$ 29,034</u>	<u>\$ 121,854</u>

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 December 31, 2015	<u>\$ 1,565</u>	<u>\$ -</u>	<u>\$ 1,565</u>
Balance at January 1, 2016	\$ 1,565	\$ -	\$ 1,565
Add: Impairment losses recognized on receivable	<u>75,134</u>	<u>-</u>	<u>75,134</u>
Balance at December 31, 2016	<u>\$ 76,699</u>	<u>\$ -</u>	<u>\$ 76,699</u>

10. INVENTORIES

	December 31	
	2016	2015
Finished goods	\$ 100,741	\$ 143,735
Work in progress	145,971	282,580
Raw materials	<u>10,518</u>	<u>19,038</u>
	<u>\$ 257,230</u>	<u>\$ 445,353</u>

The costs of inventories recognized as cost of goods sold for the years ended December 31, 2016 and 2015 were \$1,136,511 thousand and \$1,660,185 thousand, respectively.

The costs of inventories recognized as costs of goods sold for the years ended December 31, 2105 and 2014 were as follows:

	Years Ended December 31	
	2016	2015
Inventory increment	\$ 68,198	\$ 136,169
Income from scrap sales	<u>287</u>	<u>210</u>
	<u>\$ 68,485</u>	<u>\$ 136,379</u>

11. NON-CURRENT ASSETS AND DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE

a. Discontinued operations

On January 20, 2015, the Company's board of directors entered into an agreement to sell the STB (set-top box) product center to Availink, Inc. This sale was completed in March 2015.

Refer to Note 27 for loss on disposal calculations.

Loss from discontinued operations was as follows:

	For the Year Ended December 31, 2015
Net loss for the period	\$ (315,011)
Gains on disposal (see Note 27)	<u>287,166</u>
	<u>\$ (27,845)</u>

Segment revenue and cash flow results:

	For the Year Ended December 31, 2015
Operating revenue	\$ 96,100
Operating costs	<u>(230,623)</u>
Gross loss	(134,523)
Selling and marketing expenses	(1,982)
General and administrative expenses	(4,302)
Research and development expenses	<u>(44,808)</u>
Loss from operations	(185,615)
Other loss	(94,123)
Share of profit of associates	<u>(35,273)</u>
Loss before tax	(315,011)
Income tax expense	<u>-</u>
Net loss for the period	<u>\$ (315,011)</u>
Loss from discontinued operations attributable to:	
Owners of the Company	\$ (315,011)
Non-controlling interest	<u>-</u>
	<u>\$ (315,011)</u>
Net cash used in operating activities	<u>\$ (48,216)</u>
Net cash outflows	<u>\$ (48,216)</u>

There was no tax expense or benefit related to the loss on discontinued operations.

The carrying amounts of assets and liabilities of the STB product center at the date of disposal are disclosed in Note 27.

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2016	2015
Investments in subsidiaries	\$ 5,051,524	\$ 5,395,609
Investments in associates	323,912	339,023
Investments in jointly controlled entities	<u>-</u>	<u>13,295</u>
	<u>\$ 5,375,436</u>	<u>\$ 5,747,927</u>

a. Investments in subsidiaries

	December 31	
	2016	2015
Listed companies		
Generalplus Technology Corp.	\$ 731,737	\$ 722,586
Non-listed Company		
Ventureplus Group Inc.	1,456,206	1,699,981
Sunplus Venture Capital Co., Ltd.	846,259	814,205
Lin Shih Investment Co., Ltd.	794,315	897,803
Sunplus Innovation Technology	524,574	515,144
Rusell Holdings Limited	288,020	291,435
iCatch Technology Inc.	197,578	245,948
Sunext Technology	116,471	108,058
Sunplus mMedia Inc.	45,130	48,981
Sunplus mMobile Inc.	30,440	32,373
Wei-Young Investment Inc.	16,517	14,783
Sunplus Management Consulting	4,011	4,061
Magic Sky Limited	221	251
Sunplus Technology (H.K.)	<u>45</u>	<u>-</u>
	<u>\$ 5,051,524</u>	<u>\$ 5,395,609</u>
Credit balances on the carrying values of long-term investments (recorded as other current liabilities)		
Award Glory Ltd.	\$ 11,236	\$ -
Sunplus Technology (H.K.)	<u>-</u>	<u>140</u>
	<u>\$ 11,236</u>	<u>\$ 140</u>

Except for Global Techplus Capital Inc., which was liquidated in September 2013, and Sunplus Management Consulting, the investments accounted for using equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2016 and 2015 were based on the subsidiaries' financial statements audited by the Company's auditors for the same reporting periods as those of the Company. Refer to Note 34 for the detail list of investments in subsidiaries.

The percentage subsidiaries' ownerships and voting right held by the Company:

	December 31	
	2016	2015
Listed companies		
Generalplus Technology Corp.	34%	34%
Non-listed Company		
Ventureplus Group Inc.	100%	100%
Lin Shih Investment Co., Ltd.	100%	100%
Sunplus Venture Capital Co., Ltd.	100%	100%
Sunplus Innovation Technology	61%	62%
Rusell Holdings Limited	100%	100%
iCatch Technology Inc.	38%	38%
Sunext Technology	61%	61%
Sunplus mMedia Inc.	87%	87%
Sunplus Core (S2-TEK INC.)	100%	100%
Wei-Young Investment Inc.	100%	100%
Sunplus Management Consulting	100%	100%
Magic Sky Limited	100%	100%
Sunplus Technology (H.K.)	100%	-
Credit balances on the carrying values of long-term investments (recorded as other current liabilities)		
Sunplus Technology (H.K.)	-	100%
Award Glory Ltd.	100%	-

b. Investments in associates

	December 31	
	2016	2015
Listed companies		
Global View Co., Ltd.	<u>\$ 323,912</u>	<u>\$ 339,023</u>

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

	December 31	
Name of Associate	2016	2015
Global View Co., Ltd.	13%	13%

In their meeting on September 30, 2014, the shareholders of Orise Technology ("Orise") approved the merger of Orise and FocalTech-Systems ("FocalTech") Technology, with FocalTech as the survivor entity, and the merger and share transfer will take effect on January 2, 2015. Orise will issue new common shares, and FocalTech swapped 1 common share for 4.8 common shares of Orise. After the merger, the Group had a gain of \$889,145 thousand, but the Group's equity interest in Orise decreased from 34% to 12%, resulting in the Group's losing significant influence on Orise. Thus, the Group reclassified its investment in Orise to available-for-sale financial asset. Orise was renamed FocalTech Systems in January 2015.

In their meeting on June 17, 2014, the board of directors of Global View Co., Ltd. ("Global") elected a Company director as a board member. The Company thus considered that it acquired significant influence in Global and reclassified its holding of Global shares from available-for-sale financial assets to an investment in an associate.

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

	December 31	
	2016	2015

Global View Co., Ltd.

\$ 311,896

\$ 252,233

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

	December 31	
	2016	2015
Total assets	<u>\$ 1,640,940</u>	<u>\$ 1,678,504</u>
Total liabilities	<u>\$ 132,352</u>	<u>\$ 54,232</u>
	Years Ended December 31	
	2016	2015
Revenue	<u>\$ 219,613</u>	<u>\$ 27,550</u>
Profit for the period	<u>\$ 69,013</u>	<u>\$ (16,446)</u>
Comprehensive income	<u>\$ 153,633</u>	<u>\$ 106,589</u>
Share of profits (loss) of associates accounted for using the equity method	<u>\$ 20,068</u>	<u>\$ 18,145</u>

The amounts of share of profits of associates are based on the associates' financial statements audited by the auditors.

c. 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. could not develop new products. Thus, in their meeting on January 25, 2016, the shareholders approved a resolution to shut down the business of this investee.

SZ-Tech Inc. was liquidated on May 3, 2016. The Company recognized \$414 thousand in loss on disposal of the investment according to the estimated amount of surplus properties distributed less the book value of the investment.

Company	December 31	
	2016	2015
Jointly controlled entities		
S2-Tek Inc.	\$ <u>-</u>	\$ <u>13,295</u>

The interests in the jointly controlled entities which were accounted for using the equity method are summarized as follows:

	December 31, 2015
Current assets	\$ <u>938,782</u>
Noncurrent assets	\$ <u>18</u>
Current liabilities	\$ <u>353,473</u>
Noncurrent liabilities	\$ <u>-</u>
	Years Ended December 31, 2015
Sales	\$ <u>1,039,015</u>
Costs of sales	\$ <u>779,526</u>
Operating expenses	\$ <u>278,128</u>
Nonoperating income and expenses	\$ <u>478,977</u>
Income tax expense	\$ <u>-</u>
Share of profit or loss of joint ventures	\$ <u>10,469</u>
Share of comprehensive income of joint ventures	\$ <u>10,469</u>

13. PROPERTY, PLANT AND EQUIPMENT

	Year Ended December 31, 2015					
	Buildings	Auxiliary Equipment	Machinery and Equipment	Testing Equipment	Furniture and Fixtures	Total
<u>Cost</u>						
Balance, beginning of year	\$ 973,804	\$ 54,484	\$ 11,119	\$ 142,666	\$ 25,705	\$ 1,207,778
Additions	-	4,817	627	44,511	4,466	54,421
Disposals	<u>(4,599)</u>	<u>(5,379)</u>	<u>(9,272)</u>	<u>(50,615)</u>	<u>(6,321)</u>	<u>(76,186)</u>
Balance, end of year	<u>969,205</u>	<u>53,922</u>	<u>2,474</u>	<u>136,562</u>	<u>23,850</u>	<u>1,186,013</u>
<u>Accumulated depreciation and Impairment</u>						
Balance, beginning of year	268,064	36,426	9,994	110,103	8,093	432,680
Depreciation expense	20,034	5,115	758	50,731	5,114	81,752
Disposals	<u>(4,599)</u>	<u>(5,379)</u>	<u>(9,272)</u>	<u>(47,709)</u>	<u>(6,397)</u>	<u>(73,356)</u>
Balance, end of year	<u>283,499</u>	<u>36,162</u>	<u>1,480</u>	<u>113,125</u>	<u>6,810</u>	<u>441,076</u>
Net, end of year	\$ <u>685,706</u>	\$ <u>17,760</u>	\$ <u>994</u>	\$ <u>23,437</u>	\$ <u>17,040</u>	\$ <u>744,937</u>

	Year Ended December 31, 2016					
	Buildings	Auxiliary Equipment	Machinery and Equipment	Testing Equipment	Furniture and Fixtures	Total
<u>Cost</u>						
Balance, beginning of year	\$ 969,205	\$ 53,922	\$ 2,474	\$ 136,562	\$ 23,850	\$ 1,186,013
Additions	-	4,890	-	38,477	4,451	47,818
Disposals	-	(11,491)	(1,306)	(3,767)	(750)	(17,314)
Balance, end of year	<u>969,205</u>	<u>47,321</u>	<u>1,168</u>	<u>171,272</u>	<u>27,551</u>	<u>1,216,517</u>
<u>Accumulated depreciation and Impairment</u>						
Balance, beginning of year	283,499	36,162	1,480	113,125	6,810	441,076
Depreciation expense	19,721	4,862	396	40,106	5,485	70,570
Disposals	-	(11,491)	(1,306)	(3,727)	(750)	(17,274)
Balance, end of year	<u>303,220</u>	<u>29,533</u>	<u>570</u>	<u>149,504</u>	<u>11,545</u>	<u>494,372</u>
Net, end of year	<u>\$ 665,985</u>	<u>\$ 17,788</u>	<u>\$ 598</u>	<u>\$ 21,768</u>	<u>\$ 16,006</u>	<u>\$ 722,145</u>

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

Buildings	35-56 years
Auxiliary equipment	4-11 years
Machinery and equipment	4 years
Testing equipment	1-5 years
Furniture and fixtures	3-5 years

Refer to Note 32 for the carrying amounts of property, plant and equipment that had been pledged by the Company to secure borrowings.

14. INTANGIBLE ASSETS

	Year Ended December 31, 2015			
	Technology License Fees	Software	Patents	Total
<u>Cost</u>				
Balance at January 1	\$ 318,068	\$ 22,833	\$ 97,099	\$ 438,000
Additions	9,518	3,451	-	12,969
Decrease	(116,305)	(3,261)	-	(119,566)
Balance at December 31	<u>211,281</u>	<u>23,023</u>	<u>97,099</u>	<u>331,403</u>
<u>Accumulated amortization</u>				
Balance at January 1	149,446	7,527	63,383	220,356
Amortization expense	18,704	7,632	5,395	31,731
Decrease	(96,826)	(2,736)	-	(99,562)
Balance at December 31	<u>71,324</u>	<u>12,423</u>	<u>68,778</u>	<u>152,525</u>

(Continued)

	Year Ended December 31, 2015			
	Technology License Fees	Software	Patents	Total
<u>Accumulated deficit</u>				
Balance at January 1	\$ 17,013	\$ -	\$ -	\$ 17,013
Additions	<u>94,123</u>	<u>-</u>	<u>-</u>	<u>94,123</u>
Balance at December 31	<u>111,136</u>	<u>-</u>	<u>-</u>	<u>111,136</u>
Carrying amounts at December 31, 2015	<u>\$ 28,821</u>	<u>\$ 10,600</u>	<u>\$ 28,321</u>	<u>\$ 67,742</u> (Concluded)

	Year Ended December 31, 2016			
	Technology License Fees	Software	Patents	Total
<u>Cost</u>				
Balance at January 1	\$ 211,281	\$ 23,023	\$ 97,099	\$ 331,403
Additions	24,166	5,729	-	29,895
Decrease	<u>-</u>	<u>(8,993)</u>	<u>-</u>	<u>(8,993)</u>
Balance at December 31	<u>235,447</u>	<u>19,759</u>	<u>97,099</u>	<u>352,305</u>

<u>Accumulated amortization</u>				
Balance at January 1	71,324	12,423	68,778	152,525
Amortization expense	15,105	8,640	5,395	29,140
Decrease	<u>-</u>	<u>(8,993)</u>	<u>-</u>	<u>(8,993)</u>
Balance at December 31	<u>86,429</u>	<u>12,070</u>	<u>74,173</u>	<u>172,672</u>

<u>Accumulated deficit</u>				
Balance at January 1	111,136	-	-	111,136
Additions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance at December 31	<u>111,136</u>	<u>-</u>	<u>-</u>	<u>111,136</u>
Carrying amounts at December 31, 2016	<u>\$ 37,882</u>	<u>\$ 7,689</u>	<u>\$ 22,926</u>	<u>\$ 68,497</u>

Intangible assets consisted of fees paid to Oak Technology (“Oak”) for the Group to use Oak’s technology on light storage solutions to develop SOC DVD/VCD (system on a chip digital compact disk/video compact disk) players.

The company recognized impairment loss on above intangible assets \$0 and \$94,123 thousand as of December 31, 2016 and 2015 respectively.

These intangible assets were depreciated on a straight-line basis at the following rates per annum:

Technology license fees	1-10 years
Software	1-5 years
Patents	18 years

15. OTHER ASSETS

	December 31
	2016
	2015

Pledged time deposits	\$ 70,600	\$ 6,100
Prepayment for technical authorization	35,683	-
Prepayment for EDA	22,615	15,569
Golf club passports	7,800	7,800
Prepayment for royalties	5,990	7,004
Refundable deposits	258	258
Other	<u>6,017</u>	<u>2,279</u>
	<u>\$ 148,963</u>	<u>\$ 39,010</u>
Current	\$ 134,805	\$ 24,852
Noncurrent	<u>14,158</u>	<u>14,158</u>
	<u>\$ 148,963</u>	<u>\$ 39,010</u>

16. LOANS

a. Short-term borrowings

	December 31	
	2016	2015
<u>Unsecured borrowings</u>		
Bank loans	<u>\$ 37,500</u>	<u>\$ -</u>

The weighted average effective interest rate on the bank loans as of December 31, 2016 was 1.10%.

b. Long-term borrowings

The borrowings of the Company were as follows:

	December 31	
	2016	2015
Loans on credit	\$ 868,056	\$ 1,123,750
Secured borrowings	<u>77,776</u>	<u>233,332</u>
	945,832	1,357,082
Less: Current portion	<u>416,665</u>	<u>457,500</u>
Long-term borrowings - noncurrent	<u>\$ 529,167</u>	<u>\$ 899,582</u>

Under the loan contracts, the Company provided shares of Focal Tech Technology Co., Ltd. as collaterals for the above loans (Note 32).

The effective rate borrowings as of December 31 2016 and 2015 were 1.545%-1.850%, and 1.705%-1.920%.

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 2015 and 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 Company was in compliance with these financial ratio requirements.

17. ACCOUNTS AND NOTES PAYABLE

	December 31	
	2016	2015
<u>Accounts payable</u>		
Payable - operating	<u>\$ 144,804</u>	<u>\$ 120,424</u>

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

18. PROVISIONS

	December 31	
	2016	2015
Customer returns and rebates	<u>\$ 9,154</u>	<u>\$ 9,319</u>

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.

19. OTHER LIABILITIES

	December 31	
	2016	2015
<u>Other payables</u>		
Salaries or bonuses	\$ 109,694	\$ 130,918
Payable for royalties	54,280	36,841
Credit balances on the carrying values of long-term investments	11,236	140
Payable on machinery and equipment	10,433	17,412
Labor/health insurance	7,983	8,672
Compensation due to directors and supervisors	3,105	15,222
Others	<u>94,069</u>	<u>40,689</u>
	<u>\$ 290,800</u>	<u>\$ 249,894</u>
Current	\$ 290,800	\$ 249,444
Noncurrent	<u>-</u>	<u>450</u>
	<u>\$ 290,800</u>	<u>\$ 249,894</u>

20. RETIREMENT BENEFIT PLANS

Defined contribution plans

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

Defined benefit plans

Before the promulgation of the LPA, Sunplus, Generalplus, Sunext, Sunplus Innovation, Jumplux Technology, Sunplus mMedia 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 amounts included in the balance sheets in respect of the Company's defined benefit plans were as follows:

	December 31	
	2016	2015
Present value of funded defined benefit obligation	\$ 159,999	\$ 156,963
Fair value of plan assets	<u>(150,994)</u>	<u>(149,789)</u>
Net defined benefit liability	<u>\$ 9,005</u>	<u>\$ 7,174</u>

Amounts recognized in profit or loss in respect of these defined benefit plans are as follows:

	Present Value of Funded Defined Benefit Obligation	Fair Value of Plan Assets	Net Liability Arising from Defined Benefit Obligation
Balance at January 1, 2015	<u>\$ 162,927</u>	<u>\$ 143,061</u>	<u>\$ 19,866</u>
Service cost			
Current service cost	1,034	-	1,034
Disposal gain	(11,649)	-	(11,649)
Interest expense(income)	<u>3,259</u>	<u>2,895</u>	<u>364</u>
Recognized in profit or loss	<u>(7,356)</u>	<u>2,895</u>	<u>(10,251)</u>
Remeasurement			
Return on plan assets	-	958	(958)
Actuarial (gain) loss-experience adjustment	<u>1,392</u>	<u>-</u>	<u>1,392</u>
Recognized in other comprehensive income	<u>1,392</u>	<u>958</u>	<u>434</u>
Contributions from employer	<u>-</u>	<u>2,875</u>	<u>(2,875)</u>
Balance at December 31, 2015	<u>\$ 156,963</u>	<u>\$ 149,789</u>	<u>\$ 7,174</u>

(Continued)

	Present Value of Funded Defined Benefit Obligation	Fair Value of Plan Assets	Net Liability Arising from Defined Benefit Obligation
Balance at January 1, 2016	<u>\$ 156,963</u>	<u>\$ 149,789</u>	<u>\$ 7,174</u>
Service cost			
Current service cost	581	-	581
Disposal gain	-	-	-
Interest expense	<u>2,747</u>	<u>2,647</u>	<u>100</u>
Recognized in profit or loss	<u>3,328</u>	<u>2,647</u>	<u>681</u>
Remeasurement			
Return on plan assets	-	(1,250)	1,250
Actuarial (gain) loss-changes in financial assumptions	3,478	-	3,478
Adjustment on actuarial (gain) loss-experience adjustment	<u>(842)</u>	<u>-</u>	<u>(842)</u>
Recognized in other comprehensive income	<u>2,636</u>	<u>(1,250)</u>	<u>3,886</u>
Contributions from employer	<u>-</u>	<u>2,736</u>	<u>(2,736)</u>
Disposals	<u>(2,928)</u>	<u>(2,928)</u>	<u>-</u>
Balance at December 31, 2016	<u>\$ 159,999</u>	<u>\$ 150,994</u>	<u>\$ 9,005</u> (Concluded)

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	
	2016	2015
Operating costs	\$ 188	\$ 417
Selling and marketing expenses	6	11
General and administrative expenses	219	463
Research and development expenses	<u>268</u>	<u>(11,138)</u>
	<u>\$ 681</u>	<u>\$ (10,247)</u>

The above expense recognized in profit or loss was due to the Company's sale of the STB (set-top box) product center in March 2015, resulting in the layoff of this center's employees. The Company recognized a disposal gain of \$11,649 thousand and recognized \$1,606 thousand as defined benefit obligation remeasurement under other comprehensive income.

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

- 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.
- 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.

- c. 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	
	2016	2015
Discount rate(s)	1.60%	1.75%
Expected rate(s) of salary increase	4.00%	4.00%
Resignation rate	0%-28%	0%-28%

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	
	2016	2015
Discount rate(s)		
0.25% increase	\$ (5,744)	\$ (5,918)
0.25% decrease	\$ 6,013	\$ 6,216
Expected rate(s) of salary increase		
1% increase	\$ 25,004	\$ 25,899
1% decrease	\$ (21,284)	\$ (21,896)

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	
	2016	2015
The expected contributions to the plan for the next year	\$ 2,734	\$ 2,875
The average duration of the defined benefit obligation	17 years	18 years

21. EQUITY

Share capital

Common shares:

	December 31	
	2016	2015
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 \$10.00, carry one vote per share and a right to dividends.

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

Capital surplus

A reconciliation of the carrying amount at the beginning and at the end of 2016 and 2015 for each component of capital surplus was as follows:

	December 31	
	2016	2015
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (a)</u>		
From the issuance of common shares	\$ 703,376	\$ 703,376
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	10,625	-
<u>May be used to offset a deficit only</u>		
From treasury share transactions	<u>39,686</u>	<u>36,518</u>
	<u>\$ 911,110</u>	<u>\$ 897,317</u>

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

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 and supervisors before and after amendment, please refer to Note 23-5.

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 reversals of 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 2015 and 2014 earnings were approved at the shareholders' meetings on June 13, 2016 and June 12, 2015, respectively. The appropriations, including dividends, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For Year 2015	For Year 2014	For Year 2015	For Year 2014
Unappropriated retain earnings to cover losses	\$ -	\$ 12,806	\$ -	\$ -
Legal reserve	58,935	41,058	-	-
Special reserve	4,094	(4,806)	-	-
Cash dividend	526,875	355,198	0.89	0.6

The appropriations of earnings, the bonus to employees, and the remuneration to directors and supervisors for 2015 are subject to the resolution of the shareholders' meeting to be held on March 15, 2017.

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 9,974	\$ -
Special reserve	1,068	-
Cash dividend	88,681	0.1498

Other equity items

Foreign currency translation reserve:

	Years Ended December 31	
	2016	2015
Balance at January 1	\$ 97,509	\$ 128,258
Exchange differences arising on translating the foreign operations	<u>(159,571)</u>	<u>(30,749)</u>
Balance at December 31	<u>\$ (62,602)</u>	<u>\$ 97,509</u>

Unrealized gain/loss from available-for-sale financial assets:

	Years Ended December 31	
	2016	2015
Balance at January 1	\$ 233,983	\$ 181,674
Changes in fair value of available-for-sale financial assets	109,205	(721,838)
Cumulative gain/loss reclassified to profit or loss upon disposal of available-for-sale financial assets	(108,423)	(33,590)
Reclassification adjustments to profit or loss on impairment of available-for-sale financial assets	71,740	809,661
The proportionate share of other comprehensive income/losses reclassified to profit or loss upon partial disposal of associates	-	(41)
Share of unrealized gain on revaluation of jointly controlled entities accounted for using the equity method	<u>(43)</u>	<u>(1,883)</u>
Balance at December 31	<u>\$ 306,462</u>	<u>\$ 233,983</u>

The investment revaluation reserve represents the cumulative gains and losses arising on the revaluation of available-for-sale financial assets that have been recognized in other comprehensive income, net of amounts reclassified to profit or loss when those assets have been disposed of or are determined to be impaired.

No controlling interests

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, 2015	-	3,560	3,560
Decrease	<u>-</u>	<u>-</u>	<u>-</u>
Number of shares as December 31, 2015	<u>-</u>	<u>3,560</u>	<u>3,560</u>
Number of shares as of January 1, 2016	-	3,560	3,560
Decrease	<u>-</u>	<u>-</u>	<u>-</u>
Number of shares as December 31, 2016	<u>-</u>	<u>3,560</u>	<u>3,560</u>

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

	Number of Shares Held (In Thousand)	Carrying Amount	Market Price
<u>December 31, 2016</u>			
Lin Shin Investment Co., Ltd	3,560	<u>\$ 63,401</u>	<u>\$ 40,406</u>
<u>December 31, 2015</u>			
Lin Shin Investment Co., Ltd	3,560	<u>\$ 63,401</u>	<u>\$ 41,474</u>

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

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, 2016, the outstanding 176 thousand units of GDRs represented 352 thousand common shares.

22. REVENUE

	Years Ended December 31	
	2016	2015
Revenue from IC	\$ 1,793,520	\$ 2,535,227
Other	<u>110,704</u>	<u>136,165</u>
	<u>\$ 1,904,224</u>	<u>\$ 2,671,392</u>

23. NET PROFIT

Net profit included the following items:

a. Other income

	Years Ended December 31	
	2016	2015
Dividend income	\$ 14,715	\$ 18,255
Interest income	5,983	10,599
Grand income	2,468	8,667
Others	<u>26,920</u>	<u>27,871</u>
	<u>\$ 50,086</u>	<u>\$ 65,392</u>

b. Other gains and losses

	Years Ended December 31	
	2016	2015
Gain on disposal of available-for-sale financial assets	\$ 108,956	\$ 33,590
Service income of management support	39,016	41,964
(Loss) gain on disposal of investment accounted for using equity method	(414)	889,145
Net foreign exchange (losses) gains	(5,140)	17,287
Impairment loss on financial assets carried at cost	(22,528)	(82,782)
Impairment loss on available-for-sale financial assets	<u>(71,740)</u>	<u>(809,661)</u>
	<u>\$ 48,150</u>	<u>\$ 89,543</u>

c. Finance costs

	Years Ended December 31	
	2016	2015
Interest on bank loans	\$ 19,782	\$ 23,510
Other financial costs	<u>810</u>	<u>744</u>
	<u>\$ 20,592</u>	<u>\$ 24,254</u>

d. Depreciation and amortization

	Years Ended December 31	
	2016	2015
Property, plant and equipment	\$ 70,570	\$ 81,752
Intangible assets	<u>29,140</u>	<u>31,731</u>
	<u>\$ 99,710</u>	<u>\$ 113,483</u>
An analysis of depreciation by function		
Operating costs	\$ 4,565	\$ 6,279
Operating expenses	<u>66,005</u>	<u>75,473</u>
	<u>\$ 70,570</u>	<u>\$ 81,752</u>
An analysis of amortization by function		
Operating costs	\$ 736	\$ 851
Selling expenses	2	1
Administrative expenses	6,242	5,214
Research and development expenses	<u>22,160</u>	<u>25,665</u>
	<u>\$ 29,140</u>	<u>\$ 31,731</u>

e. Employee benefit expense

	Years Ended December 31	
	2016	2015
Short-term benefits	\$ 502,698	\$ 583,387
Post-employment benefits		
Defined contribution plans	20,724	21,057
Defined benefit plans	681	(10,247)
Other employee benefits	<u>3,145</u>	<u>4,533</u>
Total employee benefit expense	<u>\$ 527,248</u>	<u>\$ 598,730</u>
An analysis of employee benefit expense by function		
Operating costs	\$ 83,406	\$ 104,268
Operating expenses	<u>443,842</u>	<u>494,462</u>
	<u>\$ 527,248</u>	<u>\$ 598,730</u>

1) Employees' compensation and remuneration of directors and supervisors for 2016 and 2015

Under the Company Act as amended in May 2015, the Company resolved amendments to its Articles of Incorporation to distribute employees' compensation and remuneration of 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 and supervisors for the years ended December 31, 2016 and 2015 which were approved by the Company's board of directors on March 15, 2017 and March 23, 2016, respectively, were as follows:

Accrual rate

	For the Year Ended December 31	
	2016	2015
Employees' compensation	1%	1%
Remuneration of directors	1.5%	1.5%

Amount

	For the Year Ended December 31			
	2016		2015	
	Cash	Share	Cash	Share
Employees' compensation	\$ 1,242	\$ -	\$ 6,089	\$ -
Remuneration of directors	1,863	-	9,133	-

If there is a change in the proposed amounts after the annual financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

There was no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the financial statements for the year ended December 31, 2015.

Information on the employees' compensation and remuneration of directors resolved by the Company's board of directors in 2017 and 2016 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

2) Bonus to employees and remuneration of directors and supervisors for 2014

The appropriations of bonuses to employees and remuneration of directors and supervisors for 2014 were approved in the shareholders' meetings on June 12, 2015 and were as follows:

	For the Year Ended December 31, 2014	
	Cash Dividends	Share Dividends
Bonus to employees	\$ 191	\$ -
Remuneration of directors and supervisors	287	-

The bonus to employees and the remuneration of directors and supervisors for the years ended December 31, 2014 were approved in the shareholders' meetings on June 12, 2015 and the amounts recognized in the financial statements for the years ended December 31, 2014 were as follows:

	For the Year Ended December 31, 2014	
	Bonus to Employees	Remuneration of Directors and Supervisors
Amounts approved in shareholders' meetings	\$ 191	\$ 287
Amounts recognized in respective financial statements	110	165

The differences were adjusted to profit and loss for the year ended December 31, 2015.

Information on the bonus to employees, directors and supervisors proposed by the Company's board of directors is available on the Market Observation Post System website of the Taiwan Stock Exchange.

f. Gain or loss on exchange rate changes

	Years Ended December 31	
	2016	2015
Exchange rate gains	\$ 53,188	\$ 93,366
Exchange rate losses	<u>(58,328)</u>	<u>(76,079)</u>
	<u>\$ (5,140)</u>	<u>\$ 17,287</u>

24. INCOME TAXES

a. Income tax recognized in profit or loss

The major components of tax expense (income) were as follows:

	Years Ended December 31	
	2016	2015
Current tax		
Current period	\$ 889	\$ 3,732
Deferred tax		
Current period	<u>-</u>	<u>575</u>
Income tax expense recognized in profit or loss	<u>\$ 889</u>	<u>\$ 4,307</u>

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

	Years Ended December 31	
	2016	2015
Profit before tax	<u>\$ 121,076</u>	<u>\$ 621,500</u>
Income tax expense at the 17% statutory rate	\$ 20,583	\$ 105,655
Tax effect of adjusting items:		
Nondeductible expenses	(42,189)	(173,890)
Temporary differences	9,042	143,845
Income tax on unappropriated earnings	-	1,339
Tax-exempt income	<u>(67)</u>	<u>-</u>
Current income tax expense	(12,631)	76,949
Deferred income tax expense		
Temporary differences	-	575
Investment credits	-	-
Unrecognized (loss carryforwards) investment credit	12,631	(75,610)
Foreign income tax expense	<u>889</u>	<u>2,393</u>
Income tax benefit (expense) recognized in profit or loss	<u>\$ 889</u>	<u>\$ 4,307</u>

The applicable tax rate used above is the corporate tax rate of 17% payable by the Company.

As the status of 2017 appropriations of earnings is uncertain, the potential income tax consequences of 2016 10% additional income tax on unappropriated earnings are not reliably determinable.

b. Current tax assets and liabilities

	December 31	
	2016	2015
Current tax assets		
Tax refund receivable	<u>\$ 3,073</u>	<u>\$ 3,073</u>
Current tax liabilities		
Income tax payable	<u>\$ -</u>	<u>\$ 297</u>

c. Deferred tax assets and liabilities

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

For the year ended December 31, 2016

Deferred Tax Assets	Opening Balance	Recognized in Profit or Loss	Closing Balance
Temporary differences			
Accrued absences compensation	\$ (1,869)	\$ 1,869	\$ -
Depreciation expense	3,852	(959)	2,893
Unrealized loss on inventories	(49)	49	-
Exchange (gains) losses	76	(89)	(13)
Others	<u>475</u>	<u>(870)</u>	<u>(395)</u>
	<u>\$ 2,485</u>	<u>\$ -</u>	<u>\$ 2,485</u>

For the year ended December 31, 2015

Deferred Tax Assets	Opening Balance	Recognized in Profit or Loss	Closing Balance
Temporary differences			
Accrued absences compensation	\$ (912)	\$ (957)	\$ (1,869)
Depreciation expense	5,014	(1,162)	3,852
Unrealized loss on inventories	627	(676)	(49)
Intangible assets	(2,499)	2,499	-
Deferred credits	187	(187)	-
Exchange (gains) losses	(151)	227	76
Others	<u>794</u>	<u>(319)</u>	<u>475</u>
	<u>\$ 3,060</u>	<u>\$ (575)</u>	<u>\$ 2,485</u>

- d. Deductible temporary differences, unused loss carryforwards and unused investment credits for which no deferred tax assets have been recognized in the consolidated balance sheets

	December 31	
	2016	2015
Loss Carryforwards		
Expiry in 2019	\$ 368,314	\$ -
Expiry in 2020	437,687	202,943
Expiry in 2021	621,262	621,262
Expiry in 2022	518,243	518,243
Expiry in 2023	1,231,503	1,231,503
Expiry in 2024	84,824	81,883
Expiry in 2025	145,422	-
Expiry in 2026	<u>74,298</u>	<u>-</u>
	<u>\$ 3,481,553</u>	<u>\$ 2,655,834</u>
Deductible temporary differences	<u>\$ 344,402</u>	<u>\$ 363,485</u>

- e. Unused loss carryforwards and tax exemptions

Loss carryforwards as of December 31, 2016:

Unused Amount	Expiry Year
\$ 368,314	2019
437,687	2020
621,262	2021
518,243	2022
1,231,503	2023
84,824	2024
145,422	2025
<u>74,298</u>	2026
<u>\$ 3,481,553</u>	

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

<u>Project</u>	<u>Tax Exemption Period</u>
<u>Sunplus</u>	
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

f. Integrated income tax

	<u>December 31</u>	
	<u>2016</u>	<u>2015</u>
Imputation credit accounts	<u>\$ 243,091</u>	<u>\$ 313,104</u>
	<u>For the Year Ended December 31</u>	
	<u>2016 (Expected)</u>	<u>2015</u>
Creditable ratio for distribution of earnings	21.91%	20.91%

g. Income tax assessments

The income tax returns of the Company before 2012 had been assessed by the tax authorities.

25. EARNINGS PER SHARE

Unit: NT\$ Per Share

	<u>Years Ended December 31</u>	
	<u>2016</u>	<u>2015</u>
Basic gain per share		
From continuing operations	\$ 0.20	\$ 1.05
From discontinued operations	<u>-</u>	<u>(0.05)</u>
Total basic earnings per share	<u>\$ 0.20</u>	<u>\$ 1.00</u>
Diluted earnings per share		
From continuing operations	\$ 0.20	\$ 1.05
From discontinued operations	<u>-</u>	<u>(0.05)</u>
Total diluted earnings per share	<u>\$ 0.20</u>	<u>\$ 1.00</u>

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

Net Profit for the Period

	<u>Years Ended December 31</u>	
	<u>2016</u>	<u>2015</u>
Profit for the year attributable to owners of the Group	<u>\$ 120,187</u>	<u>\$ 589,348</u>
Earnings used in the computation of basic EPS	120,187	589,348
Less: Loss for the period from discontinued operations used in the computation of basic EPS from discontinued operation	<u>-</u>	<u>(27,845)</u>
		(Continued)

	Years Ended December 31	
	2016	2015
Earnings used in the computation of basic EPS from continuing operations	\$ 120,187	\$ 617,193
Effect of potentially dilutive ordinary shares		
Bonus to employee	<u>-</u>	<u>-</u>
Earnings used in the computation of diluted EPS from continuing operations	<u>\$ 120,187</u>	<u>\$ 617,193</u>
		(Concluded)

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

	Years Ended December 31	
	2016	2015
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:		
Employee bonus	<u>215</u>	<u>528</u>
Weighted average number of common shares used in the computation of diluted earnings per share	<u>\$ 588,650</u>	<u>\$ 588,963</u>

The Group can settle bonus or remuneration to employees in cash or shares. If the Group 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.

26. GOVERNMENT GRANTS

In June 2014, the Company signed a contract with the Institute for Information Industry for the Company to develop an IC (integrated circuit) sensor for electrocardiograms with low power consumption and noise and an SDK (software development kit) system for electrocardiograms as well as hardware development. The program started from November 7, 2013 and was ended on May 6, 2015. As of December 31, 2015, the government grants received had amounted to \$6,199 thousand, which was classified under non-operating income and gains.

The Company and H.P.B Optoelectronics Co., Ltd. and National Yunlin University science and Technology Department of Electronic Engineering Cosigned the contract of [The program of HD and 3D mobile panoramic assist system with real time correction] with Hsinchu Science Park Administration, MOST, on July, 2015. The government grants will distribute to those organizations based on the process of the program. The program started from July 1, 2015 to June 30, 2016. As of December 31, 2016 and 2015, the government grants received was amounted to \$2,468 thousand and was classified to non-operating income and gains.

27. DISPOSAL OF SUBSIDIARIES

As stated in Note 11, the Group lost its control over Sunplus Core Technology Co., Ltd. and disposed of another subsidiary. Related information is as follows:

	STB Product Center
a. Consideration received from the disposal	<u>\$ 330,000</u>
b. Analysis of assets and liabilities on the date control was lost	
Current assets	
Prepaid royalty	\$ 20,000
Noncurrent assets	
Property, plant and equipment	2,830
Intangible asset	<u>20,004</u>
Net assets disposed of	<u>\$ 42,834</u>

Gain on disposal of subsidiary \$287,166 thousand included loss on discontinuing segment (Note 11).

28. OPERATING LEASE ARRANGEMENTS

The Company as lessee

Operating leases relate to leases of land with lease terms between 20 years. All operating lease contracts over 5 years contain clauses for 5-yearly market rental reviews. The Company does not have a bargain purchase option to acquire the leased land at the expiry of the lease periods.

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 \$7,781 thousand for the period ended. The Company had pledged \$6,100 thousand time deposits (classified as other non-current assets) as collateral for the land lease agreements.

Future annual minimum rentals under the leases are as follows:

	December 31	
	2016	2015
Up to 1 year	\$ 7,781	\$ 7,815
Over 1 year to 5 years	29,091	31,262
Over 5 years	<u>40,660</u>	<u>45,692</u>
	<u>\$ 77,532</u>	<u>\$ 84,769</u>

29. CAPITAL MANAGEMENT

The Company manages its capital to ensure that entities in the Company 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 Company consists of [net debt (borrowings offset by cash and cash equivalents) and equity of the Company (comprising issued capital, reserves, retained earnings and other equity) attributable to owners of the Company.

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

30. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments not carried 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, 2016

	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
<u>Financial assets</u>					
Financial assets carried at cost	\$ 300.623	\$ -	\$ -	\$ -	\$ -

December 31, 2015

		Fair Value			
	Carrying Amount	Level 1	Level 2	Level 3	Total
<u>Financial assets</u>					
Financial assets carried at cost	\$ 219,574	\$ -	\$ -	\$ -	\$ -

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

1) Fair value hierarchy

December 31, 2016

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Mutual funds	\$ 531,277	\$ -	\$ -	\$ 531,277
Securities listed in ROC	<u>773,289</u>	<u>-</u>	<u>-</u>	<u>773,289</u>
	<u>\$ 1,304,566</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,304,566</u>

December 31, 2015

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Mutual funds	\$ 436,970	\$ -	\$ -	\$ 436,970
Securities listed in ROC	<u>1,295,103</u>	<u>-</u>	<u>-</u>	<u>1,295,103</u>
	<u>\$ 1,732,073</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,732,073</u>

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

The fair value of financial instruments which has standard clause and will be transacted in active market is according to market value including public convertible bond, equity investment and mutual funds.

c. Categories of financial instruments

	<u>December 31,</u>	
	2016	2015
<u>Financial assets</u>		
Loans and receivables (i)	\$ 2,344,343	\$ 2,366,198
Available-for-sale financial assets (ii)	1,605,189	1,951,647
<u>Financial liabilities</u>		
Measured at amortized cost (iii)	1,190,817	1,568,345

(i) The balances included loans and receivables measured at amortized cost, which comprise cash and cash equivalents, refundable deposit and trade and other receivables.

(ii) The balance included the carrying amount of available - for - sale financial assets measured at cost.

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

d. Financial risk management objectives and policies

The Company's major financial instruments included equity and debt investments, trade receivable, trade payables, bonds payable, borrowings and convertible notes. The Company'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 Company 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 Company's risk management committee.

1) Market risk

The Company'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 Company 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 Company'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 Company considers the cost of the hedging instrument and the hedging period.

The carrying amounts of the Company's foreign currency-denominated monetary assets and monetary liabilities at the end of the reporting period, please refers to Note 33.

Sensitivity analysis

The Company was mainly exposed to the USD and RMB.

The following table details the Company's sensitivity to a US\$1.00 and RMB\$1.00 increase and decrease in New Taiwan dollars (the functional currency) against the relevant foreign currencies. US\$1.00 and RMB\$1.00 is 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. A positive number below indicates an increase in post-tax profit and other equity associated with New Taiwan dollars strengthen 1 dollar against the relevant currency.

	USD Impact	
	Years Ended December 31	
	2016	2015
Profit or loss	\$ (12,404)	\$ (17,301)
	RMB Impact	
	Years Ended December 31	
	2016	2015
Profit or loss	\$ (1,149)	\$ (11,458)

b) Interest rate risk

The Company was exposed to interest rate risk because entities in the Company borrowed funds at both fixed and floating interest rates. The risk is managed by the Company 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 Company's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows.

	December 31	
	2016	2015
Fair value interest rate risk		
Financial assets	\$ 1,223,100	\$ 1,075,550
Financial liabilities	-	-
Cash flow interest rate risk		
Financial assets	804,673	739,304
Financial liabilities	945,832	1,357,082

Sensitivity analysis

The sensitivity analyses below were determined based on the Company'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% basis point and all other variables held constant, the Company's post-tax profit for the years ended December 31, 2016 and 2015 would decrease/increase by \$176 thousand and \$772 thousand.

c) Other price risk

The Company was exposed to equity price risk through its investments in listed equity securities. Equity investments are held for strategic rather than trading purposes. The Company 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, 2016 and 2015 would have increased/decreased by \$13,046 thousand and \$17,320 thousand.

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. As at the end of the reporting period, the Company's maximum exposure to credit risk which will cause a financial loss to the Company due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Company 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 Company 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 Company 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 Company consider that the Company'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 Company's concentration of credit risk of 87% and 89% in total trade receivables as of December 31, 2016 and 2015, respectively, was related to the five largest customers within the property construction business segment.

3) Liquidity risk

The Company manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Company'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 Company relies on bank borrowings as a significant source of liquidity. As of December 31, 2016 and 2015, the Company had available unutilized overdraft and financing facilities refer to the following instruction.

a) Liquidity and interest risk rate tables

The following table details the Company'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 Company can be required to pay. The tables included both interest and principal cash flows.

December 31, 2016

	Weighted Average Effective Interest Rate (%)	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
<u>Non-derivative Financial liabilities</u>						
Noninterest bearing	-	\$ -	\$ 285,584	\$ -	\$ -	\$ -
Variable interest rate liabilities	1.545~1.850	788	162,498	254,167	529,167	-
Fixed interest rate liabilities	0.8	21	-	-	-	63,145
		<u>\$ 809</u>	<u>\$ 448,802</u>	<u>\$ 254,167</u>	<u>\$ 529,167</u>	<u>\$ 63,145</u>

December 31, 2015

	Weighted Average Effective Interest Rate (%)	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
<u>Non-derivative Financial liabilities</u>						
Noninterest bearing	-	\$ -	\$ 208,750	\$ -	\$ -	\$ -
Variable interest rate liabilities	1.705~1.920	1,056	96,528	360,972	899,582	-
Fixed interest rate liabilities	0.8	-	-	-	-	90,878
		<u>\$ 1,056</u>	<u>\$ 305,278</u>	<u>\$ 360,972</u>	<u>\$ 899,582</u>	<u>\$ 90,878</u>

b) Financing facilities

	December 31	
	2016	2015
Unsecured bank overdraft facility		
Amount used	\$ 945,832	\$ 1,619,682
Amount unused	<u>2,446,440</u>	<u>2,322,150</u>
	<u>\$ 3,392,272</u>	<u>\$ 3,914,832</u>

31. TRANSACTIONS WITH RELATED PARTIES

a. Sales of goods

Account Items	Related Parties Types	For the Year Ended December 31	
		2016	2015
Sales of goods	Subsidiaries	\$ 24,220	\$ 24,721
	Joint ventures	<u>219</u>	<u>45,696</u>
		<u>\$ 24,439</u>	<u>\$ 70,417</u>

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.

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

Account Item	Related Party	December 31	
		2016	2015
Trade receivables	Subsidiaries	\$ 2,315	\$ 6,615
	Joint ventures	<u>-</u>	<u>750</u>
		<u>\$ 2,315</u>	<u>\$ 7,365</u>
Other receivable	Subsidiaries	\$ 6,883	\$ 3,489
	Joint ventures	<u>-</u>	<u>1,262</u>
		<u>\$ 6,883</u>	<u>\$ 4,751</u>

There were no guarantees on outstanding receivables from related parties.

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

Account Item	Related Party	December 31	
		2016	2015
Other current liabilities	Subsidiaries	<u>\$ -</u>	<u>\$ 739</u>

- d. Property, plant and equipment disposed of

Related Party	Proceeds of the Disposal of Assets		Gain on Disposal of Assets	
	For the Year Ended		For the Year Ended	
	December 31		December 31	
	2016	2015	2016	2015
Subsidiaries	\$ 40	\$ -	\$ -	\$ -

- e. Other transactions with related parties

Account Item	Related Parties Types	For the Year Ended December 31	
		2016	2015
Operating expenses	Subsidiaries	\$ 1,332	\$ 2,917
	Joint ventures	-	13,931
		<u>\$ 1,332</u>	<u>\$ 16,848</u>
Nonoperating income and expenses	Subsidiaries	\$ 39,774	\$ 33,633
	Joint ventures	<u>1,808</u>	<u>16,275</u>
		<u>\$ 41,582</u>	<u>\$ 49,908</u>

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

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.

- f. Compensation of key management personnel

	For the Year Ended December 31	
	2016	2015
Short-term employee benefits	\$ 20,989	\$ 18,263
Post-employment benefits	<u>269</u>	<u>399</u>
	<u>\$ 21,258</u>	<u>\$ 18,662</u>

Compensation of directors and other supervisors decided by individual performance and market trend from Remuneration Committee.

32. PLEDGED OR MORTGAGED ASSETS

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

	December 31	
	2016	2015
Buildings, net	\$ 653,940	\$ 673,342
Pledged time deposits (classified to other assets, including current and noncurrent)	<u>70,600</u>	<u>6,100</u>
	<u>\$ 724,540</u>	<u>\$ 679,442</u>

33. 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, 2016

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 16,183	32.250	\$ 521,902
HKD	13,699	4.158	56,960
CNY	1,158	4.167	5,346
JPY	74	0.267	20
GBP	3	39.610	119
Nonmonetary items subsidiaries accounted for using equity method			
USD	8,938	32.250	288,251
HKD	11	4.617	46
<u>Financial liabilities</u>			
Monetary items			
USD	3,779	32.250	121,873
CNY	9	4.617	42
EUR	22	33.900	746

December 31, 2015

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 22,163	32.825	\$ 727,500
CNY	11,467	4.995	57,278
JPY	177	0.273	48
HKD	11	4.235	47
GBP	3	48.670	146
EUR	1	35.880	36
Nonmonetary items subsidiaries accounted for using equity method			
USD	8,886	32.825	291,683
<u>Financial liabilities</u>			
Monetary items			
USD	4,862	32.825	159,595
CNY	9	4.995	45
Nonmonetary items subsidiaries accounted for using equity method			
HKD	33	4.235	140

The significant unrealized foreign exchange gains (losses) were as follows:

Foreign Currencies	2016		2015	
	Exchange Rate	Net Foreign Exchange Gain (Loss)	Exchange Rate	Net Foreign Exchange Gain (Loss)
RMB	4.617 (RMB:NTD)	\$ (22)	4.995 (RMB:NTD)	\$ (2,429)
USD	32.250 (USD:NTD)	<u>(456)</u>	32.825 (USD:NTD)	<u>(16,651)</u>
		<u>\$ (478)</u>		<u>\$ (19,080)</u>

34. ADDITIONAL DISCLOSURES

- a. Following are the additional disclosures required for the Company 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 \$100 million or 20% of the paid-in capital. Table 4 (attached)
 - 5) Information on investee: Table 5 (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 6)

Except for Table 1 to Table 6, there's no further information about other significant transactions.

TABLE 1

SUNPLUS TECHNOLOGY COMPANY LIMITED

**FINANCINGS PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2016
(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.	Sunplus Prof-tek Technology (Shenzhen)	Other receivables	Yes	\$ 45,403	\$ -	\$ -	2.37%	Note 1	\$ -	Note 2	\$ -	-	\$ -	\$ 145,616 (Note 11)	\$ 291,232 (Note 11)
1	Ventureplus Cayman Inc.	Sun Media Technology Co., Ltd.	Other receivables	Yes	113,558	113,558	74,624	2.27%-2.28%	Note 1	-	Note 3	-	-	-	145,616 (Note 11)	291,232 (Note 11)
1	Ventureplus Cayman Inc.	Ytrip Technology Co., Ltd.	Other receivables	Yes	37,475	-	-	2.20%-2.60%	Note 1	-	Note 4	-	-	-	72,808 (Note 12)	145,616 (Note 12)
2	Sunplus Technology (Shanghai) Co., Ltd.	1culture Communication Co., Ltd	Receivables from related parties	Yes	1,150	-	-	1.80%	Note 1	-	Note 5	-	-	-	25,409 (Note 13)	50,817 (Note 13)
2	Sunplus Technology (Shanghai) Co., Ltd	Ytrip Technology Co., Ltd.	Receivables from related parties	Yes	3,497	-	-	1.80%	Note 1	-	Note 6	-	-	-	25,409 (Note 13)	50,817 (Note 13)
2	Sunplus Technology (Shanghai) Co., Ltd.	Sunplus APP Technology	Receivables from related parties	Yes	25,266	14,985	14,985	1.80%	Note 1	-	Note 7	-	-	-	25,409 (Note 13)	50,817 (Note 13)
2	Sunplus Technology (Shanghai) Co., Ltd.	Sunplus Technology (Beijing)	Receivables from related parties	Yes	14,985	14,985	14,985	1.80%	Note 1	-	Note 8	-	-	-	304,904 (Note 14)	304,904 (Note 14)
2	Sunplus Technology (Shanghai) Co., Ltd.	Sunplus Prof-tek Technology (Shenzhen)	Receivables from related parties	Yes	14,985	14,985	14,985	1.80%	Note 1	-	Note 9	-	-	-	304,904 (Note 14)	304,904 (Note 14)
2	Sunplus Technology (Shanghai) Co., Ltd.	Sun Media Technology Co., Ltd.	Receivables from related parties	Yes	154,845	104,895	104,895	1.60%	Note 1	-	Note 10	-	-	-	304,904 (Note 14)	304,904 (Note 14)

Note 1: Short-term financing.

Note 2: Ventureplus Cayman Inc. provided funds for Sunplus Prof-tek Technology (Shenzhen) to its need of operation.

Note 3: Ventureplus Cayman Inc. provided funds for Sun Media Technology Co., Ltd. to its need of operation.

Note 4: Ventureplus Cayman Inc. provided funds for Ytrip Technology Co., Ltd. to its need of operation.

Note 5: Sunplus Technology (Shanghai) Co., Ltd. provided funds for the operating needs of 1culture Communication Co, .Ltd.

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

Note 7: Sunplus Technology (Shanghai) Co., Ltd. provided funds for the operating needs of Sunplus APP Technology.

Note 8: Sunplus Technology (Shanghai) Co., Ltd. provided funds for the operating needs of Sunplus Technology (Beijing).

Note 9: Sunplus Technology (Shanghai) Co., Ltd. provided funds for the operating needs of Sunplus Prof-tek Technology (Shenzhen).

Note 10: Sunplus Technology (Shanghai) Co., Ltd. provided funds for the operating needs of Sun Media Technology Co., Ltd.

Note 11: The foreign company has voting shares that are directly and indirectly wholly owned by the Group’s parent company. The total amounts of all guarantees issued should not exceed 20% of Ventureplus Cayman Inc. net equity based on the latest financial statements, and the individual amounts of the guarantee should not exceed 10% of Ventureplus Cayman Inc. net equity based on the latest financial statements; in addition, the guarantee period should not exceed two years.

Note 12: The amount should not exceed 10% of Ventureplus Cayman Inc. net equity based on the latest financial statements, and the individual amounts of the guarantee should not exceed 5% of Ventureplus Cayman Inc. net equity based on the latest financial statements.

Note 13: The aggregate amount should not exceed 10% of the net equity of Sunplus Technology (Shanghai) Co., Ltd. (“Sunplus Shanghai”), and the individual amounts of the guarantee should not exceed 5% of Sunplus Shanghai’s net equity, with net equity based on this lender’s latest financial statements.

Note 14: The foreign company has voting shares that are directly and indirectly wholly owned by the Company’s parent company. The total amounts of all guarantees issued and the individual amounts of the guarantee should not exceed 60% of Sunplus Technology (Shanghai) Co., Ltd.’s net equity as of the latest financial statements; in addition, the guarantee period should not exceed two years.

(Concluded)

TABLE 2

SUNPLUS TECHNOLOGY COMPANY LIMITED

**ENDORSEMENT/GUARANTEE PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2016
(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/Guara ntee 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)	\$ 902,425 (Note 5)	\$ 288,490	\$ 161,400	\$ 81,575	\$ -	1.69	\$ 1,804,851 (Note 6)	Yes	No	No
		Sun Media Technology Co., Ltd.	3 (Note 4)	902,425 (Note 5)	943,470	912,580	752,930	-	9.55	1,804,851 (Note 6)	Yes	No	Yes
		Jumplux Technology Co., Ltd.	3 (Note 4)	902,425 (Note 5)	35,000	35,000	35,000	-	0.37	1,804,851 (Note 6)	Yes	No	No
		Ytrip Technology Co., Ltd.	3 (Note 4)	902,425 (Note 5)	191,310	128,940	128,940	64,400	1.35	1,804,851 (Note 6)	Yes	No	Yes
		Sunext Technology Co., Ltd.	2 (Note 3)	902,425 (Note 5)	30,000	10,000	10,000	-	0.10	1,804,851 (Note 6)	Yes	No	No
1 (Note2)	Russell Holdings Ltd.	Sun Media Technology Co., Ltd.	3 (Note 4)	172,812 (Note 7)	159,300	159,300	-	-	55.31	172,812 (Note 7)	No	No	Yes

Note 1: Issuer.

Note 2: Investee.

Note 3: Directly holds more than 50% of the common shares of a subsidiary.

Note 4: Common shares held by the Sunplus and its subsidiaries jointly own more than 50% of the investee company.

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

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

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

TABLE 3

SUNPLUS TECHNOLOGY COMPANY LIMITED

MARKETABLE SECURITIES HELD
DECEMBER 31, 2016
(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	September 30, 2016				Note
				Shares or Units (Thousands)	Carrying Value	Percentage of Ownership (%)	Market Value or Net Asset Value	
Sunplus Technology Company Limited (the “Company”)	<u>Fund</u>							
	Nomura Global High Dividend Act	-	Available-for-sale financial assets	616	\$ 9,963	-	\$ 9,963	Note 3
	FSITC Money Market	-	Available-for-sale financial assets	290	51,256	-	51,256	Note 3
	Yuanta Wan Tai Money Fund	-	Available-for-sale financial assets	2,010	30,178	-	30,178	Note 3
	Mega Diamond Money Market	-	Available-for-sale financial assets	13,197	163,881	-	163,881	Note 3
	Prudential Financial Money Market Fund	-	Available-for-sale financial assets	1,925	30,153	-	30,153	Note 3
	UPAMC James Bond Money Market	-	Available-for-sale financial assets	1,851	30,651	-	30,651	Note 3
	KGI Economic Moat Fund	-	Available-for-sale financial assets	500	5,640	-	5,640	Note 3
	Yuanta Emerging Indonesia Opp Bd	-	Available-for-sale financial assets	500	5,525	-	5,525	Note 3
	Jih Sun Money Market	-	Available-for-sale financial assets	3,420	50,166	-	50,166	Note 3
	Mega RMB Money Market	-	Available-for-sale financial assets	466	23,419	-	23,419	Note 3
	Taishin China-US Money Market	-	Available-for-sale financial assets	3,000	30,228	-	30,228	Note 3
	Yuanta RMB Money Market CNY	-	Available-for-sale financial assets	470	23,407	-	23,407	Note 3
	Yuanta Global USD Corporate Bond TWD A	-	Available-for-sale financial assets	2,000	19,582	-	19,582	Note 3
	Yuanta USD Money Market USD	-	Available-for-sale financial assets	100	32,368	-	32,368	Note 3
	Prudential Financial RMB Money Mkt TWD	-	Available-for-sale financial assets	2,593	24,860	-	24,860	Note 3
	<u>Stock</u>							
	FocalTech Inc.	-	Available-for-sale financial assets	8,839	311,117	3	311,117	Note 2
	United Microelectronics Corp.	-	Available-for-sale financial assets	1,968	22,431	-	22,431	Note 2
	Tatung Company	-	Available-for-sale financial assets	46,094	439,741	2	439,741	Note 2
	<u>Fund</u>							
	Technology Partners Venture Capital Corp.	-	Financial assets carried at cost	213	2,133	7	2,133	Note 1
	Network Capital Global Fund	-	Financial assets carried at cost	380	3,800	11	3,800	Note 1
	Availin Inc.	-	Financial assets carried at cost	9,039	189,690	17	189,690	Note 1
	Triknightr 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.	Asolid Technology Co., Ltd.	-	Available-for-sale financial assets	31	1,759	-	1,759	Note 2
	Ruentex Material Co., Ltd	-	Available-for-sale financial assets	20	346	-	346	Note 2
	Compeq Manufacturing Co., Ltd.	-	Available-for-sale financial assets	1,000	15,550	-	15,550	Note 2
	Wafer works Corporation	-	Available-for-sale financial assets	1,536	22,119	-	22,119	Note 2
	AP Memory Technology Co., Ltd.	-	Available-for-sale financial assets	40	2,888	-	2,888	Note 2
	Yuanta Great China TMT TWD Acc	-	Available-for-sale financial assets	3,133	29,133	-	29,133	Note 3
	Yuanta New ASEAN Balanced TWD	-	Available-for-sale financial assets	2,000	18,980	-	18,980	Note 3

(Continued)

Holding Company Name	Type and Name of Marketable Security	Relationship with the Holding Company	Financial Statement Account	September 30, 2016				Note
				Shares or Units (Thousands)	Carrying Value	Percentage of Ownership (%)	Market Value or Net Asset Value	
Lin Shih Investment Co., Ltd.	Fubon SSE	-	Available-for-sale financial assets	340	\$ 9,180	-	\$ 9,180	Note 3
	Fubon SZSE	-	Available-for-sale financial assets	920	8,602	-	8,602	Note 3
	CTBC Global Silver Age Income	-	Available-for-sale financial assets	1,000	10,100	-	10,100	Note 3
	CTBC Hwa-win Money Market Fund	-	Available-for-sale financial assets	4,581	50,002	-	50,002	Note 3
	Yuanta China Balance Fund	-	Available-for-sale financial assets	213	2,827	-	2,827	Note 3
	KGI High Sharpe Glabal Bal TWD ACC	-	Available-for-sale financial assets	15	151	-	151	Note 3
	Ability Enterprise Co., Ltd.	-	Available-for-sale financial assets	5,434	91,287	2	91,287	Note 2
	Sunplus Technology Co., Ltd.	Parent Company	Available-for-sale financial assets	3,560	40,406	1	40,406	Notes 2 and 4
	Minton Optic Industry Co., Ltd.	-	Financial assets carried at cost	4,272	-	7	-	Note 1
	Miracle Technology Co., Ltd.	-	Financial assets carried at cost	1,036	11,152	10	11,152	Note 1
	Genius Vision Digital Co., Ltd.	-	Financial assets carried at cost	600	3,676	4	3,676	Note 1
	Lingri Technology Co., Ltd.	-	Financial assets carried at cost	304	3,040	19	3,040	Note 1
	Sanjet Technology Corp.	-	Financial assets carried at cost	8	-	-	-	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
	Everlight Electronics Co., Ltd.-CB	-	Financial assets at fair value through profit or loss - current	80	7,916	-	7,916	Note 2
	AWEA MECHANTRONIC CO., LTD.-CB	-	Financial assets at fair value through profit or loss - current	21	2,100	-	2,100	Note 2
	King Yuan Electronics Co., Ltd.-OCB	-	Financial assets at fair value through profit or loss - current	1,000	32,379	-	32,379	Note 2
Russell Holdings Limited	<u>Stock</u>							
	Asia Tech Taiwan Venture, L.P.		Financial assets carried at cost	-	-	5	-	Note 1
	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 Info System, Inc.	-	Financial assets carried at cost	2,557	-	-	-	Note 1
	Ether Precision Inc.	-	Financial assets carried at cost	1,250	-	1	-	Note 1
	Innobrige Venture Fund ILP	-	Financial assets carried at cost	-	36,991	-	36,991	Note 1
					(US\$ 1,147)		(US\$ 1,147)	
	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
Sunplus Venture Capital Co., Ltd.	King Yuan Electronics Co., Ltd.-OCB	-	Financial assets at fair value through profit or loss - current	20	64,178	-	64,178	Note 1
					(US\$ 1,990)		(US\$ 1,990)	
	<u>Stock</u>							
	Yuanta De-Bao Money Market Fund	-	Available-for-sale financial assets	8,398	100,003	-	100,003	Note 2
	King Yuan Electronics Co., Ltd.	-	Available-for-sale financial assets	1,793	45,177	-	45,177	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	-	3	-	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

(Continued)

Holding Company Name	Type and Name of Marketable Security	Relationship with the Holding Company	Financial Statement Account	September 30, 2016				Note
				Shares or Units (Thousands)	Carrying Value	Percentage of Ownership (%)	Market Value or Net Asset Value	
Sunplus Venture Capital Co., Ltd.	Miracle Technology Co., Ltd.	-	Financial assets carried at cost	1,042	\$ 11,220	10	\$ 11,220	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	15,000	5	15,000	Note 1
	Touch Screen Glass Technology Co., Ltd.	-	Financial assets carried at cost	4,500	45,000	18	45,000	Note 1
	Ortery Technologies, Inc.	-	Financial assets carried at cost	68	-	1	-	Note 1
	Taiwan Environmental Scientific Co., Ltd.	-	Financial assets carried at cost	981	27,900	3	27,900	Note 1
	Dawning Leading Technology Inc.	-	Financial assets carried at cost	3,101	42,000	1	42,000	Note 1
	Qun-Xin 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	-	46,958	-	46,958	Note 1
Sunplus Technology (Shanghai) Co., Ltd.	Gf Money Market Fund	-	Available-for-sale financial assets	12,050	56,303 (RMB\$ 12,195)	-	56,303 (RMB\$ 12,195)	Note 3
	Gf Every Day The Red Haired Type Money Market Fund	-	Available-for-sale financial assets	3,565	16,446 (RMB\$ 3,562)	-	16,446 (RMB\$ 3,562)	Note 3
	GF Money Market Fund B	-	Available-for-sale financial assets	9,950	46,516 (RMB\$ 10,075)	-	46,516 (RMB\$ 10,075)	Note 3
	Chongquing Chong You Information Technology Co., Ltd.	-	Financial assets carried at cost	-	-	3	-	Note 1
Wei-Young Investment Inc.	Elitegroup Computer Systems	-	Available-for-sale financial assets	238	3,713	-	3,713	Note 2
Generalplus Technology Inc.	Jih Sun Money Market	-	Available-for-sale financial assets	3,011	44,172	-	44,172	Note 3
	UPAMC James Bond Money Market	-	Available-for-sale financial assets	1,513	25,055	-	25,055	Note 3
	Prudential Financial Return	-	Available-for-sale financial assets	6,458	99,605	-	99,605	Note 3
	Franklin Templeton Sinoam Money Market	-	Available-for-sale financial assets	2,955	30,243	-	30,243	Note 3
	Yuanta De-Li Money Market Fund	-	Available-for-sale financial assets	1,243	20,082	-	20,082	Note 3
iCatch Technology Inc.	Franklin Templeton Sinoam Money Market	-	Available-for-sale financial assets	986	10,088	-	10,088	Note 3
Sunplus Innovation Technology Inc.	<u>Fund</u>							
	Fuh Hwa You Li Money Market	-	Available-for-sale financial assets	2,253	30,103	-	30,103	Note 3
	Mega Diamond Money Market	-	Available-for-sale financial assets	810	10,059	-	10,059	Note 3
	Fubon Chi-Hsiang Money Market	-	Available-for-sale financial assets	1,930	30,005	-	30,005	Note 3
	Yuanta USD Money Market TWD	-	Available-for-sale financial assets	11,091	109,108	-	109,108	Note 3
	Yuanta RMB Money Market TWD	-	Available-for-sale financial assets	916	9,424	-	9,424	Note 3
	Yuanta USD Money Market USD	-	Available-for-sale financial assets	100	32,365	-	32,365	Note 3
	<u>Stock</u>							
	Advanced NuMicro System, Inc.	-	Financial assets carried at cost	2,000	4,121	9	4,122	Note 1
	Advanced Silicon SA	-	Financial assets carried at cost	1,000	15,392	10	15,391	Note 1
	Point Grab Ltd.	-	Financial assets carried at cost	182	15,150	2	15,150	Note 1

(Continued)

- Note 1: The market value was based on carrying value as of December 31, 2016.
- Note 2: The Market value was based on the closing price as of December 31, 2016.
- Note 3: The market value was based on the net asset value of fund as of December 31, 2016.
- Note 4: As of December 31, 2016, the above marketable securities, except the holdings of Lin Shih Investment Co., Ltd. of the shares of Sunplus Technology Company Limited with a market value \$38,413 thousand had not been pledged or mortgaged.
- Note 5: The exchange rate was based on the exchange rate as of December 31, 2016.

(Concluded)

TABLE 4

SUNPLUS TECHNOLOGY COMPANY LIMITED

**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, 2016
(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	
					Unit (Thousands)	Amount	Unit (Thousands)	Amount	Unit (Thousands)	Amount	Carrying Value	Gain (Loss) on Disposal	Unit (Thousands)	Amount
Sunplus Technology Company Limited	FocalTech Inc.	Available-for-sale financial assets	-	-	29,271	\$ 999,590 (Note)	-	\$	20,432	\$ 657,218	\$ 550,524	\$ 106,694	\$ 8,839	\$ 311,117 (Note)

Note: The amount was include changes in fair value of available-for-sale financial assets and impairment loss on available-for-sale financial assets.

TABLE 5

SUNPLUS TECHNOLOGY COMPANY LIMITED

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
DECEMBER 31, 2016

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of September 30, 2016			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				December 31, 2016	December 31, 2015	Shares (Thousands)	Percentage of Ownership	Carrying Value			
Sunplus Technology Company Limited	Ventureplus Group Inc.	Belize	Investment	\$ 2,571,321 (US\$ 74,305 RMB\$ 37,900)	\$ 2,571,321 (US\$ 74,305 RMB\$ 37,900)	-	100	\$ 1,456,206	\$ (148,167)	\$ (148,167)	Subsidiary
	Award Glory Ltd.	Belize	Investment	24,897 (US\$ 772)	-	-	100	(11,236)	(3,225)	(3,225)	Subsidiary
	GLOBAL VIEW CO., LTD.	Hsinchu, Taiwan	Design and sale of ICs	315,658	315,658	8,229	13	323,912	153,633	20,068	Investee
	Lin Shih Investment Co., Ltd.	Hsinchu, Taiwan	Investment	699,988	699,988	70,000	100	794,315	158,724	126,706	Subsidiary
	Generalplus Technology Inc.	Hsinchu, Taiwan	Design of ICs	281,001	281,001	37,324	34	731,737	413,473	141,823	Subsidiary
	Sunplus Venture Capital Co., Ltd.	Hsinchu, Taiwan	Investment	999,982	999,982	100,000	100	846,259	14,708	22,173	Subsidiary
	Sunplus Innovation Technology Inc.	Hsinchu, Taiwan	Design of ICs	414,663	414,663	31,450	61	524,574	27,404	16,921	Subsidiary
	Russell Holdings Limited	Cayman Islands, British West Indies.	Investment	476,010 (US\$ 14,760)	476,010 (US\$ 14,760)	14,760	100	288,020	1,749	1,749	Subsidiary
	iCatch Technology, Inc.	Hsinchu, Taiwan	Design of ICs	207,345	207,345	20,735	38	197,578	(83,602)	(31,489)	Subsidiary
	Sunext Technology Co., Ltd.	Hsinchu, Taiwan	Design and sale of ICs	924,730	924,730	38,836	61	116,471	14,627	8,945	Subsidiary
	Sunplus mMedia Inc.	Hsinchu, Taiwan	Design of ICs	357,565	357,565	17,441	87	45,130	(30,455)	(26,557)	Subsidiary
	Sunplus Management Consulting Inc.	Hsinchu, Taiwan	Management	5,000	5,000	500	100	4,011	(50)	(50)	Subsidiary
	Sunplus Technology (H.K.) Co., Ltd.	Kowloon Bay, Hong Kong	International trade	46,050 (HK\$ 11,075)	46,050 (HK\$ 11,075)	11,075	100	45	168	168	Subsidiary
	Magic Sky Limited	Samoa	Investment	218,010 (US\$ 6,760)	211,560 (US\$ 6,560)	6,000	100	221	(6,478)	(6,478)	Subsidiary (Note 1)
	S2-TEK INC.	Hsinchu, Taiwan	Design of ICs	-	362,285	-	2	-	30,925	702	Investee
	Sunplus mMobile Inc.	Hsinchu, Taiwan	Design of ICs	2,596,792	2,596,792	16,240	100	30,440	(1,139)	(1,139)	Subsidiary
	Wei-Young Investment Inc.	Hsinchu, Taiwan	Investment	30,157	30,157	1,400	100	16,517	2,862	448	Subsidiary
Lin Shih Investment Co., Ltd.	Generalplus Technology Inc.	Hsinchu, Taiwan	Design of ICs	86,256	86,256	14,892	14	293,490	413,473	56,587	Subsidiary
	Sunext Technology Co., Ltd.	Hsinchu, Taiwan	Design and sale of ICs	369,316	369,316	3,360	5	10,116	14,627	774	Subsidiary
	Sunplus Innovation Technology Inc.	Hsinchu, Taiwan	Design of ICs	15,701	15,701	1,075	2	15,713	27,404	578	Subsidiary
	iCatch Technology, Inc.	Hsinchu, Taiwan	Design of ICs	9,645	9,645	965	2	9,304	(83,602)	(1,465)	Subsidiary
	Sunplus mMedia Inc.	Hsinchu, Taiwan	Design of ICs	19,408	19,408	650	3	6,196	(30,455)	(990)	Subsidiary
	S2-TEK INC.	Hsinchu, Taiwan	Design of ICs	-	132,788	-	-	-	30,925	7,415	Investee
Sunplus Venture Capital Co., Ltd.	Generalplus Technology Inc.	Hsinchu, Taiwan	Design of ICs	49,099	56,050	3,983	4	91,481	413,473	15,847	Subsidiary
	Jumplux Technology Co., Ltd.	Hsinchu, Taiwan	Design and sales of IC	100,000	-	10,000	71	46,797	(44,252)	(20,986)	Subsidiary
	Sunplus Innovation Technology Inc.	Hsinchu, Taiwan	Design of ICs	57,388	57,388	2,904	6	49,436	27,404	1,562	Subsidiary
	iCatch Technology, Inc.	Hsinchu, Taiwan	Design of ICs	33,439	33,439	3,332	6	32,151	(83,602)	(4,921)	Subsidiary
	Sunext Technology Co., Ltd.	Hsinchu, Taiwan	Design and sale of ICs	385,709	385,709	4,431	7	13,282	14,627	1,020	Subsidiary
	Sunplus mMedia Inc.	Hsinchu, Taiwan	Design of ICs	44,878	44,878	1,909	10	2,945	(30,455)	(2,907)	Subsidiary
	Han Young Technology Co., Ltd.	Taipei, Taiwan	Design of ICs	4,200	4,200	420	70	1,781	-	-	Subsidiary
	S2-TEK INC.	Hsinchu, Taiwan	Design of ICs	-	133,846	-	-	-	30,925	7,732	Investee
Russell Holdings Limited	Sunext Technology Co., Ltd.	Hsinchu, Taiwan	Design and sale of ICs	68,338 (US\$ 2,119)	68,338 (US\$ 2,119)	442	1	1,325 (US\$ 41)	12,515	102 (US\$ 3)	Subsidiary
Wei-Young Investment Inc.	Generalplus Technology Inc.	Hsinchu, Taiwan	Design of ICs	-	1,800	-	-	-	413,473	130	Subsidiary
	Sunext Technology Co., Ltd.	Hsinchu, Taiwan	Design and sale of ICs	350	350	18	-	53	14,627	4	Subsidiary

Ventureplus Group Inc.	Ventureplus Mauritius Inc.	Mauritius	Investment	2,571,321 (USD 74,305 RMB 37,900)	2,571,321 (US\$ 74,305 RMB\$ 37,900)	-	100	1,456,186	(148,166)	(148,166)	Subsidiary
Ventureplus Mauritius Inc.	Ventureplus Cayman Inc.	Cayman Islands, British West Indies	Investment	2,571,321 (USD 74,305 RMB 37,900)	2,571,321 (US\$ 74,305 RMB\$ 37,900)	-	100	1,456,162	(148,166)	(148,166)	Subsidiary
Generalplus Technology Inc.	Generalplus International (Samoa) Inc.	Samoa	Investment	615,653 (US\$ 19,090)	615,653 (US\$ 19,090)	19,090	100	472,689	9,289	9,289	Subsidiary
Generalplus International (Samoa) Inc.	Generalplus (Mauritius) Inc.	Mauritius	Investment	\$ 615,653 (US\$ 19,090)	\$ 615,653 (US\$ 19,090)	19,090	100	472,687	9,289	9,289	Subsidiary

(Continued)

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of September 30, 2016			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				December 31, 2016	December 31, 2015	Shares (Thousands)	Percentage of Ownership	Carrying Value			
Generalplus (Mauritius) Inc.	Genralplus Technology (Hong Kong) Co., Ltd.	Hong Kong	Sales	\$ 12,578 (US\$ 390)	\$ 12,578 (US\$ 390)	-	100	\$ 4,949	\$ 1,246	\$ 1,246	Subsidiary
Sunplus mMobile Inc.	Sunplus mMobile SAS	France	Design of ICs	16,170 (EUR 477)	16,170 (EUR 477)	-	100	-	267	267	Subsidiary (Note 1)
Sunplus mMedia Inc.	Jumplux Technology Co., Ltd.	Hsinchu, Taiwan	Design and sales of IC	32,000	32,000	3,200	23	14,975	(44,252)	(18,612)	Subsidiary
Award Glory Ltd.	Sunny Fancy Ltd.	Seychelles	Investment	24,897 (US\$ 772)	-	-	100	(11,236)	(3,225)	(3,225)	Subsidiary
Sunny Fancy Ltd.	Giant Kingdom Ltd.	Seychelles	Investment	24,897 (US\$ 772)	-	-	100	(11,236)	(3,225)	(3,225)	Subsidiary
	Giant Rock Inc.	Anguilla	Investment	(Note 3)	(Note 3)	(Note 3)	(Note 3)	(Note 3)	(Note 3)	(Note 3)	Subsidiary

Note 1: Current capital registration has not been completed.

Note 2: The initial exchange rate was based on the exchange rate as of December 31, 2016.

Note 3: As of December 31, 2016, the establishment registration was completed, but capital was not invested yet.

(Concluded)

TABLE 6

SUNPLUS TECHNOLOGY COMPANY LIMITED
INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2016
(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, 2016	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2016	% Ownership of Direct or Indirect Investment	Net Income (Loss) of the investee	Investment Loss (Note 2)	Carrying Value as of December 31, 2016	Accumulated Inward Remittance of Earnings as of December 31, 2016
					Outflow	Inflow						
Sunplus Technology (Shanghai) Co., Ltd.	Development of computer software, system integration services and building rental	\$ 554,700 (US\$ 17,200)	Note 1	\$ 569,374 (US\$ 17,655)	\$ -	\$ -	\$ 569,374 (US\$ 17,655)	100%	\$ 34,971	\$ 34,971	\$ 508,173	\$ -
Sunplus Prof-tek (Shenzhen) Co., Ltd.	Development of computer software, system integration services and building rental	1,040,063 (US\$ 32,250)	Note 1	1,040,063 (US\$ 32,250)	-	-	1,040,063 (US\$ 32,250)	100%	(10,169)	(10,169)	813,289	-
Sun Media Technology Co., Ltd.	Development of computer software and system integration services	645,000 (US\$ 20,000)	Note 1	645,000 (US\$ 20,000)	-	-	645,000 (US\$ 20,000)	100%	(89,453)	(89,453)	145,236	-
Sunplus App Technology Co., Ltd.	Manufacturing and sale of computer software; system integration services and information management and education	69,255 (RMB\$ 15,000)	Note 1	65,069 (US\$ 586 RMB\$ 10,000)	-	-	65,069 (US\$ 586 RMB\$ 10,000)	93%	(27,361)	(27,361)	(1,758)	-
Ytrip Technology Co., Ltd.	Computer system integration services and supplying general advertising and other information services.	158,132 (RMB\$ 34,250)	Note 1	120,938 (US\$ 3,750)	24,542 (US\$ 761)	-	145,480 (US\$ 4,511)	83%	(37,583)	(37,583)	(66,005)	-
1culture Communication Co., Ltd	Development system	15,005 (RMB\$ 3,250)	Note 1	15,005 (US\$ 3,250)	-	-	15,005 (US\$ 3,250)	100%	144 (RMB\$ 37)	144 (RMB\$ 37)	60 (RMB\$ 13)	-
Sunplus Technology (Beijing)	Development of computer software, system integration services and building rental	124,659 (RMB\$ 27,000)	Note 1	124,659 (RMB\$ 27,000)	-	-	124,659 (RMB\$ 27,000)	100%	(28,049)	(28,049)	49,846	-

Accumulated Investment in Mainland China as of December 31, 2016	Investment Amounts Authorized by Investment Commission, MOEA	Limit on Investment
\$ 2,589,645 (US\$ 75,002 RMB\$ 37,000)	\$ 2,676,249 (US\$ 75,540 RMB\$ 52,000)	\$ 5,414,552

(Continued)

Generalplus Technology (Nature of Relationship: 1)

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, 2016	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2016	% Ownership of Direct or Indirect Investment	Net Loss of the investee	Investment Loss (Note 3)	Carrying Value as of December 31, 2016	Accumulated Inward Remittance of Earnings as of December 31, 2016
					Outflow	Inflow						
Generalplus Shenzhen	Data processing service	\$ 603,075 (US\$ 18,700)	Note 1	\$ 603,075 (US\$ 18,700)	\$ -	\$ -	\$ 603,075 (US\$ 18,700)	100%	\$ 8,043	\$ 8,043	\$ 467,719	\$ -

Accumulated Investment in Mainland China as of December 31, 2016	Investment Amount Authorized by Investment Commission, MOEA	Limit on Investment
\$ 603,075 (US\$ 18,700)	\$ 603,075 (US\$ 18,700)	\$ 1,298,498

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 company in the same period reviewed financial statements.

Note 3: The initial exchange rate was based on the exchange rate as of December 31, 2016.

(Concluded)

7.7 Financial Difficulties

Impact to the Company or subsidiaries if any turnover problems: None

VIII. Financial Analysis

8.1 Financial Status

8.1.1 Financial Analysis Comparison 2016 vs. 2015

Unit: NT\$K

Item \ Year	2015	2016	Variation	
			Increase (Decrease)	YoY %
Current Assets	8,705,229	8,792,142	86,913	1
Property, Plant & Equipment	3,563,095	2,265,910	(1,297,185)	(36)
Intangible Assets	193,481	191,024	(2,457)	(1)
Other Assets	3,137,202	3,379,946	242,744	8
Total Assets	15,599,007	14,629,022	(969,985)	(6)
Current Liabilities	2,740,858	3,045,403	304,545	11
Non-Current Liabilities	1,632,909	895,442	(737,467)	(45)
Total Liabilities	4,373,767	3,940,845	(432,922)	(10)
Equity Attributed to Shareholder of the parent	9,530,012	9,024,254	(505,758)	(5)
Capital Stock	5,919,949	5,919,949	-	-
Capital Surplus	897,317	911,110	13,793	2
Retained Earnings	2,444,655	2,012,196	(432,459)	(18)
Equity : Others	331,492	244,400	(87,092)	(26)
Treasury Stock	(63,401)	(63,401)	-	-
Minor interest	1,695,228	1,663,923	(31,305)	(2)
Total Shareholder's Equities	11,225,240	10,688,177	(537,063)	(5)
Remark:				
1. Real estate, plant and equipment are reduced, mainly due to the re-classification of the current year to the investment of real estate due.				
2. Non-current liabilities are reduced, mainly due to the decrease in long-term borrowings.				
3. Other interests are reduced, mainly due to the exchange rate affected by the foreign operations of the financial statements of the exchange rate conversion due to the reduction of the.				

8.2 Operational Results

8.2.1 Operation Results Comparison 2016 vs. 2015

Unit: NT\$K

Item \ Year	2015	2016	Variation	
			Increase (decrease)	YoY %
Net Sales	8,465,833	7,556,045	(909,788)	(11)
Gross Profit	3,522,625	3,202,488	(320,137)	(9)
Income (Loss) From Operating	566,540	236,391	(330,149)	(58)
Non-Operating Income (Expense)	371,467	129,776	(241,691)	(65)
Income (Loss) Before Tax	938,007	366,167	(571,840)	(61)
Income (Loss) From Operations of Continued Segments	856,125	272,506	(583,619)	(68)
Net Revenue (Loss) for the period	828,280	272,506	(555,774)	(67)
Other Comprehensive Income (Loss) for the period	18,282	(113,556)	(131,838)	(721)
Total Comprehensive Profit (Loss) for the period	846,562	158,950	(687,612)	(81)
Remarks:				
1. Reduced operating profit, mainly due to the decrease in operating income during the year. 2. Non-operating income and expenses decreased, which was mainly due to the decrease in the share of related enterprises and joint ventures recognized by equity method in the current year. 3. Pre-tax profit and loss, to continue operating profit and current period to reduce net profit, mainly due to the decrease in the share of related undertakings and the share of joint ventures recognized in the current year. 4. Other consolidated gains and losses in the current period, which was mainly due to the decrease in the exchange rate of the financial statements of foreign operating institutions during the year. 5. Total consolidated profit and loss in the current period, mainly due to the decrease in net profit and other comprehensive gains and losses during the year.				

8.3 Cash Flow

8.3.1 Cash Flow Analysis

a) Cash Flow Analysis 2016 vs. 2015

Item \ Year	2015	2016	YoY %
Cash flow ratio	36.73	40.69	11
Cash flow adequacy ratio	46.54	54.36	17
Cash flow reinvestment ratio	3.64	4.08	12

b) Cash Flow Forecast

Unit: NT\$K

Cash Balance, beginning of the year (1)	Net Cash Flow from Operating Activities (2)	Net Cash in-flow (3)	Net Cash Balance (1)+(2)+(3)	Remedial Measure if cash not enough	
				Investment plan	Financial leverage plan
\$4,803,495	873,212	(625,069)	5,051,638	-	-
1. Analysis of Cash Flow: (1) From Operating: Cash flow in for predicting making profits in 2017. (2) From Investing: Cash flow in for purchasing properties, IPs and R&D tools. (3) From Financing: Cash flow out because of the repayment of bank loans. 2. Remedies and Liquidity Analysis of Inadequate Cash: None.					

8.4 Major Capital Expenditure

8.4.1 Major Capital Expenditure and Sources: None.

8.4.2 Benefits from the Capital Expenditure: None.

8.5 Long-Term Investment

Not applicable

8.6 Risk Management

8.6.1 The Impact of Inflation, Foreign Exchange and Interest Rate Fluctuation and Measures to Cope With

1. Interest Rate: The Company will get more interest expenses when the interest rate rises. The finance division will collect information and evaluate the variation for hedge. Vice versa, the low interest rate will impact interest income. The company will put more cash on highly- returned short-term investment.
2. Exchange Rate: The selling products are quoted in US dollars. Most of the costs are quoted in US dollars but still some in NT dollars. So the New Taiwan Dollars appreciation will impact the company sales and gross margin. Our major foreign-currency assets are account receivable and time deposits. The company already utilizes mainly forward currency and option contracts to hedge its foreign exchange exposure, so the impact from floating exchange rate will be minimized.
3. Inflation: The material costs vary timely. The higher manufacture cost and selling pricing which would impact the consumers' budget for the high-end consumer electronic products. But Sunplus is working hard to develop new products for add-on value and cost-down, and expand the market shares in the emerging markets to relief the slow-down from developed countries.

8.6.2 Internal Policies and Procedure Exist with Respect to High Risk/High Leveraged Investment, Lending/Endorsements and Guarantees for Other Parties, Financial Derivatives Transaction

1. There is no high risk/high leveraged investment.
2. The company has made and followed "Sub-procedure of Extension of Monetary Loans to Others", The loans are made with risk evaluation which follows the procedures. After the loan is granted, the Company follows and traces financial status, business and credit status of the borrower and guarantor frequently, and asks equal collaterals or takes proper actions to secure.
3. The company has made and followed "Procedure of Endorsement and Guarantees", and the Endorsement

and Guarantees will only be made under well evaluation before granted.

4. The company has made and followed “Procedure of Engaging in Derivatives Trading “. The financial transactions of a derivatives nature that Sunplus enters into are strictly for hedging purposes and not for any trading or speculative purposes and under well evaluation.

8.6.3 R&D Plan and Execution

The consolidated R&D costs accounts for 23% ~ 32% of consolidated revenues through 2011 to 2016. Sunplus Group will keep investing in research and development, therefore, the consolidated R&D costs will account for 25% ~ 35% of consolidated revenues.

Company	New Products
Sunplus Technology	(1) In- Car CD/MP3/DVD (2) Android Platform (3) ADAS (4) High-Speed I/O IP (5) High performance data conversion IP (ADC/DAC/AFE) (6) Analog IP
Generalplus Technology	1. Consumer product line More audio channel / voice and image output higher resolution / support higher data compression rate / built-in more standard interface (standard interface) / low operating voltage and low power (low power) of the product. 2. Multimedia product line Provides high, medium and low order multimedia IC solutions, focusing on high-speed CPU / DSP performance, high-resolution image compression, playback and storage technology. 3. MCU product line Home appliances, handheld devices, PC and other peripheral applications related to the microcontroller, charging microcontrollers, high-performance brushless motor microcontrollers and other related products.
Sunplus Innovation Technology	(1) Highly-integrated, Multi-function MCU (2) Highly-integrated, Multi-function Optical Mouse SoC (3) Total Solutions for Wireless Mouse/Keyboard/Remote Control (4) USB3.0 Advanced 8Mp NB/Web Cam Controller IC (5) USB3.0 3D NB/Web Cam Controller IC (6) USB2.0 Low Power NB Cam Controller IC
iCatch Technology	(1) H.265 UHD SoC for image processing in high resolution, high compression, high performance and low power consumption (2) High Speed JPEG Encoder for the demand of 360 degree view in car black box and digital surveillance system
Sunext Technology	(1) Serial-ATA Blu-ray Controller Chipset (1) Multichannel Motor driver controller

8.6.4 Political and Regulatory Environment:

We will keep watch for any further updates and take actions to reduce the impacts on the company.

8.6.5 Advanced Technology

The wafer process technology is moving to smaller geometry. The migrated process technology could keep the chip production cost down but R&D cost up. The company tries to develop higher add-on value and mainstream multimedia products, which mainstream means to produce in huge volume and to share the research and development cost.

8.6.6 Corporate Identify and Image Change

The company takes corporate image seriously. Being people-oriented and having integrity are our top priorities when running our business. We disclose our operation and financial statements to public periodically and transparently in order to save the rights of our shareholders.

8.6.7 Mergers & Acquisitions

None

8.6.8 Expansion of Facilities

None

8.6.9 Suppliers & Customers

The Company separately purchases raw materials from several different suppliers, encapsulation and testing of the foundry is also adopted scattered strategy, to ensure that the output is no problem. The Company's largest sales customers in 2015 and 2016 accounted for 14% and 15% of the total net revenue for the year, no sales focus on the risk of a single customer.

8.6.10 Major Shareholding Change

None

8.6.11 Ownership Change

None

8.6.12 Litigation Proceedings

None

8.6.13 Other Risks

None

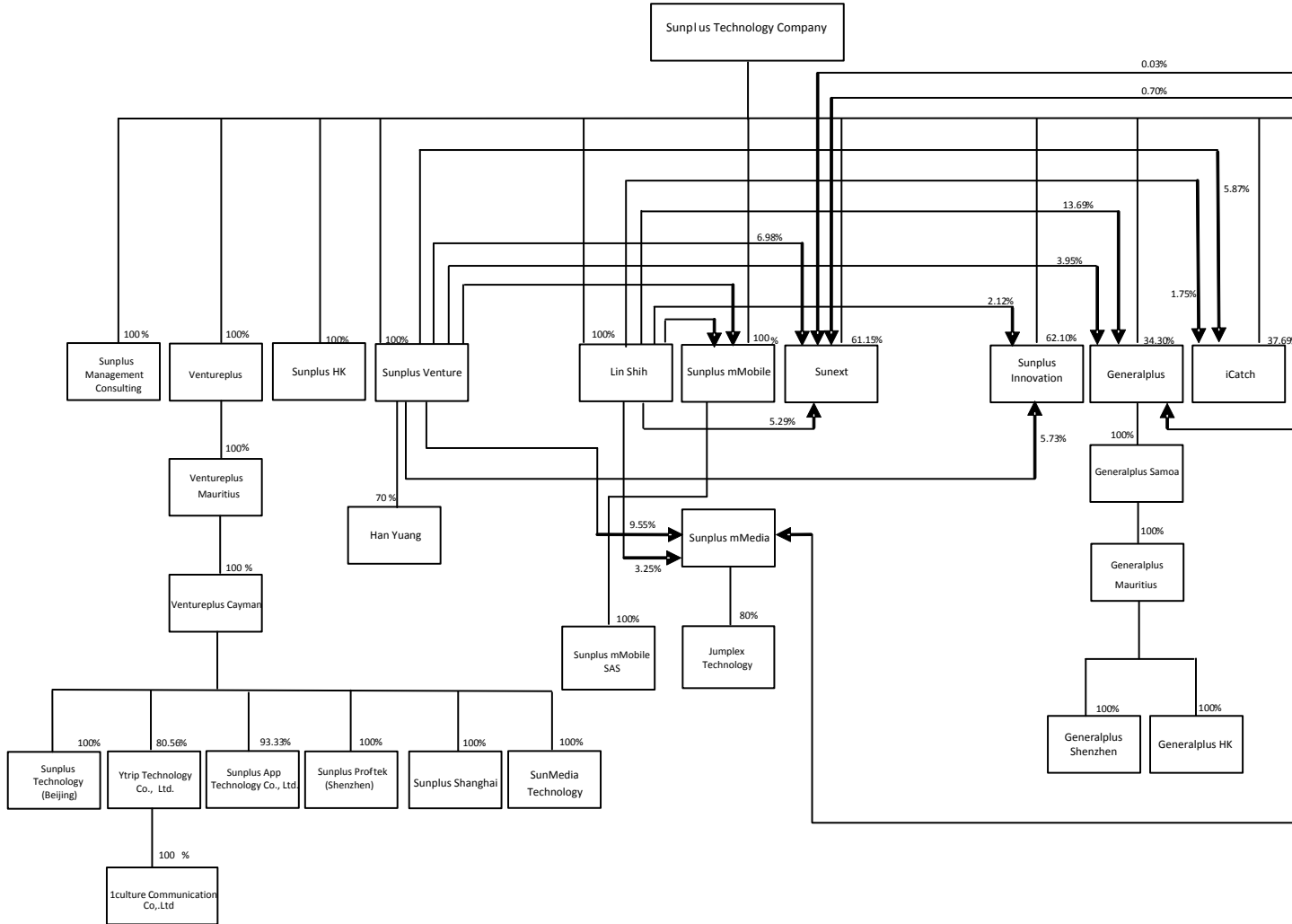
8.7 Other Remarks

None

IX. SPECIAL NOTES

9.1 Affiliates

9.1.1 Affiliated Chart



9.1.2 Affiliated Companies

December 31, 2016

Unit: NT\$K, unless other specified

Company	Date of Incorporation	Place of Registration	Paid-in Capital	Business Activities
Sunplus Technology (HK) Co., Ltd.	August 31, 1993	Kowloon, HK	HK\$11,075,000 (Note)	International Trading
Lin Shih Investment Co., Ltd.	July 2, 1998	Hsinchu, Taiwan	700,000	Investment
Russell Holdings Ltd.	March 11, 1998	Cayman	US\$14,760,000 (Note)	Investment
Sunplus Venture Capital Co., Ltd.	November 20, 1999	Hsinchu, Taiwan	1,000,000	Investment
Ventureplus Group Inc.	July 27, 2001	Belize	2,517,409	Investment
Ventureplus Mauritius Inc.	August 2, 2001	Mauritius	2,517,414	Investment
Ventureplus Cayman Inc.	September 14, 2001	Cayman	2,517,420	Investment
Shanghai Sunplus Technology Co., Ltd.	December 7, 2001	Shanghai, China	US\$17,200,000 (Note)	Software development, customer technical services and rental business
Sunplus Prof-tek Technology (Shenzhen) Co., Ltd.	October 20, 2007	Shenzhen, China	US\$32,250,000 (Note)	Software development, customer technical services and rental business
Sunmedia Technology Co., Ltd.	January 8, 2008	Chengdu, China	US\$20,000,000 (Note)	IC Sales and After Service, Software and System Design
Sunplus App Technology Co., Ltd.	October 6, 2008	Beijing, China	RMB15,000,000 (Note)	IC Sales and After Service, Software and System Design
Ytrip Technology Co., Ltd.	February 18, 2011	Chengdu, China	RMB34,250,000(Note)	System and Web Service
1culture Communication Co., Ltd.	February 18, 2013	Chengdu, China	RMB3,250,000(Note)	Web Service
Beijing Sunplus-Ehue Tech Co., Ltd.	December 11, 2013	Beijing	RMB27,000,000(Note)	Software development, customer technical services and rental business
Magic Sky Limited	September 22, 2010	Samoa	US\$6,760,000	Investment
Sunext Technology Co., Ltd.	March 13, 2003	Hsinchu, Taiwan	635,091	IC Design
Sunplus Management Consulting Inc.	October 2, 2003	Hsinchu, Taiwan	5,000	Consulting
WeiYing Investment Co., Ltd.	February 13, 2004	Hsinchu, Taiwan	14,000	Investment
Generalplus Technology Inc.	March 30, 2004	Hsinchu, Taiwan	1,088,158	IC Design
Generalplus International (Samoa) Inc.	November 12, 2004	Samoa	US\$19,090,000 (Note)	Investment
Generalplus (Mauritius) Inc.	November 25, 2004	Mauritius	US\$19,090,000 (Note)	Investment
Generalplus Technology (Shenzhen) Inc.	March 24, 2005	Shenzhen, China	US\$18,700,000 (Note)	Sales Service
Generalplus Technology (HK) Inc.	March 21, 2007	Hong Kong	US\$390,000 (Note)	Sales Service
Sunplus mMobile Inc.	December 20, 2006	Hsinchu, Taiwan	162,400	IC Design
Sunplus mMobile SAS	April 22, 2008	Cannes, France	EUR\$237,000 (Note)	IC Design

Sunplus Innovation Technology Inc.	December 14, 2006	Hsinchu, Taiwan	514,501	IC Design
Sunplus mMedia Inc.	April 18, 2007	Hsinchu, Taiwan	200,000	IC Design
iCatch Technology Inc.	December 23, 2009	Hsinchu, Taiwan	550,880	IC Design
Jumplux Technology Inc,	October 27,2014	Hsinchu, Taiwan	140,000	Design & Trading
Award Glory Ltd.	January 04, 2016	Belize	25,157	Investment
Sunny Fancy Ltd.	October 29, 2014	Mahe , Republic of Seychelles	25,157	Investment
Giant Kingdom Ltd.	January 21, 2016	Mahé, Seychelles	25,157	Investment

Note: End of 2016, exchange rate as ref.:

HK\$1=NT\$4.158

US\$1=NT\$32.25

RMB\$1=NT\$4.617

EU\$1=NT\$33.9

9.1.3 Business Scope of Affiliated Companies

Company	Business Activities	Business Relationship
Sunplus Technology (HK) Co., Ltd.	Trading	N/A
Lin Shih Investment Co., Ltd.	Investment	N/A
Russell Holdings Ltd.	Investment	N/A
Sunplus Venture Capital Co., Ltd.	Investment	N/A
Ventureplus Group Inc.	Investment	N/A
Ventureplus Mauritius Inc.	Investment	N/A
Ventureplus Cayman Inc.	Investment	N/A
Shanghai Sunplus Technology Co., Ltd.	Manufacture and Sales Service	China branch
Sunplus Prof-tek Technology (Shenzhen) Co., Ltd.	Manufacture and Sales Service	China branch
Sunmedia Technology Co., Ltd.	Software development and customer technical services	China branch
Sunplus App Technology Co., Ltd.	Sales and IT Education Service	China branch
Ytrip Technology Co., Ltd.	System and Web Service	China branch
1culture Communication Co., Ltd.	Web Service	N/A
Beijing Sunplus-Ehue Tech Co., Ltd.	Manufacture and Sales Service	China branch
Magic Sky Limited	Investment	N/A
Sunext Technology Co., Ltd.	IC Design	Subsidiary
Sunplus Management Consulting Inc.	Management Consulting	N/A
WeiYing Investment Co., Ltd.	Investment	N/A
Generalplus Technology Inc.	IC Design	Subsidiary
Generalplus International (Samoa) Inc.	Investment	N/A
Generalplus (Mauritius) Inc.	Investment	N/A
Generalplus Technology (Shenzhen) Inc.	Sales Service	N/A
Generalplus Technology (HK) Inc.	Sales Service	N/A
Sunplus mMobile Inc.	IC Design	Subsidiary
Sunplus mMobile SAS	IC Design	N/A
Sunplus Innovation Technology Inc.	IC Design	Subsidiary
Sunplus mMedia Inc.	IC Design	Subsidiary
iCatch Technology Inc.	IC Design	Subsidiary
Jumplux Technology Inc.	Software design7 trading	Grandson- Subsidiary
Award Glory Ltd.	Investment	N/A
Sunny Fancy Ltd.	Investment	N/A
Giant Kingdom Ltd.	Investment	N/A

9.1.4 Directors, Supervisors, and Presidents of Affiliated Companies

December 31, 2016

Company	Title	Name	Shareholding	
			Amount (shares)	Ratio (%)
Sunplus Technology (HK) Co., Ltd.	Chairman Director	Sunplus Technology	*HK\$11,075,000	100%
		Chou-Chye Huang (repr.)	-	-
		Ming-Cheng Hsieh	-	-
Lin Shih Investment Co., Ltd.	Chairman & President Director Director Supervisor	Sunplus Technology	70,000,000	100%
		Chou-Chye Huang (repr.)	-	-
		Shu-Lan Wang	-	-
		Yu-Lun Liu	-	-
		Wayne Shen	-	-
Russell Holdings Ltd.	Director	Sunplus Technology	*US\$14,760,000	100%
		Chou-Chye Huang (repr.)	-	-

Sunplus Venture Capital Co., Ltd.	Chairman & President	Sunplus Technology	100,000,000	100%
	Director	Chou-Chye Huang (repr.)	-	-
	Director	Shu-Lan Wang	-	-
	Supervisor	Yu-Lun Liu Wayne Shen	- -	- -
Ventureplus Group Inc.	Director	Sunplus Technology	RMB37,900,000 & US74,305,000 (Note1)	100% -
Ventureplus Mauritius Inc.	Director	Ventureplus Group	RMB37,900,000 & US74,305,000 (Note1)	100% -
Ventureplus Cayman Inc.	Director	Ventureplus Mauritius	RMB37,900,000 & US74,305,000 (Note1)	100% -
Shanghai Sunplus Technology Co., Ltd.	Chairman Director & President	Ventureplus Cayman	US\$17,655,000 (Note1)	100%
		Chou-Chye Huang (repr.)	-	-
		Zai-De Wang	-	-
			-	-
	Director	Tang-Yi Huang		
	Supervisor	Shu-Lan Wang		
Sunplus Prof-tek Technology (Shenzhen) Co., Ltd.	Chairman President Supervisor	Ventureplus Cayman	*US\$32,250,000	100%
		Chou-Chye Huang (repr.)	-	-
		Tang-Yi Huang		
		Shu-Lan Wang		
Sunmedia Technology Co., Ltd.	Chairman President Supervisor	Ventureplus Cayman	*US\$20,000,000	100%
		Chou-Chye Huang (repr.)		
		Cheng-Cai Chang		
		Shu-Lan Wang		
Sunplus App Technology Co., Ltd.	Chairman Director & President	Ventureplus Cayman	RMB10,000,000 & USD586,000 (Note1)	80%
		Chou-Chye Huang (repr.)	-	-
		Ya-Fei Luo		
		Huan-Rui Lee		
	Director	Shu-Lan Wang	RMB438,000	
	Supervisor		-	8.75%
Ytrip Technology Co., Ltd.	Chairman Director & President Director	Ventureplus Cayman	USD3,750,000 (Note1)	72.5%
		Chou-Chye Huang (repr.)	-	-
		Cheng-Cai Chang	-	
		Yu-Lun Liu	-	17.5
	Supervisor	Shu-Lan Wang	-	-
1culture Communication Co., Ltd.	E-Director & President Supervisor	Ytrip Technology Co., Ltd.	*RMB\$3,250,000	100%
		Chen-Tsai Chang	-	-
		Shao-Ling Chan	-	-

Beijing Sunplus-Ehue Tech Co., Ltd.	Chairman Director Director Supervisor	Ventureplus Cayman Inc. Chou-Chye Huang (repr.) Wayne Shen Shu-Lan Wang Yin-Chi Chu	*RMB\$27,000,000	100%
Magic Sky Limited	Director	Sunplus Technology Chou-Chye Huang (repr.)	US\$6,760,000	100%
Sunext Technology Co., Ltd.	Chairman Director Director Independent Director Independent Director Supervisor Supervisor	Sunplus Technology Chou-Chye Huang (repr.) Wen-Shiung Jan (repr.) Sunplus Venture Capital Technology Wayne Shen(repr.) De-Jia Lin Yao-Ching Hsu Mei-Juan Chen Wen-Hui Lu	38,836,391 - - - 4,430,654 - - - 650,000	61.15% - - 6.98% - - 1.02% 61.15% -
Sunplus Management Consulting Inc.	Chairman Director Director Supervisor	Sunplus Technology Chou-Chye Huang (repr.) Shu-Lan Wang Yu-Lun Liu Wayne Shen	500,000 - - - -	100% - - - -
WeiYing Investment Co., Ltd.	Chairman Director Director Supervisor	Sunplus Technology Chou-Chye Huang (repr.) Shu-Lan Wang Yu-Lun Liu Wayne Shen	1,400,000 - - - -	100% - - - -
Generalplus Technology Inc.	Chairman Director& VP Director Director Independent Director Independent Director Independent Director	Sunplus Technology Chou-Chye Huang (repr.) Shi-Rong Wang (Repr.) Hou-Shien Chu Shi-Hao Liu Chia-Ming Chai Nai-Shin Lai Jing-Min Chen	37,324,304 - 500,000 1,266,752 - - - -	34.30% - 0.46% 1.16% - - - -
Generalplus International (Samoa) Inc.	Chairman	Generalplus Technology Chou-Chye Huang (repr.)	*US\$19,090,000 -	100% -
Generalplus (Mauritius) Inc.	Chairman	Generalplus International (Samoa) Chou-Chye Huang (repr.)	*US\$19,090,000 -	100% -

(Continued)

Company	Title	Name	Shareholding	
			Amount (shares)	Ratio (%)
Generalplus Technology (Shenzhen) Inc.	Chairman	Generalplus International (Mauritius) Chou-Chye Huang (repr.)	*US\$18,700,000 -	100% -
Generalplus Technology (HK) Inc.	Chairman	Generalplus (Mauritius) Inc. Yi-Xing Jia (repr.)	*US\$390,000 -	100% -
Sunplus mMobile Inc.	Chairman Director Director Supervisor	Sunplus Technology Chou-Chye Huang (repr.) Wayne Shen Shu-Lan Wang Yu-Lun Liu	16,240,000 - - -	100% - - -
Sunplus mMobile SAS	Chairman	Yu-Lun Liu	*EUR 477,000 -	100% -
Sunplus Innovation Technology Inc.	Chairman Director Director Director & President Director Supervisor Supervisor	Sunplus Technology Chou-Chye Huang (repr.) Shu-Lan Wang (repr.) Wayne Shen (repr.) Chih-Hao Kung Lin-Shih Investment Chi-Ying Chiu Wen-Chin Li	31,449,751 - - - 2,450,473 1,074,664 527,880 -	61.13% - - - 4.76% 2.09% 1.03% -
Sunplus mMedia Inc.	Chairman& President Director Director Supervisor	Sunplus Technology Chou-Chye Huang (repr.) Wayne Shen (repr.) Shu-Lan Wang (repr.) Lin-Shih Investment	17,440,723 - - - 650,185	87.20% - - - 3.25%
iCatch Technology Inc.	Chairman&President Director Director Director Director Supervisor Supervisor	Sunplus Technology Chou-Chye Huang (repr.) Wen-Shiung Jan (repr.) Shu-Lan Wang (repr.) Lin Shih Investment Chia Nine Investment Chi-Ying Chiu Sunplus Venture Capital	20,734,546 - - - 964,545 10,000 - 3,331,818 -	37.64% - - - 1.75% 0.02% - 6.05% -
Jumplux Technology	Chairman&President Director Director Supervisor	Sunplus mMedia Chou-Chye Huang (repr.) Wayne Shen Shu-Lan Wang Mei-Juan Chen	3,200,000	22.86%
Award Glory Ltd.	Chairman	Sunplus Technology Chou-Chye Huang (repr.)	US\$772,000 (Note1) -	100% (Note1) -
Sunny Fancy Ltd.	Chairman	Award Glory Ltd. Chou-Chye Huang (repr.)	US\$772,000 (Note1) -	100% (Note1) -
Giant Kingdom Ltd.	Chairman	Sunny Fancy Ltd. Chou-Chye Huang (repr.)	US\$772,000 (Note1) -	100% (Note1) -

*Note: the invested companies are listed the capital paid-in amount of investment

9.1.5 Common Shareholders of Sunplus and Its Subsidiaries or Its Affiliates with Actual of Deemed Control

Not Applicable

9.1.6 Operation Highlights of Sunplus Affiliates

December 31st, 2016

Unit: NT\$K, except EPS (NT\$)

Company	Capital	Assets	Liabilities	Net Worth	Net Sales	Operation Income	Net Income (After Tax)	EPS (After Tax)
Sunplus Technology (HK) Co., Ltd.	46,050	136	91	45	1,550	168	168	N/A
Lin Shih Investment Co., Ltd.	700,000	865,743	2,172	863,571	578,430	157,355	158,724	2.27
Russell Holdings Ltd.	476,010	288,129	109	288,020	0	1,292	1,749	N/A
Sunplus Venture Capital Co., Ltd.	1,000,000	830,538	100	830,438	407,784	13,397	14,708	0.15
Ventureplus Group Inc.	2,517,409	1,456,206	0	1,456,206	0	(148,166)	(148,167)	N/A
Ventureplus Mauritius Inc.	2,517,414	1,456,186	0	1,456,186	0	(148,166)	(148,166)	N/A
Ventureplus Cayman Inc.	2,517,420	1,535,612	79,450	1,456,162	0	(145,995)	(148,166)	N/A
Shanghai Sunplus Technology Co., Ltd.	554,700	564,849	56,676	508,173	162,036	43,924	34,971	N/A
Sunplus Prof-tek Technology (Shenzhen) Co., Ltd.	1,040,063	850,595	37,306	813,289	161,125	(27,046)	(10,169)	N/A
Sunmedia Technology Co., Ltd.	645,000	1,171,463	1,026,227	145,236	172,404	(21,088)	(89,453)	N/A
Sunplus App Technology Co., Ltd.	69,255	52,860	54,743	(1,883)	145,892	(30,544)	(27,361)	N/A
Ytrip Technology Co., Ltd.	158,132	26,576	105,719	(79,143)	21,596	(36,693)	(37,583)	N/A
1culture Communication Co., Ltd.	15,005	452	512	(60)	1,578	303	144	N/A
Beijing Sunplus-Ehue Tech Co., Ltd.	124,659	67,222	17,376	49,846	25,292	(28,809)	(28,049)	N/A
Han-Yuang	6,000	2,544	0	2,544	0	0	0	N/A
Magic Sky Limited	218,010	221	0	221	0	(6,478)	(6,478)	N/A
Sunext Technology Co., Ltd.	635,091	220,583	30,164	190,419	146,652	14,333	14,627	(0.02)
Sunplus Management Consulting Inc.	5,000	4,011	0	4,011	0	(77)	(50)	(0.10)
WeiYing Investment Co., Ltd.	14,000	16,697	180	16,517	5,151	2,975	2,862	2.04
Generalplus Technology Inc.	1,088,158	2,928,376	764,212	2,164,164	3,268,664	464,251	413,473	3.80
Generalplus International (Samoa) Inc.	615,653	472,689	0	472,689	9,289	9,289	9,289	N/A
Generalplus (Mauritius) Inc.	615,653	472,687	0	472,687	9,289	9,289	9,289	N/A
Generalplus Technology (Shenzhen) Inc.	603,075	483,602	15,883	467,719	89,720	4,500	8,043	N/A
Generalplus Technology (HK) Inc.	12,578	6,993	2,044	4,949	17,774	1,244	1,246	N/A
Sunplus mMobile Inc.	162,400	30,560	120	30,440	0	(393)	(1,139)	(0.07)
Sunplus mMobile SAS	8,034	0	0	0	0	267	267	N/A
Sunplus Innovation Technology Inc.	514,501	1,125,112	253,358	871,754	717,020	45,681	27,404	0.54
Sunplus mMedia Inc.	200,000	31,142	151	30,991	(311)	(12,148)	(30,455)	(1.52)
iCatch Technology Inc.	550,880	760,198	228,863	531,335	938,869	(80,923)	(83,602)	(1.52)
Jumplux Technology Inc.	140,000	108,961	43,445	65,516	22,107	(45,056)	(44,252)	(3.16)
Award Glory Ltd.	25,157	(11,236)	0	(11,236)	0	(3,225)	(3,225)	N/A
Sunny Fancy Ltd.	25,157	(11,236)	0	(11,236)	0	(3,225)	(3,225)	N/A
Giant Kingdom Ltd.	25,157	(11,236)	0	(11,236)	0	(3,221)	(3,225)	N/A

Note: The financial information of the above business relationship is prepared using the International Financial Reporting Standards.

9.1.7 Consolidated Financial Statement of Sunplus Affiliates

Relationship Statement of Consolidated Financial Statements

The Company's 2016 (as of January 1, 2016 to December 31, 2016) shall be included in the preparation of the Company's consolidated financial report in accordance with the Guidelines for the preparation of the consolidated financial report and relational report on the relationship between the business combination business report. In accordance with the International Financial Reporting Standards No. 10 should be included in the preparation of parent company consolidated financial report of the company are the same, and the relationship between the consolidated financial statements should be disclosed in the relevant information in the parent company's consolidated financial statements have been exposed, there is no further preparation of the relationship between the consolidated financial report.

Company Name: Sunplus Technology Co., Ltd

Person in charge: Chou-Chye Huang

March 15, 2017

9.2 Private Placement Securities

Not Applicable

9.3 Status of Sunplus Common Shares/GDRs Acquired, Disposed of, or Held by Subsidiaries

Unit: NT\$K, shares

Company	Capital	Source of Fund	% Owned by Sunplus	Transaction Date	Amount of Acquisition	Amount of Disposal	Investment Income	Balance (by the Date of this Report Printed)	Balance of Pledged Shares	Balance of Guarantee Provided by Sunplus	Balance of Financing Provided by Sunplus
Lin Shih Investment Co., Ltd.	\$700,000	Self-owned reserves	100%	2001.12.25	3,870,196 shares & \$95,605	-	-	-	None	None	None
				2002.07.02	967,549 shares Capital increase from profits and capital surplus	-	-	-	None	None	None
				2003.07.13	483,774 shares Capital increase from profits and capital surplus	-	-	-	None	None	None
				2004.08.23	532,151 shares Capital increase from profits and capital surplus	-	-	-	None	None	None
				2005.08.23	290,614 shares Capital increase from profits and capital surplus	-	-	-	2,503,705 shares Pledged	None	None
				2006.08.05	306,132 shares Capital increase from profits and capital surplus	-	-	-	500,741 shares Pledged	None	None
				2007.03.26	-3,220,429 shares decreased for capital reduction & 32,204	-	-	-	None	None	None
				2007.09.05	160,538 shares	-	-	-	380,000 shares	None	None

					Capital increase from profits and capital surplus				Pledged		
				2008.09.08	169,471 shares Capital increase from profits and capital surplus	-	-	-	None	None	None
				2011.10.06	Cash dividend NT\$2,872	-	-	-	None	None	None
				2015.09.10	Cash dividend NT\$2,136	-	-	-	None	None	None
				2016.09.06	Cash dividend NT\$3,168	-	-	-	None	None	None
				By the date of this report printed	-	-	-	3,559,996 shares \$63,401	3,384,446 shares Pledged	None	None

9.4 Special Notes

None

9.5 Any Events Impact to Shareholders' Equity and Share Price

None

Sunplus Technology Co., Ltd.

Person in charge: Chou-Chye Huang

Published on May 15, 2017