Stock code: 2401
LSE：SUPD

2018 Annual Report

Sunplus Technology Co., Ltd. Prepared by
Search the annual website: http://mops.tse.com.tw
Date of publication: May 15th, 2018

PLEASE READ FOLLOWING NOTICE BEFORE USING THIS REPORT

SPOKESPERSON
Name: Wayne Shen
Title: Vice President
Tel: +886-3-5786005
E-mail: IR@sunplus.com

DEPUTY SPOKESPERSON
Name: Ji-An Zhuang
Title: Investor Relations Manager
Tel: +886-3-5786005
E-mail: IR@sunplus.com

SUNPLUS LOCATION
Address: 19, Innovation 1st Road, Hsinchu Science Park, Hsinchu 300, Taiwan
Tel: +886-3-5786005
Fax: +886-3-5786006
http://www.sunplus.com

COMMON SHARES TRANSFER AGENT
Company: China Trust Commercial Bank Corporate Trust Operation and service Department
Address: 5F, 83, Sec. 1, Chung-Ching S. Rd. Taipei 100, Taiwan
Tel: +886-2-21811911
http://www.chinatrust.com.tw

AUDITORS
Name: Cheng-Chi Lin, SuJai Huang
Company: Deloitte & Touche Tohmatsu Limited
Address: 6F, 2, Prosperity Road 1, Hsinchu Science Park, Hsinchu 300, Taiwan
Tel: +886-3-5780899
http://www.tw.deloitte.com

GDR DEPOSITARY BANK
Company: The Bank of New York
Address: 101 Barclay Street New York, N.Y. 10286
Tel: +1-212-815-2476
http://www.adrbnymellon.com
Please refer to London Stock Exchange official website for Sunplus' Market Price.
http://www.londonstockexchange.com

SUNPLUS WEBSITE
http://www.sunplus.com

TABLE OF CONTENT

I. LETTER TO SHAREHOLDERS

BUSINESS REPORT

2017 Business Results

Sunplus consolidated net operating revenue totaled NT$6,820 million and the gross profit were NT$2,737 million in 2017. While R&D expense totaled NT$1,779 million and the G&A expenses were NT$600 million, marketing expense were NT$308 million, the gain from operations summed up NT$47 million in 2017. Including total non-operating net income NT$587million, the profit before tax were NT$635 million. Excluding the income tax expense NT$83 million, the net profit of the year totaled NT$551 million, attributable to owner of the Company were NT$421 million which the earning per share after tax for 2017 was NT$0.72.

The net sales from continuing operations in 2017 decline 9.74% compared to the same period last year. The Gross margin about 40% compared with 42% in the previous year, slightly lower, the gain from operations declines 80.04% YoY in 2017.

The increase in other benefits and losses due to the 2017 investment interest in the industry increased from NT$23 million in 2016 to NT$425 million in 2017, while net operating income increased from NT$130 million in 2016 to NT$587 million in 2017.

The net income in 2017 were NT$551 million which increased 102.28% compared to NT$273 million in 2016. The net profit attributable to owner of the Company were NT$421 million which increased 250.67% compared to NT$120 million in 2016.

The IFRS Consolidated Statement exposes other comprehensive gains and losses in 2017, 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 2017 is NT$320 million. Total after 2017 net profit, the total consolidated profit and loss in 2017 was NT$231 million, consolidated profit attributable to the Company's owners for the profit of NT$109 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 car information entertainment system (Display Audio), BoomBox, SoundBar, portable entertainment systems and other products. There is also a high-speed interface, data converters and analog IP licenses. As depots gradually introduce ADAS applications, Goldman Sachs Research Department pointed out, the current ADAS penetration rate in Europe, America and Japan is only 8-12%, and estimated 2015~2025 ADAS annual compound growth rate up to 42%, 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 interactive toys, education and learning, driving Recorder, Sports DV, Gaming Keyboard and Wireless Charging. In 2017, GPCDxT Multi-Channel Voice Controller was introduced using OTP process and integrating innovative technologies such as touch, recording and playback. Driving Recorder, roll out USB Digital Rear Pull Lens. For MCU, completed the development and testing of 32-bit dual motor control chip. For wireless charging, a compatible Apple 7.5W solution was introduced, QI 15W also passed certification, and currently developing mid-power RX SoC.

Sunext Technology new Product "Multi-Channel Servo Drive" Chips Shipped in 2017, the company's technology has entered a new milestone, further development of "microprocessor integrated multi-channel servo drive" chip, will be gradually applied to various types of intelligent drive products, to welcome the arrival of Industry 4.0 generations, become the company's next wave of growth momentum. In addition, light storage products, also promotes USB interface optical storage solution to international original car manufacturers, continue to expand product applications.

Sunplus Innovation Technology focuses on computer peripheral application chip development, products include man-machine interface device chip, network camera chip, optical sensor, RF wireless transmission chip, remote 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. In 2018, we will continue to actively develop products such as high altitude aerial photography, wireless remote control, and vehicle-mounted cameras to return to a steady growth track.

I-Catch Technology products consumer video camera and driving recorder, in recent years, it has expanded to smart home and automotive applications, and develop 3D processing and AI edge computing technology. The R&D chips have been widely used in high-end motion cameras, Drones and surveillance cameras, high-end cameras, VR cameras, etc. to provide growth momentum for I-Catch Technology.

Jumplux Technology developed in response to automotive electronics and high speed storage requirements, develop ASIC with system customers, focused on the application of Apple CarPlay and Baidu CarLife in 2017 and passed the AECQ100 certification to obtain the depot certification.

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 focuses on developing favorable type vehicle wafers, because of years of market leadership in audio and video players, helps in the competitiveness of favorable type portable audio and video playback products, car audio and video systems, and car-connected driving assistance systems.

Generalplus Technology consumer product line leads the market for many years, then will launch new series of products such as intelligent interactive robots and computer vision applications to attack the market.

2018 is the extension of Sunext Technology's multi-channel servo drive technology, towards the vision of a company that "mobilizes global next-generation intelligent automation".

Sunplus Innovation Technology in addition to continue to a higher degree of integration of the direction of development, also actively developing non-personal computer-related areas product, build a foundation for growth and profit.

I-Catch Technology in addition to continuous improvement in image processing and video compression technology, involved in neural networks and AI to enhance the intelligence of digital imaging and video products, and expand its application in the field of automotive imaging and smart homes to establish new growth momentum.

Jumplux Technology actively delivers Car USB Media Hub to Support Apple CarPlay and Baidu CarLife, to meet the needs of the Chinese automotive market, and to develop UFS bridge chip.

Looking forward to 2018, the international oil price is stable, the overall economy recovers, and the US stock market is high level. After Trump took office, the rise of trade barrierism, the uncertainties in the future of the international economy are very high, it will also affect the overall competition in the technology industry, the company will pay close attention to changes in the international economic environment.

Future company development strategy

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, Improve product value and observe market trends, adjust and optimize product lines and investments,
Improve industry and industry performance, at the same time actively investing in advanced technology, open up new products and markets, 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 54-57 of this annual report.
Please refer to pages 284 to 295 of this annual report on the relationship between the Company and the investment enterprises.

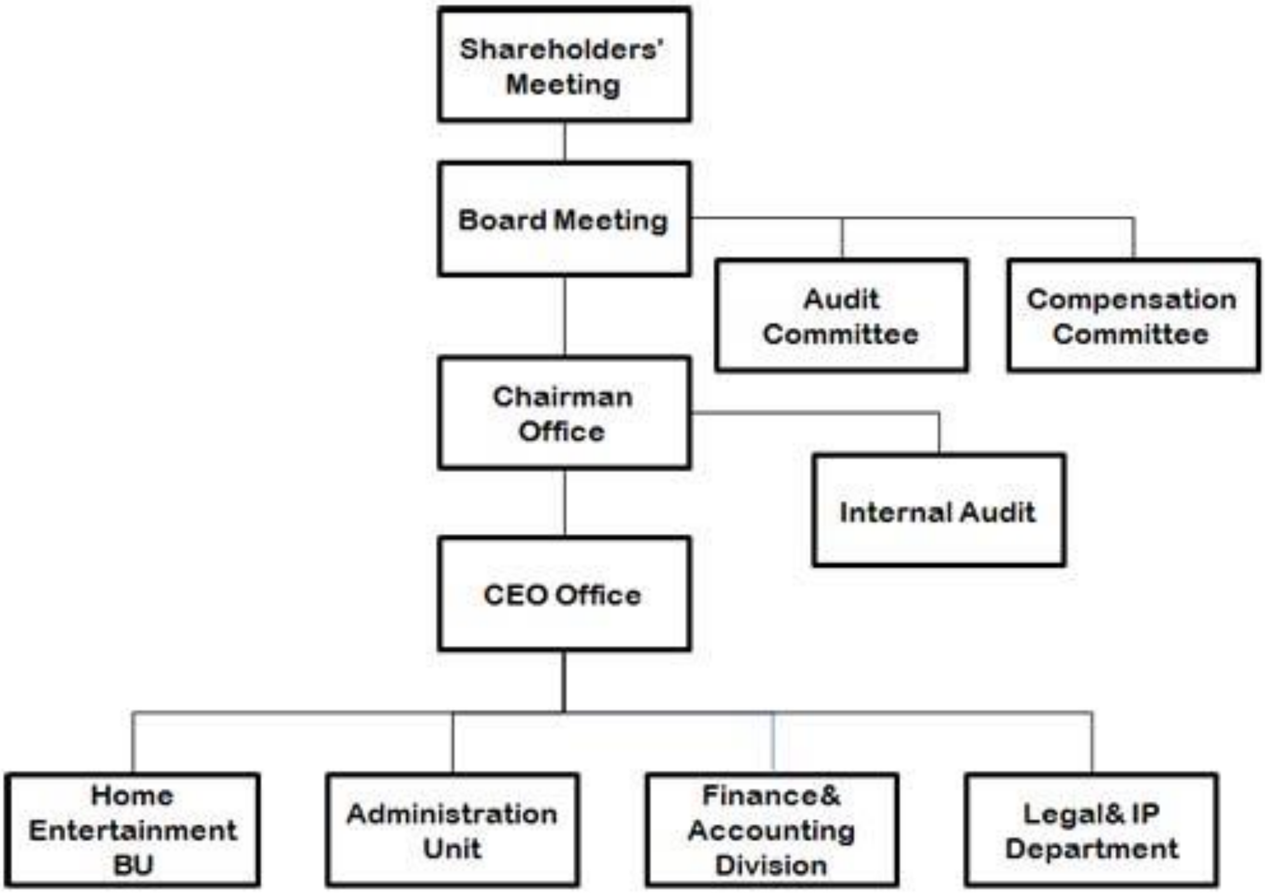
August 1990	Sunplus Technology was founded.
May 1993	Obtained approval from the SIPA to move into Hsinchu Science Park.
October 1993	Moved into Hsinchu Science Park.
September 1994	Company started in-house wafer circuit probe testing.
December 1995	Groundbreaking for the construction of Sunplus' office 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
June 2017	The first release of the Corporate Social Responsibility Report (CSR Report) actively implements corporate social responsibility to meet the international trends of balanced environmental, social and corporate governance development, contribute to economic development, and improve employees, their families, and the local community as a whole. Social quality of life
March 2018	Home Entertainment BU has set up a "Smart Computing Project"

III. Corporate Governance

3.1 Organization

3.1.1 Organization Chart



3.1.2 Major Corporate Functions

March 31st, 2018

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) Total Management, Plant Management, Procurement, Industrial Safety, Environmental Protection and Administrative Services (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 13th, 2018/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	**Supervisor**: Epileds Technologies, Inc., Mildex Optical Inc., Hi-Yes Group., E-Pin Optical Inc. **Director**: Ability Enterprise, Sunext, Lafemarket, Panjit, iQueen **Independent Director**: Ko Ja (Cayman), Biostar **Chairman & General Manager**: iCatch **Chairman**: ECSC Inc.
Director	Global View Co., Ltd.,	2015.06.12	1990.07.09	3 years	10,038,049	1.70	10,038,049	1.70	0	0.00	-	**Chairman**: RADIANT INNOVATION INC. **Chairman**: Samoa GLOBAL VIEW HOLDINGS LTD. **Chairman**: British Cayman Islands GLOBAL VIEW CO.,LTD **Director**: FidoDarts
Director	**Wen-Ren Su** (Global View Co., Ltd., Representative of Legal Entity)	2015.06.12	1990.07.09	3 years	0	0.00	0	0.00	0	0.00	B.S., Accounting, Chinese Culture University	**Director & President:** Global View, **Director:** Beijing Global View, **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., **Director**: Unizyx Holding Corporation, Arcadyan Technology, MXIC **Chairman :** NIIEPA NCTU, Department of Electronic Engineering, Adjunct Professor
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, Sunfon **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 Director**:** Xiyinlina Prevention 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, 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, , Award Glory Ltd., Sunny Fancy Ltd., Giant Rock Inc., Giant Kingdom Ltd., Radiant, Xiamen Xm-plus Technology Ltd.

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

Director: Pan Wen Yuan Foundation, Sinocon Industrial standards Foundation, SIPP Technology, Inc., iCatch, Global View Co., Ltd.

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 13th, 2018

Criteria / Name (Note 1)	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	
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	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Tse-Jen Huang		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
Yao-Ching Hsu		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1

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 13th, 2018

Shareholder	Holding
Sunplus Technology	13.06%
HSBC as trustee for Bank of Singapore	9.20%
Jhih-Yuan Chou	5.57%
Kai Tian Investment Co., Ltd	5.07%
Citi bank as trustee for First Securities (HK)	3.31%
Meng-Huei Lin	2.47%
Shuhui Chen	2.47%
Yi Jiang Nan Co., Ltd.	2.38%
Yunlong Huang	2.09%
The Capital Group Securities is entrusted with custody of Chongxiong Securities Investment Account	1.73%

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%
Citi bank as trustee for First Securities (HK)	Not Applicable	-
Yi Jiang Nan Co., Ltd.	Jiaxi Huang	16%
	Jiaqi Huang	16%
The Capital Group Securities is entrusted with custody of Chongxiong Securities Investment Account	Not Applicable	-

3.2.4 Management Team

April 13th, 2018/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	**Note:4**	-	-	-
Assistant VP	Republic of China	Michael Su	male	2018.03.15	161,248	0.03	0	0.00	0	0.00	Master of Electrical Engineering, University of Southern California, USA	-			
Director of Finance & Accounting Division	Republic of China	Shu-Chen Cheng	female	2013.03.01	36,067	0.01	0	0.00	0	0.00	Bachelor, Accounting, Tunghai University, Taiwan	**Note:5**	-	-	-

Note 1

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, , Award Glory Ltd., Sunny Fancy Ltd., Giant Rock Inc., Giant Kingdom Ltd., Radiant, Xiamen Xm-plus Technology Ltd.

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

Director: Pan Wen Yuan Foundation, Sinocon Industrial standards Foundation, SIPP Technology, Inc., iCatch, Global View Co., Ltd.

Note 2

Director: Sunplus mMobile, Sunplus Innovation Technology, Beijing Sunplus-Ehue Tech Co., Ltd., Jumplux, Sunplus mMedia, Sunext
Supervisor: Lin Shih Investment, Weiying Investment, Sunplus Management Consulting, Sunplus Venture Capital.

Note 3

AVP: iCatch, Sunext, Jumplux, , Shanghai Sunplus.

Note 4

Director: Advanced Vehicle Systems Co., Ltd.

Note 5

Manager: 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: Salary (A) (Note 2): Sunplus	Salary (A): Consolidated Subsidiaries (Note 7)	Pension (B): Sunplus	Pension (B): Consolidated Subsidiaries (Note 7)	Bonus from Profit Distribution (C) (Note 3): Sunplus	Bonus (C): Consolidated Subsidiaries (Note 7)	Allowance (D) (Note 4): Sunplus	Allowance (D): Consolidated Subsidiaries (Note 7)	(A)+(B)+(C)+(D) %of Net Income (Note 10): Sunplus	(A)+(B)+(C)+(D) %: Consolidated Subsidiaries (Note 7)	Remuneration to Directors who hold a Concurrent Post in the Company: Salary, Bonus, etc. (E) (Note 5): Sunplus	(E): Consolidated Subsidiaries (Note 7)	Pension (F): Sunplus	Pension (F): Consolidated Subsidiaries (Note 7)	Employee Bonus from Profit Distribution (G) (Note 6): Sunplus: Cash Bonus	(G) Sunplus: Stock Bonus	(G) Consolidated Subsidiaries (Note 7): Cash Bonus	(G) Consolidated Subsidiaries (Note 7): Stock Bonus	(A)+(B)+(C)+(D) +(E)+(F)+(G) % of Net Income (Note 10): Sunplus	(A)+…+(G) %: Consolidated Subsidiaries (Note 7)	Remuneration from Long-term Investments Except Subsidiaries (Note 11)
Chairman	Chou-Chye Huang	-	-	-	-	6,483,975	6,483,975	2,229,800	2,521,800	2.07	2.14	6,203,400	6,203,400	91,848	91,848	-	-	-	-	3.56	3.63	3,187,830
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): Sunplus (Note 8)	The total amount of the first four remuneration (A)+(B)+(C)+(D): Consolidated Subsidiaries (Note 9) H	The total amount of the first seven remuneration (A)+(B)+(C)+(D)+(E)+(F)+(G): Sunplus (Note 8)	The total amount of the first seven remuneration (A)+(B)+(C)+(D)+(E)+(F)+(G): 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	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	Wen-Shiung Jan, Global View, 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	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	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

<table>
<tr><th rowspan="3">Title</th><th rowspan="3">Name
(Note 1)</th><th colspan="2">Salary (A)
(Note 2)</th><th colspan="2">Pension (B)</th><th colspan="2">Reward, Allowance, etc. (C)
(Note 3)</th><th colspan="4">Bonus from Profit Distribution (D)
(Note 4)</th><th colspan="2">(A)+(B)+(C) +(D)
% on Net Income
(Note 8)</th><th rowspan="3">Remuneration from Long-term Investments Except Subsidiaries
(Note 9)</th></tr>
<tr><th rowspan="2">Sunplus</th><th rowspan="2">Consolidated Subsidiaries
(Note 5)</th><th rowspan="2">Sunplus</th><th rowspan="2">Consolidated Subsidiaries
(Note 5)</th><th rowspan="2">Sunplus</th><th rowspan="2">Consolidated Subsidiaries
(Note 5)</th><th colspan="2">Sunplus</th><th colspan="2">Consolidated Subsidiaries
(Note 5)</th><th rowspan="2">Sunplus</th><th rowspan="2">Consolidated Subsidiaries
(Note 5)</th></tr>
<tr><th>Cash Bonus</th><th>Stock Bonus</th><th>Cash Bonus</th><th>Stock Bonus</th></tr>
<tr><td>CEO</td><td>Chou-Chye Huang</td><td rowspan="2">8,727,884</td><td rowspan="2">8,727,884</td><td rowspan="2">268,608</td><td rowspan="2">268,608</td><td rowspan="2">1,251,716</td><td rowspan="2">1,251,716</td><td rowspan="2">0</td><td rowspan="2">0</td><td rowspan="2">0</td><td rowspan="2">0</td><td rowspan="2">2.43</td><td rowspan="2">2.43</td><td rowspan="2">30,000</td></tr>
<tr><td>VP</td><td>Wayne Shen</td></tr>
</table>

* 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.

<table>
<tr><th rowspan="2">Remuneration to Management</th><th colspan="2">Names of Presidents and Vice Presidents</th></tr>
<tr><th>Sunplus
(Note 6)</th><th>All companies in the financial report (E)
(Note 7)</th></tr>
<tr><td>Under NT$2,000,000</td><td></td><td></td></tr>
<tr><td>NT$2,000,000~NT$5,000,000</td><td>Wayne Shen</td><td>Wayne Shen</td></tr>
<tr><td>NT$5,000,000~NT$10,000,000</td><td>Chou-Chye Huang</td><td>Chou-Chye Huang</td></tr>
<tr><td>NT$10,000,000~NT$15,000,000</td><td></td><td></td></tr>
<tr><td>NT$15,000,000~NT$30,000,000</td><td></td><td></td></tr>
<tr><td>NT$30,000,000~NT$50,000,000</td><td></td><td></td></tr>
<tr><td>NT$50,000,000~NT$100,000,000</td><td></td><td></td></tr>
<tr><td>More than NT$100,000,000</td><td></td><td></td></tr>
<tr><td>Total</td><td>2</td><td>2</td></tr>
</table>

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** April 13th, 2018

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				
Assistant VP	Michael Su				
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	2016		2017	
	Amount	% of Net income(Loss)	Amount	% of Net income (Loss)
Director	14,285,000	11.89%	19,254,000	4.57%
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 2017 (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 19th Board of Directors 2017.02.14	1. The company's long-term investment disposition 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.		
Tenth 20th Board of Directors 2017.03.15	1. The Company's "Distribution or Disposition of Asset Handling Procedures" Amendment Discussion.	v	Note
	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 22th Board of Directors 2017.07.26	1. 2015 Discussion on Distribution of Directors' Compensation in。	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: Chairperson Che-Ho Wei and Independent Director acting as Chairman, Except for law-abiding general directors who did not participate in the discussion and voting, the deputy chairman consulted all the independent directors to participate in the remuneration of the ordinary directors without objection to the case.		

Tenth 26th Board of Directors 2017.12.27	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 2016 on 2017/07/26.

(1) Chairman Che-Ho Wei and acting as independent director as the chairman of the company, in addition to the general directors who did not participate in the discussion and voting in accordance with the law, the deputy chairman consulted the whole group to attend the independent director's remuneration for the general director without objection.

(2) Except for legally evading independent directors who have not participated in the discussion and voting, the general director of the company attending the meeting is invited to pass the remuneration of independent directors without objection.

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

2017 Annual Audit Committee Meeting 9 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**	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 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
First 17th Interim Audit Committee 2017.02.14	1. The company's long-term investment disposition discussion.	v	None
	Audit committee resolution results(2017.02.14)：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 18th Audit Committee of the First Session 2017.03.15	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 2016 the implementation of the budget report and the 2016 annual financial statements to discuss the case.	v	None
	3. 2016 consolidated financial statements discussion	v	None
	4. The Company's "Distribution or Disposition of Asset Handling Procedures" Amendment Discussion.	v	None
	5. The Company's "Endorsement Operation Procedure" Revision Discussion.	v	None
	Audit committee resolution results (2017.03.15)：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 21th Audit Committee of the First Session 2017.08.09	1. The Second Quarter of 2016 Budget Implementation Report and Discussion of Consolidated Financial Statements.	v	None
	Audit committee resolution results (2017.08.09)：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 24th Audit Committee of the First Session 2017.12.27	1. 2018 Annual Accountant Appointment and Independent Evaluation Discussion.	v	None
	Audit committee resolution results (2017.12.27)：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 accountant discussed with the independent directors on January 18, 2017, the review of the 2016 financial report before the review of the risk assessment. And for the combined financial report for the fourth quarter

of 2016 and the first to third quarter of 2017 on March 15, 2017, May 10, 2017, August 9, 2017 and November 8, 2017, respectively Check or check results to communicate.
(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) The way handling shareholders' suggestions or disputes			(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
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, iCatch 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 27, 2017. 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 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. (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 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 subsidiaries 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 2017 corporate governance evaluation were 6% to 20%. The improvement of 2017 years is as follows: (1) In December 2016, the Board of Directors has assessed the independence of visa holders, and has exposed the assessment process in detail in the 2016 annual report. (2) Has exposed the Company's Code of Practice on Corporate Social Responsibility on the Company's website. (3) Has been 30 days before the 2017 shareholders meeting to upload the shareholders' meeting brochure and meeting supplementary information. (4) Has been 2016 annual report to expose the 105 shareholders meeting the implementation of the resolution. (5) 2017 Annual Shareholders' Regular Meeting had more than half of the directors to attend. The other part has not yet been improved and will actively research improvement.				

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: 12/08/2017

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**

Status(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	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	1	
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 3rd Committee in 2017.

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.	V		(1)The Company has established the Code of Practice on Corporate Social Responsibility, keep track of its effectiveness and continuous improvement, and regularly report to the board of directors. 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.	No major Difference
2) The Company organizes education and training on the implementation of corporate social responsibility initiatives on a regular basis	V		(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.	No major Difference
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	V		(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.	No major Difference
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		(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
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.	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.	No major Difference
2) The company establishes proper environmental management systems based on the characteristics of their industries.	V		(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.	No major Difference
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		(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

			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, iCatch 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	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.	No major Difference
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	V		(2) Sunplus, iCatch 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 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.	No major Difference
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		(3) Sunplus and Generalplus have a "Business Operation Procedures and Conduct Guide", it is forbidden to provide or receive improper benefits. Sunplus and iCatch have 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
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	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.	No major Difference
2) The Company shall designate the responsible unit with respect to ethical corporate management of implementation. The BOD shall monitor the implementation regularly.	V		(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.	No major Difference
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.	V		(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.	No major Difference
4) The companies shall establish effective accounting systems and internal control systems and Internal auditors shall periodically examine the compliance	V		(4) Sunplus, Generalplus, Sunext, iCatch 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.	No major Difference
5) The company shall periodically organize or engage out-sourcing training programs of ethical corporate management	V		(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
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 and iCatch have 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	No major Difference

disciplinary and complaint system to handle violation of the ethical corporate management rules. (2) The Company shall set up procedures to handle with Whistle-blowing System and Confidentiality of the identity of whistle-blowers (3) The Company shall have measures for protecting whistle-blowers from inappropriate disciplinary actions due to their whistle-blowing.	 V V		are assigned to the appropriate admissibility of the person in charge, as a convenient report of the staff when the report. (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. (3) The procedures for the protection of the prosecutor in the relevant reporting and appeals of the Company and its subsidiaries	 No major Difference 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: (If the company has established corporate governance rules and related regulations, it should disclose its search methods)

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 20-44), 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 14th, 2018**

Based on the findings of a self-assessment, Sunplus states the following with regard to our internal control system during **January 1st – December 31st, 2017**:

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 2017**, 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 2017** 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 14th, 2018**, 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

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**
2017.06.13	Shareholders' Meeting	1. 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. 2. To recognize the Company's 2016 earnings distribution case. Implementation of the situation: Proposed on July 19, 2017 for the ex-dividend basis, August 09, 2017 is the date of payment (Cash dividend of $.1498 per share) 3. Through capital accumulation and cash. Implementation of the situation: Proposed on July 19, 2017 for distributing base date, August 09, 2017 is the date of payment (Distributary capital reserve of $.3502 per share). 4. Through the company's "acquisition or disposal of asset handling procedures" revision. Implementation of the situation: effective after resolution of the shareholders meeting. 5. Adopted the company's "endorsement to guarantee operating procedures" revision. Implementation of the situation: effective after resolution of the shareholders meeting. 6. To remove the restrictions on the directors' activities of the Company. Implementation of the situation: Effective from the shareholders' meeting.

2017 and as of the date of publication of the annual report of the board of directors important matters			
Date	**Decision Maker**	**Case**	**Result**
2017.07.26	Board Meeting	1. Discussion on the Distribution of Directors' Compensation in 2015.	1. Chairperson Che-Ho Wei and independent director acting as chairman, exemption from general directors who have not participated in the discussion and voting in addition to the law, the deputy chairman solicited all to attend independent directors, rewards for general directors passed without excuse. 2. Exempting from independent directors who did not participate in the discussion and voting in addition to the law, general director of the general attendance of the chairman, rewards for independent directors.
2017.08.09	Board Meeting	1. Consolidated financial statements for the second quarter of 2017.	After the chairman asked all the attendees to pass the case without objection.
2017.11.08	Board Meeting	1. Summary of financial statements for the third quarter of 2017.	After the chairman asked all the attendees to pass the case without objection.

2018.03.14	Board Meeting	1. Discussions on the remuneration of employees and the distribution of directors' remuneration in the year of 2017. 2. Discussion case of summary of consolidated financial statements for 2017. 3. Discussion case of Breakdown of the Company's surplus distribution for 2017 4. Deal with the capital reserve distribution cash discussion case. 5. Discussion on "Restrictions on Canceling the Competition of new Directors of the Company". 6. The convening of the ordinary shareholders 'meeting in 2018 and the discussion of the shareholders' proposal.	In this case, the remuneration of employees and the remuneration of directors were determined as the total amount of compensation, there is no decision on the amount of personal compensation, so there is no need to avoid the benefits. After the chairman asked all the attendees to pass the case without objection. After the chairman asked all the attendees to pass the case without objection.
2018.03.23	Board Meeting	1. 2017 business report discussion.	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	2017.01.01~2017.12.31	

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			

3.4.1 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.

3.4.2 Replacement of accounting firms and replacement of annual audit fees paid to replace the previous year's audit fee reductions, should disclose the reduction, proportion and reason of the audit public expense: Not applicable.

3.4.3 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

3.5.1 About the former accountant

<table>
<tr><td>Change date</td><td colspan="4">January 31, 2018</td></tr>
<tr><td>Replace reason and explanation</td><td colspan="4">Deloitte & Touche internal business transfer</td></tr>
<tr><td rowspan="3">The description was terminated or not accepted by the appointor or accountant</td><td colspan="2">litigant
situation</td><td>Accountant</td><td>Appointed person</td></tr>
<tr><td colspan="2">Proactively terminate the appointment</td><td colspan="2" rowspan="2">Not applicable</td></tr>
<tr><td colspan="2">No longer accept (continue) appointment</td></tr>
<tr><td>Opinions and Reasons for Examining Check Reports Other than Unqualified Opinions within the Latest Two Years</td><td colspan="4">The 2017 and 2016 annual review reports of the central bank issued reservations. The relevant information of the investee companies whose main series was included in the financial statements and equity methods of the non-substantial subsidiaries in the consolidated financial statements were based on the financial reports unaudited by the accountants during the same period. Recognize and expose.</td></tr>
<tr><td rowspan="7">Is there any disagreement with the issuer</td><td rowspan="5">Yes</td><td></td><td colspan="2">Accounting principles or practices</td></tr>
<tr><td></td><td colspan="2">Financial report disclosure</td></tr>
<tr><td></td><td colspan="2">Check the scope or steps</td></tr>
<tr><td></td><td colspan="2">Others</td></tr>
<tr><td></td><td colspan="2"></td></tr>
<tr><td>No</td><td colspan="3">✓</td></tr>
<tr><td colspan="4">Instructions</td></tr>
<tr><td>Other disclosures
(The first to fourth heads of Article 10, paragraphs 6 to 7 should be disclosed)</td><td colspan="4">No</td></tr>
</table>

3.5.2 About Succession Accountant

Office name	Deloitte & Touche
Accountant's name	Zheng-Zhi Lin、Yi Xin Gao
Date of appointment	January 31, 2018
Pre-appointment accounting for specific transactions Treatment methods or accounting principles and Financial report may issue opinions Consultation and results	No
Successor Accountant to Former Accountant Written opinions on different opinions	No

3.5.3 Reply from former accountants to the first and second items of Article 10, paragraph 5 of this standard: None.

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	2017		Ended of April 13th, 2018	
		Shareholding Increased (decreased)	Shares Pledged (Released)	Shareholding Increased (decreased)	Shares Pledged (Released)
Chairman& CEO	Chou-Chye Huang	0	0	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
AVP	Michael Su (Date of appointment: March 15, 2018)	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 13th, 2018

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
-	-	-	-	-	-	-	-	-

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

Note 2: Reasons for shares pledged or released

3.8 Top 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%	-	-	Global View	Corporate Director
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	Corporate Director of Global View Co., Ltd.
Zhi-yuan Zhou (Representative of Legal Entity)	0	0.00%	0	0.00%	-	-	-	-
VANGUARD EMERGING MARKETS STOCK INDEX FUND, A SERIES OF VANGUARD INTERNATIONAL EQUITY INDEX FUNDS	9,365,000	1.58%	-	-	-	-	-	-
Chih-Hao Gong	8,083,160	1.37%	771,433	0.13%	-	-	-	-
Norges Bank	7,513,000	1.27%	-	-	-	-	-	-
Polunin Emerging Markets Small Cap Fund, LLC	7,376,825	1.25%	-	-	-	-	-	-
Wen-Qin Lee	7,000,000	1.18%	1,647,542	0.28%	-	-	-	-
Arcadia Emerging Market Small Capital Securities Fund under the custody of HSBC	6,067,000	1.02%	-	-	-	-	-	-
Dimensional Emerging Markets Value Fund	5,950,620	1.01%	-	-	-	-	-	-

3.9 Long-term Investment Ownership

December 31st, 2017/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	14,892	14	52,216	48
Sunplus Innovation Technology	31,450	61	3,978	8	35,429	69
iCatch Technology Inc.	20,735	38	4,347	8	25,082	46
Sunplus mMedia Inc.	17,441	87	2,559	13	20,000	100
Global View Co., Ltd.	8,229	13	183	-	8,412	13
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 785,000	None	06/08/1998 SFC No.49408
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	None	05/30/2002 SFC

						of Profits 957,334 And Capital Surplus 544,742		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 17,660	None	FSC No.0950126238
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	None	FSC No.0960038299

						Surplus 102,415 Employee Stock Option 21,825		
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 13th, 2018/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	195	140	67,894	0	68,233
Shares	0	622,347	23,840,530	85,191,903	482,340,139	0	591,994,919
Shareholding	0.0%	0.11%	4.03%	14.39%	81.47%	0.0%	100.00%

Note: The first-listed companies and cabinet companies should disclose their shareholdings in land-based capital; land-based capital refers to the people, legal persons, organizations, and other organizations in mainland China as stipulated in Article 3 of the People's Republic of China to Taiwan Investment Permit Measures, or its investment in a third region.

4.1.2 Distribution Profile of Shareholder Ownership – Common Share

April 13th, 2018/Par value per share: NT$10

Shareholding Ownership	Number of Shareholders (persons)	Shares Owned (shares)	Holding (%)
1~999	31,036	2,596,449	0.44%
1,000~5,000	25,556	58,019,411	9.80%
5,001~10,000	5,871	47,494,720	8.02%
10,001~15,000	1,668	20,954,008	3.54%
15,001~20,000	1,289	24,333,188	4.11%
20,001~30,000	974	25,119,598	4.24%
30,001~40,000	450	16,293,719	2.75%
40,001~50,000	351	16,470,022	2.78%
50,001~100,000	559	40,900,253	6.91%
100,001~200,000	266	37,401,575	6.32%
200,001~400,000	110	30,864,373	5.21%
400,001~600,000	32	15,793,251	2.67%
600,001~800,000	16	11,373,767	1.92%
800,001~1,000,000	16	14,838,233	2.51%
Over 1,000,001	39	229,542,352	38.78%
Total	68,233	591,994,919	100.00%

4.1.3 Distribution Profile of Shareholder Ownership – Preferred Shares

Not Applicable

4.1.4 Major Shareholders

April 13th, 2018

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%
VANGUARD EMERGING MARKETS STOCK INDEX FUND, A SERIES OF VANGUARD INTERNATIONAL EQUITY INDEX FUNDS	9,365,000	1.58%
Chih-Hao Gong	8,083,160	1.37%
Norges Bank	7,513,000	1.27%
Polunin Emerging Markets Small Cap Fund, LLC	7,376,825	1.25%
Wen-Qin Lee	7,000,000	1.18%
Arcadia Emerging Market Small Capital Securities Fund under the custody of HSBC	6,067,000	1.02%
Dimensional Emerging Markets Value Fund	5,950,620	1.01%

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

Year / Item			2016	2017	Ended of March 31st, 2018
Market Price	Highest		13.55	20.20	19.00
	Lowest		9.87	11.00	14.35
	Average		11.61	14.52	16.52
Net Worth	Before Distribution		15.24	15.15	15.19
	After Distribution		15.09	(Note 1)	(Note 1)
Earnings Per Share	Weighted Average Shares		588,434,923	588,434,923	588,434,923
	EPS (Note 2)	Before Adjustment	0.20	0.72	0.02
		After Adjustment	0.20	(Note 1)	-
Dividends Per Share	Cash Dividends		0.50(Note 6)	(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)		58.05	20.17	826.00
	Price/Dividend Ratio (Note 4)		23.22	(Note 1)	-
	Cash Dividends Yield Rate (Note 5)		0.04	(Note 1)	-

Note 1: Pending shareholders' approval

Note 2: Retroactively adjusted for stock dividends and stock remuneration 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

Note 6: Capital reserve cash is NT$ 0.3502 per share, and the surplus is calculated as surplus NT$ 0.1498 per share, totaling NT$ 0.50 in cash 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 2017**
Board' proposal waiting for shareholders' approval :(1).legal reserve NT$41,320,928 (2)Special reserve N$44,284,389 (3) Case Dividend NT$327,550,789 (NT$0.5533 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 14, 2018 (not yet passed by the shareholders' meeting), it is proposed to allocate more than NT$86,845,655 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$0.1467 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, 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.

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

The BOD meeting proposed to distribute the profits in 2017
Cash bonus to Employee NT$4,322,651
Cash bonus to Directors NT$6,483,975

5 Bonus to Employees, Directors, and Supervisors for last fiscal year

Approval by shareholders' meeting on June 13th, 2017, the company decided to distribute the profits of 2016
Cash rewards to Employee NT$1,241,806
Cash bonus to Directors NT$1,862,708

The above distributions are not different from those of the Board of Directors of the Company dated 15 March 2017.

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, 2018

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
Depositary 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	2017	Highest	US$1.25
		Lowest	US$0.70
		Average	US$0.951
	Ended of March 31st, 2018	Highest	US$1.26
		Lowest	US$0.95
		Average	US$1.1

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

6 Product Segments and Sales Amount

Unit: NT$K, %

Product Categories	2017	
	Amount	Percentage %
Multimedia ICs	6,419,659	94.13
Other	400,578	5.87
Total	6,820,237	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 2017 outstanding performance, 2018 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	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 car information entertainment system, BoomBox, SoundBar, portable entertainment systems and other products. There is also a high-speed interface, data converters and analog IP licenses. As depots gradually introduce ADAS applications, Goldman Sachs Research Department pointed out, the current ADAS penetration rate in Europe, America

		and Japan is only 8-12%, and estimated 2015~2025 ADAS annual compound growth rate up to 42%, 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. Foreign European and Japanese semiconductor manufacturers and domestic MediaTek as the main competitor. In the product development of car infotainment systems, it focuses on the application of mobile internet, such as Apple CarPlay and Google Android Auto. This application, as shown on Apple's official website, is currently available on more than 300 models, showing its growth trend. In addition, we have also found that AI technology is maturing. It is expected that AI will be widely used on various devices, including consumer products and automotive products. So now Sunplus has also invested resources to explore the possibility of AI applications, so that future products can use AI. The introduction of technology provides consumers with a better experience.
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,	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

	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.	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.

6.1.4 Technology and Development

a) R&D expenditure

Unit: NT$K, %

Year / Item	2017	Ended March 31st, 2018
Expense	1,779,383	453,929
Percentage to Revenue	26%	32%

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 high speed interface control
Sunext	USB DVD-RW SoC Optical servo controller for CD/DVD/BD	UBD motor driver

6.1.5 Business Plan

Short-term business plan:

Sunplus is focusing on developing automotive wafer products and system platforms, Has launched advanced driver assistance system (ADAS) wafer platform products. Successfully developed single-chip products and system solutions for audio products such as CarPlay/Android Auto AV system, Boombox, and Soundbar, and portable audio/video entertainment systems. It also provides IP authorization such as high-speed interface, data converter and analogy. As ADAS related systems have been successively included in the implementation of legislation in various countries, front-line depots have also introduced ADAS applications. Market adjustment agencies estimate that ADAS's annual compound growth rate can reach 35%. Barclays Securities further predicts ADAS penetration rate by 2020. Will exceed 25%, future related applications will become more popular, and will become the main growth driver for Sunplus's revenue and profit. In the product development of car infotainment systems, it focuses on the application of mobile internet, such as Apple CarPlay and Google Android Auto. Such applications, such as Apple's official website, have been carried by more than 300 models, showing its growth trend. Sunplus will successively launch its successor products to meet the needs of customers after loading and front loading.

Generalplus focuses on consumer electronics chips, product lines include voice, multimedia, and microcontroller chips, and product development ranks the market leader. The main applications include multimedia interactive toys, educational learning, voice and LCD control, MP3, consumer digital camcorders and MCU and other related applications. In the consumer product line, it is expected to maintain stable growth and profitability. In the multimedia product line, focusing on intelligent interactive robots, wearable devices, IoT start-up products, driving recorders, aerial recorders, sports DVs, etc., is expected to continue to grow in product development and market expansion. In the MCU product line, more emphasis will be placed on the planning and development of new product lines and the establishment of new customers, investing more resources and accelerating the expansion of product lines.

Sunplus Innovation Technology focuses on computer peripheral application development, products include PC man-machine interface chip, webcam chip, optical sensor, RF wireless transmission chip, remote control IC, etc. Most of the 2017 sales amount came from PC-related mouse keyboard and camera chip solutions, and a small percentage of it came from high-calibration and remote control chips. Because the PC and notebook market has shrunk and the competition in the industry is fierce, Sunplus Innovation Technology's 2017 earnings decline. After resource adjustment and expansion of new product lines, we hope to increase the proportion of non-PC-related products such as Gao Paiyi wireless remote control and on-vehicle cameras, and return to a stable growth track after 2018.

iCatch Technology Inc. product research and development focuses on low-power, high-efficiency, superior HD video compression and image quality, combined with low-cost structure. R&D chips are widely used in smart phones, tablet PCs, wearable cameras, driving recorders, drones, digital cameras and IP cameras. Currently actively researching and developing OpenCV with 28nm low-power advanced process, 4K UHD ultra-high resolution, H.265 video compression and instant computer vision. Consumer demand for high-performance video and imaging products is constantly being improved, and the high-resolution and high-frame-rate related image processing chip market will have very large room for growth. This is also the main focus of the iCatch Technology Inc. future market and operational growth. And aiming to become a world-class leader in digital video and imaging system chip solutions.

Sunext Technology has gradually adjusted its product lines, committed to the development of new technologies and new products, and strived to improve operational efficiency. In recent years, the company has been operating near profit and loss. Ultra-high-definition Blu-ray player servo control chip has been officially mass production, with the Ultra HD BD standard specification confirmed, consumer demand for 4K ultra-high-definition content, will become the growth of Sunext revenue opportunities. In addition, Sunext actively develops multi-channel digital motor drive chip products and is entering the stage of final commercialization system integration and customer recognition. This core technology will be the basis for the development of Hongyang, and it is expected to become the best supplier of automation industry integration solutions.

Long-term development:

Sunplus Technology includes all of the Group's consolidated entities, will continue to deepen its core competitiveness in all areas, strive to expand the market to increase market share, develop high value-added products to improve gross margin, observe the boom and market trends, adjust and optimize the product line Reinvestment to improve the performance of industry and industry investment, at the same time, it actively invests in the development of advanced technologies and products, expands the scale of operations, enriches the operating team and enhances the company's visibility and image, in the hope of creating more profit for all shareholders.

6.2 Market Status

6.2.1 Market Analysis

a) Market Analysis by Region

Unit: NT$K, %

Area	2017	
	Amount (NT$K)	Percentage (%)
Asia	4,594,885	67.37
Taiwan	2,154,290	31.59
Others	71,062	1.04
Total	6,820,237	100

b) Market Share

According to Institute for information industry MIC statistics, 2017 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, In the fourth quarter of 2017, the total output value of Taiwan's IC design industry was NT$160.8 billion, an increase of 0.6% over the same period of last year, and the total production value in 2017 was NT$567 billion.

c) Demand and Growth

The research organization estimates that the compound annual growth rate of total semiconductor output in 2015-2020 is 3.5%, among which the performance of automotive semiconductors is relatively prominent, the annual compound growth rate is 6%, and the growth rate relative to the automotive industry is 2.9%. Estimated output of automotive semiconductors will reach 48.78 billion U.S. dollars by 2022. The three main key factors driving the development of automotive semiconductors are: energy efficiency requirements, safety, and networking. The requirements for the product side are: new energy vehicles, advanced driver assistance systems (ADAS), and vehicle infotainment systems (IVI) coupled with connectivity features, and these three types of products will grow rapidly. In view of this, Lingyang has invested relatively more resources in ADAS and IVI vehicle-linked products over the past few years. As the market demand increases, the sales of these two types of products also increase year by year.

The increase in sales of automotive semiconductors from the regional perspective, the Asia-Pacific region is the fastest growing, including China, India, Thailand, Indonesia, Malaysia as the representative of the country, the main feature is the rapid growth of middle-class population and disposable income, promote Sales of passenger car. Sunplus also develops new products for the needs of consumers in the region and has achieved good sales performance since 2017.

Company	Product	Demands
Sunplus	Car infotainment &ADAS	With advanced ADAS related systems gradually listed in the legislation implementation regulations of various countries, first-line depots have also introduced ADAS applications, the market adjustment agency estimates that ADAS' compound annual growth rate can reach 35%, and Barclays expects ADAS penetration rate will exceed 25% by 2020, future related applications will become more popular, Strategy Analytics predicts ADAS output will exceed 26 billion U.S. dollars by 2020.
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 are striving 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 strongly promote of 4K TV, 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) Advantages and disadvantages of competitive advantages and development prospects

(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**, s**o 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.

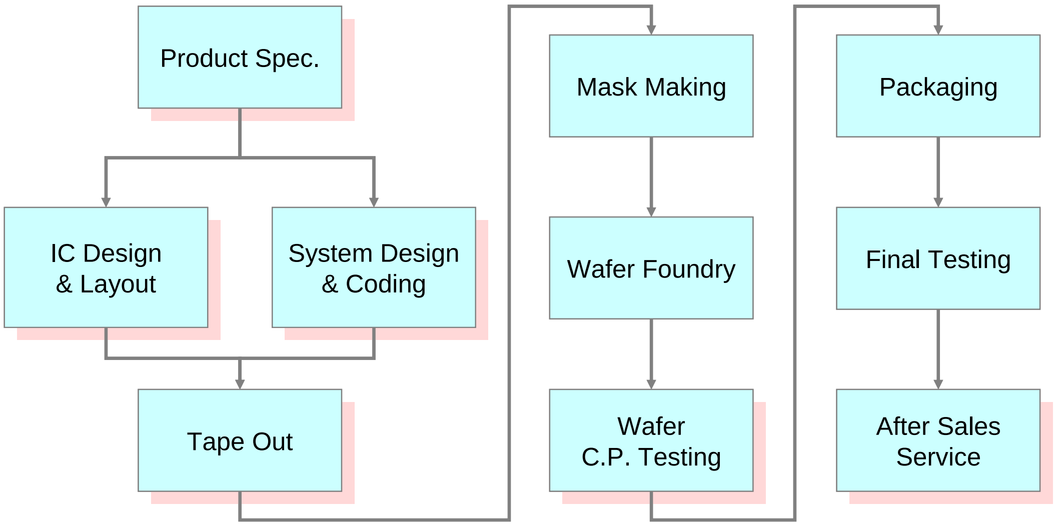
(2) Advantages
(a) Sunplus offers high value-added products to enable customer to win the market.
(b) The growing demand for SoC complicates IC product development and raises the entry barrier, which benefits IC design companies with rich resources like Sunplus.
(c) Sunplus has strong IC design capability 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, D	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

2016				2017				End of March, 31, 2018			
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
A	1,163,359	15.40	No	A	1,083,925	15.89	No	A	233,706	16.35	No
B	663,911	8.78	No	D	798,635	11.71	No	D	169,533	11.86	No
C	642,032	8.50	No	C	658,358	9.65	No	C	135,615	9.49	No
Others	5,086,743	67.32		Others	4,279,319	62.75		Others	890,725	62.30	
Net sales	7,556,045	100.00		Net sales	6,820,237	100.00		Net sales	1,429,579	100.00	

b) Major Supplier

Unit: NT$K

2016				2017				End of March, 31, 2018			
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	1,018,182	39.74	No	A	1,098,986	39.78	No	A	275,686	44.73	No
E	300,928	11.75	No	B	324,802	11.76	No	B	62,538	10.15	No
B	252,531	9.86	No	C	222,943	8.07	No	D	37,590	6.09	No
Others	990,182	38.65		Others	1,116,224	40.39		Others	240,581	39.03	
Net purchase	2,561,823	100.00		Net purchase	2,762,955	100.00		Net purchase	616,395	100.00	

6.2.5 Production

Unit: thousand pcs, NT$K

Year / Product	2016			2017		
	Capacity	Output	Value	Capacity	Output	Value
Multimedia ICs	-	650,156	4,142,925	-	714,121	4,134,661
Other ICs	-	68	66,964	-	18	20,307
Total	-	650,224	4,209,889	-	714,139	4,154,968

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

6.2.6 Sales

Unit: thousand pcs, NT$K

Year / Product	2016				2017			
	Local		Export		Local		Export	
	Quantity	Sales	Quantity	Sales	Quantity	Sales	Quantity	Sales
Multimedia IC	204,732	2,138,510	443,226	4,928,505	227,505	2,104,660	477,832	4,049,749
Other ICs	-	77,887	-	411,143	-	49,630	-	616,198
Total	204,732	2,216,397	443,226	5,339,648	227,505	2,154,290	477,832	4,665,947

6.3 Personnel Structure

Year		2016	2017	End of March 31, 2018
Workforce Structure by Job Function	R&D	899	911	899
	Production	119	115	107
	Administration	397	392	383
	Total	1,415	1,418	1,389
Average Age		32.7	36.4	36.1
Average Years Served		5.14	6.91	7.12
Workforce Structure by Education Degree	Ph.D.	1%	1%	1%
	Master	40%	40%	40%
	Bachelor	48%	48%	48%
	Other Higher Education	7%	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. The vast majority of the company's office operations, no facilities and equipment to produce harmful pollution sources, no expenditure on environmental protection operations. On the product, the foundry, package, and test foundry with the best combination of quality, cost, and production efficiency are entrusted to reduce the consumption of defective products and effectively reduce environmental expenditure directly and indirectly. If defective products are produced, they are currently qualified manufacturers. Unpaid cleaning, no clean-up costs.

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 Technology conducts independent investigation of greenhouse gas emissions in accordance with the ISO14064 standard and 100 years as the base year of inspections in the Republic of China, and exposes it in the Corporate Social Responsibility Report (CSR Report), according to the results of the self-examination, the annual greenhouse gas emissions in the past three years (2015-2017) were 4957.23, 4681.77, and 4283.61 (tons of CO2 equivalent), of these, those that belonged to [Scope 1] and those directly emitting emissions (such as official vehicle fuel consumption and generator oil) accounted for only about 0.06% (2017 category 1 was 2.94 tons of CO2 equivalent). Yu Jun is an Scope II, and the indirect emission of energy such as purchased electricity. Sunplus is an IC design industry. More than 99.9% of greenhouse gas emissions are indirect emissions. The emission sources mainly come from the water and electricity required by air-conditioning and office lighting. They have passed the plant monitoring system, making air-conditioning equipment more efficient. , At the same time, to promote energy-saving concepts and actions to colleagues, with a goal of reducing the amount by more than 2% annually, reducing unnecessary waste.

In addition, it also actively strengthens employees' awareness of environmental protection, promotes waste reduction, recycling, energy conservation and water saving, and saves energy resource consumption in order to reduce the impact on the environment.

6.4.2 Working Environment

Facilities and environment that are superior to the norms of occupational safety and health decrees.

Set up dedicated organizations and personnel in accordance with the law to implement issues related to environmental safety and health management.

Regular automatic inspection and environmental monitoring of workplaces to ensure the safety of employees, environment and equipment.

Newly-employed employees' physical examination and regular medical check-ups for in-service employees that are superior to those provided for by ordinance.

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

Item \ Year		Recent 5 Years (Note 1) 2013	2014	2015	2016	2017	End of March 31, 2018 (Note 4)
Current Assets		8,275,040	8,037,727	8,705,229	8,792,142	8,561,910	8,216,899
Fixed Assets		2,154,641	3,490,672	3,563,095	2,265,910	2,164,154	2,175,145
Intangible Assets		335,098	278,188	193,481	191,024	196,131	217,371
Other Assets		3,436,833	3,012,857	3,137,202	3,379,946	2,557,784	2,723,869
Total Assets		14,201,612	14,819,444	15,599,007	14,629,022	13,479,979	13,333,284
Current Liabilities	Before Distribution	2,826,174	2,709,677	2,740,858	3,045,403	2,190,116	2,131,435
	After Distribution	3,181,372	2,709,677	3,267,733	3,134,084	(Note2)	(Note2)
Non-Current Liabilities		1,738,161	1,070,564	1,632,909	895,442	646,578	520,304
Total Liabilities	Before Distribution	3,896,738	3,836,100	4,373,767	3,940,845	2,836,694	2,651,739
	After Distribution	4,251,936	3,836,100	4,900,642	4,029,526	(Note2)	(Note2)
Equity Attributed to Shareholder of the parent		8,776,889	9,324,318	9,530,012	9,024,254	8,966,236	8,994,074
Capital Stock		5,969,099	5,919,949	5,919,949	5,919,949	5,919,949	5,919,949
Capital Surplus		5,969,099	936,051	897,317	911,110	835,241	835,246
Retain Earnings	Before Distribution	2,221,787	1,813,177	2,444,655	2,012,196	2,336,709	2,641,806
	After Distribution	1,866,589	1,813,177	1,917,780	1,923,515	(Note2)	(Note2)
Unrealized Gain (Loss) on Financial Merchandise		199,670	309,932	331,492	244,400	(62,262)	(339,526)
Cumulative translation adjustments		(155,236)	(63,401)	(63,401)	(63,401)	(63,401)	(63,401)
Unrealized Net Loss on the Costs of Pensions		1,588,623	1,598,388	1,695,228	1,663,923	1,677,049	1,687,471
Total Equity	Before Distribution	10,922,706	10,365,512	11,225,240	10,688,177	10,643,285	10,681,545
	After Distribution	10,567,508	10,365,512	10,698,365	10,599,496	(Note2)	(Note2)

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

Item \ Year		Recent 5 Years (Note 1)				
		2013	2014 (Note3)	2015	2016	2017
Current Assets		3,021,678	3,213,839	3,273,115	3,267,397	2,942,735
Fixed Assets		815,874	775,098	744,937	722,145	682,943
Intangible Assets		225,196	200,631	67,742	68,497	62,141
Other Assets		6,800,274	7,055,589	7,279,247	6,465,991	6,055,212
Total Assets		10,863,022	11,245,157	11,365,041	10,524,030	9,743,031
Current Liabilities	Before Distribution	1,348,302	1,154,078	836,984	898,923	604,818
	After Distribution	1,348,302	1,509,276	1,363,859	987,604	（Note2）
Non-Current Liabilities		737,831	766,761	998,045	600,853	171,977
Total Liabilities	Before Distribution	2,086,133	1,920,839	1,835,029	1,499,776	776,795
	After Distribution	2,086,133	2,276,037	2,361,904	1,588,457	（Note2）
Equity Attributed to Shareholder of the parent						
Capital Stock		5,969,099	5,919,949	5,919,949	5,919,949	5,919,949
Capital Surplus		950,179	936,051	897,317	911,110	835,241
Retain Earnings	Before Distribution	1,813,177	2,221,787	2,444,655	2,012,196	2,336,709
	After Distribution	1,813,177	1,866,589	1,917,780	1,923,515	（Note2）
Unrealized Gain (Loss) on Financial Merchandise		199,670	309,932	331,492	244,400	(62,262)
Cumulative translation adjustments		(155,236)	(63,401)	(63,401)	(63,401)	(63,401)
Unrealized Net Loss on the Costs of Pensions		-	-	-	-	-
Total Equity	Before Distribution	8,776,889	9,324,318	9,530,012	9,024,254	8,966,236
	After Distribution	8,776,889	8,969,120	9,003,137	8,935,573	（Note2）

* If the company has prepared individual financial reports, it should prepare another individual's concise balance sheet and comprehensive income statement for the last five years.
* If the financial information of the international financial reporting standards is less than five years, the following table should be prepared: (2) Adopting financial information of China's financial accounting standards.

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)
	2013	2014 (Note2&3)	2015	2016	2017	
Net Sales	8,521,868	7,871,515	8,465,833	7,556,045	6,820,237	1,429,579
Gross Profit (Loss)	3,391,968	3,314,401	3,522,625	3,202,488	2,736,766	549,253
Income from Operation (Loss)	(14,260)	552,876	566,540	236,391	47,185	(123,408)
Non-operating Income (Expense)	180,004	390,694	371,467	129,776	587,470	146,588
Income (Loss)Before Tax	165,744	943,570	938,007	366,167	634,655	23,180
Income (Loss) From Operations of Continued Segments (Loss)	128,547	886,956	856,125	272,506	551,228	15,726
Income (Loss) From Operations of Discontinued Segments	-	(332,841)	(27,845)	-	-	-
Consolidated Net Income (Loss)	128,547	554,115	828,280	272,506	551,228	15,726
Other comprehensive income (Loss) for the period, net of income tax	162,015	124,871	18,282	(113,556)	(320,167)	16,607
Total Comprehensive Income (Loss) for the Period	290,562	678,986	846,562	158,950	231,061	32,333
Net Profit (Loss) Attributable to: Owner of the Company	52,785	422,852	589,348	120,187	421,458	10,809
Net Profit (Loss) Attributable to: Non-controlling interests	75,762	131,263	238,932	152,319	129,770	4,917
Total Comprehensive Income (Loss) Attributable to: Owner of the Company	195,179	536,619	609,203	26,577	109,174	23,394
Total Comprehensive Income (Loss) Attributable to: Non-controlling interests	95,383	142,367	237,359	132,373	121,887	8,939
Earnings per share (Loss)	0.09	0.72	1.00	0.20	0.72	0.02

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

Year / Item	Recent 5 Years (Note 1)				
	2013	2014 (Note2&3)	2015	2016	2017
Net Sales	3,112,736	2,577,171	2,671,392	1,904,224	1,365,802
Gross Profit(Loss)	1,076,054	944,754	1,011,207	767,713	473,255
Income from Operation(Loss)	(54,374)	178,340	167,996	(79,166)	(273,494)
Non-operating Income (Expense)	84,323	582,468	453,504	200,242	694,952
Income (Loss)Before Tax	29,949	760,808	621,500	121,076	421,458
Income(Loss) From Operations of Continued Segments(Loss)	52,785	755,693	617,193	120,187	421,458
Income(Loss) From Operations of Discontinued Segments	-	(332,841)	(27,845)	-	-
Net Income (Loss)	52,785	422,852	589,348	120,187	421,458
Other comprehensive income (Loss) for the period, net of income tax	142,394	113,767	19,855	(93,610)	(312,284)
Total Comprehensive Income(Loss) for the Period	195,179	536,619	609,203	26,577	109,174
Net Profit(Loss) Attributable to: Owner of the Company	52,785	422,852	589,348	120,187	421,458
Net Profit (Loss)Attributable to: Non-controlling interests	-	-	-	-	-
Total Comprehensive Income (Loss)Attributable to: Owner of the Company	195,179	536,619	609,203	26,577	109,174
Total Comprehensive Income (Loss)Attributable to: Non-controlling interests	-	-	-	-	-
Earnings per share (Loss)	0.09	0.72	1.00	0.20	0.72

* If the company has prepared individual financial reports, it should prepare another individual's concise balance sheet and comprehensive income statement for the last five years.
* If the financial information of the international financial reporting standards is less than five years, the following table should be prepared: (2) Adopting financial information of China's financial accounting standards.

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

7.1.5 Auditors' Opinions

Year	CPA	Audit 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
2017	Zheng-Zhi Lin, Shu-Jay Huang	An unqualified opinion

7.2 Financial Analysis for recent 5 years

7.2.1 Financial Analysis (consolidated by IFRSs)

Analysis Item / Year		Recent 5 years (Note 1) 2013	2014 (Note 9&10)	2015	2016	2017	End of March 31, 2018 *(Note 2)*
Capital Structure	Debts ratio (%)	27.01	26.29	28.03	26.93	21.04	19.88
	Long-term fund to Property, plant and equipment (%)	513.78	331.73	350.30	495.04	503.31	495.67
Liquidity	Current ratio (%)	305.38	284.40	317.60	288.70	390.93	385.51
	Quick ratio (%)	262.76	228.76	257.15	251.00	319.47	312.75
	Times interest earned (times)	541.79	1,853.70	2,518.77	1,020.20	2,519.94	526.65
Operating Performance	Average collection turnover (times)	5.81	4.82	5.13	5.29	5.49	5.20
	Average collection days	63	76	71	69	66	70
	Inventory turnover (times)	3.88	4.02	3.84	4.18	4.37	3.35
	Payment turnover (times)	6.48	5.87	7.09	6.23	5.60	5.21
	Average inventory turnover days	94	91	95	87	83	109
	Fixed assets turnover (times)	3.96	2.79	2.40	2.59	3.07	2.64
	Property, plant and equipment turnover (times)	0.60	0.54	0.56	0.50	0.48	0.42
Profitability	Return on total assets (%)	1.11	4.01	5.65	2.02	4.07	0.14
	Return on stockholders' equity (%)	1.25	5.20	7.47	2.48	5.16	0.14
	Profit before tax to paid-in capital (%) (Note 8)	2.78	10.32	15.37	6.19	10.72	0.39
	Profit after tax to net sales (%)	1.50	7.03	9.78	3.60	8.08	1.10
	Earnings per share (NT$)	0.09	0.72	1.00	0.20	0.72	0.02
Cash Flow	Cash flow ratio (%)	49.23	10.64	36.73	40.69	14.37	Note5
	Cash flow adequacy ratio (%) (Note3)	96.14	49.41	46.54	54.36	77.50	54.49
	Cash flow reinvestment ratio (%)	10.35	1.30	3.64	4.08	Note6	Note5
Leverage	Operating leverage	Note7	6.07	5.55	11.54	49.66	Note7
	Financial leverage	Note7	1.07	1.07	1.20	2.25	Note7

Variation Analysis 2017 vs. 2016

1. Debt-to-asset ratio decreases mainly due to repayment of borrowings.
2. The increase in the current ratio and quick ratio was mainly due to the decrease in current liabilities due to repayment of short-term borrowings and long-term borrowings due within one year.
3. The increase in the interest protection ratio is mainly due to the increase in the net profit before income tax and interest expenses in the current year.
4. The increase in return on assets, return on equity and net income was mainly due to the increase in net profit after taxation due to increase in investment interest during the year.
5. The increase in pre-tax net profit as a percentage of paid-in capital was mainly due to the increase in pre-tax net profit from the increase in investment interest during the year.
6. The increase in basic earnings per share was mainly due to the increase in net profit after tax for the current year.
7. The decrease in cash flow ratio is mainly due to the decrease in net cash flow from operating activities.
8. The increase in the cash flow tonnage rate was mainly due to the increase in net cash flow from operating activities in the last five years.
9. The increase in operating leverage and financial leverage is mainly due to the decrease in operating income for the year.

Note 1: Figures have been audited by adopting IFRSs.
Note 2: Figures 1Q'18 have been audited by adopting IFRSs.
Note 3: Cash flow adequacy ratio of 2013 to 2016 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.

7.2.2 Financial Analysis (Standalone) by IFRSs

Analysis Item		Recent 5 years (Note 1)				
Year		2013	2014 (Not 5&6)	2015	2016	2017
Capital Structure	Debts ratio (%)	19.20	17.08	16.14	14.25	7.97
	Long-term fund to Property, plant and equipment (%)	1,153.30	1,287.75	1,400.06	1,322.92	1,327.52
Liquidity	Current ratio (%)	224.11	278.47	391.06	363.47	486.54
	Quick ratio (%)	186.24	212.16	334.88	319.86	426.00
	Times interest earned (times)	196.76	3,120.87	2,662.46	687.97	5,155.27
Operating Performance	Average collection turnover (times)	4.90	3.30	4.00	4.26	4.95
	Average collection days	74	111	91	86	74
	Inventory turnover (times)	2.60	2.84	2.86	3.23	3.34
	Payment turnover (times)	6.25	4.54	7.26	8.57	6.33
	Average inventory turnover days	140	129	128	113	109
	Fixed assets turnover (times)	3.78	3.23	3.51	2.59	1.94
	Property, plant and equipment turnover (times)	0.28	0.23	0.23	0.17	0.13
Profitability	Return on total assets (%)	0.69	4.01	5.39	1.25	4.22
	Return on stockholders' equity (%)	0.60	4.67	6.25	1.29	4.68
	Profit before tax to paid-in capital (%) (Note 4)	0.50	7.22	10.02	2.04	7.11
	Profit after tax to net sales (%)	1.69	16.40	22.06	6.31	30.85
	Earnings per share (NT$)	0.09	0.72	1.00	0.20	0.72
Cash Flow	Cash flow ratio (%) (Note2)	57.72	24.04	70.01	86.72	51.41
	Cash flow adequacy ratio (%)	150.42	100.10	97.84	84.41	137.53
	Cash flow reinvestment ratio (%)	7.86	2.63	2.10	2.49	0.15
Leverage	Operating leverage	Note3	4.48	5.42	Note3	Note3
	Financial leverage	Note3	1.16	1.17	Note3	Note3

Variation Analysis 2017 vs. 2016
1. The decrease in debt-to-asset ratio, current ratio and quick ratio was mainly due to the decrease in borrowings during the year.
2. The increase in the interest protection ratio was mainly due to the increase in net profit before tax for the current year.
3. The decrease in the turnover of accounts payable was mainly due to the decrease in operating income during the year and the decrease in the cost of goods sold.
4. The decrease in the turnover rate of fixed assets and the turnover rate of total assets was mainly due to the decrease in operating income during the year.
5. The increase in return on assets and return on equity was mainly due to the increase in net profit after

taxation as a result of the increase in investment interest during the year and the increase in the share of profits of subsidiaries, affiliates, and joint ventures using the equity method.
6. Pre-tax net profit as a percentage of paid-in capital ratio, net income ratio, and earnings per share was mainly attributable to the increase in net profit after taxation as a result of the increase in the disposal of investment interests during the year and the increase in the share of subsidiaries, affiliates, and joint ventures using the equity method.
7. The decrease in cash flow ratio and cash reinvestment ratio was mainly due to the decrease in net cash inflows from operating activities during the year.
8. The increase in the cash flow allowance rate was mainly due to the increase in net cash inflows from operating activities in the last five years.

* 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) (Note3)
6. Leverage
   - (1) Operating Leverage = (Net Sales – Operating Expenses & Cost)/Operating Income (Note4)
   - (2) Financial Leverage = Operating Income/(Operating Income – Interest Expenses)

Note 1: Figures have been audited by adopting IFRSs.
Note 2: The calculation of the cash flow tonnage ratio from 2013 to 2016 is calculated using the previous year's ROC consolidation information.
Note 3: Net operating loss, it is not listed
Note 4: 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 5: Figures are reviewed and adjusted by adopting IAS19
Note 6: Figures are adjusted because Sunplus decided to dispose STB center to Availink Inc.by Board Meeting on 2015/1/20

7.3 Audit Committee's Report

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

Sunplus' Board has submitted the 2017 business report, financial statements and distribution of 2017 earnings. The Deloitte & Touche CPA firm has audited the financial statements, and issued an audit report. The Audit Committee has reviewed the 2017 business report, financial statements and distribution of 2017 earnings, and verified that they comply with the Company Law and relevant regulations. According to Article14-4of Securities Exchange Law and Article 219 of the Company Law, I hereby submit this report.

To Sunplus 2018 Annual General Shareholders' Meeting

Sunplus Technology Co., Ltd.
Audit Committee
Convener,

Che-Ho Wei
March 23th, 2018

7.4 Consolidated Financial Statements and Auditors' Audit Report

Sunplus Technology Company Limited and Subsidiaries

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

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

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

Very truly yours,

Sunplus Technology Company Limited

By

CHOU-CHYE HUANG
Chairman

March 14, 2018

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Sunplus Technology Company Limited

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

Revenue recognition

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

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

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

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

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

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

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

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

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

Other Matter

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

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

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

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

Those charged with governance, including the audit committee, are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 14, 2018

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

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

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

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

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

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

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

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

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

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

(Continued)

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

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

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

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

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

(In Thousands of New Taiwan Dollars)

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

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

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

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

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

(Continued)

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

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

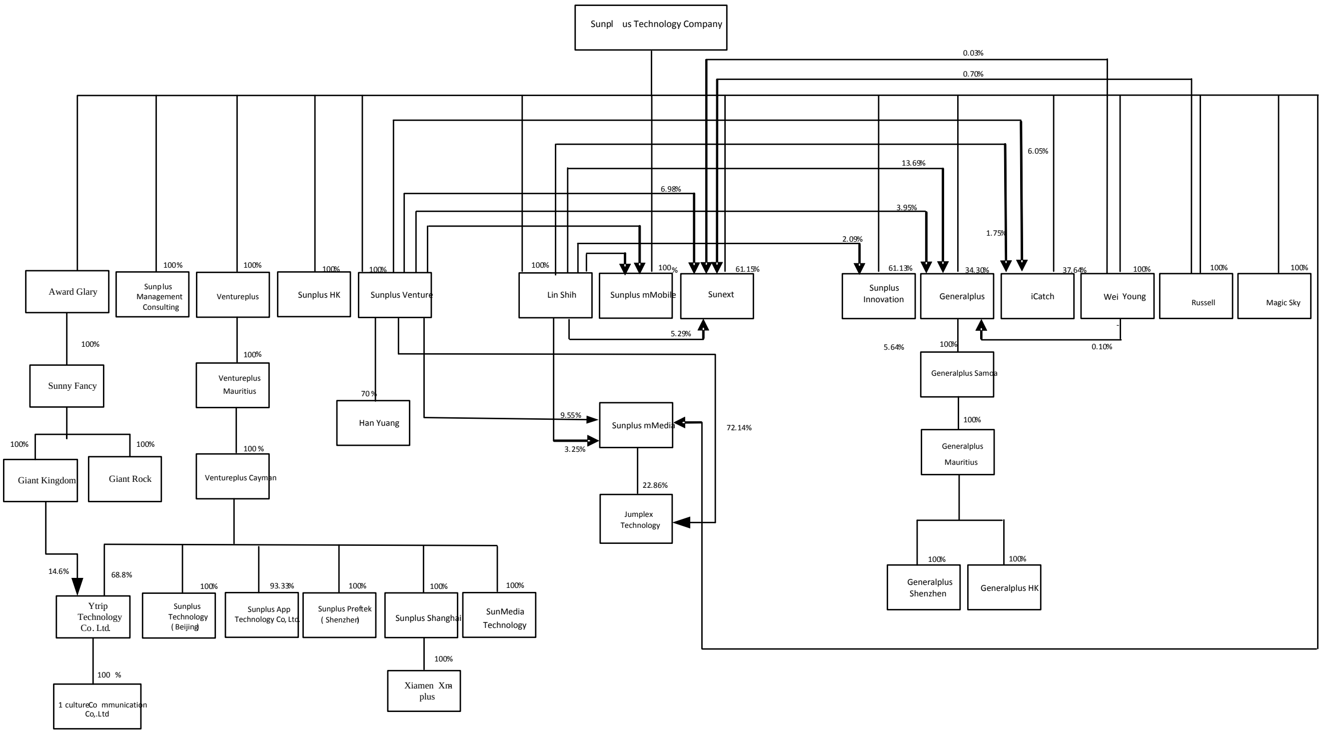
	2017	2016
Proceeds of the disposal of property, plant and equipment	162	93
Increase in refundable deposits	-	719
Decrease in refundable deposits	748	(3,428)
Payments for intangible assets	(124,521)	(114,805)
Payments for investment properties	(6,592)	(390)
Decrease (increase) on other noncurrent assets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

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

1. GENERAL INFORMATION

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

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



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

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

2. APPROVAL OF FINANCIAL STATEMENTS

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

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

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

   Except for the following, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC did not have a significant effect on the Company's accounting policies:

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

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

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

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

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

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

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

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

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

1) Annual Improvements to IFRSs 2014-2016 Cycle

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

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

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

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

3) IFRS 9 “Financial Instruments” and related amendments

Classification, measurement and impairment of financial assets

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

6) Amendments to IAS 40 "Transfers of Investment Property"

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2) IFRS 16 "Leases"

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

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

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

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

3) IFRIC 23 "Uncertainty Over Income Tax Treatments"

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

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

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

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

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

5) Amendments to IFRS 9 “Prepayment Features with Negative Compensation”

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

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

6) Annual Improvements to IFRSs 2015-2017 Cycle

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of Compliance

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

b. Basis of preparation

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

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

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

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

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

c. Classification of current and noncurrent assets and liabilities

Current assets include:

1) Assets held primarily for the purpose of trading;

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

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

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

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

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

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

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

d. Basis of consolidation

1) Principles for preparing consolidated financial statements

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

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

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the no controlling interests even if this results in the no controlling interests having a deficit balance.

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

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

e. Foreign currencies

In preparing the financial statements of each group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period.

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

Nonmonetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including of the subsidiaries, associates, joint ventures or branches operations in other countries or currencies used different with the Company) are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognized in other comprehensive income (attributed to the owners of the Company and no controlling interests as appropriate).

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

f. Inventories

Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. The inventories of Sunplus Technology Company Limited, Generalplus Technology Inc., Sunplus Innovation Technology Inc., Sunplus mMobile Inc., iCatch Technology Inc., Sunplus mMedia Inc., Jumplux Technology and Sunext Technology Co., Ltd. are generally recorded at standard cost. On the balance sheet date, the cost is adjusted to approximate weighted-average cost method. Other subsidiaries' inventories are recorded at the weighted-average cost.

g. Investments in associates and jointly controlled entities

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

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

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

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

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

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

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

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

h. Property, plant and equipment

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

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

Depreciation is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

i. Investment properties

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

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

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

j. Goodwill

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

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

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

k. Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. The residual value of an intangible asset with a finite useful life shall be assumed to be zero unless the Group expects to dispose of the intangible asset before the end of its economic life. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

2) Derecognition of intangible assets

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

l. Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount.

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

m. Financial instruments

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

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

1) Financial assets

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

a) Measurement category

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

i Financial assets at fair value through profit or loss

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

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

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

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

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

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

ii. Available-for-sale financial assets

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

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

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

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

iii. Loans and receivables

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

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

b) Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

c) Derecognition of financial assets

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

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

2) Equity instruments and financial liabilities

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

a) Equity instruments

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

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

b) Financial liabilities

i. Subsequent measurement

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

ii. Derecognition of financial liabilities

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

n. Provisions

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

o. Revenue recognition

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

<u>Sale of goods</u>

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

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

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

3) The amount of revenue can be measured reliably;

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

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

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

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 services.

2) Retirement benefits

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

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

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Group’s defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

t. Share-based payment arrangements

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

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

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

u. Taxation

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

<u>Current tax</u>

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

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

Deferred tax

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

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

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

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

Current and deferred tax for the period

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

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

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

b. Estimated impairment of trade receivables

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

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

c. Income taxes

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

d. Write-down of inventory

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

e. Impairment of investment in the associate

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

6. CASH AND CASH EQUIVALENTS

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

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

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

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

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

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

(Continued)

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

(Concluded)

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

9. FINANCIAL ASSETS MEASURED AT COST

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

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

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

10. NOTES AND ACCOUNTS RECEIVABLE, NET

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

Accounts receivable

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

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

The aging of receivables was as follows:

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

The above aging schedule was based on the invoice date.

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

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

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

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

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

11. INVENTORIES

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

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

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

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

12. SUBSIDIARIES

a. The subsidiaries included in the consolidated financial statements

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

			Percentage of Ownership		
			December 31		
Name of Investor	Name of Investee	Main Businesses and Products	2017	2016	Note
Sunplus	Sunplus Management Consulting	Management	100.00	100.00	-
	Ventureplus Group Inc.	Investment	100.00	100.00	-
	Sunplus Technology (H.K.)	International trade	100.00	100.00	-
	Sunplus Venture	Investment	100.00	100.00	-
	Lin Shih Investment	Investment	100.00	100.00	-

	Sunplus mMobile Inc.	Design of integrated circuits (ICs)	100.00	100.00	-
	Sunext Technology Co., Ltd.	Design of ICs	61.15	61.15	-
	Sunplus Innovation Technology	Design of ICs	61.13	61.41	-
	Generalplus Technology Inc. ("Generalplus")	Design of ICs	34.30	34.30	-
	iCatch Technology Inc.	Design of ICs	37.64	37.64	Sunplus and its subsidiaries had 45.44% equity in iCatch Technology, Inc. and the Group had controlling interest over iCatch Technology, Inc.; thus, the investee was included in the consolidated financial statements.
	Wei-Young Investment Inc.	Investment	100.00	100.00	-
	Russell Holdings Limited	Investment	100.00	100.00	-
	Magic Sky Limited	Investment	100.00	100.00	-
	Sunplus mMedia Inc.	Design of ICs	87.20	87.20	-
	Award Glory	Investment	100.00	100.00	-
Ventureplus	Ventureplus Mauritius	Investment	100.00	100.00	-
Ventureplus Mauritius	Ventureplus Cayman	Investment	100.00	100.00	-
Ventureplus Cayman	Ytrip Technology	Web research and development	68.80	68.80	-
	Sunplus App Technology	Manufacturing and sale of computer software; system integration services and information management and education.	93.33	93.33	-
	Sunplus Prof-tek Technology (Shenzhen)	Development and sale of computer software and system integration services	100.00	100.00	-
	Sunplus Technology (Shanghai)	Manufacturing and sale of consumer and rental	100.00	100.00	-
	SunMedia Technology	Manufacturing and sale of computer software and system integration services	100.00	100.00	-
	Sunplus Technology (Beijing)	Manufacturing and sale of computer software and system integration services	100.00	100.00	-
Sunplus Technology (Shanghai)	Xiamen Xm-plus	Manufacturing and sale of computer software and system integration services	100.00	-	At the end December 2017, the establishment registration was completed.
Ytrip Technology	1culture Communication	Development and sale	100.00	100.00	-
Sunplus Venture	Jumplux Technology	Design of ICs	72.14	71.43	
	Han Young Technology	Design of ICs	70.00	70.00	-
	Sunext Technology Co., Ltd. ("Sunext")	Design of ICs	6.98	6.98	Sunplus and its subsidiaries had 74.15% equity in Sunext.
	Generalplus Technology Inc.	Design of ICs	-	3.66	-
	Sunplus mMedia	Design of ICs	9.55	9.55	Sunplus and its subsidiaries had 100% equity in Sunplus mMedia.
	Sunplus Innovation	Design of ICs	5.64	5.67	Sunplus and its subsidiaries had 68.86% equity in Sunplus Innovation
	iCatch Technology, Inc.	Design of ICs	6.05	6.05	Sunplus and its subsidiaries had 45.44% equity in iCatch Technology, Inc.
Lin Shih	Generalplus Technology Inc.	Design of ICs	13.69	13.69	Sunplus and its subsidiaries had 47.99% equity in Generalplus.
	Sunext Technology	Design of ICs	5.29	5.29	Sunplus and its subsidiaries had 74.15% equity in Sunext.
	Sunplus mMedia	Design of ICs	3.25	3.25	Sunplus and its subsidiaries had 100% equity in Sunplus mMedia.
	Sunplus Innovation	Design of ICs	2.09	2.10	Sunplus and its subsidiaries had

					68.86% equity in Sunplus Innovation
	iCatch Technology	Design of ICs	1.75	1.75	Sunplus and its subsidiaries had 45.44% equity in iCatch Technology, Inc. and the Group had controlling interest over iCatch Technology, Inc.; thus, the investee was included in the consolidated financial statements.
Sunplus mMobile	Sunplus mMobile SAS	Design of ICs	-	100.00	Sunplus mMobile SAS had been liquidated on January 2017.
Generalplus	Generalplus Samoa	Investment	100.00	100.00	-
Generalplus Samoa	Generalplus Mauritius	Investment	100.00	100.00	-
Generalplus Mauritius	Generalplus Shenzhen	After-sales service	100.00	100.00	-
	Generalplus HK	Sales	100.00	100.00	-

(Continued)

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

(Concluded)

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

b. Subsidiary excluded from the consolidated financial statements

	The Voting Ratio of Noncontrolling Equity	
	December 31	
	2017	**2016**
<u>Company name</u>		
Generalplus Technology Inc.	47.99%	48.35%

Refer to attachment 6 for registered countries and company information:

	Profits Attributed to Noncontrolling Interests		**Noncontrolling Interests**	
	Years Ended December 31		**December 31**	
Company Name	**2017**	**2016**	**2017**	**2016**

Generalplus Technology Inc.	$	176,445	$	199,087	$	1,138,500	$	1,060,094

The summarized financial information below represents amounts before intragroup eliminations.

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

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

13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

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

a. Investments in associates

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

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

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

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

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

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

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

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

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

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

b. Investments in jointly controlled entities

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

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

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

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

14. PROPERTY, PLANT AND EQUIPMENT

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

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

Balance, end of year	$ 456,802	$ 107,497	$ 13,500	$ 478,413	$ 3,556	$ 226,324	$ 4,695	$ 18,833	$ -	$ 1,311,620
Accumulated impairment										
Balance, beginning and end of year										
Additions	$ -	$ -	$ -	$ 11,498	$ -	$ -	$ -	$ -	$ -	$ 11,498
Net, end of year	$ 1,950,547	$ 74,992	$ 1,631	$ 76,539	$ 4,290	$ 31,559	$ 21,657	$ 2,939	$ -	$ 2,164,154

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

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

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

15. INVESTMENT PROPERTIES

Cost	
Balance at January 1, 2016	$ 450,839
Additions	390
Reclassified	1,078,643
Effect of exchange rate differences	(84,879)
Balance at December 31, 2016	$ 1,444,993
Accumulated depreciation	
Balance at January 1, 2016	$ (193,769)
Depreciation expense	(48,258)
Effect of exchange rate differences	15,938
Balance at December 31, 2016	(226,089)
	$ 1,218,904
Cost	
Balance at January 1, 2017	$ 1,444,993
Additions	6,592
Reclassified	(268)
Effect of exchange rate differences	(6,256)
Balance at December 31, 2017	$ 1,435,061
Accumulated depreciation	
Balance at January 1, 2017	$ (266,089)
Depreciation expense	(71,542)
Effect of exchange rate differences	1,621

Balance at December 31, 2017	(296,010)
	$ 1,139,051

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

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

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

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

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

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

16. INTANGIBLE ASSETS

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

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

(Continued)

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

(Concluded)

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

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

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

17. OTHER ASSETS

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

(Continued)

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

(Concluded)

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

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

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

18. LOANS

Short-term borrowings

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

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

Long-term borrowings

The borrowings of the Group were as follows:

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

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

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

19. TRADE PAYABLES

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

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

20. PROVISIONS

	December 31	
	2017	2016

Customer returns and rebates	$ 11,555	$ 12,334

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

21. OTHER LIABILITIES

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

22. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

b. Defined benefit plans

Before the promulgation of the LPA, Sunplus, Generalplus, Sunext, Sunplus Innovation, Sunplus mMedia, Jumplux Technology and iCatch of the Group had a defined benefit pension plan under the Labor Standards Law. Under this plan, employees should receive either a series of pension payments with a defined annuity or a lump sum that is payable immediately on retirement and is equivalent to 2 base units for each of the first 15 years of service and 1 base unit for each year of service thereafter. The total retirement benefit is subject to a maximum of 45 units. The pension benefits are calculated on the basis of the length of service and average monthly salaries of the six month before retirement. In addition, the Group makes monthly contributions, equal to 2% of salaries, to a pension fund, which is administered by a fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name and are managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the company has no right to influence the investment policy and strategy.

The actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out by qualifying actuaries. The principal assumptions used for the purposes of the actuarial valuations were as follows:

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

Movements in net defined benefit liabilities were as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

23. EQUITY

a. Share capital

1) Common shares:

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

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

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

2) Global depositary receipts

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

b. Capital surplus

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

	December 31	
	2017	**2016**
<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	$ 496,059	$ 703,376
Arising from the acquisition of a subsidiary	157,423	157,423
The difference between consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	140,293	10,625
<u>May be used to offset a deficit only</u>		
From treasury share transactions	41,466	39,686
	$ 835,241	$ 911,110

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

c. Retained earnings and dividend policy

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

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

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

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

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

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

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

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

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

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

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

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

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

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

d. Special reserve

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

e. Other equity items

1) Foreign currency translation reserve:

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

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

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

f. Noncontrolling interests

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

g. Treasury shares

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

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

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

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

24. REVENUE

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

25. NET PROFIT

Net profit included the following items:

Other income

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

Other gains and losses

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

Finance costs

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

Information on capitalized interest is as follows:

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

Depreciation and amortization

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

Operating expenses directly related to investment properties

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

Employee benefit expense

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

(Continued)

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

(Concluded)

Employees' compensation and remuneration of directors

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

Accrual rate

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

Amount

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

If there is a change in the proposed amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in accounting estimate.

There was no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2016 and 2015.

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

Gain or loss on exchange rate changes

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

26. INCOME TAXES

Income tax recognized in profit or loss

The major components of tax expense were as follows:

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

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

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

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

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

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

Current tax assets and liabilities

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

Deferred tax assets and liabilities

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

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

For the year ended December 31, 2017

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

For the year ended December 31, 2016

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

Unrecognized deferred tax assets

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

Unused loss carryforwards and tax-exemptions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Income tax assessments

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

27. EARNINGS PER SHARE

Unit: NT$ Per Share

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

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

Net profit for the year

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

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

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

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

28. SHARE-BASED PAYMENT ARRANGEMENTS

Employee share option plan

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

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

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

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

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

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

The restrictions under the ESOP are as follows:

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

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

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

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

	Number of Restricted Shares (In Thousands)	
	2017	2016
Balance at January 1	234	844
Vested	(234)	(575)

Retired	-	(35)
Balance at December 31	-	234

iCatch Technology Inc.

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

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

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

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

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

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

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

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

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

29. GOVERNMENT GRANTS

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

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

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

30. NON-CASH TRANSACTIONS

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

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

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

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

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

2017

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

2016

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

31. OPERATING LEASE ARRANGEMENTS

The Group as lessee

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

Sunplus

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

Future annual minimum rentals under the leases are as follows:

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

Sunplus Innovation

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

The future lease payables are as follows:

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

Generalplus Technology Inc.

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

Future annual minimum rentals under the leases are as follows:

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

iCatch Technology, Inc. (“iCatch”)

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

The future lease payments are as follows:

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

The Group as lessor

Sunplus Technology (Shanghai)

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

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

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

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

SunMedia Technology

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

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

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

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

32. CAPITAL MANAGEMENT

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

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

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

33. FINANCIAL INSTRUMENTS

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

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

December 31, 2017

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

December 31, 2016

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

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

1) Fair value hierarchy

December 31, 2017

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

December 31, 2016

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

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

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

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

c. Categories of financial instruments

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

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

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

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

d. Financial risk management objectives and policies

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

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

1) Market risk

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

a) Foreign currency risk

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

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

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

Sensitivity analysis

The Group was mainly exposed to the USD and RMB.

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

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

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

b) Interest rate risk

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

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

	December 31	
	2017	2016
Fair value interest rate risk		
Financial assets	$ 2,878,159	$ 3,149,092
Financial liabilities	191,761	176,756
Cash flow interest rate risk		
Financial assets	1,566,070	1,808,818
Financial liabilities	676,493	1,799,701

Sensitivity analysis

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

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

c) Other price risk

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

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

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

2) Credit risk

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

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

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

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

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

3) Liquidity risk

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

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

a) Liquidity and interest risk rate tables

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

December 31, 2017

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

December 31, 2016

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

b) Financing facilities

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

34. TRANSACTIONS WITH RELATED PARTIES

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

a. Name and relationship of related parties

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

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

b. Sales of goods

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

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

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

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

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

d. Other transactions with related parties

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

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

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

e. Compensation of key management personnel

For the Years Ended December 31

	2017	2016
Short-term employee benefits	$ 59,185	$ 81,414
Post-employment benefits	1,515	1,340
	$ 60,700	$ 82,754

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

35. PLEDGED OR MORTGAGED ASSETS

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

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

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

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

December 31, 2017

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

(Continued)

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

(Concluded)

December 31, 2016

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

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

37. ADDITIONAL DISCLOSURES

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

1) Financings provided: Table 1 (attached)

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

3) Marketable securities held: Table 3 (attached)

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

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

6) Information on investee: Table 6 (attached)

b. Information on investments in mainland China

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

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

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

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

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

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

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

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

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

38. SEGMENT INFORMATION

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

a. Segment revenues and results

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

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

b. Geographical information

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

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

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

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

c. Information about major customers

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

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

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

TABLE 1

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

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

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

Note 1: Short-term financing.

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

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

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

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

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

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

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

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

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

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

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

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

TABLE 2

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

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

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

Note 1: Issuer.

Note 2: Investee.

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

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

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

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

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

TABLE 3

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

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

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

(Continued)

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

(Continued)

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

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

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

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

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

(Concluded)

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, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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

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

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

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

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

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

(Continued)

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

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

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

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

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

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

(Concluded)

TABLE 6

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

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

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

Ventureplus Mauritius Inc.	Ventureplus Cayman Inc.	Cayman Islands, British West Indies	Investment	2,384,330 (US$ 74,305 RMB 37,900)	2,384,3302 (US$ 74,305 RMB 37,900)	-	100	1,496,190	9,154	48,690	Subsidiary
Generalplus Technology Inc.	Generalplus International (Samoa) Inc.	Samoa	Investment	568,118 (US$ 19,090)	568,118 (US$ 19,090)	19,090	100	476,192	9,154	9,154	Subsidiary
Generalplus International (Samoa) Inc.	Generalplus (Mauritius) Inc.	Mauritius	Investment	568,118 (US$ 19,090)	568,118 (US$ 19,090)	19,090	100	476,170	5,798	9,154	Subsidiary

(Continued)

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

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

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

(Concluded)

TABLE 7

SUNPLUS TECHNOLOGY COMPANY LIMITEDAND SUBSIDIARIES

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

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

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

(Continued)

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

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

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

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

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

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

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

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

(Concluded)

TABLE 8

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

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

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

7.5 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, 2017 and 2016 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, 2017 and 2016, 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 Company as of December 31, 2017 and 2016, 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 Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements for the year ended December 31, 2017. 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 93% of the Company's total revenue and was material. For a detailed explanation of revenue, refer to Note 21 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 accounts receivable which are more than one month overdue, or if there are any accounts receivable which are within one month overdue and, furthermore, the accounts receivable 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 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 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 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 shipment occurred after acquiring approval by the competent supervisor.

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

   5) Verifying the amounts of accounts receivable, certificates of remittance and counterparties are consistent with the recorded amount and counterparties and have 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the Company'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 Company's internal control.

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

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the 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 Company 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 Company 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, 2017 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 14, 2018

Notice to Readers

The accompanying 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, 2017 AND 2016
(In Thousands of New Taiwan Dollars, Except Par Value)

	2017		2016	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 1,722,569	18	$ 1,957,745	19
Available-for-sale financial assets - current (Notes 4 and 7)	602,003	6	531,277	5
Accounts receivable, net (Notes 4, 5, 9 and 30)	200,733	2	350,206	3
Other receivables (Notes 23 and 30)	51,268	-	36,134	-
Inventories (Notes 4, 5 and 10)	276,908	3	257,230	2
Other financial assets (Notes 14 and 31)	59,520	1	64,500	1
Other current assets (Note 14)	29,734	-	70,305	1
Total current assets	2,942,735	30	3,267,397	31
NONCURRENT ASSETS				
Available-for-sale financial assets - noncurrent (Notes 4 and 7)	74,435	1	773,289	7
Financial assets carried at cost (Notes 4 and 8)	201,923	2	300,623	3
Investments accounted for using the equity method (Notes 4, 5 and 11)	5,762,269	59	5,375,436	51
Property, plant and equipment (Notes 4, 5 , 12, 30 and 31)	682,943	7	722,145	7
Intangible assets (Notes 4, 5 and 13)	62,141	1	68,497	1
Deferred tax assets (Notes 4, 5 and 23)	2,485	-	2,485	-
Other financial assets (Notes 14 and 31)	6,100	-	6,100	-
Other noncurrent assets (Note 14)	8,000	-	8,058	-
Total noncurrent assets	6,800,296	70	7,256,633	69
TOTAL	$ 9,743,031	100	$ 10,524,030	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term bank borrowings (Note 15)	$ 59,520	1	$ 37,500	-
Account payable (Note 16)	136,811	1	144,804	1

Provisions - current (Notes 4 and 17)	7,300	-	9,154	-
Current portion of long-term bank loans (Notes 4, 15 and 31)	175,000	2	416,665	4
Other current liabilities (Notes 18 and 30)	226,187	2	290,800	3
Total current liabilities	604,818	6	898,923	8
NONCURRENT LIABILITIES				
Long-term bank loans, net of current portion (Notes 15 and 31)	100,000	1	529,167	5
Net defined benefit liabilities (Notes 4 and 19)	10,864	-	9,005	-
Guarantee deposits	61,113	1	62,681	1
Total noncurrent liabilities	171,977	2	600,853	6
Total liabilities	776,795	8	1,499,776	14
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY				
Share capital (Notes 4 and 20)				
Common shares	5,919,949	61	5,919,949	56
Capital surplus	835,241	9	911,110	9
Retained earnings				
Legal reserve	1,900,505	20	1,890,531	18
Special reserve	22,995	-	21,927	-
Unappropriated earnings (accumulated deficit)	413,209	4	99,738	1
Total retained earnings	2,336,709	24	2,012,196	19
Other equity	(62,262)	(1)	244,400	2
Treasury shares (Note 31)	(63,401)	(1)	(63,401)	-
Total equity	8,966,236	92	9,024,254	86
TOTAL	$ 9,743,031	100	$ 10,524,030	100

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, 2017 AND 2016
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016	
	Amount	**%**	**Amount**	**%**
NET OPERATING REVENUE (Notes 4, 21 and 30)	$ 1,365,802	100	$ 1,904,224	100
OPERATING COSTS (Notes 10, 19 and 22)	892,547	65	1,136,511	60
GROSS PROFIT	473,255	35	767,713	40
OPERATING EXPENSES (Notes 19, 22 and 30)				
Selling and marketing	43,754	3	57,111	3
General and administrative	220,785	16	271,729	14
Research and development	482,210	36	518,039	27
Total operating expenses	746,749	55	846,879	44
LOSS FROM OPERATIONS	(273,494)	(20)	(79,166)	(4)
NONOPERATING INCOME AND EXPENSES (Notes 4, 11, 22, 25 and 30)				
Other income	39,506	3	50,086	3
Other gains and losses	424,700	31	48,150	2
Finance costs	(8,337)	(1)	(20,592)	(1)
Share of profit of associates and joint ventures	239,083	18	122,598	6
Total nonoperating income and expenses	694,952	51	200,242	10
PROFIT BEFORE INCOME TAX	421,458	31	121,076	6
INCOME TAX EXPENSE (Notes 4 and 23)	-	-	889	-
NET PROFIT FOR THE YEAR	421,458	31	120,187	6
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4, 19 and 20)				
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit plans	(4,088)	-	(3,886)	-
Share of other comprehensive loss of subsidiaries, associates and joint ventures accounted for using equity method	(1,534)	-	(2,632)	-

(Continued)

SUNPLUS TECHNOLOGY COMPANY LIMITED

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

	2017		2016	
	Amount	**%**	**Amount**	**%**
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translating foreign operations	(42,119)	(3)	(5,231)	(1)
Unrealized loss on available-for-sale financial assets	(278,167)	(21)	111,333	6
Share of other comprehensive income (loss) of associates and joint ventures accounted for using equity method	13,624	1	(193,194)	(10)
Other comprehensive loss for the year, net of income tax	(312,284)	(23)	(93,610)	(5)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 109,174	8	$ 26,577	1
EARNINGS PER SHARE (New Taiwan dollars, Note 24)				
From continuing operations				
Basic	$ 0.72		$ 0.20	
Diluted	$ 0.72		$ 0.20	

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, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	Share Capital Issued and Outstanding			Retained Earnings			Other Equity			
	Share (Thousands)	Amount	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Treasury Shares	Total Equity
BALANCE, JANUARY 1, 2016	591,995	$ 5,919,949	$ 897,317	$ 1,831,596	$ 17,833	$ 595,226	$ 97,509	$ 233,983	$ (63,401)	$ 9,530,012
Appropriation of the 2015 earnings										
Legal reserve	-	-	-	58,935	-	(58,935)	-	-	-	-
Cash dividends for common shares	-	-	-	-	-	(526,875)	-	-	-	(526,875)
Special reserve	-	-	-	-	4,094	(4,094)	-	-	-	-
Difference between share price and book value from disposal of subsidiaries	-	-	10,625	-	-	-	-	-	-	10,625
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 (loss) for the year ended December 31, 2016, net of income tax	-	-	-	-	-	(6,518)	(159,571)	72,479	-	(93,610)
Total comprehensive income (loss) 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
Appropriation of the 2016 earnings										
Legal reserve	-	-	-	9,974	-	(9,974)	-	-	-	-
Cash dividends for common shares	-	-	-	-	-	(88,681)	-	-	-	(88,681)
Special reserve	-	-	-	-	1,068	(1,068)	-	-	-	-
Issuance of share dividends from capital surplus	-	-	(207,317)	-	-	-	-	-	-	(207,317)
Difference between share price and book value from disposal of subsidiaries, associates and joint ventures accounted for using the equity method	-	-	-	-	-	(18)	-	-	-	(18)
Difference between share price and book value from disposal of subsidiaries	-	-	129,668	-	-	-	-	-	-	129,668
Changes of equity of subsidiaries	-	-	-	-	-	(2,624)	-	-	-	(2,624)
Net profit for the year ended December 31, 2017	-	-	-	-	-	421,458	-	-	-	421,458
Other comprehensive loss for the year ended December 31, 2017, net of income tax	-	-	-	-	-	(5,622)	(60,038)	(246,624)	-	(312,284)
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	-	415,836	(60,038)	(246,624)	-	109,174
Disposal of treasury shares	-	-	1,780	-	-	-	-	-	-	1,780
BALANCE, DECEMBER 31, 2017	591,995	$ 5,919,949	$ 835,241	$ 1,900,505	$ 22,995	$ 413,209	$ (122,100)	$ 59,838	$ (63,401)	$ 8,966,236

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, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash generated from operations		
Income before income tax	$ 421,458	$ 121,076
Adjustments for:		
Depreciation expenses	45,365	70,570
Amortization expenses	32,582	29,140
Bad-debt expense	30,558	75,134
Financial costs	8,337	20,592
Interest income	(5,379)	(5,983)
Dividend income	(6,559)	(14,715)
Share of profit of subsidiaries, associates and joint ventures	(239,083)	(122,598)
Gain on disposal of available-for-sale financial assets	(516,435)	(108,956)
Loss on disposal of investments accounted for using the equity method	-	414
Impairment loss recognized on financial assets	96,567	94,268
Impairment loss recognized on non-financial assets	21,577	-
Realized gain on the transactions with subsidiaries	(404)	(827)
Net gain on foreign currency exchange	6,494	9,573
Changes in operating assets and liabilities:		
Increase in other receivables	(3,563)	(11,788)
Decrease in trade receivables	117,072	108,207
(Increase) decrease in inventories	(19,678)	188,123
Decrease (increase) in other current assets	40,071	(44,855)
(Decrease) increase in trade payables	(7,993)	24,380
Decrease in provisions	(1,854)	(165)
(Decrease) increase in other current liabilities	(55,517)	35,624
Decrease in defined benefit liabilities	(2,229)	(2,055)
	(38,613)	465,159
Interest received	5,422	5,974
Dividends received	353,024	332,908
Interest paid	(8,888)	(20,838)
Income tax paid	-	(1,251)
Net cash generated from operating activities	310,945	781,952
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of available-for-sale financial assets	(275,420)	(167,029)
Proceeds of the sale of available-for-sale financial assets	1,128,917	731,634
Capital returned to the Company - financial assets carried at cost	3,183	1,423
Purchase of investments accounted for using the equity method	(393,281)	(31,695)
Capital returned to the Company - liquidation of joint ventures	-	13,583
Payments for property, plant and equipment	(14,568)	(54,797)
Proceeds of the disposal of property, plant and equipment	-	40
Payments for intangible assets	(48,365)	(28,483)
Purchase of financial assets measured at cost	-	(105,000)

(Continued)

SUNPLUS TECHNOLOGY COMPANY LIMITED

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

	2017	2016
(Increase) decrease in other assets - noncurrent	4,980	(64,500)
Decrease in refundable deposits	58	-
Net cash generated from investing activities	405,504	295,176
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds of short-term borrowings	22,020	37,500
Proceeds of long-term borrowings	-	200,000
Repayments of long-term borrowings	(670,832)	(611,250)
Proceeds from guarantee deposits received	48,146	12,132
Refunds of guarantee deposits received	(48,249)	(37,934)
Dividends paid to owners of the Company	(295,998)	(526,875)
Net cash used in financing activities	(944,913)	(926,427)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	(6,712)	(2,321)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(235,176)	148,380
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	1,957,745	1,809,365
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 1,722,569	$ 1,957,745

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

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 depositary receipts (GDRs), which have been listed on the London Stock Exchange since March 2001 (refer to Note 20).

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 14, 2018.

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

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

   Except for the following, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC did not have a significant effect on the Company's accounting policies:

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

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

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

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

When the amendments are applied retrospectively from January 1, 2017, the disclosure of related party transactions is enhanced, refer to Note 30.

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

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

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

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

1) Annual Improvements to IFRSs 2014-2016 Cycle

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

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

2) IFRS 9 “Financial Instruments” and related amendments

Classification, measurement and impairment of financial assets

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

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

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

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

Except for the above, all other financial assets are measured at fair value through profit or loss. However, the Company may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss. No subsequent impairment assessment is required, and the cumulative gain or loss previously recognized in other comprehensive income cannot be reclassified from equity to profit or loss.
The Company analyzed the facts and circumstances of its financial assets that exist at December 31, temporarily, 2017 and performed the assessment of the impact of IFRS 9 on the classification and measurement of financial assets. Under IFRS 9:

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

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

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

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

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

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

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

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

	Carrying Amount as of December 31, 2017	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2018
Impact on assets, liabilities and equity			
Financial assets at fair value through profit or loss - current	$ -	$ 602,003	$ 602,003
Available-for-sale financial assets - current	602,003	(602,003)	-
Financial assets at fair value through profit or loss - noncurrent	-	186,286	186,286
Financial assets at fair value through other comprehensive income - noncurrent	-	98,687	98,687
Available-for-sale financial assets - noncurrent	74,435	(74,435)	-
Financial assets measured at cost - noncurrent	201,923	(201,923)	-
Investments accounted for using the equity method	5,762,269	(4,176)	5,758,093
Total effect on assets	$ 6,640,630	$ (4,439)	$ 6,645,069
Retained earnings	$ 2,336,709	$ 294,288	$ 2,630,997
Other equity	(26,262)	(289,849)	(352,111)
Total effect on equity	$ 2,274,447	$ 4,439	$ 2,278,886

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

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

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

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

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

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

	December 31, 2017 Carrying Amount	**Adjustments Arising from Initial Application**	**January 1, 2018 Adjusted Carrying Amount**
Provisions - current	$ 7,300	$ (7,300)	$ -
Other current liabilities	226,187	7,300	233,487
Total effect on liabilities	$ 233,487	$ -	$ 233,487

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

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

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

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

5) Amendments to IAS 40 "Transfers of Investment Property"

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

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

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

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

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

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

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

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

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

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

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

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

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

2) IFRS 16 "Leases"

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

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

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

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

3) IFRIC 23 "Uncertainty Over Income Tax Treatments"

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

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

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

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

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

5) Amendments to IFRS 9 “Prepayment Features with Negative Compensation”

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

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

6) Annual Improvements to IFRSs 2015-2017 Cycle

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of Compliance

The 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.

When preparing these parent company only financial statements, the Company used the equity method to account for its investments in subsidiaries, associates and joint ventures. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the parent company only financial statements to be the same with the amounts attributable to the owners of the Company in its consolidated financial statements, adjustments arising from the differences in accounting treatments between the parent company only basis and the consolidated basis were made to investments accounted for using the equity method, the share of profit or loss of subsidiaries, associates and joint ventures, the share of other comprehensive income of subsidiaries, associates and joint ventures and the related equity items, as appropriate, in these parent company only financial statements.

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 parent company only financial statements are authorized for issue; and

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

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

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

d. 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 the 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 parent company only 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 Company 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 the Company transacts with its associate (and jointly controlled entity, profits and losses resulting from the transactions with the associate are recognized in the Company’s parent company only 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

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 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.

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.

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 the Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or 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 equivalents, debt investments with no active market, and other receivables) are measured using the effective interest method at amortized cost less any impairment, except for short-term receivables when the effect of discounting is immaterial.

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

b) Impairment of financial assets

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

For financial assets carried at amortized cost, such as trade receivables and other receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the 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 services.

2) Retirement benefits

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

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost and past service cost) and net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expense in the period in which they occur, 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 liabilities (assets) represent the actual deficit (surplus) in the Company's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

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 to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which The 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, 2017 and 2016, the Company recognized impairment losses on intangible assets of $21,577 thousand and $0, 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, 2017 and 2016, the carrying amount of trade receivables was $200,733 thousand and $350,206 thousand, respectively (after deducting allowance of $107,257 thousand and $76,699 thousand, respectively).

c. Income taxes

As of December 31, 2017 and 2016, no deferred tax asset has been recognized on tax losses of

$2,283,236 thousand and $2,283,236 thousand, respectively, due to the unpredictability of future profit streams. The realizability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognized in profit or loss for the period in which such a reversal takes place.

d. Write-down of inventory

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

e. Impairment of investment in the associate

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

6. CASH AND CASH EQUIVALENTS

	December 31	
	2017	**2016**
Cash on hand	$ 479	$ 418
Checking accounts and demand deposits	724,090	804,827
Cash equivalent deposits in banks	998,000	1,152,500
	$ 1,722,569	$ 1,957,745

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

	December 31	
	2017	**2016**
Bank balance	0.01%-0.63%	0.01%-0.63%

7. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31	
	2017	2016
Current		
Domestic investments		
Mutual funds	$ 602,003	$ 531,277
Noncurrent		
Domestic investments		
Mutual funds	$ 74,435	$ -
Quoted shares	-	773,289
	$ 74,435	$ 773,289

For the year ended December 31, 2016, the Company recognized impairment losses of $71,740, respectively.

8. FINANCIAL ASSETS MEASURED AT COST

	December 31	
	2017	2016
Noncurrent		
Domestic unlisted common shares	$ 201,923	$ 300,623
Classification according to financial asset measurement categories		
Classified as available for sale	$ 201,923	$ 300,623

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 $96,567 and $22,528 as of December 31, 2017 and 2016, respectively.

9. ACCOUNTS RECEIVABLE, NET

	December 31	
	2017	2016
Accounts receivable	$ 303,243	$ 424,590
Receivable from related parties	4,747	2,315
Allowance for doubtful accounts	(107,257)	(76,699)
	$ 200,733	$ 350,206

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 $0 and $29,034 thousand as of December 31, 2017 and 2016, respectively, because there had been no significant change in credit quality and the amounts were still considered recoverable. The 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.

The aging of receivables was as follows:

	December 31	
	2017	**2016**
0-60 days	$ 184,337	$ 282,096
61-90 days	16,396	38,688
91-120 days	-	388
121-360 days	-	104,168
More than and including 361 days	107,257	1,565
Total	$ 307,990	$ 426,905

The above aging schedule was based on the invoice date.

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

	December 31	
	2017	**2016**
More than and including 90 days	$ -	$ 29,034

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

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

	Individually Impaired	**Collectively Impaired**	**Total**
Balance at January 1, 2016	$ 1,565	$ -	$ 1,565
Add: Impairment losses recognized on receivable	75,134	-	75,134
Balance at December 31, 2016	$ 76,699	$ -	$ 76,699
Balance at January 1, 2017	$ 76,699	$ -	$ 76,699
Add: Impairment losses recognized on receivable	30,558	-	30,558
Balance at December 31, 2017	$ 107,257	$ -	$ 107,257

10. INVENTORIES

	December 31	
	2017	**2016**
Finished goods	$ 126,860	$ 100,741

Work in progress	130,703	145,971
Raw materials	19,345	10,518
	$ 276,908	$ 257,230

The costs of inventories recognized as cost of goods sold for the years ended December 31, 2017 and 2016 were $892,547 thousand and $1,136,511 thousand, respectively.

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

	Years Ended December 31	
	2017	2016
Gains on inventory value recoveries	$ 14,308	$ 68,198
Income from scrap sales	69	287
	$ 14,377	$ 68,485

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2017	2016
Investments in subsidiaries	$ 5,382,918	$ 5,051,524
Investments in associates	379,351	323,912
	$ 5,762,269	$ 5,375,436

a. Investments in subsidiaries

	December 31	
	2017	2016
Listed companies		
Generalplus Technology Corp.	$ 723,246	$ 731,737
Non-listed Company		
Ventureplus Group Inc.	1,489,741	1,456,206
Sunplus Venture Capital Co., Ltd.	915,693	846,259
Lin Shih Investment Co., Ltd.	799,259	794,315
Rusell Holdings Limited	520,859	288,020
Sunplus Innovation Technology	481,414	524,574
iCatch Technology Inc.	170,748	197,578
Sunext Technology Co., Ltd.	115,593	116,471
Magic Sky Limited	89,418	221

(Continued)

	December 31	
	2017	2016
Sunplus mMobile Inc.	30,202	30,440
Sunplus mMedia Inc.	24,886	45,130
Wei-Young Investment Inc.	17,870	16,517
Sunplus Management Consulting	3,951	4,011
Sunplus Technology (H.K.)	38	45
	$ 5,382,918	$ 5,051,524
Credit balances on the carrying values of long-term investments (recorded as other current liabilities)		
Award Glory Ltd.	$ 12,990	$ 11,236

(Concluded)

Except for 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, 2017 and 2016 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 33 for the detail list of investments in subsidiaries.

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

	December 31	
	2017	2016
Listed companies		
Generalplus Technology Corp.	34%	34%
Non-listed Company		
Ventureplus Group Inc.	100%	100%
Sunplus Venture Capital Co., Ltd.	100%	100%
Lin Shih Investment Co., Ltd.	100%	100%
Rusell Holdings Limited	61%	100%
Sunplus Innovation Technology	100%	61%
iCatch Technology Inc.	38%	38%
Sunext Technology Co., Ltd.	61%	61%
Magic Sky Limited	100%	100%
Sunplus mMobile Inc.	100%	100%
Sunplus mMedia Inc.	100%	87%
Wei-Young Investment Inc.	100%	-
Sunplus Management Consulting	100%	100%
Sunplus Technology (H.K.)	100%	100%
Credit balances on the carrying values of long-term investments (recorded as other current liabilities)		
Award Glory Ltd.	100%	100%

b. Investments in associates

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

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

Proportion of Ownership and Voting

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

Refer to Table 5 "Information on Investees" "Information on Investments in Mainland China" for the nature of activities, principal places of business and countries of incorporation of the associates.

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 2017	December 31 2016
Global View Co., Ltd.	$ 392,134	$ 311,896

All the associates are accounted for using the equity method.

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

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

	Years Ended December 31 2017	Years Ended December 31 2016
Revenue	$ 188,461	$ 219,613
Profit for the period	$ 53,596	$ 69,013
Comprehensive income	$ 739,555	$ 73,316
Share of profits of associates accounted for using the equity method	$ 91,044	$ 20,068

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.

12. PROPERTY, PLANT AND EQUIPMENT

	Year Ended December 31, 2016					
	Buildings	Auxiliary Equipment	Machinery and Equipment	Testing Equipment	Furniture and Fixtures	Total
Cost						
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	969,205	47,321	1,168	171,272	27,551	1,216,517
Accumulated depreciation and impairment						
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	303,220	29,533	570	149,504	11,545	494,372
Net, end of year	$ 665,985	$ 17,788	$ 598	$ 21,768	$ 16,006	$ 722,145

	Year Ended December 31, 2017					
	Buildings	Auxiliary Equipment	Machinery and Equipment	Testing Equipment	Furniture and Fixtures	Total
Cost						
Balance, beginning of year	$ 969,205	$ 47,321	$ 1,168	$ 171,272	$ 27,551	$ 1,216,517
Additions	-	2,843	1,144	100	2,076	6,163
Disposals	-	(8,772)	(87)	(7,227)	(1,547)	(17,633)
Balance, end of year	969,205	41,392	2,225	164,145	28,080	1,205,047
Accumulated depreciation and impairment						
Balance, beginning of year	303,220	29,533	570	149,504	11,545	494,372
Depreciation expense	19,721	4,415	520	14,390	6,319	45,365
Disposals	-	(8,772)	(87)	(7,227)	(1,547)	(17,633)
Balance, end of year	322,941	25,176	1,003	156,667	16,317	522,104
Net, end of year	$ 646,264	$ 16,216	$ 1,222	$ 7,478	$ 11,763	$ 682,943

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	4-5 years

Refer to Note 31 for the carrying amounts of property, plant and equipment that had been pledged by the Company to secure borrowings.

13. INTANGIBLE ASSETS

Year Ended December 31, 2016

	Technology License Fees	Software	Patents	Total
Cost				
Balance at January 1	$ 211,281	$ 23,023	$ 97,099	$ 331,403
Additions	24,166	5,729	-	29,895
Decrease	-	(8,993)	-	(8,993)
Balance at December 31	235,447	19,759	97,099	352,305
Accumulated amortization				
Balance at January 1	71,324	12,423	68,778	152,525
Amortization expense	15,105	8,640	5,395	29,140
Decrease	-	(8,993)	-	(8,993)
Balance at December 31	86,429	12,070	74,173	172,672
Accumulated deficit				
Balance at January 1	111,136	-	-	111,136
Additions	-	-	-	-
Balance at December 31	111,136	-	-	111,136
Carrying amounts at December 31, 2016	$ 37,882	$ 7,689	$ 22,926	$ 68,497

	Year Ended December 31, 2017			
	Technology License Fees	Software	Patents	Total
Cost				
Balance at January 1	$ 235,447	$ 19,759	$ 97,099	$ 352,305
Additions	43,398	4,405	-	47,803
Decrease	(7,263)	(7,782)	-	(15,045)
Balance at December 31	271,582	16,382	97,099	385,063
Accumulated amortization				
Balance at January 1	86,429	12,070	74,173	172,672
Amortization expense	25,749	5,484	1,349	32,582
Decrease	(7,263)	(7,782)	-	(15,045)
Balance at December 31	104,915	9,772	75,522	190,209
Accumulated deficit				
Balance at January 1	111,136	-	-	111,136
Additions	-	-	21,577	21,577
Balance at December 31	111,136	-	21,577	132,713
Carrying amounts at December 31, 2017	$ 55,531	$ 6,610	$ -	$ 62,141

The company recognized impairment loss on above intangible assets $21,577 thousand as of December 31, 2017, 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

14. OTHER ASSETS

	December 31	
	2017	**2016**
Current		
Other financial assets		
Pledged time deposits (a)	$ 59,520	$ 64,500
Other assets		
Prepayments for EDA tools	$ 18,986	$ 22,615
Prepaid royalty	5,627	5,990
Prepayments for technical authorization	-	35,683
Others	5,121	6,017
	$ 29,734	$ 70,305
Noncurrent		
Other financial assets		
Pledged time deposits (a)	$ 6,100	$ 6,100
Other assets		
Refundable deposits	$ 200	$ 258
Others	7,800	7,800
	$ 8,000	$ 8,058

a. Refer to Notes 27 and 31 for information on pledged time deposits.

15. LOANS

a. Short-term borrowings

	December 31	
	2017	**2016**
Unsecured borrowings		
Bank loans	$ 59,520	$ 37,500

The weighted average effective interest rate on the bank loans as of December 31, 2017 and 2016 were 2.65% and 1.10%.

b. Long-term borrowings

The borrowings of the Company were as follows:

	December 31	
	2017	**2016**
Loans on credit	$ 275,000	$ 868,056
Secured borrowings	-	77,776
	275,000	945,832

	2017	2016
Less: Current portion	175,000	416,665
Long-term borrowings - noncurrent	$ 100,000	$ 529,167

The effective rate borrowings as of December 31 2017 and 2016 were 1.545%-1.925%, and 1.545%-1.850%.

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

16. ACCOUNTS AND NOTES PAYABLE

	December 31	
	2017	**2016**
Accounts payable		
Payable - operating	$ 136,811	$ 144,804

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.

17. PROVISIONS

	December 31	
	2017	**2016**
Customer returns and rebates	$ 7,300	$ 9,154

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.

18. OTHER LIABILITIES

	December 31	
	2017	2016
Current		
Other liabilities		
Salaries or bonuses	$ 112,458	$ 109,694
Payable for royalties	38,501	54,280
Credit balances on the carrying values of long-term investments	12,990	11,236
Compensation due to directors	10,807	3,105
Labor/health insurance	7,302	7,983
Payable on machinery and equipment	2,028	10,433
Others	42,101	94,069
	$ 226,187	$ 290,800

19. 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 Company 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 Company 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	
	2017	2016
Present value of funded defined benefit obligation	$ 165,832	$ 159,999
Fair value of plan assets	(154,968)	(150,994)
Net defined benefit liabilities	$ 10,864	$ 9,005

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 Liabilities (Assets) Arising from Defined Benefit Obligation
Balance at January 1, 2016	$ 156,963	$ 149,789	$ 7,174
Service cost			
Current service cost	581	-	581
Interest expense	2,747	2,647	100
Recognized in profit or loss	3,328	2,647	681
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	(842)	-	(842)
Recognized in other comprehensive income	2,636	(1,250)	3,886
Contributions from employer	-	2,736	(2,736)
Disposals	(2,928)	(2,928)	-
Balance at December 31, 2016	$ 159,999	$ 150,994	$ 9,005
Balance at January 1, 2017	$ 159,999	$ 150,994	$ 9,005
Service cost			
Current service cost	573	-	573
Interest expense	2,560	2,438	122
Recognized in profit or loss	3,133	2,438	695
Remeasurement			
Return on plan assets	-	(1,388)	(1,388)
Actuarial (gain) loss-changes in financial assumptions	4,553	-	4,553
Adjustment on actuarial (gain) loss-experience adjustment	(1,853)	-	(1,853)
Recognized in other comprehensive income	2,700	(1,388)	4,088
Contributions from employer	-	2,924	(2,924)
Balance at December 31, 2017	$ 165,832	$ 154,968	$ 10,864

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

	For the Year Ended December 31	
	2017	2016
Operating costs	$ 186	$ 188
Selling and marketing expenses	5	6
General and administrative expenses	221	219
Research and development expenses	283	268
	$ 695	$ 681

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

a. 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.

b. 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	
	2017	**2016**
Discount rate(s)	1.40%	1.60%
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	
	2017	**2016**
Discount rate(s)		
0.25% increase	$ (5,666)	$ (5,744)
0.25% decrease	$ 5,924	$ 6,013
Expected rate(s) of salary increase		
1% increase	$ 24,545	$ 25,004
1% decrease	$ (21,012)	$ (21,284)

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

	December 31	
	2017	**2016**
The expected contributions to the plan for the next year	$ 2,923	$ 2,734
The average duration of the defined benefit obligation	16 years	17 years

20. EQUITY

a. Share capital

1) Common shares:

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

Fully paid common shares, which have a par value of $10.00, 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.

2) Global depositary receipts

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

b. Capital surplus

A reconciliation of the carrying amount at the beginning and at the end of 2017 and 2016 for each component of capital surplus was as follows:

	December 31	
	2017	2016
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)		
From the issuance of common shares	$ 496,059	$ 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	140,293	10,625
May be used to offset a deficit only		
From treasury share transactions	41,466	39,686
	$ 835,241	$ 911,110

1) 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).

c. Retained earnings and dividend policy

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

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

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

Under the regulations promulgated, a special reserve equivalent to the debit balance of any account shown in the shareholders' equity section of the balance sheet (for example, unrealized loss on financial assets and cumulative translation adjustments) should be allocated from unappropriated retained earnings. For the policies on distribution of employees' compensation and remuneration to directors before and after amendment, refer to Note 22-f.

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

	Appropriation of Earnings		**Dividends Per Share (NT$)**	
	For Year 2016	**For Year 2015**	**For Year 2016**	**For Year 2015**
Legal reserve	$ 9,974	$ 58,935		
Special reserve	1,068	4,094		
Cash dividend	88,681	526,875	$ 0.1498	$ 0.89

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

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

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

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

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

d. Special reserve

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

e. Other equity items

1) Exchange differences or translating the financial statements of foreign operations

	Years Ended December 31	
	2017	2016
Balance at January 1	$ (62,062)	$ 97,509
Exchange differences on translating foreign operations	(60,038)	(159,571)
Balance at December 31	$ (122,100)	$ (62,602)

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

	Years Ended December 31	
	2017	2016
Balance at January 1	$ 306,462	$ 233,983
Changes in fair value of available-for-sale financial assets	262,308	109,205
Cumulative loss reclassified to profit or loss upon disposal of available-for-sale financial assets	(515,385)	(108,423)
Reclassification adjustments to profit or loss on impairment of available-for-sale financial assets	-	71,740
Share of unrealized gain on revaluation of jointly controlled entities accounted for using the equity method	6,453	(43)
Balance at December 31	$ 59,838	$ 306,462

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.

f. Noncontrolling 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, 2016	-	3,560	3,560
Decrease	-	-	-
Number of shares as December 31, 2016	-	3,560	3,560
Number of shares as of January 1, 2017	-	3,560	3,560
Decrease	-	-	-
Number of shares as December 31, 2017	-	3,560	3,560

The 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
December 31, 2017			
Lin Shin Investment Co., Ltd	3,560	$ 63,401	$ 58,384
December 31, 2016			
Lin Shin Investment Co., Ltd	3,560	$ 63,401	$ 40,406

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

21. REVENUE

	Years Ended December 31	
	2017	2016
Revenue from IC	$ 1,272,853	$ 1,793,520
Other	92,949	110,704
	$ 1,365,802	$ 1,904,224

22. NET PROFIT

Net profit included the following items:

a. Other income

	Years Ended December 31	
	2017	2016
Dividend income	$ 6,559	$ 14,715
Interest income	5,379	5,983
Grand income	-	2,468
Others	27,568	26,920
	$ 39,506	$ 50,086

b. Other gains and losses

	Years Ended December 31	
	2017	2016
Gain on disposal of investment	$ 516,435	$ 108,956
Service income of management support	38,649	39,016
Loss on disposal of investment accounted for using equity method	-	(414)
Impairment loss on available-for-sale financial assets	-	(71,740)
Net foreign exchange loss	(12,240)	(5,140)
Net loss on non-financial assets	(21,577)	-
Impairment loss on financial assets carried at cost	(96,567)	(22,528)
	$ 424,700	$ 48,150

c. Finance costs

	Years Ended December 31	
	2017	2016
Interest on bank loans	$ 7,558	$ 19,782
Other financial costs	779	810
	$ 8,337	$ 20,592

d. Depreciation and amortization

	Years Ended December 31	
	2017	2016
Property, plant and equipment	$ 45,365	$ 70,570
Intangible assets	35,582	29,140
	$ 77,947	$ 99,710

(Continued)

	Years Ended December 31	
	2017	2016
An analysis of depreciation by function		
Operating costs	$ 4,858	$ 4,565
Operating expenses	40,507	66,005
	$ 45,365	$ 70,570
An analysis of amortization by function		
Operating costs	$ 483	$ 736
Selling expenses	6	2
Administrative expenses	4,392	6,242
Research and development expenses	27,701	22,160
	$ 35,582	$ 29,140

(Concluded)

e. Employee benefit expense

	Years Ended December 31	
	2017	2016
Short-term benefits	$ 484,103	$ 502,698
Post-employment benefits		
Defined contribution plans	18,959	20,724
Defined benefit plans	695	681
Other employee benefits	2,232	3,145
Total employee benefit expense	$ 505,989	$ 527,248
An analysis of employee benefit expense by function		
Operating costs	$ 79,790	$ 83,406
Operating expenses	426,199	443,842
	$ 505,989	$ 527,248

f. Employees’ compensation and remuneration of directors

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

Accrual rate

	For the Year Ended December 31	
	2017	2016
Employees’ compensation	1.0%	1.0%
Remuneration of directors	1.5%	1.5%

Amount

	For the Year Ended December 31			
	2017		2016	
	Cash	Shares	Cash	Shares
Employees' compensation	$ 4,323	$ -	$ 1,242	$ -
Remuneration of directors	6,484	-	1,863	-

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 is no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the financial statements for the years ended December 31, 2016 and 2015.

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

g. Gain or loss on exchange rate changes

	Years Ended December 31	
	2017	2016
Exchange rate gains	$ 23,910	$ 53,188
Exchange rate losses	(36,150)	(58,328)
	$ (12,240)	$ (5,140)

23. INCOME TAXES

a. Income tax recognized in profit or loss

The major components of tax expense (income) were as follows:

	Years Ended December 31	
	2017	2016
Current tax		
Current period	$ -	$ 889
Deferred tax		
Current period	-	-
Income tax expense recognized in profit or loss	$ -	$ 889

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

	Years Ended December 31	
	2017	**2016**
Profit before tax	$ 421,458	$ 121,076
Income tax expense at the 17% statutory rate	$ 71,648	$ 20,583
Tax effect of adjusting items:		
Nondeductible expenses	(130,105)	(42,189)
Temporary differences	18,802	9,042
Tax-exempt income	(40)	(67)
Current income tax expense	(39,695)	(12,631)
Unrecognized (loss carryforwards) investment credit	39,695	12,631
Foreign income tax expense	-	889
Income tax benefit (expense) recognized in profit or loss	$ -	$ 889

The applicable tax rate used above is the corporate tax rate of 17% payable by the Company.

In February 2018, it was announced that the Income Tax Act in the ROC was amended and, starting from 2018, the corporate income tax rate will be adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings will be reduced from 10% to 5%. Deferred tax assets recognized as at December 31, 2017 are expected to be adjusted and increase by $439 thousand in 2018.

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

b. Current tax assets and liabilities

	December 31	
	2017	**2016**
Current tax assets		
Tax refund receivable (classified as other receivables)	$ 3,073	$ 3,073

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, 2017

Deferred Tax Assets	**Opening Balance**	**Recognized in Profit or Loss**	**Closing Balance**
Temporary differences			
Depreciation expense	$ 2,893	$ (2,102)	$ 791
Exchange (gains) losses	(13)	(455)	(468)
Others	(395)	2,557	2,162
	$ 2,485	$ -	$ 2,485

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 losses (gains)	76	(89)	(13)
Others	475	(870)	(395)
	$ 2,485	$ -	$ 2,485

d. Deductible temporary differences, unused loss carryforwards and unused investment credits for which no deferred tax assets have been recognized in the parent company only balance sheets

	December 31	
	2017	2016
Loss carryforwards		
Expiry in 2019	$ 190,618	$ 190,618
Expiry in 2020	211,457	211,457
Expiry in 2021	322,509	322,509
Expiry in 2022	394,894	394,894
Expiry in 2023	1,163,758	1,163,758
	$ 2,283,236	$ 2,283,336
Deductible temporary differences	$ 432,827	$ 344,402

e. Unused loss carryforwards and tax exemptions

Loss carryforwards as of December 31, 2017:

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

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

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

f. Integrated income tax

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

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

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

g. Income tax assessments

The income tax returns of the Company before 2013 had been assessed by the tax authorities.

24. EARNINGS PER SHARE

Unit: NT$ Per Share

	Years Ended December 31	
	2017	2016
Basic gain per share	$ 0.72	$ 0.20
Diluted earnings per share	$ 0.72	$ 0.20

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

Net profit for the year

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

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

	Years Ended December 31	
	2017	**2016**
Weighted average number of common shares used in the computation of basic earnings per shares	$ 588,435	$ 588,435
Effect of dilutive potential common shares:		
Employee bonuses	284	215
Weighted average number of common shares used in the computation of diluted earnings per share	$ 588,719	$ 588,650

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

25. GOVERNMENT GRANTS

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

26. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTEREST

For details about the partial disposal of Generalplus Technology Inc. and Jumplux Technology, refer to Note 30 to the Company's consolidated financial statements for the year ended December 31, 2017.

27. 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 $8,259 thousand for the period ended. The Company had pledged $6,100 thousand time deposits (classified as other non-current financial assets) as collateral for the land lease agreements.

Future annual minimum rentals under the leases are as follows:

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

28. 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.

29. 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 parent company only financial statements approximate their fair values.

December 31, 2017

	Carrying Amount	Fair Value			
		Level 1	**Level 2**	**Level 3**	**Total**
Financial assets					
Financial assets carried at cost	$ 201,923	$ -	$ -	$ -	$ -

December 31, 2016

	Carrying Amount	Fair Value			
		Level 1	**Level 2**	**Level 3**	**Total**
Financial assets					
Financial assets carried at cost	$ 300,623	$ -	$ -	$ -	$ -

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

1) Fair value hierarchy

December 31, 2017

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Mutual funds	$ 676,438	$ -	$ -	$ 676,438

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	773,289	-	-	773,289
	$ 1,304,566	$ -	$ -	$ 1,304,566

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

c. Categories of financial instruments

	December 31, 2017	December 31, 2016
Financial assets		
Loans and receivables (i)	$ 2,040,390	$ 2,414,943
Available-for-sale financial assets (ii)	878,361	1,605,189
Financial liabilities		
Measured at amortized cost (iii)	532,444	1,190,817

(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 32.

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 RMB1.00 increase and decrease in New Taiwan dollars (the functional currency) against the relevant foreign currencies. US$1.00 and RMB1.00 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	
	2017	**2016**
Profit or loss	$ (4,995)	$ (12,404)

	RMB Impact	
	Years Ended December 31	
	2017	**2016**
Profit or loss	$ (1,069)	$ (1,149)

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	
	2017	**2016**
Fair value interest rate risk		
Financial assets	$ 1,063,620	$ 1,223,100
Financial liabilities	59,520	37,500
Cash flow interest rate risk		
Financial assets	723,936	804,673
Financial liabilities	275,000	945,832

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% and all other variables held constant, the Company's post-tax profit for the years ended December 31, 2017 and 2016 would decrease/increase by $561 thousand and $176 thousand, respectively.

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, 2017 and 2016 would have increased/decreased by $6,764 thousand and $13,046 thousand, respectively.

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the 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 87% in total trade receivables as of December 31, 2017 and 2016, respectively, was related to the five largest customers within the property construction business segment.

3) Liquidity risk

The 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, 2017 and 2016, 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, 2017

	On Demand or Less than 1 Month	**1-3 Months**	**More than 3 Months to 1 Year**	**Over 1 Year to 5 Years**	**5+ Years**
Non-derivative financial liabilities					
Noninterest bearing	$ -	$ 182,837	$ -	$ -	$ -
Variable interest rate liabilities	246	-	175,000	100,000	-
Fixed interest rate liabilities	59,533	-	-	-	61,746
	$ 59,779	$ 182,837	$ 175,000	$ 100,000	$ 61,746

December 31, 2016

	On Demand or Less than 1 Month	1-3 Months	More than 3 Months to 1 Year	Over 1 Year to 5 Years	5+ Years
Non-derivative financial liabilities					
Noninterest bearing	$ -	$ 285,584	$ -	$ -	$ -
Variable interest rate liabilities	788	162,498	254,167	529,167	-
Fixed interest rate liabilities	37,521	-	-	-	63,145
	$ 38,309	$ 448,802	$ 254,167	$ 529,167	$ 63,145

b) Financing facilities

	December 31 2017	December 31 2016
Unsecured bank overdraft facility		
Amount used	$ 334,520	$ 945,832
Amount unused	2,733,280	2,446,440
	$ 3,067,800	$ 3,392,272

30. TRANSACTIONS WITH RELATED PARTIES

a. Name and relationship of related parties

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

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

b. Sales of goods

Account Items	Related Parties Types	For the Year Ended December 31 2017	For the Year Ended December 31 2016
Sales of goods	Subsidiaries	$ 29,031	$ 24,220
	Joint ventures	-	219
		$ 29,031	$ 24,439

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

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

Account Item	Related Party	December 31 2017	December 31 2016
Trade receivables	Subsidiaries	$ 4,747	$ 2,315
Other receivable	Subsidiaries	$ 7,884	$ 6,883

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

d. Property, plant and equipment disposed of

Related Party	Proceeds of the Disposal of Assets For the Year Ended December 31		Gain on Disposal of Assets For the Year Ended December 31	
	2017	2016	2017	2016
Subsidiaries	$ -	$ 40	$ -	$ -

e. Other transactions with related parties

Account Item	Related Parties Types	For the Year Ended December 31 2017	For the Year Ended December 31 2016
Operating expenses	Subsidiaries	$ -	$ 1,332
Nonoperating income	Subsidiaries	$ 43,542	$ 39,774
and expenses	Joint ventures	-	1,808
		$ 43,542	$ 41,582

Administrative support services price and 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 2017	For the Year Ended December 31 2016
Short-term employee benefits	$ 14,072	$ 20,989
Post-employment benefits	269	269
	$ 14,341	$ 21,258

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

31. 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	
	2017	2016
Buildings, net	$ 634,538	$ 653,940
Pledged time deposits (classified to other financial assets, including current and noncurrent)	65,620	70,600
	$ 700,158	$ 724,540

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

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

December 31, 2017

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
HKD	$ 13,650	3.807	$ 51,966
USD	9,924	29.760	295,338
CNY	1,075	4.565	4,907
JPY	360	0.264	95
GBP	3	40.110	120
Nonmonetary items subsidiaries accounted for using equity method			
USD	20,507	29.760	610,288
HKD	10	3.807	38
Financial liabilities			
Monetary items			
USD	4,969	29.760	147,877
CNY	6	4.565	27
GBP	1	40.110	40

December 31, 2016

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 16,183	32.250	$ 521,902
HKD	13,699	4.158	56,960
CNY	1,158	4.617	5,346
JPY	74	0.276	20
GBP	3	39.610	119
Nonmonetary items subsidiaries accounted for using equity method			
USD	8,938	32.250	288,251
HKD	11	4.158	46
Financial liabilities			
Monetary items			
USD	3,779	32.250	121,873
EUR	22	33.900	746
CNY	9	4.617	42

The significant unrealized foreign exchange gains (losses) were as follows:

	2017		2016	
Foreign Currencies	**Exchange Rate**	**Net Foreign Exchange (Loss) Gain**	**Exchange Rate**	**Net Foreign Exchange (Loss) Gain**
USD	29.760 (USD:NTD)	$ (1,831)	32.250 (USD:NTD)	$ (456)
HKD	3.807 (HKD:NTD)	(1,039)	4.158 (HKD:NTD)	1,039
		$ (2,870)		$ 583

33. 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.

SUNPLUS TECHNOLOGY COMPANY LIMITED

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

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

Note 1: Short-term financing.

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

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

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

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

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

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

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

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

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

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

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

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

TABLE 2

SUNPLUS TECHNOLOGY COMPANY LIMITED

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

No.	Endorser/ Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party	Maximum Balance for the Period	Ending Balance	Actual Borrowing Amount	Value of Collateral Property, Plant, or Equipment	Percentage of Accumulated Amount of Collateral to Net Equity of the Latest Financial Statement	Maximum Collateral/Guarantee Amounts Allowable	Provided by the Company	Guarantee Provided by the Subsidiary	Guarantee Provided to a Subsidiary Located in Mainland China
		Name	Nature of Relationship										
0	Sunplus Technology Company Limited ("Sunplus")	Ventureplus Cayman Inc.	3 (Note 4)	$ 896,624 (Note 5)	$ 161,400	$ 160,075	$ 160,075	$ -	1.79	$ 1,793,247 (Note 6)	Yes	No	No
(Note1)		Sun Media Technology Co., Ltd.	3 (Note 4)	896,624 (Note 5)	912,580	226,055	226,055	-	2.52	1,793,247 (Note 6)	Yes	No	Yes
		Jumplux Technology Co., Ltd.	3 (Note 4)	896,264 (Note 5)	35,000	-	-	-	-	1,793,247 (Note 6)	Yes	No	No
		Ytrip Technology Co., Ltd.	3 (Note 4)	896,624 (Note 5)	246,980	121,780	121,780	60,890	1.36	1,793,247 (Note 6)	Yes	No	Yes
		Sunext Technology Co., Ltd.	2 (Note 3)	896,624 (Note 5)	20,000	10,000	10,000	-	0.11	1,793,247 (Note 6)	Yes	No	No
1 (Note2)	RUSSELL HOLDINGS LTD.	Sun Media Technology Co., Ltd.	3 (Note 4)	312,516 (Note 7)	316,025	316,025	159,300	159,300	55.1	312,516 (Note 7)	No	No	Yes

Note 1: Issuer.

Note 2: Investee.

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

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

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

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

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

SUNPLUS TECHNOLOGY COMPANY LIMITED

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

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

(Continued)

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

(Continued)

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

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

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

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

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

(Concluded)

SUNPLUS TECHNOLOGY COMPANY LIMITED

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

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

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

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

SUNPLUS TECHNOLOGY COMPANY LIMITED

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

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

Ventureplus Mauritius Inc.	Ventureplus Cayman Inc.	Cayman Islands, British West Indies	Investment	2,384,330 (US$ 74,305 RMB 37,900)	2,384,3302 (US$ 74,305 RMB 37,900)	-	100	1,496,190	9,154	48,690	Subsidiary
Generalplus Technology Inc.	Generalplus International (Samoa) Inc.	Samoa	Investment	568,118 (US$ 19,090)	568,118 (US$ 19,090)	19,090	100	476,192	9,154	9,154	Subsidiary
Generalplus International (Samoa) Inc.	Generalplus (Mauritius) Inc.	Mauritius	Investment	568,118 (US$ 19,090)	568,118 (US$ 19,090)	19,090	100	476,170	5,798	9,154	Subsidiary

(Continued)

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

Note 1: The initial exchange rate was based on the exchange rate as of September 30, 2017.

Note 2: As of September 30, 2017, 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, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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

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

(Continued)

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

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

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

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

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

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

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

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

(Concluded)

7.6 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 2017 vs. 2016

Unit: NT$K

Item \ Year	2016	2017	Variation: Increase (Decrease)	Variation: YoY %
Current Assets	8,792,142	8,561,910	(230,232)	(3)
Property, Plant & Equipment	2,265,910	2,164,154	(101,756)	(4)
Intangible Assets	191,024	196,131	5,107	3
Other Assets	3,379,946	2,557,784	(822,162)	(24)
Total Assets	14,629,022	13,479,979	(1,149,043)	(8)
Current Liabilities	3,045,403	2,190,116	(855,287)	(28)
Non-Current Liabilities	895,442	646,578	(248,864)	(28)
Total Liabilities	3,940,845	2,836,694	(1,104,151)	(28)
Equity Attributed to Shareholder of the parent	9,024,254	8,966,236	(58,018)	(1)
Capital Stock	5,919,949	5,919,949	-	-
Capital Surplus	911,110	835,241	(75,869)	(8)
Retained Earnings	2,012,196	2,336,709	324,513	16
Equity : Others	244,400	(62,262)	(306,662)	(125)
Treasury Stock	(63,401)	(63,401)	-	-
Minor interest	1,663,923	1,677,049	13,126	1
Total Shareholder’s Equities	10,688,177	10,643,285	(44,892)	-

Remark:

1. The decrease in other assets was mainly due to the disposal of financial assets for sale - non-current
2. The decrease in current liabilities was mainly due to the decrease in short-term borrowings and long-term loans due within one year.
3. Non-current liabilities decreased mainly due to repayment of long-term borrowings
4. The decrease in total liabilities mainly due to the repayment of long-term and short-term loans
5. The decrease in other equity was mainly attributable to the decrease in unrealized profit or loss due to the disposal of financial assets available for sale.

8.2 Operational Results

8.2.1 Operation Results Comparison 2017 vs. 2016

Unit: NT$K

Year / Item	2016	2017	Variation: Increase (decrease)	Variation: YoY %
Net Sales	7,556,045	6,820,237	(735,808)	(10)
Gross Profit	3,202,488	2,736,766	(465,722)	(15)
Income (Loss) From Operating	236,391	47,185	(189,206)	(80)
Non-Operating Income (Expense)	129,776	587,470	457,694	353
Income (Loss) Before Tax	366,167	634,655	268,488	73
Income (Loss) From Operations of Continued Segments	272,506	551,228	278,722	102
Net Revenue (Loss) for the period	272,506	551,228	278,722	102
Other Comprehensive Income (Loss) for the period	(113,556)	(320,167)	(206,611)	182
Total Comprehensive Profit (Loss) for the period	158,950	231,061	72,111	45

Remarks:

1. Reduced operating profit, mainly due to the decrease in operating income during the year.
2. The increase in non-operating income and expenses was mainly due to the increase in the disposal of financial assets for sale during the year.
3. The net profit before tax, the net profit for the current business unit and the increase in net profit for the period were mainly attributable to the increase in the profit of the financial assets available for sale during the year.
4. The decrease in other comprehensive profit and loss for the current period was mainly due to the decrease in unrealized gains and losses from available-for-sale financial assets for the current year.
5. The increase in total comprehensive profit and loss for the current period was mainly due to the increase in net profit for the year.

8.3 Cash Flow

8.3.1 Cash Flow Analysis

a) Cash Flow Analysis 2017 vs. 2016

Item \ Year	2016	2017	YoY %
Cash flow ratio	40.69	14.37	(65)
Cash flow adequacy ratio	54.36	77.50	43
Cash flow reinvestment ratio	4.08	Note1	-
1. The decrease in cash flow ratio is mainly due to the decrease in net cash flow from operating activities. 2. The increase in the cash flow tonnage ratio was mainly due to the increase in net cash flow fromoperating activities in the last five years.			

Note 1: The net cash flow of operating activities is less than the cash dividend payment. It is not listed.

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
$4,156,277	766,795	(588,727)	4,334,345	-	-
1. Analysis of Cash Flow: (1) From Operating: Cash flow in for predicting making profits in 2018. (2) From Investing: Cash flow in for purchasing properties, IPs and R&D tools. (3) From Financing: Cash flow in for expected to repay bank loans and distribute dividends, etc. 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 20% ~ 36% of consolidated revenues through 2012 to 2017. 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) Vehicle entertainment system chip (2) Android Platform (3) Vehicle navigation and driving assistance system platform (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 2016 and 2017 accounted for 15% and 16% 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

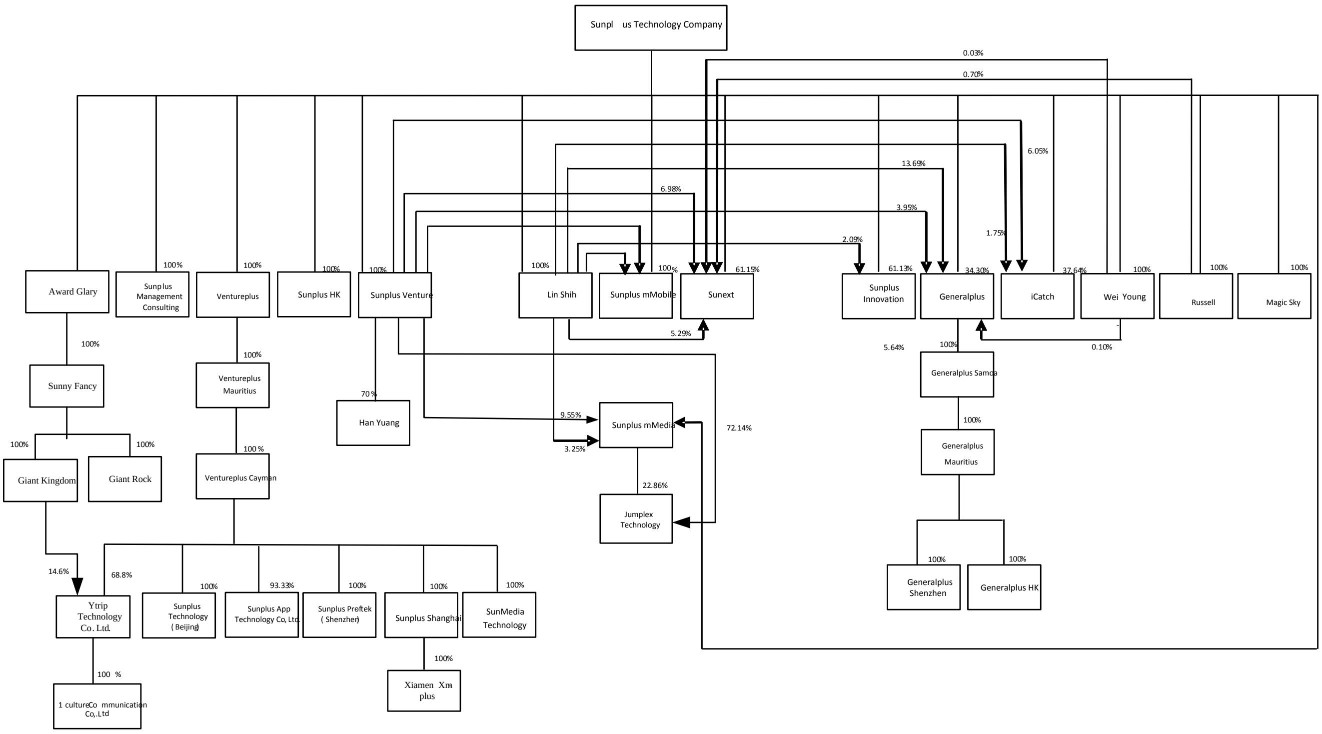
8.7 Other Remarks

None

IX. SPECIAL NOTES

9.1 Affiliates

9.1.1 Affiliated Chart



9.1.2 Affiliated Companies

December 31, 2017 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 22, 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.	December11, 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 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,	Hsinchu, Taiwan	550,880	IC Design

	2009			
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
Xiamen Xm-plus Technology Ltd.	August 8, 2017	Xiamen	RMB2,000,000(Note)	Software Development, Customer Technical Services, and Integrated Circuit Design

Note: End of 2017, exchange rate as ref.:
HK$1=NT$3.807
US$1=NT$29.76
RMB$1=NT$4.565

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.	Manufacture and Sales Service	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
Xiamen Xm-plus Technology Ltd.	Software Development, Customer Technical Services, and Integrated Circuit Design	N/A

9.1.4 Directors, Supervisors, and Presidents of Affiliated Companies

December 31, 2017

Company	Title	Name	Shareholding	
			Amount (shares)	Ratio (%)
Sunplus Technology (HK) Co., Ltd.		Sunplus Technology	*HK$11,075,000	100%
	Chairman	Chou-Chye Huang (repr.)	-	-
	Director	Ming-Cheng Hsieh	-	-
Lin Shih Investment Co., Ltd.		Sunplus Technology	70,000,000	100%
	Chairman & President	Chou-Chye Huang (repr.)	-	-
	Director	Shu-Lan Wang	-	-
	Director	Yu-Lun Liu	-	-
	Supervisor	Wayne Shen	-	-
Russell Holdings Ltd.		Sunplus Technology	*US$24,060,000	100%
	Director	Chou-Chye Huang (repr.)	-	-

Sunplus Venture Capital Co., Ltd.		Sunplus Technology	100,000,000	100%
	Chairman & President	Chou-Chye Huang (repr.)	-	-
	Director	Shu-Lan Wang	-	-
	Director	Yu-Lun Liu	-	-
	Supervisor	Wayne Shen	-	-
Ventureplus Group Inc.		Sunplus Technology	RMB37,900,000 & US74,305,000	100%
	Director	Chou-Chye Huang (repr.)	(Note1)	-
Ventureplus Mauritius Inc.		Ventureplus Group	RMB37,900,000 & US74,305,000	100%
	Director	Chou-Chye Huang (repr.)	(Note1)	-
Ventureplus Cayman Inc.		Ventureplus Mauritius	RMB37,900,000 & US74,305,000	100%
	Director	Chou-Chye Huang (repr.)	(Note1)	-
Shanghai Sunplus Technology Co., Ltd.		Ventureplus Cayman	US$17,655,000 (Note1)	100%
	Chairman	Chou-Chye Huang (repr.)	-	
	Director &President	Zai-De Wang	-	
			-	
			-	
	Director	Tang-Yi Huang		
	Supervisor	Shu-Lan Wang		
Sunplus Prof-tek Technology (Shenzhen) Co., Ltd.		Ventureplus Cayman	*US$32,250,000	100%
	Chairman	Chou-Chye Huang (repr.)	-	-
	President	Tang-Yi Huang		
	Supervisor	Shu-Lan Wang		
Sunmedia Technology Co., Ltd.		Ventureplus Cayman	*US$20,000,000	100%
	Chairman	Chou-Chye Huang (repr.)		
	President	Cheng-Cai Chang		
	Supervisor	Shu-Lan Wang		
Sunplus App Technology Co., Ltd.		Ventureplus Cayman	RMB10,000,000 & USD586,000 (Note1)	93.33%
	Chairman	Chou-Chye Huang (repr.)	-	-
	Supervisor	Huan-Rui Lee	-	
	Director	Shu-Lan Wang	-	
	Director & President	Ya-Fei Luo	RMB438,000	2.92%
Ytrip Technology Co., Ltd.		Ventureplus Cayman	USD3,750,000 (Note1)	68.8%
	Chairman	Chou-Chye Huang (repr.)	-	-
	Director & President	Cheng-Cai Chang	-	
	Director	Yu-Lun Liu	-	17.5
			-	
	Supervisor	Shu-Lan Wang		-
1culture Communication Co., Ltd.		Ytrip Technology Co., Ltd.	*RMB$3,250,000	100%
	E-Director& President	Chen-Tsai Chang	-	
			-	-
	Supervisor	Shao-Ling Chan		

Beijing Sunplus-Ehue Tech Co., Ltd.		Ventureplus Cayman Inc.	*RMB$27,000,000	100%
	Chairman	Chou-Chye Huang (repr.)		
	Director	Wayne Shen		
	Director	Shu-Lan Wang		
	Supervisor	Yin-Chi Chu		
Magic Sky Limited		Sunplus Technology	US$9,960,000	100%
	Director	Chou-Chye Huang (repr.)		
Sunext Technology Co., Ltd.		Sunplus Technology	38,836,391	61.15%
	Chairman	Chou-Chye Huang (repr.)	-	-
	Director	Wen-Shiung Jan (repr.)	-	-
			-	6.98%
			-	-
				-
	Director	Sunplus Venture Capital	4,430,654	-
		Technology		
	Independent Director		-	-
		De-Jia Lin		
	Independent Director	Yao-Ching Hsu	-	-
	Supervisor	Mei-Juan Chen		-
	Supervisor	Wen-Hui Lu	650,000	1.02%
Sunplus Management Consulting Inc.		Sunplus Technology	500,000	100%
	Chairman	Chou-Chye Huang (repr.)	-	-
	Director	Shu-Lan Wang	-	-
		Yu-Lun Liu		
	Director	Wayne Shen	-	-
	Supervisor		-	-
WeiYing Investment Co., Ltd.		Sunplus Technology	1,400,000	100%
	Chairman	Chou-Chye Huang (repr.)	-	-
	Director	Shu-Lan Wang	-	-
		Yu-Lun Liu		
	Director	Wayne Shen	-	-
	Supervisor		-	-
Generalplus Technology Inc.		Sunplus Technology	37,324,304	34.30%
	Chairman	Chou-Chye Huang (repr.)	-	-
	Director& VP	Shi-Rong Wang (Repr.)	500,000	0.46%
		Hou-Shien Chu	1,266,752	1.16%
	Director	Shi-Hao Liu	-	-
	Director	Chia-Ming Chai	-	-
	Independent Director	Nai-Shin Lai	-	-
	Independent Director	Jing-Min Chen	-	-
	Independent Director		-	-
Generalplus International (Samoa) Inc.		Generalplus Technology	*US$19,090,000	100%
	Chairman	Chou-Chye Huang (repr.)	-	-
Generalplus (Mauritius) Inc.		Generalplus International	*US$19,090,000	100%
		(Samoa)		
	Chairman	Chou-Chye Huang (repr.)	-	-

(Continued)

Company	Title	Name	Shareholding Amount (shares)	 Ratio (%)
Generalplus Technology (Shenzhen) Inc.		Generalplus International (Mauritius)	*US$18,700,000	100%
	Chairman	Chou-Chye Huang (repr.)	-	-
Generalplus Technology (HK) Inc.		Generalplus (Mauritius) Inc.	*US$390,000	100%
	Director	Yi-Xing Jia (repr.)	-	-
Sunplus mMobile Inc.		Sunplus Technology	16,240,000	100%
	Chairman	Chou-Chye Huang (repr.)	-	-
	Director	Wayne Shen	-	-
	Director	Shu-Lan Wang		
	Supervisor	Yu-Lun Liu		
Sunplus Innovation Technology Inc.		Sunplus Technology	31,449,751	61.13%
	Chairman	Chou-Chye Huang (repr.)	-	-
	Director	Shu-Lan Wang (repr.)	-	-
	Director	Wayne Shen (repr.)	-	-
	Director & President	Chih-Hao Kung	2,476,473	4.81%
	Director	Lin-Shih Investment	1,074,664	2.09%
	Supervisor	Chi-Ying Chiu	527,880	1.03%
	Supervisor	Wen-Chin Li	-	-
Sunplus mMedia Inc.		Sunplus Technology	17,440,723	87.20%
	Chairman& President	Chou-Chye Huang (repr.)	-	-
	Director	Wayne Shen (repr.)	-	-
	Director	Shu-Lan Wang (repr.)	-	-
	Supervisor	Lin-Shih Investment	650,185	3.25%
iCatch Technology Inc.		Sunplus Technology	20,734,546	37.64%
	Chairman&President	Chou-Chye Huang (repr.)	-	-
	Director	Wen-Shiung Jan (repr.)	-	-
	Director	Wen-Xiong Xiao (repr.)	-	-
	Director	Lin Shih Investment	964,545	1.75%
	Director	Chia Nine Investment	10,000	0.02%
	Supervisor	Chi-Ying Chiu	-	-
	Supervisor	Sunplus Venture Capital	3,331,818	6.05%
			-	-
Jumplux Technology		Sunplus mMedia	3,200,000	22.86%
	Chairman&President	Chou-Chye Huang (repr.)		
	Director	Wayne Shen		
	Director	Shu-Lan Wang		
	Supervisor	Sunplus Venture Capital	10,100,000	72.14%
Award Glory Ltd.	Chairman	Sunplus Technology	US$772,000	100%
		Chou-Chye Huang (repr.)	(Note1)	(Note1)
			-	-
Sunny Fancy Ltd.	Chairman	Award Glory Ltd.	US$772,000	100%
		Chou-Chye Huang (repr.)	(Note1)	(Note1)
			-	-
Giant Kingdom Ltd.	Chairman	Sunny Fancy Ltd.	US$772,000	100%
		Chou-Chye Huang (repr.)	(Note1)	(Note1)
			-	-
Xiamen Xm-plus Technology Ltd.	Chairman	Shanghai Sunplus Technology Co., Ltd.	RMB$2000,000	100%
			(Note1)	(Note1)
		Chou-Chye Huang (repr.)		

*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, 2017

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.	42,163	38	0	38	0	(4)	(4)	N/A
Lin Shih Investment Co., Ltd.	700,000	870,561	12,919	857,642	666,385	101,210	93,520	1.34
Russell Holdings Ltd.	716,026	520,963	104	520,859	140,734	2,852	(22,973)	N/A
Sunplus Venture Capital Co., Ltd.	1,000,000	922,319	6,626	915,693	412,657	104,595	90,712	0.91
Ventureplus Group Inc.	2,517,409	1,489,741	0	1,489,741	48,688	48,688	48,687	N/A
Ventureplus Mauritius Inc.	2,517,414	1,489,722	0	1,489,722	48,690	48,690	48,688	N/A
Ventureplus Cayman Inc.	2,517,420	1,494,874	5,174	1,489,700	49,074	49,074	48,690	N/A
Shanghai Sunplus Technology Co., Ltd.	511,872	600,790	82,562	518,228	150,771	19,575	15,192	N/A
Sunplus Prof-tek Technology (Shenzhen) Co., Ltd.	959,760	862,470	24,978	837,492	184,707	15,098	32,990	N/A
Sunmedia Technology Co., Ltd.	595,200	1,149,392	963,950	185,442	218,073	13,295	40,937	N/A
Sunplus App Technology Co., Ltd.	68,475	18,426	53,110	(34,684)	67,772	(34,892)	(32,369)	N/A
Ytrip Technology Co., Ltd.	156,351	15,314	106,240	(90,926)	13,024	(16,702)	(12,448)	N/A
1culture Communication Co., Ltd.	14,836	608	494	114	1,494	183	162	N/A
Beijing Sunplus-Ehue Tech Co., Ltd.	123,255	60,576	12,552	48,024	22,996	(4,347)	(1,269)	N/A
Han-Yuang	6,000	2,544	0	2,544	0	0	0	N/A
Magic Sky Limited	296,410	89,418	0	89,418	0	(6,152)	(6,151)	N/A
Sunext Technology Co., Ltd.	635,091	211,725	22,742	188,983	121,649	442	(719)	(0.01)
Sunplus Management Consulting Inc.	5,000	3,951	0	3,951	0	(83)	(60)	(0.12)
WeiYing Investment Co., Ltd.	14,000	17,944	74	17,870	5,465	3,481	3,632	2.59
Generalplus Technology Inc.	1,088,158	2,960,471	821,444	2,139,027	3,151,511	414,996	359,245	3.30
Generalplus International (Samoa) Inc.	568,118	476,192	0	476,192	9,154	9,154	9,154	N/A
Generalplus (Mauritius) Inc.	568,118	476,190	0	476,190	9,154	9,154	9,154	N/A
Generalplus Technology (Shenzhen) Inc.	556,512	485,278	14,687	470,591	86,833	3,464	8,078	N/A
Generalplus Technology (HK) Inc.	11,606	7,401	1,822	5,579	11,975	1,076	1,076	N/A
Sunplus mMobile Inc.	162,400	30,322	120	30,202	36	(237)	(238)	(0.01)
Sunplus Innovation Technology Inc.	514,501	1,030,620	225,467	805,153	716,956	13,495	(2,045)	(0.04)
Sunplus mMedia Inc.	200,000	15,634	7,857	7,777	0	(9,459)	(23,012)	(1.15)
iCatch Technology Inc.	550,880	788,056	328,727	459,329	887,375	(61,230)	(70,461)	(1.28)
Jumplux Technology Inc.	140,000	44,995	40,092	4,903	31,360	(60,458)	(59,728)	(4.27)
Award Glory Ltd.	25,157	(12,990)	0	(12,990)	0	(1,850)	(1,850)	N/A
Sunny Fancy Ltd.	25,157	(12,990)	0	(12,990)	0	(1,850)	(1,850)	N/A
Giant Kingdom Ltd.	25,157	(12,990)	0	(12,990)	0	(1,850)	(1,850)	N/A
Xiamen Xm-plus Technology Ltd.	9,130	4,688	7,902	(3,214)	0	(12,335)	(12,307)	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 2017(as of January 1, 2017 to December 31, 2017) 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 14, 2018

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	-	-	-	3,384,446 shares Solution	None	None
				By the date of this report printed	-	-	-	3,559,996 shares $63,401	None	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, 2018