Sunplus Technology Company Limited and Subsidiaries

Consolidated Financial Statements for the Six Months Ended June 30, 2018 and 2017 and Independent Auditors' Review Report

INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Shareholders
Sunplus Technology Company Limited

Introduction

We have reviewed the accompanying consolidated balance sheets of Sunplus Technology Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as of June 30, 2018 and 2017, the consolidated statements of comprehensive income for the three months ended June 30, 2018 and 2017 and for the six months ended June 30, 2018 and 2017, the consolidated statements of changes in equity and cash flows for the six months ended June 30, 2018 and 2017, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as 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 Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

Except as explained in the following paragraph, we conducted our reviews in accordance with Statement of Auditing Standard No. 65 "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As disclosed in Note 13 to the consolidated financial statements, the financial statements of some non-significant subsidiaries included in the consolidated financial statements were not reviewed. As of June 30, 2018 and 2017, the total assets of these non-significant subsidiaries were NT$5,092,802 thousand and NT$5,531,699 thousand, respectively, representing 38% and 41%, respectively, of the total consolidated assets, and the total liabilities were NT$1,212,553 thousand and NT$1,782,065 thousand, respectively, representing 37% and 54%, respectively, of the total consolidated liabilities. For the three months ended June 30, 2018 and 2017, these non-significant subsidiaries' total comprehensive income (loss) were NT$(22,576) thousand and NT$32,417 thousand, respectively, representing (292)% and 36%, respectively, of the total consolidated comprehensive income. For the six months ended June 30, 2018 and 2017, the total comprehensive losses were NT$(30,136) thousand and NT$(81,803) thousand, respectively, representing (122)% and (55)%, respectively, of the total consolidated comprehensive income. In addition, as disclosed in Note 14 to the consolidated financial statements, the cumulative carrying amounts of some associates as of June 30, 2018 and 2017 were NT$343,960 thousand and NT$371,430 thousand, respectively. For the three months ended June 30, 2018 and 2017, the associates' related investment results were net gains (losses) of NT$(5,169) thousand and NT$4,187 thousand, respectively. For the six months ended June 30, 2018 and 2017, the associates' related investment results were net gains (losses) of NT$(4,146) thousand and NT$89,072 thousand, respectively. These investment amounts disclosed in the consolidated financial statements were based on these associates' unreviewed financial statements for the same reporting periods as those of the Company.

Qualified Conclusion

Based on our reviews, except for the adjustments, if any, as might have been determined to be necessary had the financial statements of the non-significant subsidiaries and associates as described in the preceding paragraph been reviewed, nothing has come to our attention that has caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of June 30, 2018 and 2017, its consolidated financial performance for the three months ended June 30, 2018 and 2017 and its consolidated financial performance and its consolidated cash flows for the six months then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting".

The engagement partners on the reviews resulting in this independent auditors' review report are Cheng-Chih Lin and Yih-Shin Kao.

Deloitte & Touche
Taipei, Taiwan
Republic of China

August 8, 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 review such consolidated financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' review 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' review report and consolidated financial statements shall prevail.

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

	June 30, 2018 (Reviewed)		December 31, 2017 (Audited)		June 30, 2017 (Reviewed)	
ASSETS	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS						
Cash and cash equivalents (Notes 3, 4 and 6)	$ 3,455,242	26	$ 4,156,277	31	$ 3,878,935	29
Financial assets at fair value through profit or loss (FVTPL) - current (Notes 3, 4, 5 and 7)	1,899,283	14	9,468	-	10,422	-
Available-for-sale financial assets - current (Notes 3, 4, 5 and 9)	-	-	1,633,531	12	1,527,930	11
Notes and trade receivables, net (Notes 3, 4, 5, 11, 25 and 36)	1,338,265	10	1,197,626	9	1,376,322	10
Other receivables (Notes 3, 4 and 36)	133,869	1	164,712	1	105,653	1
Inventories (Note 12)	1,097,243	8	1,007,962	8	1,101,155	8
Other financial assets (Notes 3, 18 and 37)	293,773	2	291,373	2	295,987	2
Other current assets (Note 18)	100,924	1	100,961	1	182,629	1
Total current assets	8,318,599	62	8,561,910	64	8,479,033	62
NONCURRENT ASSETS						
Financial assets at fair value through profit or loss (FVTPL) - noncurrent (Notes 3, 4, 5 and 7)	686,467	5	89,280	1	-	-
Financial assets at fair value through other comprehensive income (FVTOCI) - noncurrent (Notes 3, 4, 5 and 8)	341,415	2	-	-	-	-
Available-for-sale financial assets - noncurrent (Notes 3, 4, 5 and 9)	-	-	189,263	1	479,528	4
Financial assets carried at cost (Notes 3, 4, 5 and 10)	-	-	519,259	4	568,239	4
Investments accounted for using the equity method (Note 14)	343,960	3	379,351	3	371,430	3
Property, plant and equipment (Notes 15 and 37)	2,120,498	16	2,164,154	16	2,180,879	16
Investment properties (Note 16)	1,099,679	8	1,139,051	8	1,148,706	8
Intangible assets (Note 17)	222,265	2	196,131	1	179,336	1
Deferred tax assets (Notes 4 and 27)	28,119	-	31,215	-	30,775	-
Other financial assets (Notes 3, 18 and 37)	84,915	1	84,426	1	84,722	1
Other noncurrent assets (Note 18)	128,621	1	125,939	1	125,619	1
Total noncurrent assets	5,055,939	38	4,918,069	36	5,169,234	38
TOTAL	$ 13,374,538	100	$ 13,479,979	100	$ 13,648,267	100
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowings (Note 19)	$ 373,220	3	$ 444,111	3	$ 628,019	5
Contract liabilities - current (Note 25)	32,439	-	-	-	-	-
Trade payables (Note 20)	867,867	7	723,983	5	712,556	5
Dividends payable (Note 24)	584,195	4	-	-	496,176	4
Current tax liabilities (Notes 4 and 27)	62,439	-	60,946	1	58,437	-
Provisions - current (Notes 3 and 21)	-	-	11,555	-	14,402	-
Deferred revenue - current (Notes 22 and 30)	1,673	-	1,663	-	1,634	-
Current portion of long-term loans (Notes 19 and 37)	278,716	2	175,000	1	239,450	2
Other current liabilities (Notes 3 and 22)	603,131	5	772,858	6	557,535	4
Total current liabilities	2,803,680	21	2,190,116	16	2,708,209	20
NONCURRENT LIABILITIES						
Long-term borrowings (Notes 19 and 37)	50,000	-	249,143	2	187,500	1
Deferred revenue - noncurrent, net of current portion (Notes 22 and 30)	64,406	1	64,844	-	64,539	-
Net defined benefit liabilities (Notes 4 and 23)	99,762	1	101,000	1	97,048	1
Guarantee deposits (Note 33)	266,018	2	230,702	2	250,315	2
Other noncurrent liabilities, net of current portion	889	-	889	-	889	-
Total noncurrent liabilities	481,075	4	646,578	5	600,291	4
Total liabilities	3,284,755	25	2,836,694	21	3,308,500	24
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 24 and 29)						
Share capital						
Common shares	5,919,949	44	5,919,949	44	5,919,949	43
Capital surplus	748,404	6	835,241	6	703,044	5
Retained earnings						
Legal reserve	1,941,826	15	1,900,505	14	1,900,505	14
Special reserve	67,279	-	22,995	-	22,995	-
Unappropriated earnings	280,550	2	413,209	3	343,166	3
Total retained earnings	2,289,655	17	2,336,709	17	2,266,666	17
Other equity	(379,891)	(3)	(62,262)	-	191	-
Treasury shares (Note 37)	(63,401)	(1)	(63,401)	-	(63,401)	-
Total equity attributable to owners of the Company	8,514,716	63	8,966,236	67	8,826,449	65
NON-CONTROLLING INTERESTS (Notes 13, 24 and 32)	1,575,067	12	1,677,049	12	1,513,318	11
Total equity	10,089,783	75	10,643,285	79	10,339,767	76
TOTAL	$ 13,374,538	100	$ 13,479,979	100	$ 13,648,267	100

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

(With Deloitte & Touche review report dated August 8, 2018)

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except (Loss) Earnings Per Share)
(Reviewed, Not Audited)

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2018		2017		2018		2017	
	Amount	%	Amount	%	Amount	%	Amount	%
NET OPERATING REVENUE (Notes 25 and 36)	$ 1,798,653	100	$ 1,829,575	100	$ 3,228,232	100	$ 3,308,211	100
OPERATING COSTS (Notes 12 and 26)	1,103,192	61	1,086,251	60	1,983,518	61	1,991,043	60
GROSS PROFIT	695,461	39	743,324	40	1,244,714	39	1,317,168	40
OPERATING EXPENSES (Notes 26 and 36)								
Selling and marketing	80,377	5	79,837	4	154,732	5	156,475	5
General and administrative	124,963	7	145,937	8	269,349	8	279,062	8
Research and development	466,936	26	448,931	25	920,865	29	887,349	27
Total operating expenses	672,276	38	674,705	37	1,344,946	42	1,322,886	40
OTHER REVENUE AND EXPENSES	6	-	(1,609)	-	15	-	(2,072)	-
PROFIT (LOSS) FROM OPERATIONS	23,191	1	67,010	3	(100,217)	(3)	(7,790)	-
NONOPERATING INCOME AND EXPENSES (Notes 26 and 30)								
Other income	25,234	1	14,443	1	47,672	1	29,584	1
Other gains and losses	20,059	1	19,132	1	148,619	5	343,064	10
Finance costs	(4,442)	-	(3,555)	-	(9,875)	-	(14,755)	(1)
Share of profit of associates and joint ventures (Note 14)	(5,169)	-	4,187	-	(4,146)	-	89,072	3
Total nonoperating income and expenses	35,682	2	34,207	2	182,270	6	446,965	13
PROFIT BEFORE INCOME TAX	58,873	3	101,217	5	82,053	3	439,175	13
INCOME TAX EXPENSE (Notes 4 and 27)	23,663	1	26,614	1	31,117	1	37,095	1
NET PROFIT FOR THE PERIOD	35,210	2	74,603	4	50,936	2	402,080	12
OTHER COMPREHENSIVE INCOME (LOSS)								
Item that will not be reclassified subsequently to profit or loss:								
Unrealized losses from investments in equity instruments at FVTOCI	(47,298)	(2)	-	-	(49,749)	(2)	-	-

(Continued)

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except (Loss) Earnings Per Share)
(Reviewed, Not Audited)

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2018		2017		2018		2017	
	Amount	%	Amount	%	Amount	%	Amount	%
Share of the other comprehensive loss of associates accounted for using the equity method	(404)	-	-	-	(762)	-	-	-
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on translating foreign operations (Note 24)	5,347	-	34,250	2	23,347	1	(82,791)	(3)
Unrealized loss on available-for-sale financial assets (Note 24)	-	-	(22,538)	(1)	-	-	(170,306)	(5)
Share of other comprehensive (loss) income of associates and joint ventures	(581)	-	4,835	-	835	-	(407)	-
Other comprehensive (loss) income for the period, net of income tax	(42,936)	(2)	16,547	1	(26,329)	(1)	(253,504)	(8)
TOTAL OTHER COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD	$ (7,726)	-	$ 91,150	5	$ 24,607	1	$ 148,576	4
NET (LOSS) PROFIT ATTRIBUTABLE TO:								
Owners of the Company	$ (24,600)	(1)	$ 28,157	2	$ (13,791)	-	$ 345,898	10
Non-controlling interests	59,810	3	46,446	2	64,727	2	56,182	2
	$ 35,210	2	$ 74,603	4	$ 50,936	2	$ 402,080	12
TOTAL COMPREHENSIVE (LOSS) INCOME ATTRIBUTABLE TO:								
Owners of the Company	$ (64,965)	(3)	$ 40,609	2	$ (41,571)	(1)	$ 101,689	3
Non-controlling interests	57,239	3	50,541	3	66,178	2	46,887	1
	$ (7,726)	-	$ 91,150	5	$ 24,607	1	$ 148,576	4
(LOSS) EARNINGS PER SHARE (New Taiwan dollars; Note 28)								
From continuing operations								
Basic	$ (0.04)		$ 0.05		$ (0.02)		$ 0.59	
Diluted	$ (0.04)		$ 0.05		$ (0.02)		$ 0.59	

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

(With Deloitte & Touche review report dated August 8, 2018) (Concluded)

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)
(Reviewed, Not Audited)

	Equity Attributable to Owners of the Company												
	Share Capital Issued and Outstanding			Retained Earnings			Other Equity						
	Shares (In 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	Unrealized Losses from Investments in Equity Instruments Measured at FVTOCI	Treasury Shares	Total	Non-controlling Interests	Total Equity
BALANCE, JANUARY 1, 2017	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
Appropriation of 2016 earnings													
Legal reserve	-	-	-	9,974	-	(9,974)	-	-	-	-	-	-	-
Special reserve													
Cash dividends for common shares	-	-	-	-	-	(88,681)	-	-	-	-	(88,681)	-	(88,681)
	-	-	-	-	-	(88,681)	-	-	-	-	(88,681)	-	(88,681)
Issuance of share dividends from capital surplus	-	-	(207,317)	-	-	-	-	-	-	-	(207,317)	-	(207,317)
Difference between the consideration and carrying amount of subsidiaries acquired or disposed of	-	-	(749)	-	-	-	-	-	-	-	(749)	-	(749)
Changes in percentage of ownership interest in subsidiaries	-	-	-	-	-	(2,747)	-	-	-	-	(2,747)	-	(2,747)
Net gain for the six months ended June 30, 2017	-	-	-	-	-	345,898	-	-	-	-	345,898	56,182	402,080
Other comprehensive loss for the six months ended June 30, 2017, net of income tax	-	-	-	-	-	-	(80,776)	(163,433)	-	-	(244,209)	(9,295)	(253,504)
Total comprehensive income (loss) for the six months ended June 30, 2017	-	-	-	-	-	345,898	(80,776)	(163,433)	-	-	101,689	46,887	148,576
Decrease in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(197,492)	(197,492)
BALANCE, JUNE 30, 2017	591,995	$ 5,919,949	$ 703,044	$ 1,900,505	$ 21,927	$ 344,234	$ (142,838)	$ 143,029	$ -	$ (63,401)	$ 8,826,449	$ 1,513,318	$ 10,339,767
BALANCE, JANUARY 1, 2018	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
Effect of retrospective application and retrospective restatement	-	-	-	-	-	294,288	-	(59,838)	(230,011)	-	4,439	1,478	5,917
BALANCE AT JANUARY 1, 2018 AS RESTATED	591,995	5,919,949	835,241	1,900,505	22,995	707,497	(122,100)	-	(230,011)	(63,401)	8,970,675	1,678,527	10,649,202
Appropriation of 2017 earnings													
Legal reserve	-	-	-	41,321	-	(41,321)	-	-	-	-	-	-	-
Special reserve	-	-	-	-	44,284	(44,284)	-	-	-	-	-	-	-
Cash dividends for common shares	-	-	-	-	-	(327,551)	-	-	-	-	(327,551)	-	(327,551)
Issuance of share dividends from capital surplus	-	-	(86,846)	-	-	-	-	-	-	-	(86,846)	-	(86,846)
Difference between the consideration and carrying amount of subsidiaries acquired or disposed of	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in percentage of ownership interest in subsidiaries	-	-	9	-	-	-	-	-	-	-	9	-	9
Net gain (loss) for the six months ended June 30, 2018	-	-	-	-	-	(13,791)	-	-	-	-	(13,791)	64,727	50,936
Other comprehensive income (loss) for the six months ended June 30, 2018, net of income tax	-	-	-	-	-	-	22,731	-	(50,511)	-	(27,780)	1,451	(26,329)
Total comprehensive income (loss) for the six months ended June 30, 2018	-	-	-	-	-	(13,791)	22,731	-	(50,511)	-	(41,571)	66,178	24,607
Decrease in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(169,638)	(169,638)
BALANCE, JUNE 30, 2018	591,995	$ 5,919,949	$ 748,404	$ 1,941,826	$ 67,279	$ 280,550	$ (99,369)	$ -	$ (280,522)	$ (63,401)	$ 8,514,716	$ 1,575,067	$ 10,089,783

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

(With Deloitte & Touche review report dated August 8, 2018)

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	For the Six Months Ended June 30	
	2018	**2017**
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 82,053	$ 439,175
Adjustments for:		
Depreciation expenses	139,812	133,646
Amortization expenses	43,071	49,709
Bad-debt expenses	-	11,480
Net gain on fair value change of financial assets at FVTPL	(111,254)	(5,208)
Financial costs	9,875	14,755
Interest income	(14,563)	(10,887)
Dividend income	(6,329)	(398)
Compensation costs of employee share options	19	191
Share of (profit) loss of associates and joint ventures	4,146	(89,072)
(Gain) loss on disposal of property, plant and equipment	(15)	2,072
Gain on disposal of subsidiaries	(27,061)	-
Gain on disposal of investments	-	(527,008)
Impairment loss recognized on financial assets	-	152,387
Impairment loss recognized on non-financial assets	-	21,577
Net (gain) loss on foreign currency exchange	(9,186)	6,522
Amortization of prepaid lease prepayments	1,429	1,377
Changes in operating assets and liabilities:		
Decrease in financial assets held for trading	-	1,757
Increase in trade receivables	(126,219)	(113,746)
Decrease in other receivables	40,892	12,074
Increase in inventories	(90,252)	(242,765)
Increase in other current assets	(3,114)	(75,529)
Increase in contract liabilities	32,439	-
Increase (decrease) in trade payables	139,315	(18,107)
Increase in provisions	-	2,078
Decrease in deferred revenue	(845)	(814)
Decrease in other current liabilities	(147,670)	(198,423)
Decrease in accrued pension liabilities	(1,238)	(1,218)
Cash generated from operations	(44,695)	(434,375)
Interest received	12,824	9,934
Dividend received	6,329	398
Interest paid	(10,835)	(15,829)
Income tax paid	(22,606)	(19,817)
Net cash used in operating activities	(58,983)	(459,689)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at FVTOCI	(108,560)	-
Purchase of financial assets at FVTPL	(1,457,025)	-
Proceeds from the sale of financial assets at FVTPL	1,219,638	-
Purchase of available-for-sale financial assets	-	(1,006,788)
Proceeds from the sale of available-for-sale financial assets	-	1,743,440
Purchase of financial assets measured at cost	-	(60,590)
Acquisition of joint ventures	(37,117)	-
Disposal of associates and joint ventures	(187)	-

(Continued)

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	For the Six Months Ended June 30	
	2018	**2017**
Payments for property, plant and equipment	(70,691)	(64,753)
Proceeds from the disposal of property, plant and equipment	23	120
Increase in refundable deposits	(3,478)	(713)
Decrease in refundable deposits	63	1,992
Payments for intangible assets	(67,970)	(62,970)
Proceeds from the disposal of investment properties	10,016	-
(Increase) decrease in other financial assets	2,478	(151,735)
Net cash (used in) generated from investing activities	(512,810)	398,003
CASH FLOWS FROM FINANCING ACTIVITIES		
(Repayments of) proceeds from short-term borrowings	(72,308)	70,869
Repayments of long-term borrowings	(98,438)	(1,002,723)
Proceeds of guarantee deposits received	43,737	73,276
Refund of guarantee deposits received	(8,726)	(19,972)
Increase (decrease) in non-controlling interests	150	(1,000)
Net cash used in financing activities	(135,585)	(879,550)
EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	6,343	16,676
NET DECREASE IN CASH AND CASH EQUIVALENTS	(701,035)	(924,560)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	4,156,277	4,803,495
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	$ 3,455,242	$ 3,878,935

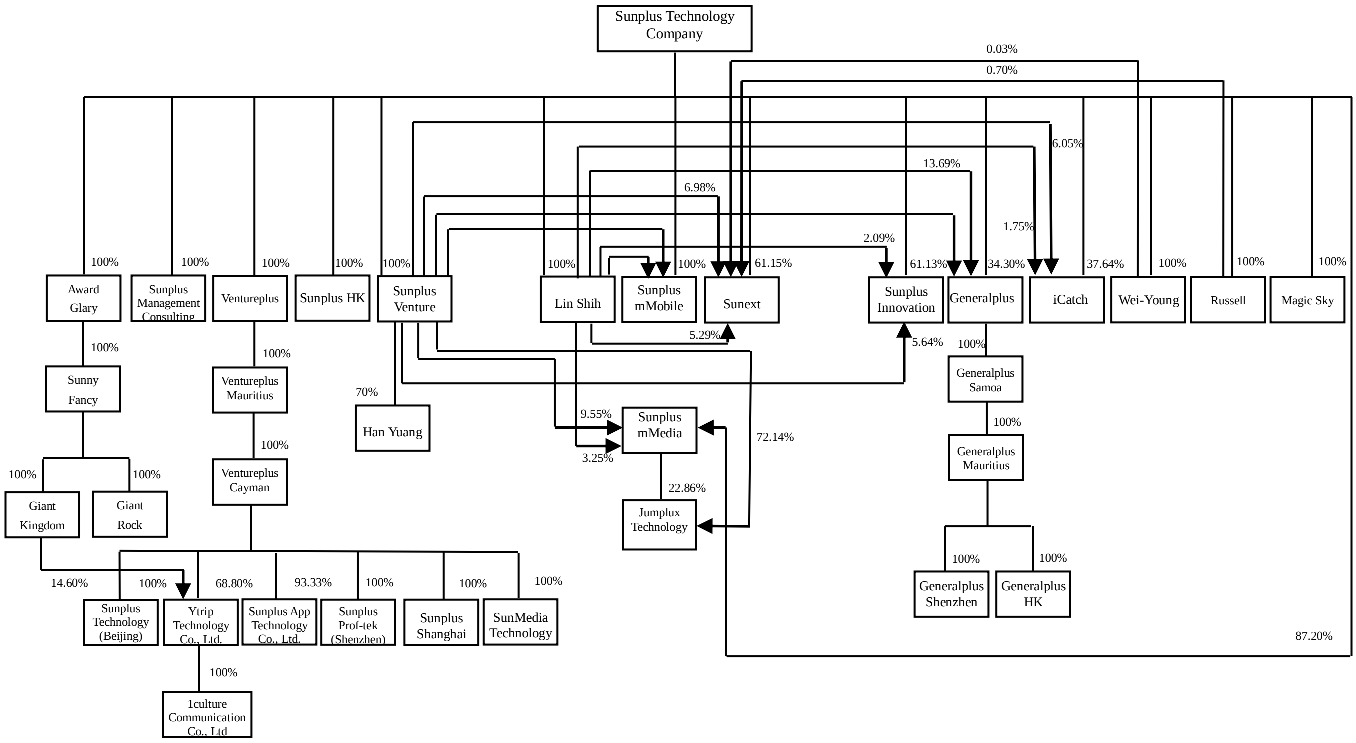
The accompanying notes are an integral part of the consolidated financial statements.

(With Deloitte & Touche review report dated August 8, 2018) (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 and 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 24).

The following is a diagram of the relationship and ownership percentages between Sunplus and its subsidiaries (collectively, the "Group") as of June 30, 2018.



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 August 8, 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), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

Except for the following, whenever applied, 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 would not have any material impact on the Group's accounting policies:

1) 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 the cash-settled share-based payment at the measurement date. Instead, they should be taken into account by adjusting the number of awards included in the measurement of the liability arising from the transaction. The amendment should be applied to cash-settled share-based payment transactions that are unvested at January 1, 2018.

2) IFRS 9 "Financial Instruments" and related amendments

IFRS 9 supersedes IAS 39 "Financial Instruments: Recognition and Measurement", with consequential amendments to IFRS 7 "Financial Instruments: Disclosures" and other standards. IFRS 9 sets out the requirements for the classification, measurement and impairment of financial assets and hedge accounting. Refer to Note 4 for information relating to the relevant accounting policies.

The requirements for the classification, measurement and impairment of financial assets and hedging cost have been applied retrospectively starting from January 1, 2018, and the other requirements for hedge accounting have been applied prospectively. IFRS 9 is not applicable to items that have already been derecognized as of December 31, 2017.

Classification, measurement and impairment of financial assets

On the basis of the facts and circumstances that existed as at January 1, 2017, the Company has performed an assessment of the classification of recognized financial assets and has elected not to restate prior reporting periods.

The following table shows the original measurement categories and carrying amounts under IAS 39 and the new measurement categories and carrying amounts under IFRS 9 for each class of the Company's financial assets and financial liabilities as at January 1, 2017.

	Measurement Category		Carrying Amount		
Financial Assets	**IAS 39**	**IFRS 9**	**IAS 39**	**IFRS 9**	**Remark**
Cash and cash equivalents	Loans and receivables	Amortized cost	$ 4,156,277	$ 4,156,277	(a)
Equity securities	Available-for-sale	Fair value through other comprehensive income - equity instruments	708,522	533,487	(b)
		Fair value through other comprehensive income - equity instruments - current	-	279,700	(c)
Mutual funds	Available-for-sale	Fair value through other comprehensive income - equity instruments	1,633,531	1,633,531	(a)

(Continued)

Financial Assets	Measurement Category IAS 39	IFRS 9	Carrying Amount IAS 39	IFRS 9	Remark
Time deposits with original maturities of more than 3 months	Loans and receivables	Amortized cost	$ 73,040	$ 73,040	(a)
Notes receivable, trade receivables and other receivables	Loans and receivables	Amortized cost	1,197,626	1,197,626	(a)
Restricted assets	Loans and receivables	Amortized cost	302,759	302,759	(a)

(Concluded)

Financial Assets	IAS 39 Carrying Amount as of January 1, 2018	Reclassifi-cations	Remea-surements	IFRS 9 Carrying Amount as of January 1, 2018	Retained Earnings Effect on January 1, 2018	Other Equity Effect on January 1, 2018	Remark
FVTPL	$ 98,748	$ -	$	$ 98,748	$	$	
Add: Reclassification from available-for-sale (IAS 39)	-	2,068,270	-	2,068,270	67,898	(53,412)	(b), (c)
	98,748	2,068,270		2,167,018	67,898	(53,412)	
FVTOCI	-	-	-	-	-	-	
Add: Reclassification from available-for-sale (IAS 39)	-	279,700	-	279,700	226,390	(236,437)	(b), (c)
		279,700		279,700	226,390	(236,437)	
	$ 98,748	$ 2,347,970	$	$ 2,446,718	$ 294,288	$ (289,849)	

a) Cash and cash equivalents, time deposits with original maturities of more than 3 months, trade receivables (including related parties), other receivables and restricted assets that were previously classified as loans and receivables under IAS 39 were classified as at amortized cost with an assessment of expected credit losses under IFRS 9.

b) The Company elected to classify all of listed company and unlisted company investments previously classified as available-for-sale under IAS 39 as at FVTPL under IFRS 9. As a result, the related other equity - unrealized gain (loss) on available-for-sale financial assets was reclassified to retained earnings in the amount of $7,530 thousand and to other equity - unrealized gain (loss) on financial assets at FVTOCI in the amount of $(6,146) thousand.

   Investments in unlisted shares previously measured at cost under IAS 39 have been classified at FVTPL and at FVTOCI under IFRS 9 and were remeasured at fair value. Consequently, an increase of $352,224 and $239,493 thousand was recognized in financial assets at FVTPL and retained earnings, respectively, on January 1, 2018; consequently, an increase of $171,568 and a decrease of $239,706 thousand was recognized in financial assets at FVTOCI and other equity - unrealized gain (loss) on financial assets at FVTOCI, respectively, on January 1, 2018.

c) Mutual funds previously classified as available-for-sale under IAS 39 were classified mandatorily as at FVTPL under IFRS 9, because the contractual cash flows are not solely payments of principal and interest on the principal outstanding and they are not equity instruments. The retrospective adjustment resulted in a decrease of $43,997 thousand in other equity - unrealized gain (loss) on available-for-sale financial assets and an increase of $47,265 thousand in retained earnings on January 1, 2018.

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 supersedes IAS 18 “Revenue”, IAS 11 “Construction Contracts” and a number of revenue-related interpretations. Refer to Note 4 for the related accounting policies.

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.

<u>Impact on assets, liabilities and equity for the current period</u>

	December 31, 2017 Carrying Amount	Adjustments Arising from Initial Application	January 1, 2018 Adjusted Carrying Amount
Contract liabilities - current	$ -	$ 37,384	$ 37,384
Provisions - current	11,555	(11,555)	-
Other current liabilities	772,858	(25,829)	747,029
Total effect on liabilities	$ 784,413	$ -	$ 784,413

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 a 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.

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, the 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.

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

IAS 21 stipulates 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 applied IFRIC 22 prospectively to all assets, expenses and income recognized on or after January 1, 2018 within the scope of the interpretation.

b. 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)
IFRS 16 "Leases"	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019 (Note 3)
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: The Company shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

1) IFRS 16 "Leases"

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

Definition of a lease

Upon initial application of IFRS 16, the Company will elect to apply IFRS 16 only to contracts entered into (or changed) on or after January 1, 2019 in order to determine whether those contracts are, or contain, a lease. Contracts identified as containing a lease under IAS 17 and IFRIC 4 will not be reassessed and will be accounted for in accordance with the transitional provisions under IFRS 16.

The Company as lessee

Upon initial application of IFRS 16, lease liabilities for all leases on the consolidated balance sheets except for those whose payments under low-value and short-term leases will be recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Company will present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities will be classified within financing activities; cash payments for the interest portion will be classified within operating activities.

Currently, payments under operating lease contracts are recognized as expenses on a straight-line basis. Cash flows for operating leases are classified within operating activities on the consolidated statements of cash flows.

The Company anticipates applying IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized on January 1, 2019. Comparative information will not be restated.

The Company as lessor

The Company anticipates applying IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized on January 1, 2019. Comparative information will not be restated.

2) IFRIC 23 "Uncertainty over Income Tax Treatments"

IFRIC 23 clarifies that when there is uncertainty over income tax treatments, the Company should assume that the taxation authority 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 Company 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.

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

The amendments clarify 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 include long-term interests that, in substance, form part of the entity's net investment in an associate or joint venture.

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

IFRS 9 stipulates 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 explain 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.

5) 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.

6) 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 Company will apply the above amendments 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.

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

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

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 the Company 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 the Company 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 the Company 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 Company’s interest as an unrelated investor in the associate or joint venture, i.e. the Company’s share of the gain or loss is eliminated. Also, when the Company 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 Company’s interest as an unrelated investor in the associate or joint venture, i.e. the Company’s share of the gain or loss is eliminated.

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

These interim consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 “Interim Financial Reporting” as endorsed and issued into effect by the FSC. Disclosure information included in these interim consolidated financial statements is less than the disclosure information required in a complete set of annual financial statements

b. Basis of preparation

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

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, 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. Basis of consolidation

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 statements of profit or loss and other comprehensive income from the effective dates of acquisitions up to the effective dates of disposals, 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 non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Company’s ownership interests in subsidiaries that do not result in the Company losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the interests of the Company and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-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 Company 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 was lost and (ii) the assets (including any goodwill) and liabilities and any non-controlling interests of the former subsidiary at their carrying amounts at the date when control was lost. The Company accounts for all amounts 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.

Before 2018, the fair value of any investment retained in a former subsidiary at the date when control was lost was regarded as the fair value at initial recognition of the cost on the initial recognition of an investment in a joint venture. Starting from 2018, the fair value of any investment retained in a former subsidiary at the date when control is lost is regarded as the fair value at initial recognition of the cost on the initial recognition of an investment in an associate or a joint venture.

See Note 13 and Tables 5 and 6 for detailed information on subsidiaries (including percentages of ownership and main businesses).

d. Other significant accounting policies

Except for the following, the accounting policies applied in these consolidated financial statements were consistent with those applied in the preparation of the Group's consolidated financial statements for the year ended December 31, 2017.

1) 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 FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

a) Financial assets

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

i. Measurement category

<u>2018</u>

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

i) Financial assets at FVTPL

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

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividends or interest earned on the financial assets. Fair value is determined in the manner described in Note 35.

ii) Financial assets at amortized cost

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

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

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

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, other financial assets, notes and accounts receivable and other receivables, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

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

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

- Financial assets that have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets.

Cash equivalents include time deposits, 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.

iii) Investments in equity instruments at FVTOCI

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

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

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

2017

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 such financial assets are either held for trading or 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:

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

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

- The financial asset is a contract which 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 dividends or interest earned on the financial assets.

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 amounts 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 such investments are disposed of or are 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 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 the carrying amount and the fair value is recognized in other comprehensive income on financial assets. Any impairment loss is recognized in profit and loss.

iii) Loans and receivables

Loans and receivables (including notes and accounts receivable, other receivables and cash and cash equivalents) 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 include time deposits, 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.

ii. Impairment of financial assets

<u>2018</u>

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

The Company always recognizes lifetime expected credit losses (i.e. ECLs) for trade receivables. For all other financial instruments, the Company recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

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

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

<u>2017</u>

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, as a result of one or more events that occurred after the initial recognition of the financial assets, that the estimated future cash flows of the investment have been affected.

For financial assets at amortized cost, such as trade receivables and other receivables, such 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 with collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with defaults on receivables.

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

For financial assets 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 a 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 those financial assets 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 is 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, 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 carried at cost, the amount of the impairment loss is measured as the difference between such an asset's carrying amount and the present value of its 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 a 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 trade receivables and other receivables are considered uncollectible, they are 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 and other receivables that are written off against the allowance account.

iii. 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.

Before 2018, 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. Starting from 2018, on derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in a debt instrument at FVTOCI, 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. However, on derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss that had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

b) 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.

c) Financial liabilities

i. Subsequent measurement

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

ii. Derecognition of financial liabilities

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

2) Revenue recognition

<u>2018</u>

The Company identifies a contract with a customer, allocates the transaction price to the performance obligations, and recognizes revenue when performance obligations are satisfied.

Unearned receipts for merchandise sales would be recognized as contract liabilities before the company fulfills its performance obligations.

Revenue from the sale of goods

Revenue from the sale of goods comes from the sale of ICs. Sales of ICs are recognized as revenue when the goods are shipped because it is the time when the customer has full discretion over the manner of distribution and the price to sell the goods, has the primary responsibility for sales to future customers, and bears the risks of obsolescence. Trade receivables are recognized concurrently.

The Company does not recognize revenue on materials delivered to subcontractors because this delivery does not involve a transfer of control.

2017

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar provisions. Provisions for sales returns and liabilities for returns are recognized at the time of sale based on the seller's reliable estimate of future returns and based on past experience and other relevant factors.

a) Sale of goods

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

i. The Company has transferred to the buyer the significant risks and rewards of ownership of the goods;

ii. The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

iii. The amount of revenue can be measured reliably;

iv. It is probable that the economic benefits associated with the transaction will flow to the Company; and

v. 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 the materials' ownership.

3) Retirement benefits

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant plan amendments, settlements, or other significant one-off events.

4) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Except for the following, the critical accounting judgments and key sources of estimation uncertainty have been followed in these consolidated financial statements as were applied in the preparation of the Company's annual consolidated financial statements for the year ended December 31, 2017.

a. Business model assessment for financial assets - 2018

The Company determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgment about all relevant evidence including how the performance of the assets is evaluated, the risks that affect the performance of the assets, how these are managed and how the managers of the assets are compensated. The Company monitors financial assets measured at amortized cost or fair value through other comprehensive income, and when assets are derecognized prior to their maturity, the Company understands the reason for their disposal and whether the reasons are consistent with the objective of the business for which the assets were held. Monitoring is part of the Company's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and, if it is not appropriate, whether there has been a change in the business model and a resultant prospective change to the classification of those assets, as would be proper.

b. Estimated impairment of financial assets - 2018

The allowance for impairment of trade receivables is based on assumptions about the risk of default and expected loss rates. The Company uses judgment in making these assumptions and in selecting the inputs to the impairment calculation based on the Company's past history, existing market conditions as well as forward-looking estimates as at the end of each reporting period. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

6. CASH AND CASH EQUIVALENTS

	June 30, 2018	December 31, 2017	June 30, 2017
Cash on hand	$ 7,982	$ 10,220	$ 7,461
Checking accounts and demand deposits	1,198,615	1,535,059	1,165,814
Cash equivalents			
Cash equivalent deposits in banks	2,240,288	2,602,835	2,697,360
Repurchase agreements collateralized by bonds	8,357	8,163	8,300
	$ 3,455,242	$ 4,156,277	$ 3,878,935

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

	June 30, 2018	December 31, 2017	June 30, 2017
Bank balances	0.01%-3.95%	0.01%-3.60%	0.01%-1.75%
Repurchase agreements collateralized by bonds	1.00%	1.00%	1.00%

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

	June 30, 2018	December 31, 2017	June 30, 2017
Financial assets at FVTPL - current			
Financial assets mandatorily classified as at FVTPL			
Non-derivative financial assets			
- Mutual funds	$ 1,600,728	$ -	$ -
- Securities listed in the ROC - convertible bonds (CB)	30,519	-	-
Hybrid financial assets			
- Convertible special units	96,000	-	-
Financial assets designated as at FVTPL			
Non-derivative financial assets			
- Securities listed in the ROC	172,036	-	-
Financial assets held for trading			
Non-derivative financial assets			
- Securities listed in the ROC - CB	-	9,468	10,422
	$ 1,899,283	$ 9,468	$ 10,422
Financial liabilities at FVTPL - noncurrent			
Financial assets mandatorily classified as at FVTPL			
Non-derivative financial assets			
- Unlisted debt securities in other countries - CB	$ 92,796	$ -	$ -
- Mutual funds	74,920	-	-
Financial assets designated as at FVTPL			
Non-derivative financial assets			
- Unlisted debt securities in other countries	367,652	-	-
- Private funds	147,507	-	-
- Securities listed in the ROC	3,592	-	-
Financial assets held for trading			
Non-derivative financial assets			
- Unlisted debt securities in other countries - CB	-	89,280	-
	$ 686,467	$ 89,280	$ -

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - 2018

	June 30, 2018
Noncurrent	
Domestic and foreign investments	
Listed shares and emerging market shares	$ 89,114
Unlisted shares	222,301
Private funds	30,000
	$ 341,415

9. AVAILABLE-FOR-SALE FINANCIAL ASSETS - 2017

	December 31, 2017	June 30, 2017
Current		
Domestic and foreign investments		
- Mutual funds	$ 1,321,681	$ 1,464,949
- Listed shares and emerging market shares	311,850	62,981
	$ 1,633,531	$ 1,527,930
Noncurrent		
Domestic investments		
- Listed shares and emerging market shares	$ 114,828	$ 479,528
- Mutual funds	74,435	-
	$ 189,263	$ 479,528

10. FINANCIAL ASSETS MEASURED AT COST - 2017

	December 31, 2017	June 30, 2017
Noncurrent		
Domestic unlisted common shares	$ 382,170	$ 460,691
Private funds	137,089	107,548
	$ 519,259	$ 568,239
Classified according to financial asset measurement categories		
Classified as available for sale	$ 519,259	$ 568,239

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 being so significant; therefore they were measured at cost less impairment at the end of reporting period.

The Group believed that the impairment losses for the above financial assets carried at cost was $152,387 thousand for the six months ended June 30, 2017 and $35,445 thousand for the three months ended June 30, 2017.

11. NOTES AND TRADE RECEIVABLES, NET

	June 30, 2018	December 31, 2017	June 30, 2017
Notes receivable			
Notes receivable - operating	$ -	$ 57	$ 101
Trade receivables			
At amortized cost			
Gross carrying amount	1,340,303	1,305,313	1,466,043
Less: Allowance for impairment loss	(2,038)	(107,744)	(89,822)
	1,338,265	1,197,569	1,376,221
	$ 1,338,265	$ 1,197,626	$ 1,376,322

Trade receivables

For the six months ended June 30, 2018

The average credit period on sales of goods was 30 to 90 days without interest. The Group's exposure to credit risk and external credit ratings are continuously monitored. In order to minimize credit risk, the Group has tasked its credit management committee with developing and maintaining a credit risk grading framework to categorize exposures according to the degree of risk of default. The credit rating information may be obtained from independent rating agencies where available, and, if not available, the credit management committee uses other publicly available financial information to rate the debtors.

The Group considers the historical default rates of each credit rating supplied by external rating agencies, the current financial condition of debtors and industry forecasts when estimating 12-month or lifetime expected credit losses.

The Group’s current credit risk grading framework is shown in the following table:

June 30, 2018

	Not Overdue	Overdue 1- 60 days	Overdue 61-90 days	Overdue 91-120 days	Overdue 121 days or More	Total
Gross carrying amount at June 30, 2018	$1,334,866	$ 3,261	$ 37	$ -	$ 2,139	$1,340,303
Expected credit losses	-	-	-	-	(2,038)	(2,038)
Amortized cost at June 30, 2018	$1,334,866	$ 3,261	$ 37	$ -	$ 101	$1,338,265

The allowance for impairment loss of investments in debt instruments at FVTOCI and at amortized cost as at January 1, 2018 and June 30, 2018 grouped by credit rating is reconciled as follows:

	For the Six Months Ended June 30, 2018
Balance at January 1, 2018 per IAS 39	$ 107,744
Adjustment on initial application of IFRS 9	-
Balance at January 1, 2018 per IFRS 9	107,744
Less: Amounts written off (Note)	(105,692)
Exchange differences	(14)
Balance at June 30, 2018	$ 2,038

Note: As there were clients that were declared bankrupt, $105,692 thousand was written off the relevant accounts receivable and $105,692 thousand was written off the allowance loss.

For the six months ended June 30, 2017

The average credit period on sales of goods was the same as 2018. In determining the recoverability of a trade receivable, the Group considered any change in the credit quality of the trade receivable since the date on which credit was initially granted until the end of the reporting period. An allowance for impairment loss was recognized against trade receivables based on the estimated irrecoverable amounts determined by reference to past default experience with the counterparties and an analysis of their respective current financial positions.

Of the trade receivables balance that were past due at the end of the reporting period, the Group recognized an allowance for the impairment for notes and trade receivables amounting to $0 as of June 30, 2017, 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 any respective counterparty.

The aging of receivables is as follows:

	December 31, 2017	**June 30, 2017**
0-60 days	$ 1,008,766	$ 1,114,469
61-90 days	102,429	244,804
91-120 days	86,861	956
121-360 days	-	4,537
More than 360 days	107,257	101,277
Total	$ 1,305,313	$ 1,466,043

The above aging schedule was based on the invoice date.

The aging of the receivables that were past due but not impaired is as follows:

	December 31, 2017	June 30, 2017
Not more than 60 days	$ 636	$ -
More than and equal to 90 days	-	15,922
Total	$ 636	$ 15,922

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

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

	Individually Impaired	Collectively Impaired	Total
Balance at January 1, 2017	$ 78,394	$ -	$ 78,394
Add: Impairment losses recognized on receivables	11,480	-	11,480
Foreign exchange translation gains	(52)	-	(52)
Balance at June 30, 2017	$ 89,822	$ -	$ 89,822

12. INVENTORIES

	June 30, 2018	December 31, 2017	June 30, 2017
Finished goods	$ 458,401	$ 401,352	$ 480,608
Work in progress	340,370	302,298	350,541
Raw materials	298,472	304,312	270,006
	$ 1,097,243	$ 1,007,962	$ 1,101,155

The cost of inventories recognized as cost of goods sold for the six months ended June 30, 2018 and 2017 were $1,939,568 thousand and $1,942,679 thousand, respectively, and $1,078,802 thousand and $1,062,036 thousand for the three months ended June 30, 2018 and 2017, respectively.

The cost of inventories recognized as costs of goods sold for the three and six months ended June 30, 2018 and 2017 are as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Reversal of inventory write-downs	$ (17,399)	$ 19,901	$ (24,301)	$ 2,438
Income from scrap sales	258	23	315	43
	$ (17,141)	$ 19,924	$ 23,986	$ 2,481

13. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements

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

			Percentage of Ownership (%)			
Name of Investor	**Name of Investee**	**Main Businesses and Products**	**June 30, 2018**	**December 31, 2017**	**June 30, 2017**	**Note**
Sunplus	Sunplus Management Consulting	Management	100.00	100.00	100.00	-
	Ventureplus Group Inc.	Investment	100.00	100.00	100.00	-
	Sunplus Technology (H.K.)	International trade	100.00	100.00	100.00	-
	Sunplus Venture	Investment	100.00	100.00	100.00	-
	Lin Shih Investment	Investment	100.00	100.00	100.00	-
	Sunplus mMobile Inc.	Design of ICs	100.00	100.00	100.00	-
	Sunext Technology Co., Ltd.	Design of ICs	61.15	61.15	61.15	-
	Sunplus Innovation Technology	Design of ICs	61.13	61.13	61.13	-
	Generalplus Technology (“Generalplus”)	Design of ICs	34.30	34.30	34.30	-
Sunplus	iCatch Technology	Design of ICs	37.64	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	100.00	-
	Russell Holdings Limited	Investment	100.00	100.00	100.00	-
	Magic Sky Limited	Investment	100.00	100.00	100.00	-
	Sunplus mMedia Inc.	Design of ICs	87.20	87.20	87.20	-
	Award Glory	Investment	100.00	100.00	100.00	-
Ventureplus	Ventureplus Mauritius Inc.	Investment	100.00	100.00	100.00	-
Ventureplus Mauritius Inc.	Ventureplus Cayman Inc.	Investment	100.00	100.00	100.00	-
Ventureplus Cayman Inc.	Ytrip Technology	Web research and development	68.80	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	93.33	-
	Sunplus Prof-tek Technology (Shenzhen)	Software development, consumer technological services and rental sales	100.00	100.00	100.00	-
	Sunplus Technology (Shanghai)	Software development, consumer technological services and rental sales	100.00	100.00	100.00	-
	SunMedia Technology	Software development, consumer technological services and rental sales	100.00	100.00	100.00	-
	Sunplus Technology (Beijing)	Software development, consumer technological services and rental sales	100.00	100.00	100.00	-
Sunplus Technology (Shanghai)	Xiamen Xm-plus	Manufacturing and sale of computer software and system integration services	-	100.00	-	The Group lost controlling interest over Xiamen Xm-plus as of March 31, 2018; thus, the investee was not included in the consolidated financial statements; refer Note 14.
Ytrip Technology	1culture Communication	Web development and sale	100.00	100.00	100.00	-
Sunplus Venture	Jumplux Technology	Design of ICs	72.14	72.14	72.14	
	Han Young Technology	Design of ICs	70.00	70.00	70.00	-
	Sunext Technology Co., Ltd. (“Sunext”)	Design of ICs	6.98	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	9.55	Sunplus and its subsidiaries had 100% equity in Sunplus mMedia.
	Sunplus Innovation	Design of ICs	5.64	5.64	5.64	Sunplus and its subsidiaries had 68.86% equity in Sunplus Innovation
	iCatch Technology, Inc.	Design of ICs	6.05	6.05	6.05	Sunplus and its subsidiaries had 45.44% equity in iCatch Technology, Inc.
Lin Shih	Generalplus Technology	Design of ICs	13.69	13.69	13.69	Sunplus and its subsidiaries had 47.99% equity in Generalplus.
	Sunext Technology	Design of ICs	5.29	5.29	5.29	Sunplus and its subsidiaries had 74.15% equity in Sunext.
	Sunplus mMedia	Design of ICs	3.25	3.25	3.25	Sunplus and its subsidiaries had 100% equity in Sunplus mMedia.
	Sunplus Innovation	Design of ICs	2.09	2.09	2.09	Sunplus and its subsidiaries had 68.86% equity in Sunplus Innovation

(Continued)

Name of Investor	Name of Investee	Main Businesses and Products	Percentage of Ownership (%) June 30, 2018	Percentage of Ownership (%) December 31, 2017	Percentage of Ownership (%) June 30, 2017	Note
Lin Shih	iCatch Technology	Design of ICs	1.75	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.
Generalplus	Generalplus Samoa	Investment	100.00	100.00	100.00	-
Generalplus Samoa	Generalplus Mauritius	Investment	100.00	100.00	100.00	-
Generalplus Mauritius	Generalplus Shenzhen	After-sales service	100.00	100.00	100.00	-
	Generalplus HK	Sales	100.00	100.00	100.00	-
Wei-Young	Sunext Technology Co., Ltd.	Design and sale of ICs	0.03	0.03	0.03	Sunplus and its subsidiaries had 74.15% equity in Sunext
Russell	Sunext Technology Co., Ltd.	Design and sale of ICs	0.70	0.70	0.70	Sunplus and its subsidiaries had 74.15% equity in Sunext
Sunplus mMedia Inc.	Jumplux Technology	Design and sale of ICs	22.86	22.86	22.86	Sunplus and its subsidiaries had 95.00% equity in Jumplux.
Award Glory	Sunny Fancy	Investment	100.00	100.00	100.00	-
Sunny Fancy	Giant Kingdom	Investment	100.00	100.00	100.00	-
	Giant Rock	Investment	100.00	100.00	100.00	-
Giant Kingdom	Ytrip Technology	Web research and development	14.60	14.60	14.60	Sunplus and its subsidiaries had 83.40% equity in Ytrip Technology.

(Concluded)

The financial statements as of and for the six months ended June 30, 2018 and 2017 of the above subsidiaries, except those of Generalplus, Sunplus mMobile Inc., Ventureplus Group Inc., Ventureplus Mauritius Inc. and Ventureplus Cayman Inc., and non-significant subsidiaries Sunplus Technology (Shanghai) and Sunplus Prof-tek Technology (Shenzhen), were not reviewed.

b. Subsidiaries excluded from the consolidated financial statements

Company name	The Voting Ratio of Non-controlling Equity June 30, 2018	The Voting Ratio of Non-controlling Equity December 31, 2017	The Voting Ratio of Non-controlling Equity June 30, 2017
Generalplus Technology Inc.	52.01%	52.01%	48.35%
Sunplus Innovation Technology	31.14%	31.14%	31.14%
iCatch Technology	54.56%	54.56%	54.56%

Refer to Table 5 for information on country of registration and principal business.

Company name	Profit Attributed to Non-controlling Interests: For the Three Months Ended June 30, 2018	For the Three Months Ended June 30, 2017	For the Six Months Ended June 30, 2018	For the Six Months Ended June 30, 2017	Non-controlling Interests: June 30, 2018	December 31, 2017	June 30, 2017
Generalplus Technology Inc.	$ 52,919	$ 64,471	$ 78,783	$ 89,289	$1,049,010	$1,138,500	$ 958,957
Sunplus Innovation Technology	10,515	(176)	10,680	1,597	273,993	261,835	264,893
iCatch Technology	(1,770)	(16,492)	(20,171)	(31,579)	230,574	250,584	258,328

The summarized financial information below represents amounts before intragroup eliminations.

	June 30, 2018	December 31, 2017	June 30, 2017
Current assets	$ 4,140,260	$ 3,959,132	$ 4,345,375
Noncurrent assets	770,687	783,624	792,069
Current liabilities	1,448,644	1,137,685	1,699,925
Noncurrent liabilities	231,722	201,562	195,733
Equity	$ 3,230,581	$ 3,403,509	$ 3,241,786
Equity attributable to:			
Owners of the Company	$ 1,677,004	$ 1,752,590	$ 1,759,608
Non-controlling interests	1,553,577	1,650,919	1,482,178
	$ 3,230,581	$ 3,403,509	$ 3,241,786

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Operating revenue	$ 1,324,773	$ 1,315,831	$ 2,324,997	$ 2,329,257
Net income	$ 128,807	$ 101,111	$ 145,339	$ 130,539
Other comprehensive income (loss)	(5,102)	9,583	3,247	(23,891)
Total other comprehensive income	$ 123,705	$ 110,694	$ 148,586	$ 106,648
Equity attributable to:				
Owners of the Company	$ 67,143	$ 53,308	$ 76,047	$ 71,232
Non-controlling interests	61,664	47,803	69,292	59,307
	$ 128,807	$ 101,111	$ 145,339	$ 130,539
Total other comprehensive income attributable to:				
Owners of the Company	$ 65,544	$ 48,730	$ 77,454	$ 47,229
Non-controlling interests	59,161	61,964	71,132	59,419
	$ 123,705	$ 110,694	$ 148,586	$ 106,648

(Continued)

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Cash flows				
Cash flows used in operating activities			$ 60,427	$ 305,144
Cash flows used in investing activities			(123,082)	(350,645)
Cash flows generated from (used in) financing activities			(30,429)	268,227
Effect of exchange rate changes on the balance of cash held in foreign currencies			3,743	2,916
Net cash outflow			$ (89,341)	$ (384,646)
Dividends paid to non-controlling interests				
Generalplus Technology Inc.			$ -	$ -

(Concluded)

14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	June 30, 2018	December 31, 2017	June 30, 2017
Investments in associates	$ 343,960	$ 379,351	$ 371,430
Associates			
Global View Co., Ltd.	$ 310,801	$ 379,351	$ 371,430
Xiamen Xm-plus	33,159	-	-
	$ 343,960	$ 379,351	$ 371,430

Refer to Table 5 following these Notes to Consolidated Financial Statements for information on the associates' business types, main operating locations and registered countries, and Table 6 following these Notes for the information on investments in mainland China.

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

Name of Associate	June 30, 2018	December 31, 2017	June 30, 2017
Global View Co., Ltd.	13%	13%	13%
Xiamen Xm-plus	45%	-	-

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 dates, as follows:

Name of Associate	June 30, 2018	December 31, 2017	June 30, 2017
Global View Co., Ltd.	$ 330,824	$ 392,134	$ 347,695

Investments in the above jointly controlled entities are accounted for using the equity method.

The financial statements of the above entities as of and for the six months ended June 30, 2018 and 2017 were not reviewed.

15. PROPERTY, PLANT AND EQUIPMENT

	For the Six Months Ended June 30, 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 period	$ 2,420,928	$ 202,883	$ 16,161	$ 581,209	$ 7,020	$ 260,976	$ 3,284	$ 21,278	$ 25	$ 3,513,764
Additions	-	11,892	1,143	27,858	-	8,049	640	12	238	49,832
Disposals	-	-	(2,342)	(13,253)	(221)	(8,962)	(506)	-	-	(25,284)
Effect of exchange rate changes	(33,956)	(1,986)	(377)	(36,130)	(672)	(4,141)	(554)	(323)	-	(78,139)
Reclassification	-	-	-	25	-	-	-	-	(25)	-
Balance, end of period	$ 2,386,972	$ 212,789	$ 14,585	$ 559,709	$ 6,127	$ 255,922	$ 2,864	$ 20,967	$ 238	$ 3,460,173
Accumulated depreciation										
Balance, beginning of period	$ 404,240	$ 95,601	$ 15,329	$ 480,895	$ 3,282	$ 216,976	$ 2,269	$ 17,764	$ -	$ 1,236,356
Depreciation expense	26,731	11,548	651	45,825	380	12,264	204	554	-	98,157
Disposals	-	-	(2,266)	(12,661)	(216)	(7,443)	(506)	-	-	(23,092)
Effect of exchange rate changes	(2,304)	(782)	(716)	(35,563)	(530)	(3,467)	(56)	(207)	-	(43,625)
Balance, end of period	$ 428,667	$ 106,367	$ 12,998	$ 478,496	$ 2,916	$ 218,330	$ 1,911	$ 18,111	$ -	$ 1,267,796
Accumulated impairment										
Balance, beginning and end of period	$ -	$ -	$ -	$ 11,498	$ -	$ -	$ -	$ -	$ -	$ 11,498
Net balance, end of the period	$ 1,958,305	$ 106,422	$ 1,587	$ 69,715	$ 3,211	$ 37,592	$ 953	$ 2,856	$ 238	$ 2,180,879

	Six Months Ended June 30, 2018									
	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 period	$ 2,407,349	$ 184,489	$ 15,131	$ 566,450	$ 7,846	$ 257,883	$ 26,352	$ 21,772	$ -	$ 3,487,272
Additions	-	275	-	48,887	-	2,704	-	215	153	52,234
Disposals	-	-	(29)	(2,870)	-	(948)	-	(42)	-	(3,889)
Reclassifications	-	23,676	-	-	-	-	(23,676)	-	-	-
Consolidated changes	-	-	-	-	-	(610)	-	-	-	(610)
Effect of exchange rate changes	7,256	(2,360)	103	365	45	1,007	15	2,962	-	9,393
Balance, end of period	$ 2,414,605	$ 206,080	$ 15,205	$ 612,832	$ 7,891	$ 260,036	$ 2,691	$ 24,907	$ 153	$ 3,544,400
Accumulated depreciation										
Balance, beginning of period	$ 456,802	$ 109,497	$ 13,500	$ 478,413	$ 3,556	$ 226,324	$ 4,695	$ 18,833	$ -	$ 1,311,620
Additions	27,244	10,784	2,229	50,656	700	8,012	2,676	629	-	102,930
Disposals	-	-	(21)	(2,870)	-	(948)	-	(42)	-	(3,881)
Reclassifications	-	2,762	-	-	-	-	(2,762)	-	-	-
Consolidated changes	-	-	-	-	-	(15)	-	-	-	(15)
Effect of exchange rate changes	209	1,986	(1,845)	2,024	11	884	(2,470)	951	-	1,750
Balance, end of period	$ 484,255	$ 125,029	$ 13,863	$ 528,223	$ 4,267	$ 234,257	$ 2,139	$ 20,371	$ -	$ 1,412,404
Accumulated Impairment										
Balance, beginning and end of period	$ -	$ -	$ -	$ 11,498	$ -	$ -	$ -	$ -	$ -	$ 11,498
Balance, end of period	$ 1,950,547	$ 74,992	$ 1,631	$ 76,539	$ 4,290	$ 31,559	$ 21,657	$ 2,939	$ -	$ 2,164,154
Net balance, end of period	$ 1,930,350	$ 81,051	$ 1,342	$ 73,111	$ 3,624	$ 25,779	$ 552	$ 4,536	$ 153	$ 2,120,498

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

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	5-11 years
Other equipment	3-10 years

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

16. INVESTMENT PROPERTIES

<u>Cost</u>	
Balance at January 1, 2017	$ 1,444,993
Effect of exchange rate differences	(40,999)
Balance at June 30, 2017	$ 1,403,994
<u>Accumulated depreciation</u>	
Balance at January 1, 2017	$ (226,089)
Depreciation expense	(35,489)
Effect of exchange rate differences	6,290
Balance at June 30, 2017	$ (255,288)
	$ 1,148,706
<u>Cost</u>	
Balance at January 1, 2018	$ 1,435,061
Disposals	(10,016)
Effect of exchange rate differences	8,966
Balance at June 30, 2018	$ 1,434,011
<u>Accumulated depreciation</u>	
Balance at January 1, 2018	$ (296,010)
Depreciation expense	(36,882)
Effect of exchange rate differences	(1,440)
Balance at June 30, 2018	$ (334,332)
Balance at December 31, 2017 and January 1, 2018	$ 1,139,051
Balance at June 30, 2018	$ 1,099,679

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 properties in the current period mainly consist of the factory buildings constructed by SunMedia Technology in Chengdu, China. The construction was completed and officially started operations in June 2016. The fair values of the investment properties had been determined on the basis of valuations carried out at the reporting dates December 31, 2017 and 2016 by Beijing Great wall joint property assessment LLC and Sichuan Wuyue joint property assessment LLC. The valuation was determined by the replacement cost method; the important assumptions used in the valuation are as follows:

	June 30, 2018	December 31, 2017	June 30, 2017
Fair value	$ 1,755,274	$ 1,755,274	$ 1,063,006

The investment properties were valued by independent valuators; the Company determined that the fair values reported as of December 31, 2017 and 2016 were still valid as of June 30, 2018 and 2017, respectively.

The fair values of the investment properties had been determined on the basis of valuations carried out at the reporting dates by the Suzhou Feng-Zheng PingGu Firm. The valuations were determined by the replacement cost method; the important assumptions used in the valuation are as follows:

	June 30, 2018	December 31, 2017	June 30, 2017
Fair value	$ 2,310,166	$ 2,310,166	$ 2,189,700

The investment properties were valued by independent valuators; the Company determined that the fair values reported as of December 31, 2017 and 2016 were still valid as of June 30, 2018 and 2017, respectively.

The rental incomes were $116,440 thousand and $104,900 thousand for the six months ended June 30, 2018 and 2017, respectively, and $59,510 thousand and $50,161 thousand for the three months ended June 30, 2018 and 2017, respectively.

17. INTANGIBLE ASSETS

	For the Six Months Ended June 30, 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	43,079	17,163	-	-	-	60,242
Deductions	(4,505)	(65,035)	-	-	(3,882)	(73,422)
Reclassifications	44,922	(45,193)	271	-	-	-
Effect of exchange rate differences	121	(1,467)	5	-	1,422	81
Balance at June 30	$ 800,358	$ 298,924	$ 114,505	$ 30,596	$ -	$ 1,244,383

(Continued)

	For the Six Months Ended June 30, 2017					
	Technology License Fees	**Software**	**Patents**	**Goodwill**	**Technological Know-how**	**Total**
Accumulated amortization						
Balance at January 1	$ 527,506	$ 346,265	$ 79,091	$ -	$ 2,460	$ 955,322
Amortization expense	32,351	15,324	2,034	-	-	49,709
Deductions	(4,505)	(65,035)	-	-	(3,882)	(73,422)
Reclassifications	36,268	(36,252)	34	-	-	50
Effect of exchange rate differences	17	(764)	-	-	1,422	675
Balance at June 30	$ 591,637	$ 259,538	$ 81,159	$ -	$ -	$ 932,334
Accumulated deficit						
Balance at January 1	$ 111,136	$ -	$ -	$ -	$ -	$ 111,136
Addition	-	-	21,577	-	-	21,577
Balance at June 30	$ 111,136	$ -	$ 21,577	$ -	$ -	$ 132,713
Carrying amounts at June 30, 2017	$ 97,585	$ 39,386	$ 11,769	$ 30,596	$ -	$ 179,336

(Concluded)

	For the Six Months Ended June 30, 2018				
	Technology License Fees	**Software**	**Patents**	**Goodwill**	**Total**
Cost					
Balance at January 1	$ 762,432	$ 310,734	$ 114,510	$ 30,596	$ 1,218,272
Additions	64,482	4,578	-	-	69,060
Effect of exchange rate differences	149	150	1	-	300
Consolidated changes	-	(79)	-	-	(79)
Balance at June 30	$ 827,063	$ 315,383	$ 114,511	$ 305,96	$ 1,287,553
Accumulated amortization					
Balance at January 1	$ 528,672	$ 275,297	$ 81,846	$ -	$ 885,815
Amortization expense	28,724	13,662	685	-	43,071
Effect of exchange rate differences	(1)	78	1	-	78
Consolidated changes	-	(2)	-	-	(2)
Balance at June 30	$ 557,395	$ 289,035	$ 82,532	$ -	$ 928,962
Accumulated amortization					
Balance at January 1 and June 30	$ 114,747	$ -	$ 21,577	$ -	$ 136,326
Net balance at December 31, 2017 and January 1, 2018	$ 119,011	$ 35,437	$ 11,087	$ 30,596	$ 196,131
Net balance at June 30	$ 154,919	$ 26,348	$ 10,402	$ 30,596	$ 222,265

The Company recognized impairment losses on the above intangible assets; the amounts of the impairment losses were $0 for the three months ended June 30, 2017 and $21,577 thousand for the six months ended June 30, 2017.

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

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

An analysis of amortization by function

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Operating costs	$ 105	$ 168	$ 210	$ 370
Selling and marketing	31	26	62	55
General and administrative	1,775	1,764	3,547	3,638
Research and development	19,783	20,202	39,252	45,646
	$ 21,694	$ 22,160	$ 43,071	$ 49,709

18. OTHER ASSETS

	June 30, 2018	December 31, 2017	June 30, 2017
Current			
Other financial assets			
Pledged time deposits (a)	$ 293,773	$ 291,373	$ 295,357
Other assets			
Pledged for EDA tools	$ 13,910	$ 25,929	$ 53,861
Finance lease payables (c)	2,831	2,814	2,765
Others	84,183	72,218	126,003
	$ 100,924	$ 100,961	$ 182,629
Noncurrent			
Other financial assets			
Pledged time deposits (a)	$ 11,427	$ 11,386	$ 12,946
Time deposits (b)	73,488	73,040	71,776
	$ 84,915	$ 84,426	$ 84,722
Other assets			
Finance lease payables (c)	$ 106,355	$ 107,113	$ 106,642
Refundable deposits	10,874	7,456	6,925
Other	11,392	11,370	12,052
	$ 128,621	$ 125,939	$ 125,619

a. Refer to Notes 33 and 37 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 June 30, 2018, December 31, 2017 and June 30, 2017 were $109,186 thousand, $109,927 thousand and $109,407 thousand, respectively.

19. LOANS

Short-term borrowings

	June 30, 2018	December 31, 2017	June 30, 2017
Unsecured borrowings			
Bank loans	$ 373,220	$ 444,111	$ 628,019

The weighted average effective interest rate intervals for bank loans as of June 30, 2018, December 31, 2017 and June 30, 2017 were 1.75%-3.52%, 1.80%-2.65% and 1.69%-2.06% per annum, respectively.

Long-term borrowings

The borrowings of the Group are as follows:

	Maturity Date	Significant Covenant	June 30, 2018	December 31, 2017	June 30, 2017
Floating rate borrowings					
Unsecured bank borrowings	2019.11.10	Repayable semiannually from November 2016	$ 150,000	$ 200,000	$ 200,000
Secured bank borrowings	2019.01.14	Repayable in January 2019	133,716	149,143	151,950
Unsecured bank borrowings	2019.02.14	Repayable quarterly from February 2014	45,000	75,000	75,000
			328,716	424,143	426,950
Less: Current portion			278,716	175,000	239,450
Long-term borrowings			$ 50,000	$ 249,143	$ 187,500

The intervals of effective borrowing rates as of June 30, 2018, December 31, 2017 and June 30, 2017 were 1.545%-3.960%, 1.545%-2.655% and 1.550%-1.710%, respectively.

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. However, the Company's inability to meet the ratio requirement would not be deemed as a violation of the contracts. As of June 30, 2018, December 31, 2017 and June 30, 2017, the Group was in compliance with these financial ratio requirements.

20. TRADE PAYABLES

	June 30, 2018	December 31, 2017	June 30, 2017
Accounts payable			
Payables - operating	$ 867,867	$ 723,983	$ 712,556

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.

21. PROVISIONS

	December 31, 2017	June 30, 2017
Customer returns and rebates	$ 11,555	$ 14,402

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

22. OTHER LIABILITIES

	June 30, 2018	December 31, 2017	June 30, 2017
Current			
Other payables			
Salaries or bonuses	$ 226,919	$ 347,067	$ 202,310
Compensation due to directors	115,848	85,979	146,348
Commission payable	51,482	36,667	29,978
Payable for royalties	46,162	38,743	22,315
Labor/health insurance	26,325	28,702	24,770
Refund liabilities (Note 25)	14,247	-	-
Payables for labor costs	8,075	8,615	5,804
Payables for purchases of equipment	4,987	23,444	5,396
Receipts in advance	1,475	51,096	-
Others	107,611	152,545	120,614
	$ 603,131	$ 772,858	$ 557,535
Deferred revenue			
Arising from government grants (Note 30)	$ 1,673	$ 1,663	$ 1,634
Noncurrent			
Deferred revenue			
Arising from government grants (Note 30)	$ 64,406	$ 64,844	$ 64,539

23. RETIREMENT BENEFIT PLANS

Employee benefits expense in respect of the Group's defined benefit retirement plans were $1,122 thousand and $1,188 thousand as of the six months ended June 30, 2018 and 2017, respectively, and $574 thousand and $602 thousand as of the three months ended June 30, 2018 and 2017, respectively, and were calculated using the respective annual, actuarially determined pension cost discount rates as of December 31, 2017 and 2016.

24. EQUITY

a. Share capital

1) Common shares:

	June 30, 2018	December 31, 2017	June 30, 2017
Numbers of shares authorized (in thousands)	1,200,000	1,200,000	1,200,000
Value of shares authorized	$ 12,000,000	$ 12,000,000	$ 12,000,000
Number of shares issued and fully paid (in thousands)	591,995	591,995	591,995
Value of shares issued	$ 5,919,949	$ 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 consist 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 June 30, 2018, 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 June 30, 2018 and 2017 is as follows:

	June 30, 2018	December 31, 2017	June 30, 2017
Used to offset a deficit, distributed as cash dividends, or transferred to share capital (a)			
Arising from the issuance of common shares	$ 409,213	$ 496,059	$ 496,059
Arising from the acquisition of a subsidiary	157,423	157,423	157,423
The difference between the consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	140,293	140,293	9,876
Used to offset a deficit only			
From treasury share transactions	41,466	41,466	39,686
Changes in percentage of ownership interest in subsidiaries (b)	9	-	-
	$ 748,404	$ 835,241	$ 703,044

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.

b) Such capital surplus arises from the effects of changes in ownership interests in subsidiaries resulting from equity transactions other than an actual disposal or acquisition or from changes in the capital surplus of subsidiaries accounted for using the equity method.

c. Retained earnings and dividend policy

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 the distribution of employees' compensation and remuneration to directors and supervisors before and after amendment, refer to Note 26-7.

Appropriation of earnings to the 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 of earnings for 2017 and 2016 proposed by the board of directors on June 11, 2018 and approved in the shareholders' meeting on June 13, 2017, respectively, are as follows:

	Appropriation of Earnings		**Dividends Per Share (NT$)**	
	2017	**2016**	**2017**	**2016**
Legal reserve	$ 41,321	$ 9,974	$ -	$ -
Special reserve	44,284	1,068	-	-
Cash dividends	327,551	88,681	0.5333	0.1498

The Company's directors also proposed to issue cash dividends from the capital surplus of $86,846 thousand in the board of directors' meeting on June 11, 2018.

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

The appropriation of earnings for 2017 was resolved by the shareholders in their meeting which was held on June 11, 2018.

d. Special reserves

	For the Six Months Ended June 30	
	2018	**2017**
Balance at January 1	$ 22,995	$ 21,927
Appropriations to special reserve		
Others	44,284	1,068
Balance at June 30	$ 67,279	$ 22,995

e. Other equity items

1) Foreign currency translation reserve:

	For the Six Months Ended June 30	
	2018	**2017**
Balance at January 1	$ (122,100)	$ (62,062)
Exchange differences on translating foreign operations	21,896	(76,604)
Share of exchange differences of associates accounted for using the equity method	835	(4,172)
Balance at June 30	$ (99,369)	$ (142,838)

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

	For the Six Months Ended June 30, 2017
Balance at January 1, 2017	$ 306,462
Changes in the fair value of available-for-sale financial assets	358,103
Cumulative loss reclassified to profit or loss upon disposal of available-for-sale financial assets	(525,301)
Share of unrealized gain on revaluations of available-for-sale financial assets of associates accounted for using the equity method	3,765
Balance at June 30, 2017	$ 143,029
Balance at January 1, 2018 (IAS 39)	$ 59,838
Effect of retrospective application and retrospective restatement - IFRS 9	(59,838)
Balance at January 1, 2018 (IFRS 9)	$ -

3) Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income:

	For the Six Months Ended June 30, 2017
Balance at January 1 (IAS 9)	$ -
Effect of retrospective application and retrospective restatement - IFRS 9	(230,011)
Balance at January 1 (IFRS 9)	(230,011)
Current	
Unrealized gains (losses)	(49,749)
Share of unrealized gains (losses) on associates accounted for using the equity method	(762)
Balance at June 30	$ (280,522)

f. Non-controlling interests

	For the Six Months Ended June 30	
	2018	2017
Balance at January 1	$ 1,677,049	$ 1,663,923
Effect of retrospective application and retrospective restatement - IFRS 9	1,478	-
Attributable to non-controlling interests:		
Share of profit for the period	64,727	56,182
Exchange differences on translating foreign operations	1,451	(6,187)
Unrealized losses on available-for-sale financial assets	-	(3,108)
Non-controlling interests relating to outstanding vested share options held by the employees of subsidiaries	19	48
Non-controlling interests - restricted shares options held by the employees of subsidiaries	-	143
Distribution of dividends by associates	(169,798)	(200,179)
Others	141	2,496
Balance at June 30	$ 1,575,067	$ 1,513,318

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, 2017	-	3,560	3,560
Decrease	-	-	-
Number of shares as June 30, 2017	-	3,560	3,560
Number of shares as of January 1, 2018	-	3,560	3,560
Decrease	-	-	-
Number of shares as June 30, 2018	-	3,560	3,560

The Group's shares held by its subsidiaries at the end of the reporting periods are 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)**
June 30, 2018			
Lin Shin Investment Co., Ltd.	3,560	$ 63,401	$ 56,426
December 31, 2017			
Lin Shin Investment Co., Ltd.	3,560	$ 63,401	$ 58,384
June 30, 2017			
Lin Shin Investment Co., Ltd.	3,560	$ 63,401	$ 51,086

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

25. REVENUE

	For the Three Months Ended June 30		**For the Six Months Ended June 30**	
	2018	**2017**	**2018**	**2017**
Revenue from contracts with customers	$ 1,698,984	$ 1,747,261	$ 3,035,343	$ 3,135,883
Rental income from property	59,510	50,161	116,440	104,900
Others	40,159	32,153	76,449	67,428
	$ 1,798,653	$ 1,829,575	$ 3,228,232	$ 3,308,211

a. Contract information

Revenue from the sale of goods

IC products are sold to agents and customers. The Group determines the sales price of products based on orders. It takes into consideration the past purchases of agents and customers in order to estimate the most likely discount amount and return rate. Based on the determination of revenue, the Group recognizes the amount and the liabilities for refunds (accounted for as other current liabilities).

b. Disaggregation of revenue

For the six months ended June 30, 2018

	Reportable Segments
	Direct Sales
Primary geographical markets	
Asia	$ 2,146,766
Taiwan	1,033,739
Others	47,727
	$ 3,228,232
Timing of revenue recognition	
Satisfied at a point in time	$ 3,111,792
Satisfied over time	116,440
	$ 3,228,232

c. Contract balances

	June 30, 2018
Trade receivables (Note 11)	$1,338,265
Contract liabilities - current	$ 32,439

26. NET PROFIT

Net profit includes the following items:

Other income

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Interest income	$ 7,571	$ 5,237	$ 14,563	$ 10,887
Dividend income	6,329	398	6,329	398
Others	11,334	8,808	26,780	18,299
	$ 25,234	$ 14,443	$ 47,672	$ 29,584

Other gains and losses

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Gain on disposal of investments	$ -	$ 32,603	$ -	$ 527,008
Gain on disposal of associates	-	-	27,061	-
Net foreign exchange gains	(10,809)	20,338	5,908	(18,699)
Net gains (losses) on financial assets and liabilities				
Net gain on financial assets designated as at FVTPL (Note 7)	27,975	307	111,254	5,208
Loss on reversal of impairment loss on financial assets	-	(35,445)	-	(152,387)
Loss on reversal of impairment loss on non-financial assets	-	-	-	(21,577)
Others	2,893	1,329	4,396	3,511
	$ 20,059	$ 19,132	$ 148,619	$ 343,064

Finance costs

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Interest on bank loans	$ 4,109	$ 3,341	$ 9,150	$ 14,387
Other finance costs	333	214	725	368
	$ 4,442	$ 3,555	$ 9,875	$ 14,755

Depreciation and amortization

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Property, plant and equipment	$ 50,938	$ 48,804	$ 102,930	$ 98,157
Investment properties	18,555	17,511	36,882	35,489
Intangible assets	21,694	22,160	43,071	49,709
	$ 91,187	$ 88,475	$ 182,883	$ 183,355
An analysis of depreciation by function				
Operating costs	$ 20,697	$ 19,525	$ 41,115	$ 39,335
Operating expenses	48,796	46,790	98,697	94,311
	$ 69,493	$ 66,315	$ 139,812	$ 133,646

(Continued)

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
An analysis of amortization by function				
Operating costs	$ 105	$ 168	$ 210	$ 370
Operating expenses	21,589	21,992	42,861	49,339
	$ 21,694	$ 22,160	$ 43,071	$ 49,709

(Concluded)

Operating expenses directly related to investment properties

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Direct operating expenses from investment properties that generate rental income	$ 20,000	$ 18,472	$ 39,540	$ 37,675

Employee benefits expense

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Short-term benefits	$ 465,537	$ 462,452	$ 919,915	$ 912,237
Post-employment benefits				
Defined contribution plans	13,855	13,520	27,885	27,335
Defined benefit plans (Note 23)	574	602	1,122	1,188
Share-based payments				
Equity-settled	9	167	19	191
Other employee benefits	4,711	4,610	9,577	8,656
Total employee benefits expense	$ 484,686	$ 481,351	$ 958,518	$ 949,607
An analysis of employee benefits expense by function				
Operating costs	$ 61,746	$ 59,434	$ 136,483	$ 125,764
Operating expenses	422,940	421,917	822,035	823,843
	$ 484,686	$ 481,351	$ 958,518	$ 949,607

Employees’ compensation and remuneration of directors and supervisors

The Company resolved amendments to its Articles of Incorporation to distribute employees’ compensation and remuneration to directors at rates no less than 1% and no higher than 1.5%, respectively, of net profit before income tax, employees’ compensation, and remuneration to directors. The employees’ compensation and remuneration of directors and supervisors for the six months ended June 30, 2018 and 2017 are as follows:

Accrual rate

	For the Six Months Ended June 30, 2017
Employees' compensation	1.00%
Remuneration of directors	1.50%

Amount

	For the Three Months Ended June 30, 2017		For the Six Months Ended June 30, 2017	
	Cash	**Shares**	**Cash**	**Shares**
Employees' compensation	$ 289	$ -	$ 3,548	$ -
Remuneration of directors	434	-	5,322	-

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

The appropriations of earnings for 2017 and 2016 were proposed by the board of directors on March 14, 2018 and March 15, 2017, respectively, and are as follows:

	For the Year Ended December 31, 2017		For the Year Ended December 31, 2016	
	Cash Dividends	**Share Dividends**	**Cash Dividends**	**Share Dividends**
Bonuses to employees	$ 4,323	$ -	$ 1,242	$ -
Remuneration of directors	6,484	-	1,863	-

There was no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the financial statements for the years ended December 31, 2017 and 2016.

Information on 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 Three Months Ended June 30		For the Six Months Ended June 30	
	2018	**2017**	**2018**	**2017**
Exchange rate gains	$ 46,537	$ 35,693	$ 113,027	$ 132,692
Exchange rate losses	(57,346)	(15,355)	(107,119)	(151,391)
	$ (10,809)	$ 20,338	$ 5,908	$ (18,699)

27. INCOME TAXES

Income tax recognized in profit or loss

The major components of tax expense are as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Current tax				
In respect of the current year	$ 23,668	$ 26,489	$ 39,501	$ 40,348
Adjustments for prior periods	(3,480)	90	(11,480)	(1,334)
	20,188	26,579	28,021	39,014
Deferred tax				
In respect of the current year	3,475	35	3,096	(1,919)
Income tax expense recognized in profit or loss	$ 23,663	$ 26,614	$ 31,117	$ 37,095

The Income Tax Act in the ROC was amended in 2018 and the corporate income tax rate was adjusted from 17% to 20%, effective in 2018. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings will be reduced from 10% to 5%.

Income tax assessments

The income tax returns of Sunplus, Sunplus mMobile, through 2014 and Generalplus, Sunplus Innovation, through 2015 and iCatch, Sunplus Management Consulting, Wei-Young, Lin Shih, Sunplus Venture, Sunext, Sunplus mMedia and Jumplux, through 2016 had been assessed by the tax authorities.

28. (LOSS) EARNINGS PER SHARE

Unit: NT$ Per Share

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Basic (loss) earnings per share	$ (0.04)	$ 0.05	$ (0.02)	$ 0.59
Diluted (loss) earnings per share	$ (0.04)	$ 0.05	$ (0.02)	$ 0.59

The earnings and weighted average number of common shares outstanding used in the computation of (loss) earnings per share are as follows:

Net (loss) profit for the period

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	**2017**	**2018**	**2017**
(Loss) profit for the period attributable to owners of the Company	$ (24,600)	$ 28,157	$ (13,791)	$ 345,898
Effect of potentially dilutive common shares				
Bonuses to employee	-	-	-	-
(Loss) earnings used in the computation of diluted EPS from continuing operations	$ (24,600)	$ 28,157	$ (13,791)	$ 345,898

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	**2017**	**2018**	**2017**
Weighted average number of common shares used in the computation of basic (loss) earnings per share	588,435	588,435	588,435	588,435
Effect of dilutive potential common shares:				
Bonuses issued to employees	-	247	-	289
Weighted average number of common shares used in the computation of diluted (loss) earnings per share	588,435	588,682	588,435	588,724

The Company can settle the bonuses 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 the computation of diluted (loss) earnings per share, if the effect is dilutive. This dilutive effect of the potential shares will be included in the computation of diluted (loss) earnings per share until the number of shares to be distributed to employees is determined in the following year.

The Company suffered a loss for the six months ended June 30, 2018, so they were anti-dilutive and excluded from the computation of diluted (loss) earnings per share.

29. SHARE-BASED PAYMENT ARRANGEMENTS

Employee share option plan

In their meeting on June 28, 2012, the shareholders of Sunplus Innovation Technology Inc. (SITI) approved a restricted employee share ownership plan (ESOP), through which employees would receive 2,400 thousand shares amounting to $24,000 thousand, with no up-front cost and at a par value of $10.00; the FSC 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 a 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 ownership plan (ESOP), through which employees would receive 1,400 thousand shares amounting to $14,000 thousand, with no up-front cost and at a par value of $10.00. The shares are issued and granted on April 18, 2014, with a fair value of $6.0599.

Under the restricted ESOP, employees who are still employed by SITI and have passed the annual performance appraisal are eligible for a certain percentage of shareholdings, as stated below:

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

b. 50% 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 vend, discount, transfer, grant, enact, or use any other methods.

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

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

Information about Sunplus Innovation Technology Inc.'s restricted share plan for the six months ended June 30, 2018 and 2017 is as follows:

	Number of Restricted Shares (In Thousands)	
	2018	**2017**
Balance at January 1	-	234
Vested	-	(234)
Balance at June 30	-	-

iCatch Technology Inc.

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

The remuneration costs amounted to $19 thousand and $48 thousand for the six months ended June 30, 2018 and 2017, respectively, and $9 thousand and $124 thousand for the three months ended June 30, 2018 and 2017, respectively.

Information about iCatch's outstanding options for the six months ended June 30, 2018 and 2017 is as follows:

For the six months ended June 30, 2018

	2018 First Option Plan Outstanding and Exercisable Options		2013 Second Option Plan Outstanding and Exercisable Options		2013 First Option Plan Outstanding and Exercisable Options	
	Number of Options (In Thousands)	Weighted-Average Exercise Price (NT$)	Number of Options (In Thousands)	Weighted-Average Exercise Price (NT$)	Number of Options (In Thousands)	Weighted-Average Exercise Price (NT$)
Balance at January 1	-	$ -	1,571	$ 10	3,979	$ 10
Issuance	1,500	10	-	-	-	-
Options granted	-	-	-	-	(94)	10
Retirement	-	-	-	-	(15)	10
Balance at June 30	1,500	10	1,571	10	3,870	10
Options exercisable, end of period	-		1,178		3,870	

For the three months ended June 30, 2017

	2013 Second Option Plan Outstanding and Exercisable Options		2013 First Option Plan Outstanding and Exercisable Options	
	Number of Options (In Thousands)	Weighted-Average Exercise Price (NT$)	Number of Options (In Thousands)	Weighted-Average Exercise Price (NT$)
Balance at January 1	1,571	$ 10	4,172	$ 10
Retirement	-	-	(117)	10
Balance at June 30	1,571	10	4,055	10
Options exercisable, end of period	522		2,623	

As of June 30, 2018, information about iCatch's 2013 first option plan outstanding and exercisable options is as follows:

	June 30, 2018	December 31, 2017	June 30, 2017
Exercise price (NT$)	$ 10	$ 10	$ 10
Remaining contractual life (years)	1.2	1.7	2.2

As of June 30, 2018, information about iCatch's 2013 second option plan outstanding and exercisable options is as follows:

	June 30, 2018	December 31, 2017	June 30, 2017
Exercise price (NT$)	$ 10	$ 10	$ 10
Remaining contractual life (years)	2.1	2.6	3.1

As of June 30, 2018, information about iCatch's 2018 first option plan outstanding and exercisable options is as follows:

	June 30, 2018
Exercise price (NT$)	$ 10
Remaining contractual life (years)	5.8

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

	First Time, 2013	Second Time, 2013	First Time, 2018
Grant-date share price (NT$)	$ 3.25	$ 2.22	$ 7.69
Exercise price (NT$)	10	10	10
Expected volatility	31.89%	45.42%	36.22%
Expected dividend yield	-	-	-
Expected life (years)	4.375	4.375	4.375
Risk-free interest rate	1.67%	1.59%	1.625%

30. GOVERNMENT GRANTS

In August 2013, Sun Media Technology Co., Ltd. received a government grant amounting to RMB16,390 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 amounted to $845 thousand and $814 thousand for the six months ended June 30, 2018 and 2017, respectively, and $425 thousand and $402 thousand for the three months ended June 30, 2018 and 2017, respectively.

31. DISPOSAL OF SUBSIDIARIES

In March 2018, the Company did not participate in the capital increase in cash of Sunplus Technology Xiamen Xm-plus in accordance with the shareholding ratio, resulting in the company's shareholding ratio decreasing from 100% to 45%, and the number of directors was less than half the usual number, hence the control of Sunplus Technology Xiamen Xm-plus was lost.

a. Analysis of assets and liabilities on the date control was lost

	Sunplus Technology Xiamen Xm-plus
Current assets	
Cash and cash equivalents	$ 187
Inventories	971
Other receivables	63
Others	1,009
Noncurrent assets	
Property, plant and equipment	595
Intangible assets	77
Current liabilities	
Trade payables	(170)
Others	(20,710)
Net liabilities disposed of	$ (17,978)

b. Gain on disposal of subsidiaries

	Sunplus Technology Xiamen Xm-plus
Collection price of investments accounted for using the equity method	$ 9,294
Net assets disposed of	17,978
Reclassification of other comprehensive income in respect of the subsidiary	(211)
Gain on disposal	$ 27,061

32. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

In June 2017, the Group purchased equity from employees of Jumplux Technology Co., Ltd., increasing 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.

33. 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 $8,318 thousand at the end of the period. The Company had pledged $6,100 thousand in 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:

	June 30, 2018	December 31, 2017	June 30, 2017
Up to 1 year	$ 8,318	$ 8,259	$ 7,781
Over 1 year to 5 years	23,575	23,855	26,764
Over 5 years	38,238	39,901	39,097
	$ 70,131	$ 72,015	$ 73,642

Sunplus Innovation Technology Inc.

Sunplus Innovation Technology Inc. leases offices 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 $5,550 thousand.

The future lease payables are as follows:

	June 30, 2018	December 31, 2017	June 30, 2017
Up to 1 year	$ 2,775	$ 5,489	$ 5,489
Over 1 year to 5 years	-	-	2,745
	$ 2,775	$ 5,489	$ 8,234
Refundable deposits	$ 910	$ 910	$ 910

Generalplus

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

Future annual minimum rentals under the leases are as follows:

	June 30, 2018	December 31, 2017	June 30, 2017
Up to 1 year	$ 1,458	$ 1,458	$ 1,458
Over 1 year to 5 year	2,187	2,916	3,645
	$ 3,645	$ 4,374	$ 5,103

iCatch Technology, Inc. ("iCatch")

iCatch leases offices from Siming Inc. and Siha Inc. under renewable agreements expiring in February 2019; the lease payments were $2,093 thousand and $1,390 thousand, respectively.

The future lease payments are as follows:

	June 30, 2018	December 31, 2017	June 30, 2017
Up to 1 year	$ 2,322	$ 581	$ 2,282
Over 1 year to 5 years	-	-	-
	$ 2,322	$ 581	$ 2,282
Refundable deposits	$ 521	$ 521	$ 521

The Group as lessor

Sunplus Technology (Shanghai)

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

As of June 30, 2018, December 31, 2017 and June 30, 2017, deposits received under operating leases amounted to $40,181 thousand, $37,439 thousand and $34,056 thousand, respectively.

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

	June 30, 2018	December 31, 2017	June 30, 2017
Up to 1 year	$ 102,057	$ 97,784	$ 93,181
Over 1 year to 5 years	85,864	37,218	37,955
	$ 187,921	$ 135,002	$ 131,136

SunMedia Technology

Operating leases relate to the leasing of investment properties owned by the Group with lease terms of 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 properties at the expiry of the lease period.

As of June 30, 2018, December 31, 2017 and June 30, 2017, deposits received under operating leases amounted to $7,119 thousand, $7,076 thousand and $6,953 thousand, respectively.

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

	June 30, 2018	December 31, 2017	June 30, 2017
Up to 1 year	$ 85,650	$ 83,978	$ 82,524
Over 1 to 5 years	444,896	440,026	340,132
Over 5 years	643,144	684,521	806,216
	$ 1,173,690	$ 1,208,525	$ 1,228,872

34. CAPITAL MANAGEMENT

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

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

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

35. FINANCIAL INSTRUMENTS

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

The management of the company considers that the fair value of financial assets and financial liabilities that are not measured at fair value approximate their fair value.

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

1) Fair value hierarchy

June 30, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Mutual funds	$ 1,675,648	$ -	$ -	$ 1,675,648
Securities listed in the ROC	175,628	-	-	175,628
Unlisted debt securities in other countries	-	-	367,652	367,652
Unlisted debt securities in the ROC - Convertible special units	-	-	96,000	96,000

(Continued)

	Level 1	Level 2	Level 3	Total
Securities listed in the ROC - CB	$ 30,519	$ -	$ -	$ 30,519
Unlisted debt securities in other countries - CB	-	-	92,796	92,796
Private funds	-	-	147,507	147,507
	$ 1,881,795	$ -	$ 703,955	$ 2,585,750
Financial assets at FVTOCI				
Listed shares	$ 89,114	$ -	$ -	$ 89,114
Unlisted shares	-	-	222,301	222,301
Private funds	-	-	30,000	30,000
	$ 89,114	$ -	$ 252,301	$ 341,415

(Concluded)

December 31, 2017

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

June 30, 2017

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Securities listed in the ROC	$ 10,422	$ -	$ -	$ 10,422
Available-for-sale financial assets				
Mutual funds	$ 1,464,949	$ -	$ -	$ 1,464,949
Securities listed in the ROC	542,509	-	-	542,509
	$ 2,007,458	$ -	$ -	$ 2,007,458

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

2) Reconciliation of Level 3 fair value measurements of financial instruments

For the six months ended June 30, 2018

Financial Assets	Financial Assets at FVTPL	Financial Assets at FVTOCI	Total
Balance at January 1, 2018	$ 442,888	$ 171,568	$ 614,456
Recognized in profit or loss	72,342	-	72,342
Recognized in other comprehensive income	-	(30,726)	(30,726)
Purchases	274,651	108,560	383,211
Sales	(88,338)	-	(88,338)
Effect of exchange rate changes	2,412	2,899	5,311
Balance at June 30, 2018	$ 703,955	$ 252,301	$ 956,256
Recognized in other gains and losses-unrealized	$ -	$ (30,726)	$ (49,749)

3) Valuation techniques and inputs applied for Level 3 fair value measurement

a) The fair values of unlisted equity securities - ROC were determined using the market approach. The significant unobservable inputs used are listed in the table below. An increase in the price-to-book ratio or price-sales ratio or a decrease in the discount for lack of marketability used in isolation would result in increases in fair value.

	June 30, 2018
Price-to-book ratio	0.94%-3.37%
Price-to-sales ratio	1.25-1.38
Discount for lack of marketability	10%-50%

b) The fair values of unlisted equity securities - ROC were determined using the asset-based approach. The Group assesses that the amount of its net assets attributable to its investment approaches the fair value of the equity investment. The Group assesses the total value of the individual assets and liabilities covered by the target to reflect the overall value of the business.

c) The fair values of convertible bonds - ROC were determined using the income approach. In this approach, the discounted cash flow method was used to capture the present value of the expected future economic benefits to be derived from the ownership of these investees. The significant unobservable inputs used are listed in the table below. An increase in long-term revenue growth rates or a decrease in the weighted average cost of capital (WACC) or discount for lack of marketability used in isolation would result in increases in fair value.

	June 30, 2018
Long-term revenue growth rate	3.00%
WACC	21.99%
Discount for lack of marketability	45.60%

c. Categories of financial instruments

	June 30, 2018	December 31, 2017	June 30, 2017
Financial assets			
Fair value through profit or loss (FVTPL)			
Held for trading	$ -	$ 98,748	$ 10,422
Mandatorily at FVTPL	1,894,963	-	-
Designated as at FVTPL	690,787	-	-
Loans and receivables (i)	-	5,901,870	5,748,544
Available-for-sale financial assets (ii)	-	2,342,053	2,575,697
Financial assets at amortized cost (iii)	5,316,938	-	-
Financial assets at fair value through other comprehensive income			
Equity instruments	341,415	-	-
Financial liabilities			
Measured at amortized cost (iv)	1,835,821	1,822,939	2,017,840

i) The balances include loans and receivables measured at amortized cost, which comprise cash and cash equivalents, refundable deposits, 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 balances include available-for-sale financial assets carried at cost.

iii) The balances include financial assets measured at amortized cost, which comprise cash and cash equivalents, refundable deposits, 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.

iv) The balances include financial liabilities measured at amortized cost, which comprise 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 include equity and debt investments, trade receivables, 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 reports quarterly to the Group’ 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 denominated in foreign currencies, and management’s use of derivative financial instruments is for hedging adverse changes in exchange rates, not for profit.

For exchange rate risk management, each foreign currency denominated 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.

For 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, refer to Note 37.

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 the New Taiwan dollar (the functional currency) against the relevant foreign currencies. US$1.00 and RMB1.00 are the sensitivity rates 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 includes 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 the New Taiwan dollar strengthening $1 against the relevant currency.

	USD Impact	
	For the Six Months Ended June 30	
	2018	**2017**
Profit or loss	$ (25,200)	$ (31,390)

	RMB Impact	
	For the Six Months Ended June 30	
	2018	**2017**
Profit or loss	$ (8,128)	$ (642)

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 appetites, 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 are as follows:

	June 30, 2018	December 31, 2017	June 30, 2017
Fair value interest rate risk			
Financial assets	$ 2,621,192	$ 2,955,628	$ 3,086,369
Financial liabilities	320,938	191,761	380,037
Cash flow interest rate risk			
Financial assets	1,204,598	1,566,070	1,165,656
Financial liabilities	380,998	676,493	674,932

Sensitivity analysis

The sensitivity analysis below was determined based on the Group's exposure to interest rates for both derivative and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of each liability outstanding at the end of the reporting period was outstanding for the whole period. A 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 been held constant, the Group's post-tax profit would have increased/decreased by $1,030 thousand, respectively, for the six months ended June 30, 2018 and increased/decreased by $613 thousand, respectively, for the six months ended June 30, 2017.

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 the prices of financial assets at FVTPL been 1% higher/lower, post-tax profit for the six months ended June 30, 2018 would have increased/decreased by $25,858 thousand, respectively.

Had the prices of financial assets at FVTOCI been 1% higher/lower, post-tax profit for the six months ended June 30, 2018 would have increased/decreased by $3,414 thousand, respectively.

Had equity prices been 1% higher/lower, post-tax profit for the six months ended June 30, 2017 would have increased/decreased by $20,075 thousand, respectively.

2) Credit risk

Credit risk refers to the risk that a 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 the failure to discharge an obligation by the counterparties and financial guarantees provided by the Group 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 consist 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 covers are purchased.

The Group's concentration of credit risk of 56%, 61% and 60% in total trade receivables as of June 30, 2018, December 31, 2017 and June 30, 2017, 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 June 30, 2018, December 31, 2017 and June 30, 2017, the Group had available unutilized overdraft and financing facilities set out below.

a) Liquidity and interest rate risk tables

The following table details the Group's remaining contractual maturities 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 include both interest and principal cash flows.

June 30, 2018

	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					
Non-interest bearing liabilities	$ 529,015	$ 911,388	$ 3,716	$ 41,203	$ -
Variable interest rate liabilities	167	15,000	177,408	183,716	-
Fixed interest rate liabilities	85,257	-	240,604	13,225	152,494
	$ 614,439	$ 926,388	$ 421,728	$ 238,144	$ 152,494

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					
Non-interest bearing liabilities	$ 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

June 30, 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					
Non-interest bearing liabilities	$ 284,013	$ 804,296	$ 8,677	$ 33,951	$ -
Variable interest rate liabilities	233	-	87,500	187,500	-
Fixed interest rate liabilities	194,396	186,602	-	10,077	173,134
	$ 478,642	$ 990,898	$ 96,177	$ 231,528	$ 173,134

b) Financing facilities

	June 30, 2018	December 31, 2017	June 30, 2017
Unsecured bank overdraft facilities			
Amount used	$ 702,843	$ 710,776	$ 828,431
Amount unused	5,493,713	4,829,399	4,091,695
	$ 6,196,556	$ 5,540,175	$ 4,920,126

36. TRANSACTIONS WITH RELATED PARTIES

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

a. Name and relationship of related parties

Name	Relationship with the Group
Global View Co., Ltd.	Associate
Beijing Golden Global View Co., Ltd.	Associate
Sunplus Technology Xiamen Xm-plus (Shanghai)	Associate

b. Sales of goods

Line Item	Related Party Category	For the Three Months Ended June 30 2018	For the Three Months Ended June 30 2017	For the Six Months Ended June 30 2018	For the Six Months Ended June 30 2017
Sales	Associates	$ 2,152	$ -	$ 2,442	$ 145

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

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

Line Item	Related Party Category	June 30, 2018	December 31, 2017	June 30, 2017
Trade receivables	Associates	$ 670	$ -	$ -
Other trade receivables	Associates	$ 74,065	$ -	$ 41,147

There were no guarantees on outstanding receivables from related parties. For the six months ended June 30, 2018 and 2017, no impairment loss was recognized for trade receivables from related parties.

d. Other transactions with related parties

Line Item	Related Party Category	June 30, 2018	December 31, 2017	June 30, 2017
Refundable deposits	Associates	$ 895	$ 888	$ 875

Account Item	Related Party Type	For the Three Months Ended June 30		For the Six Months Ended June 30	
		2018	2017	2018	2017
Operating expenses	Associates	$ 1,004	$ 1,228	$ 2,310	$ 2,489

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

e. Compensation of key management personnel

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Short-term employee benefits	$10,788	$ 9,407	$26,275	$24,803
Post-employment benefits	411	334	833	671
	$11,199	$ 9,741	$27,108	$25,474

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

37. PLEDGED OR MORTGAGED ASSETS

Certain assets pledged or mortgaged as collateral for long-term bank loans, commercial paper payable, import duties, operating leases and administrative remedies for certificates of no overdue taxes are as follows:

	June 30, 2018	December 31, 2017	June 30, 2017
Buildings, net	$ 624,837	$ 634,538	$ 644,239
Pledged time deposits (classified as other financial assets, including current and noncurrent)	305,200	302,759	308,933
Subsidiaries' holding of Sunplus' shares	-	-	48,567
	$ 930,037	$ 937,297	$ 1,001,739

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

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

June 30, 2018

	Foreign Currency (In Thousands)	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 64,983	30.460	$ 1,979,382
CNY	11,738	4.593	53,913
JPY	729	0.275	200
HKD	212	3.881	823
EUR	23	35.400	814
GBP	3	39.960	120
Nonmonetary items			
USD	3,000	30.460	91,380
USD	28	30.460	865
CHF	775	30.595	23,709
Financial liabilities			
Monetary items			
USD	39,783	30.460	1,211,790
CNY	3,610	4.593	16,581
EUR	29	35.400	1,027

December 31, 2017

	Foreign Currency (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	35.570	36
Nonmonetary items			
USD	3,000	29.760	89,280
USD	129	30.571	3,944
CHF	510	30.179	15,391
Financial liabilities			
Monetary items			
USD	29,352	29.760	873,516
CNY	3,852	4.565	17,584

June 30, 2017

	Foreign Currency (In Thousands)	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 57,907	30.420	$ 1,761,531
HKD	13,759	3.897	53,619
CNY	2,431	4.486	10,906
JPY	854	0.272	232
GBP	3	39.600	119
EUR	2	34.720	69
Nonmonetary items			
USD	3,000	30.420	91,260
USD	383	30.730	11,772
EUR	510	30.179	15,391
Financial liabilities			
Monetary items			
USD	26,517	30.420	806,647
CNY	1,789	4.486	8,025

The foreign currency exchange gains and losses (realized and unrealized) amounted to $5,908 thousand and $(18,699) thousand for the six months ended June 30, 2018 and 2017, respectively, and a loss of $(10,809) thousand and a gain of $20,338 thousand for the three months ended June 30, 2018 and 2017, respectively. Due to the diversity of the Group's assets and liabilities denominated in foreign currencies, it is impractical to disclose foreign currency exchange gains and losses by each significant foreign currency other than those with significant influence.

39. ADDITIONAL DISCLOSURES

a. The 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) Endorsements/guarantees 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.

   5) Intercompany relationships and significant intercompany transactions: Table 4 (attached)

   6) Information on investees: 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)

   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 7)

      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 receipt of services.

   Except for Tables 1 to 7, there is no further information about other significant transactions.

40. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on types of goods provided. Since all products have similar economic characteristics and product selling is centralized, the Group reports information as 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 six months ended June 30, 2018 and 2017 are shown in the accompanying consolidated statements of comprehensive income, and the assets by segment as of June 30, 2018 and 2017 are shown in the accompanying consolidated balance sheets.

TABLE 1

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

FINANCINGS PROVIDED
FOR THE SIX MONTHS ENDED JUNE 30, 2018
(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	$ 35,340	$ -	$ -	-	Note 1	$ -	Note 2	$ -	-	$ -	$ 148,970 (Note 9)	$ 297,940 (Note 9)
2	Sunplus Technology (Shanghai) Co., Ltd.	Sunplus Technology (Beijing)	Receivables from related parties	Yes	6,900	2,283	2,283	1.80%	Note 1	-	Note 3	-	-	-	310,937 (Note 11)	310,937 (Note 11)
2	Sunplus Technology (Shanghai) Co., Ltd.	Sunplus APP Technology	Receivables from related parties	Yes	29,959	25,186	25,186	1.80%	Note 1	-	Note 4	-	-	-	25,911 (Note 10)	51,823 (Note 10)
2	Sunplus Technology (Shanghai) Co., Ltd.	Sun Media Technology Co., Ltd.	Receivables from related parties	Yes	182,600	136,950	136,950	1.80%	Note 1	-	Note 5	-	-	-	310,937 (Note 11)	310,937 (Note 11)
3	Russell Holdings Ltd.	Sun Media Technology Co., Ltd.	Receivables from related parties	Yes	381,320	292,230	262,470	2.00%	Note 1	-	Note 6	-	-	-	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	164,873	164,873	2.00%	Note 1	-	Note 7	-	-	-	366,277 (Note 13)	366,277 (Note 13)
5	Sunplus Prof-tek Technology (Shenzhen)	Sunplus APP Technology	Receivables from related parties	Yes	20,543	20,543	20,543	1.80%	Note 1	-	Note 8	-	-	-	41,875 (Note 14)	83,749 (Note 14)

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 Technology (Beijing).

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

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

Note 6: Russell Holdings Ltd. provided funds for the operating needs of Sun Media Technology Co., Ltd.

Note 7: Sunplus Venture Capital provided funds for the operating needs of Sun Media Technology Co., Ltd.

Note 8: Sunplus Prof-tek Technology (Shenzhen) provided funds for the operating needs of Sunplus APP Technology.

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 period should not exceed two years.

Note 10: 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 11: 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 period should not exceed two years.

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 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.

Note 14: The total amount of all guarantees issued and the individual amount of each guarantee should not exceed 10% of Sunplus Prof-tek Technology (Shenzhen); and the individual amount of each guarantee should not exceed 5% of Sunplus Shanghai’s net equity.

TABLE 2

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE SIX MONTHS ENDED JUNE 30, 2018
(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 as of the Latest Financial Statements	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 (Note 1)	Sunplus Technology Company Limited ("Sunplus")	Ventureplus Cayman Inc.	3 (Note 4)	$ 851,472 (Note 5)	$ 160,075	$ 73,625	$ 73,625	$ -	0.86	$ 1,702,943 (Note 6)	Yes	No	No
		Sun Media Technology Co., Ltd.	3 (Note 4)	851,472 (Note 5)	293,790	219,960	219,960	-	2.58	1,702,943 (Note 6)	Yes	No	Yes
		Ytrip Technology Co., Ltd.	3 (Note 4)	851,472 (Note 5)	121,780	121,780	121,780	60,890	1.43	1,702,943 (Note 6)	Yes	No	Yes
		Sunext Technology Co., Ltd.	2 (Note 3)	851,472 (Note 5)	10,000	10,000	10,000	-	0.12	1,702,943 (Note 6)	Yes	No	No
1 (Note 2)	RUSSELL HOLDINGS LTD.	Sun Media Technology Co., Ltd.	3 (Note 4)	312,516 (Note 7)	316,025	156,725	156,725	156,725	30.09	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. However, due to cooperation with the bank for early renewal of the contract, for the year ended December 31, 2017, the endorsement guarantee amount included new and old amounts of US$5,000 thousand each, totaling US$10,000 thousand. However, the actual utilizable amount is only US$5,000. There is no issue of the subsidiary exceeding the credit limit, as the previous credit limit had been rendered void in January 2018.

TABLE 3

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
FOR THE SIX MONTHS ENDED JUNE 30, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise, U.S. Dollars and Renminbi in Thousands)

Holding Company Name	Type and Name of Marketable Security	Relationship with the Holding Company	Financial Statement Account	June 30, 2018				Note
				Shares or Units (In Thousands)	Carrying Amount	Percentage of Ownership (%)	Market Value or Net Asset Value	
Sunplus Technology Company Limited (the "Company")	Fund							
	Nomura Taiwan Money Market	-	Financial assets at fair value through profit or loss - current	616	$ 10,020	-	$ 10,020	Note 3
	Mega RMB Money Market	-	Financial assets at fair value through profit or loss - current	466	24,645	-	24,645	Note 3
	FSITC RMB Money Market	-	Financial assets at fair value through profit or loss - current	7,089	71,026	-	71,026	Note 3
	Yuanta De-Bac Money Market	-	Financial assets at fair value through profit or loss - current	8,370	100,218	-	100,218	Note 3
	Yuanta AUD Money Market	-	Financial assets at fair value through profit or loss - current	2,000	19,109	-	19,109	Note 3
	Taishin China-US Money Market	-	Financial assets at fair value through profit or loss - current	3,000	30,289	-	30,289	Note 3
	Yuanta USD Money Market TWD	-	Financial assets at fair value through profit or loss - current	4,396	41,618	-	41,618	Note 3
	Yuanta RMB Money Market CNY	-	Financial assets at fair value through profit or loss - current	470	24,502	-	24,502	Note 3
	Mega Diamond Money Market	-	Financial assets at fair value through profit or loss - current	13,197	164,876	-	164,876	Note 3
	PineBridge Preferred Securities	-	Financial assets at fair value through profit or loss - current	2,946	29,963	-	29,963	Note 3
	UPAMC James Bond Money Market	-	Financial assets at fair value through profit or loss - current	1,851	30,819	-	30,819	Note 3
	Yuanta USD Money Market USD	-	Financial assets at fair value through profit or loss - current	247	77,090	-	77,090	Note 3
	PineBridge Multi-Income	-	Financial assets at fair value through profit or loss - current	3,000	30,525	-	30,525	Note 3
	Jih Sun Money Market	-	Financial assets at fair value through profit or loss - current	3,420	50,472	-	50,472	Note 3
	Prudential Financial RMB Money Market TWD	-	Financial assets at fair value through profit or loss - current	5,810	58,432	-	58,432	Note 3
	Hantong Venture Inc. Preferred Share	-	Financial assets at fair value through profit or loss - current	8,000	96,000	9	96,000	Note 1
	FSITC Taiwan Money Market	-	Financial assets at fair value through profit or loss - current	6,568	100,104	-	100,104	Note 3
	Share							
	Pictet-Security R Ⅰ	-	Financial assets at fair value through profit or loss - noncurrent	2	60,920	-	60,920	Note 3

(Continued)

Holding Company Name	Type and Name of Marketable Security	Relationship with the Holding Company	Financial Statement Account	June 30, 2018				Note
				Shares or Units (In Thousands)	Carrying Amount	Percentage of Ownership (%)	Market Value or Net Asset Value	
Sunplus Technology Company Limited (the "Company")	Yuanta Emerging Indonesia and India 4 years Bond Fund	-	Financial assets at fair value through profit or loss - noncurrent	1,500	$ 14,000	-	$ 14,000	Note 3
	Broadcom Inc.	-	Financial assets at fair value through profit or loss - noncurrent	-	-	-	-	Note 2
	Triknight Capital Corporation	-	Financial assets at fair value through profit or loss - noncurrent	21,000	216,851	10	216,851	Note 1
	Availink Inc.	-	Financial assets at fair value through other comprehensive income	9,039	62,968	17	62,968	Note 1
	Network Capital Global Fund	-	Financial assets at fair value through other comprehensive income	380	4,993	7	4,993	Note 1
Lin Shih Investment Co., Ltd.	CTBC Global iSport Fund	-	Financial assets at fair value through profit or loss - current	1,000	10,650	-	10,650	Note 3
	Yuanta Multi-Income	-	Financial assets at fair value through profit or loss - current	3,000	29,850	-	29,850	Note 3
	Paradigm Pion Money Market Fund	-	Financial assets at fair value through profit or loss - current	870	10,020	-	10,020	Note 3
	Ruentex Material Co., Ltd.	-	Financial assets at fair value through profit or loss - current	20	574	-	574	Note 2
	Taiwan Mask Corp.	-	Financial assets at fair value through profit or loss - current	101	3,338	-	3,338	Note 2
	Everlight Electronics Co., Ltd. - CB	-	Financial assets at fair value through profit or loss - current	80	7,992	-	7,992	Note 2
	Laster Tech Corporation Ltd. - CB	-	Financial assets at fair value through profit or loss - current	15	1,447	-	1,447	Note 2
	Minton Optic Industry Co., Ltd.	-	Financial assets at fair value through profit or loss - noncurrent	4,272	-	7	-	Note 1
	Genius Vision Digital Co., Ltd.	-	Financial assets at fair value through profit or loss - noncurrent	600	-	4	-	Note 1
	Chain Sea Information Integration Co., Ltd.	-	Financial assets at fair value through profit or loss - noncurrent	69	1,121	-	1,121	Note 1
	Ortery Technologies, Inc.	-	Financial assets at fair value through profit or loss – noncurrent	103	-	1	-	Note 1
	Sunplus Technology Co., Ltd.	Parent company	Financial assets at fair value through other comprehensive income	3,560	56,426	1	56,426	Note 2
	Ability Enterprise Co., Ltd.	-	Financial assets at fair value through other comprehensive income	5,434	89,114	2	89,114	Note 2
	<u>Share</u>							
	Feel Cherng Enterprise Co., Ltd.	-	Financial assets at fair value through profit or loss - current	13	559	-	559	Note 2
	Global Pmx Co., Ltd. - CB	-	Financial assets at fair value through profit or loss - current	200	21,080	-	21,080	Note 2
	Fulltech Fiber Glass Corp.	-	Financial assets at fair value through profit or loss - current	1,000	18,350	-	18,350	Note 2
	Fitipower Integrated Technology Inc.	-	Financial assets at fair value through profit or loss - current	101	3,656	-	3,656	Note 2
	CVC Technologies Inc.	-	Financial assets at fair value through profit or loss - current	100	3,961	-	3,961	Note 2

(Continued)

Holding Company Name	Type and Name of Marketable Security	Relationship with the Holding Company	Financial Statement Account	June 30, 2018				Note
				Shares or Units (In Thousands)	Carrying Amount	Percentage of Ownership (%)	Market Value or Net Asset Value	
Lin Shih Investment Co., Ltd.	Phoenix Silicon International Corporation	-	Financial assets at fair value through profit or loss - current	100	$ 3,894	-	$ 3,894	Note 2
	Winbond Electronics Corp.	-	Financial assets at fair value through profit or loss - current	500	9,750	-	9,750	Note 2
	Sanjet Technology Corporation	-	Financial assets at fair value through profit or loss - noncurrent	8	-	-	-	Note 1
	Lead Sun Corporation	-	Financial assets at fair value through profit or loss - noncurrent	1,000	30,000	-	30,000	Note 1
	Prine Rich International Co., Ltd.	-	Financial assets at fair value through other comprehensive income	33	5,309	-	5,309	Note 1
Russell Holdings Limited	OZ Optics Limited	-	Financial assets at fair value through profit or loss - noncurrent	1,000	-	8	-	Note 1
	Asia B2B on Line Inc.	-	Financial assets at fair value through profit or loss - noncurrent	1,000	-	3	-	Note 1
	Ortega InfoSystem, Inc.	-	Financial assets at fair value through profit or loss - noncurrent	2,557	-	-	-	Note 1
	Ether Precision Inc.	-	Financial assets at fair value through profit or loss - noncurrent	1,250	-	1	-	Note 1
	Innobrige International Inc.	-	Financial assets at fair value through profit or loss - noncurrent	4,000	-	15	-	Note 1
	Synerchip Inc.	-	Financial assets at fair value through profit or loss - noncurrent	6,452	-	12	-	Note 1
	Asia Tech Taiwan Venture, L.P.	-	Financial assets at fair value through profit or loss - noncurrent	-	-	5	-	Note 1
	Autosys Co., Ltd.	-	Financial assets at fair value through other comprehensive income	5,000	76,150	-	76,150	Note 1
Sunplus Venture Capital Co., Ltd.	Share							
	Fubon Financial Holding Co., Ltd.	-	Financial assets at fair value through profit or loss - current	1,900	54,226	-	54,226	Note 2
	Taiwan Mask Corp.	-	Financial assets at fair value through profit or loss - current	108	3,570	-	3,570	Note 2
	Cathay China A50	-	Financial assets at fair value through profit or loss - current	2,900	54,520	-	54,520	Note 2
	Hon Hai Precision Ind. Co., Ltd.	-	Financial assets at fair value through profit or loss - current	1,495	124,384	-	124,384	Note 2
	Taiwan Environment Scientific Co., Ltd.	-	Financial assets at fair value through profit or loss - noncurrent	120	3,592	-	3,592	Note 2
	eWave System, Inc.	-	Financial assets at fair value through profit or loss - noncurrent	1,833	-	22	-	Note 1
	Information Technology Total Services	-	Financial assets at fair value through profit or loss - noncurrent	51	-	-	-	Note 1
	Book4u Company Limited	-	Financial assets at fair value through profit or loss - noncurrent	9	-	-	-	Note 1
	VenGlobal International Fund	-	Financial assets at fair value through profit or loss - noncurrent	1	-	-	-	Note 1
	Simple Act Inc.	-	Financial assets at fair value through profit or loss - noncurrent	1,900	-	10	-	Note 1

(Continued)

Holding Company Name	Type and Name of Marketable Security	Relationship with the Holding Company	Financial Statement Account	June 30, 2018 Shares or Units (In Thousands)	Carrying Amount	Percentage of Ownership (%)	Market Value or Net Asset Value	Note
Sunplus Venture Capital Co., Ltd.	Cyberon Corporation	-	Financial assets at fair value through profit or loss - noncurrent	655	$ 8,266	8	$ 8,266	Note 1
	Minton Optic Industry Co., Ltd.	-	Financial assets at fair value through profit or loss - noncurrent	5,000	-	8	-	Note 1
	Sanjet Technology Corp.	-	Financial assets at fair value through profit or loss - noncurrent	49	-	-	-	Note 1
	Genius Vision Digital	-	Financial assets at fair value through profit or loss - noncurrent	750	-	5	-	Note 1
	Raynergy Tek Inc.	-	Financial assets at fair value through profit or loss - noncurrent	4,500	32,490	17	32,490	Note 1
	Ortery Technologies, Inc.	-	Financial assets at fair value through profit or loss - noncurrent	68	-	1	-	Note 1
	Grand Fortune Venture Capital Co., Ltd.	-	Financial assets at fair value through profit or loss - noncurrent	5,000	50,150	7	50,150	Note 1
	TIEF Fund LP	-	Financial assets at fair value through profit or loss - noncurrent	-	43,629	7	43,629	Note 1
	Intudo Ventures I LP	-	Financial assets at fair value through profit or loss - noncurrent	-	35,989	8	35,989	Note 1
	CDIB Capital Growth Partners L.P.	-	Financial assets at fair value through profit or loss - noncurrent	-	21,959	2	21,959	Note 1
	San Neng Group Holding Co., Ltd.	-	Financial assets at fair value through profit or loss - noncurrent	900	58,774	2	58,774	Note 1
	Feature Integration Technology Inc.	-	Financial assets at fair value through other comprehensive income	1,386	13,593	4	13,593	Note 1
	Dawning Leading Technology Inc.	-	Financial assets at fair value through other comprehensive income	3,101	6,646	1	6,646	Note 1
	Qun-Kin Venture Capital	-	Financial assets at fair value through other comprehensive income	3,000	28,384	6	28,384	Note 1
Sunplus Technology (Shanghai) Co., Ltd.	GF Every Day The Red Haired Type Money Market Fund	-	Financial assets at fair value through profit or loss - current	20,300	93,697 (RMB 20,400)	-	93,697 (RMB 20,400)	Note 3
	Chongqing CYIT Communication Technology Co., Ltd.	-	Financial assets at fair value through profit or loss - noncurrent	-	-	3	-	Note 1
	Ready Sun Investment Group Fund	-	Financial assets at fair value through profit or loss - noncurrent	10,000	45,930 (RMB 10,000)	16	45,930 (RMB 10,000)	Note 1
Generalplus Technology Inc.	Franklin Templeton SinoAm Money Market	-	Financial assets at fair value through profit or loss - current	16,022	164,966	-	164,966	Note 3
	Yuanta De-Li Money Market Fund	-	Financial assets at fair value through profit or loss - current	757	12,297	-	12,297	Note 3
Sunplus Innovation Technology Inc.	Fund							
	Mega Diamond Money Market	-	Financial assets at fair value through profit or loss - current	810	10,120	-	10,120	Note 3
	Yuanta USD Money Market TWD	-	Financial assets at fair value through profit or loss - current	6,712	63,551	-	63,551	Note 3
	Yuanta RMB Money Market	-	Financial assets at fair value through profit or loss - current	3,679	39,447	-	39,447	Note 3
	Yuanta USD Money Market USD	-	Financial assets at fair value through profit or loss - current	299	93,279	-	93,279	Note 3

(Continued)

Holding Company Name	Type and Name of Marketable Security	Relationship with the Holding Company	Financial Statement Account	June 30, 2018				Note
				Shares or Units (In Thousands)	Carrying Amount	Percentage of Ownership (%)	Market Value or Net Asset Value	
Sunplus Innovation Technology Inc.	Fund							
	Fuh Hwa You Li Money Market	-	Financial assets at fair value through profit or loss - current	2,235	$ 30,009	-	$ 30,009	Note 3
	Yuanta De-Li Money Market	-	Financial assets at fair value through profit or loss - current	4,333	70,388	-	70,388	Note 3
	Share							
	Advanced NuMicro System, Inc.	-	Financial assets at fair value through other comprehensive income	2,000	859	9	859	Note 1
	Advanced Silicon SA	-	Financial assets at fair value through other comprehensive income	1,000	22,933	10	22,933	Note 1
	Point Grab Ltd.	-	Financial assets at fair value through other comprehensive income	182	466	2	466	Note 1
Magic Sky Limited	GTA Co., Ltd. - CB	-	Financial assets at fair value through profit or loss - noncurrent	-	92,796 (US$ 3,046)	-	92,796 (US$ 3,046)	Note 1

Note 1: The market value was based on the carrying amount as of June 30, 2018.

Note 2: The market value was based on the closing price as of June 30, 2018.

Note 3: The market value was based on the net asset value of the fund as of June 30, 2018.

Note 4: The exchange rate was based on the exchange rate as of June 30, 2018.

(Concluded)

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE SIX MONTHS ENDED JUNE 30, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Counterparty	Flow of Transactions (Note 5)	Intercompany Transactions			
			Financial Statement Account Item	Amount	Terms	Percentage of Consolidated Total Gross Sales or Total Assets
Sunplus Technology Co., Ltd. ("parent company")	Generalplus Technology Corp.	1	Other receivables	$ 111,973	Note 3	0.84%
			Sales	1,583	Note 1	0.05%
			Nonoperating income	1	Note 2	-
			Notes and accounts receivable	644	Note 1	-
	Sunext Technology Co., Ltd.	1	Sales	563	Note 1	0.02%
			Nonoperating income	5,525	Notes 2 and 4	0.17%
			Notes and accounts receivable	359	Note 1	-
			Other receivables	1,884	Note 3	0.01%
	Sunplus Innovation Technology Inc.	1	Sales	212	Note 1	0.01%
			Nonoperating income	1,861	Note 2	0.06%
			Notes and accounts receivable	74	Note 1	-
			Other receivables	649	Note 3	-
	iCatch Technology, Inc.	1	Sales	4,258	Note 1	0.13%
			Nonoperating income	7,234	Notes 2 and 4	0.22%
			Notes and accounts receivable	1,333	Note 1	0.01%
			Other receivables	2,520	Note 3	0.02%
	Jumplux Technology Co., Ltd.	1	Sales	2,171	Note 1	0.07%
			Nonoperating income	6,506	Notes 2 and 4	0.20%
			Notes and accounts receivable	1,092	Note 1	0.01%
			Other receivables	2,225	Note 3	0.02%
	Sunplus mMedia Inc.	1	Sales	2,728	Note 1	0.08%
			Nonoperating income	3,594	Notes 2 and 4	0.11%
			Other receivables	1,483	Note 3	0.01%
	Lin Shih Investment Co., Ltd.	2	Other receivables	84,700	Note 3	0.63%
	Power King Investment Co., Ltd.	2	Other receivables	3,262	Note 3	0.02%
Sunplus Innovation Technology Inc.	Sun Media Technology Co., Ltd.	2	Accrued expenses	541	Note 3	-
			Marketing expenses	1,543	Note 2	0.05%
	Sunplus Prof-tek (Shenzhen) Co., Ltd.	2	Accrued expenses	5,867	Note 3	0.04%
			Marketing expenses	12,055	Note 2	0.37%
Generalplus Technology Corp.	Generalplus Technology (H.K.) Corp.	2	Marketing expenses	5,092	Note 2	0.16%
			Other accrued expenses	3,603	Note 3	0.03%
	Generalplus Technology (Shenzhen) Corp.	2	Research and development expenses	45,423	Note 2	1.41%
			Other accrued expenses	63,117	Note 3	0.47%
			Sales	78	Note 1	-
	Sunplus Innovation Technology Inc.	2	Sales	80	Note 1	-
iCatch Technology, Inc.	Sunplus Prof-tek (Shenzhen) Co., Ltd.	2	Accrued expenses	3,161	Note 3	0.02%
			Marketing expenses	6,523	Note 2	0.20%
	Sun Media Technology Co., Ltd.	2	Accrued expenses	6,654	Note 3	0.05%
			Marketing expenses	15,457	Note 2	0.48%

(Continued)

Company Name	Counterparty	Flow of Transactions (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	Research and development expenses	$ 13	Note 2	-
			Accrued expenses	13	Note 3	-
Sunplus Technology (Shanghai) Co., Ltd.	SunMedia Technology Co., Ltd.	2	Other receivables	137,790	Note 3	1.03%
			Nonoperating income	1,252	Note 1	0.04%
	Jumplus Technology Co., Ltd.	2	Sales	71	Note 1	-
	Sunplus App Technology	2	Other receivables	25,262	Note 3	0.19%
			Nonoperating income	195	Note 2	0.01%
	Sunplus Technology (Beijing)	2	Other receivables	2,297	Note 1	0.02%
			Accrued expenses	282	Note 3	-
			Research and development expenses	69	Note 2	-
			Interest revenue	29	Note 2	-
Jumplux Technology Co., Ltd.	Sunplus Technology (Beijing)	2	Other accrued expenses	124	Note 3	-
			Research and development expenses	126	Note 2	-
Ventureplus Cayman Inc.	SunMedia Technology Co., Ltd.	2	Nonoperating income	361	Note 2	0.01%
Russell Holdings Limited	SunMedia Technology Co., Ltd.	2	Other receivables	259,227	Note 1	1.94%
			Nonoperating income	2,181	Note 2	0.07%
Sunplus APP Technology	Sunplus Prof-tek (Shenzhen) Co., Ltd.	2	Accrued expenses	20,669	Note 3	0.15%
			Interest expense	55	Note 2	-
Sunplus Technology (Beijing)	Sunplus mMedia Inc.	2	Other receivables	9	Note 3	-
	Sunplus Technology Xiamen Xm-plus	2	Sales	427	Note 1	0.01%
Sunplus Venture Capital Co., Ltd.	Sun Media Technology Co., Ltd.	2	Other receivables	170,759	Note 3	1.28%
			Nonoperating income	1,341	Note 2	0.04%
Lin Shin Investment Co., Ltd.	Generalplus Technology Corp.	2	Other receivables	44,677	Note 3	0.33%

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

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

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

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

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

(Concluded)

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
JUNE 30, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise, U.S. Dollars and Renminbi in Thousands)

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of June 30, 2018			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				June 30, 2018	December 31, 2017	Shares (In Thousands)	Percentage of Ownership (%)	Carrying Amount			
Sunplus Technology Company Limited	Ventureplus Group Inc.	Belize	Investment	$ 2,437,405 (US$ 74,305 RMB 37,900)	$ 2,437,405 (US$ 74,305 RMB 37,900)	-	100	$ 1,484,755	$ (12,709)	$ (14,626)	Subsidiary
	Award Glory Ltd.	Belize	Investment	62,192 (US$ 2,042)	23,515 (US$ 772)	-	100	11,455	(9,022)	(9,022)	Subsidiary
	Global View Co., Ltd.	Hsinchu, Taiwan	Design and sale of ICs	315,658	315,658	8,229	13	310,801	41,659	5,442	Investee
	Lin Shih Investment Co., Ltd.	Hsinchu, Taiwan	Investment	699,988	699,988	70,000	100	742,773	46,733	46,733	Subsidiary
	Generalplus Technology Inc.	Hsinchu, Taiwan	Design of ICs	281,001	281,001	37,324	34	664,298	151,465	51,953	Subsidiary
	Sunplus Venture Capital Co., Ltd.	Hsinchu, Taiwan	Investment	999,982	999,982	100,000	100	948,398	41,264	41,264	Subsidiary
	Sunplus Innovation Technology Inc.	Hsinchu, Taiwan	Design of ICs	414,663	414,663	31,450	61	505,279	34,297	20,964	Subsidiary
	Russell Holdings Limited	Cayman Islands, British West Indies	Investment	732,868 (US$ 24,060)	732,868 (US$ 24,060)	24,060	100	537,024	3,815	3,815	Subsidiary
	iCatch Technology, Inc.	Hsinchu, Taiwan	Design of ICs	207,345	207,345	20,735	38	156,977	(36,969)	(13,915)	Subsidiary
	Sunext Technology Co., Ltd.	Hsinchu, Taiwan	Design and sale of ICs	924,730	924,730	38,836	61	115,423	(278)	(170)	Subsidiary
	Sunplus mMedia Inc.	Hsinchu, Taiwan	Design of ICs	357,565	357,565	17,441	87	(5,139)	(34,431)	(30,025)	Subsidiary
	Sunplus Management Consulting Inc.	Hsinchu, Taiwan	Management	5,000	5,000	500	100	3,924	(27)	(27)	Subsidiary
	Sunplus Technology (H.K.) Co., Ltd.	Kowloon Bay, Hong Kong	International trade	42,982 (HK$ 11,075)	42,982 (HK$ 11,075)	11,075	100	39	-	-	Subsidiary
	Magic Sky Limited	Samoa	Investment	305,575 (US$ 10,032)	303,382 (US$ 9,960)	-	100	92,928	(2,129)	(2,129)	Subsidiary (Note 1)
	Sunplus mMobile Inc.	Hsinchu, Taiwan	Design of ICs	2,596,792	2,596,792	16,240	100	30,048	(154)	(154)	Subsidiary
	Wei-Young Investment Inc.	Hsinchu, Taiwan	Investment	30,157	30,157	1,400	100	14,628	20	20	Subsidiary
Lin Shih Investment Co., Ltd.	Generalplus Technology Inc.	Hsinchu, Taiwan	Design of ICs	86,256	86,256	14,892	14	266,503	151,465	20,729	Subsidiary
	Sunext Technology Co., Ltd.	Hsinchu, Taiwan	Design and sale of ICs	369,316	369,316	3,360	5	10,025	(278)	(15)	Subsidiary
	Sunplus Innovation Technology Inc.	Hsinchu, Taiwan	Design of ICs	15,701	15,701	1,075	2	15,054	34,297	716	Subsidiary
	iCatch Technology, Inc.	Hsinchu, Taiwan	Design of ICs	9,645	9,645	965	2	7,397	(36,969)	(647)	Subsidiary
	Sunplus mMedia Inc.	Hsinchu, Taiwan	Design of ICs	19,408	19,408	650	3	4,322	(34,431)	(1,119)	Subsidiary
Sunplus Venture Capital Co., Ltd.	Jumplux Technology Co., Ltd.	Hsinchu, Taiwan	Design and sales of IC	101,000	101,000	10,100	72	(21,603)	(34,848)	(25,140)	Subsidiary
	Sunplus Innovation Technology Inc.	Hsinchu, Taiwan	Design of ICs	57,388	57,388	2,904	6	47,655	34,297	1,935	Subsidiary
	iCatch Technology, Inc.	Hsinchu, Taiwan	Design of ICs	33,439	33,439	3,332	6	25,562	(36,969)	(2,236)	Subsidiary
	Sunext Technology Co., Ltd.	Hsinchu, Taiwan	Design and sale of ICs	385,709	385,709	4,431	7	13,162	(278)	(19)	Subsidiary
	Sunplus mMedia Inc.	Hsinchu, Taiwan	Design of ICs	44,878	44,878	1,909	10	(2,557)	(34,431)	(3,287)	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	64,545 (US$ 2,119)	64,545 (US$ 2,119)	442	1	1,313 (US$ 43)	(278)	(2) (US$ -)	Subsidiary
Wei-Young Investment Inc.	Sunext Technology Co., Ltd.	Hsinchu, Taiwan	Design and sale of ICs	350	350	18	0.03	53	(278)	-	Subsidiary
Ventureplus Group Inc.	Ventureplus Mauritius Inc.	Mauritius	Investment	2,437,405 (USD 74,305 RMB 37,900)	2,437,405 (USD 74,305 RMB 37,900)	-	100	1,484,735	(14,627)	(14,627)	Subsidiary
Ventureplus Mauritius Inc.	Ventureplus Cayman Inc.	Cayman Islands, British West Indies	Investment	2,437,405 (USD 74,305 RMB 37,900)	2,437,405 (USD 74,305 RMB 37,900)	-	100	1,484,713	(14,627)	(14,627)	Subsidiary
Generalplus Technology Inc.	Generalplus International (Samoa) Inc.	Samoa	Investment	581,481 (US$ 19,090)	581,481 (US$ 19,090)	19,090	100	483,137	4,012	4,012	Subsidiary
Generalplus International (Samoa) Inc.	Generalplus (Mauritius) Inc.	Mauritius	Investment	581,481 (US$ 19,090)	581,481 (US$ 19,090)	19,090	100	483,135	4,012	4,012	Subsidiary

(Continued)

Investor	Investee	Location	Main Businesses and Products	Investment Amount June 30, 2018	Investment Amount December 31, 2017	Balance as of June 30, 2018 Shares (In Thousands)	Balance as of June 30, 2018 Percentage of Ownership (%)	Balance as of June 30, 2018 Carrying Amount	Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
Generalplus (Mauritius) Inc.	Generalplus Technology (Hong Kong) Co., Ltd.	Hong Kong	Sales	$ 11,879 (US$ 390)	$ 11,879 (US$ 390)	-	100	$ 4,982	$ (674)	$ (674)	Subsidiary
Sunplus mMedia Inc.	Jumplux Technology Co., Ltd.	Hsinchu, Taiwan	Design and sales of IC	32,000	32,000	3,200	23	(6,844)	(34,848)	(7,965)	Subsidiary
Award Glory Ltd.	Sunny Fancy Ltd.	Seychelles	Investment	62,199 (US$ 2,042)	23,515 (US$ 772)	-	100	11,455	(9,022)	(9,022)	Subsidiary
Sunny Fancy Ltd.	Giant Kingdom Ltd.	Seychelles	Investment	23,515 (US$ 772)	23,515 (US$ 772)	-	100	(14,404)	(1,352)	(1,352)	Subsidiary
	Giant Rock Inc.	Anguilla	Investment	38,684 (US$ 1,270)	- US$ -	-	100	25,859	(7,670)	(7,670)	Subsidiary

Note 1: The initial exchange rate was based on the exchange rate as of June 30, 2018.

Note 2: As of June 30, 2018, the establishment registration was completed, but capital had not yet been invested.

(Concluded)

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE SIX MONTHS ENDED JUNE 30, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise, U.S. Dollars and Renminbi in Thousands)

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, 2018	Investment Flows		Accumulated Outflow of Investment from Taiwan as of June 30, 2018	% Ownership of Direct or Indirect Investment	Net Income (Loss) of the investee	Investment Loss (Note 2)	Carrying Value as of June 30, 2018	Accumulated Inward Remittance of Earnings as of June 30, 2018
					Outflow	Inflow						
Sunplus Technology (Shanghai) Co., Ltd.	Development of computer software, system integration services and building rental	$ 523,912 (US$ 17,200)	Note 1	$ 537,771 (US$ 17,655)	$ -	$ -	$ 537,771 (US$ 17,655)	100%	$ 28,754	$ 28,754 (Note 2)	$ 549,949	$ -
Sunplus Prof-tek (Shenzhen) Co., Ltd.	Development of computer software, system integration services and building rental	982,335 (US$ 32,250)	Note 1	982,335 (US$ 32,250)	-	-	982,335 (US$ 32,250)	100%	8,391	8,391 (Note 2)	850,857	-
Sun Media Technology Co., Ltd.	Development of computer software, system integration services and building rental	609,200 (US$ 20,000)	Note 1	609,200 (US$ 20,000)	-	-	609,200 (US$ 20,000)	100%	(28,662)	(28,662) (Note 3)	158,524	-
Sunplus App Technology Co., Ltd.	Manufacturing and sale of computer software; system integration services and information management and education	68,895 (RMB 15,000)	Note 1	63,780 (US$ 586 RMB 10,000)	-	-	63,780 (US$ 586 RMB 10,000)	93%	(18,214)	(17,000) (Note 3)	(49,408)	-
Ytrip Technology Co., Ltd.	Computer system integration services and supplying general advertising and other information services.	157,310 (RMB 34,250)	Note 1	137,405 (US$ 4,511)	-	-	137,405 (US$ 4,511)	83%	(9,258)	(7,721) (Note 3)	(83,913)	-
Sunplus Technology (Beijing)	Development of computer software, system integration services and building rental	124,011 (RMB 27,000)	Note 1	124,011 (RMB 27,000)	-	-	124,011 (RMB 27,000)	100%	41	41 (Note 3)	48,351	-
1culture Communication Co., Ltd.	Development system	14,927 (RMB 3,250)	Note 4	-	-	-	-	100%	102 (RMB 22)	85 (RMB 18) (Note 3)	217 (RMB 47)	-
Sunplus Technology Xiamen Xm-plus (Shanghai)	Development of computer software, system integration services and building rental	101,046 (RMB 22,000)	Note 1	-	38,684 (US$ 1,270)	-	38,684 (US$ 1,270)	36%	(35,688) (RMB 7,682)	(7,670) (RMB 1,643) (Note 3)	25,859 (RMB 5,630)	-
	Development of computer software, system integration services and building rental	101,046 (RMB 22,000)	Note 5	-	-	-	-	9%	(35,688) (RMB 7,682)	(16,695) (RMB 3,575) (Note 3)	7,300 (RMB 1,859)	-

Accumulated Investment in Mainland China as of June 30, 2018	Investment Amounts Authorized by the Investment Commission, MOEA	Limit on Investment
$ 2,493,186 (US$ 76,272 RMB 37,000)	$ 2,585,714 (US$ 75,540 RMB 64,000)	$ 5,108,830

Sunplus Venture Capital Co., Ltd.

Accumulated Investment in Mainland China as of June 30, 2018	Investment Amounts Authorized by Investment Commission, MOEA	Limit on Investment
$ 38,380 (US$ 1,260)	$ 38,380 (US$ 1,260)	$ 549,416

(Continued)

Generalplus Technology (Nature of Relationship: 1)

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type (e.g., Direct or Indirect)	Accumulated Outflow of Investment from Taiwan as of January 1, 2018	Investment Flows		Accumulated Outflow of Investment from Taiwan as of June 30, 2018	% Ownership of Direct or Indirect Investment	Net Loss of the investee	Investment Loss (Note 2)	Carrying Value as of June 30, 2018	Accumulated Inward Remittance of Earnings as of June 30, 2018
					Outflow	Inflow						
Generalplus Shenzhen	Data processing services	$ 569,602 (US$ 18,700)	Note 1	$ 569,602 (US$ 18,700)	$ -	$ -	$ 569,602 (US$ 18,700)	100%	$ 4,686	$ 4,686	$ 478,133	$ -

Accumulated Investment in Mainland China as of June 30, 2018	Investment Amount Authorized by the Investment Commission, MOEA	Limit on Investment
$ 569,602 (US$ 18,700)	$ 569,602 (US$ 18,700)	$ 1,180,186

Note 1: Indirect investment in a company located in mainland China through investment in a company located in a third country.

Note 2: Based on the reviewed financial statements of investees in the same period.

Note 3: Based on the financial statements which had not been reviewed in the same period.

Note 4: Ytrip Technology Co., Ltd.’s indirect investment in a company located in mainland China.

Note 5: Sunplus Technology (Shanghai) Co., Ltd.’s indirect investment in a company located in mainland China.

Note 6: The initial exchange rate was based on the exchange rate as of June 30, 2018.

(Concluded)

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 SIX MONTHS ENDED JUNE 30, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Transaction Type	Research and Development Expense		Price	Transaction Details		Notes/Trade Receivables (Payables)		Unrealized (Gain) Loss	Note
		Amount	%		Payment Terms	Comparison with Market Transactions	Ending Balance	%		
Generalplus Technology (Shenzhen) Corp.	Development and processing services	$ 45,423	18.41	Based on contract	Based on contract	Not comparable with market transactions	$ 63,117	94.51	$ -	NA