Sunplus Technology Company Limited and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2018 and 2017 and Independent Auditors’ Report

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies required to be included in the consolidated financial statements of affiliates in accordance with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" for the year ended December 31, 2018 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard No. 10 "Consolidated Financial Statements". Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we do not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

Sunplus Technology Company Limited

By

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CHOU-CHYE HUANG
Chairman

March 20, 2019

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Sunplus Technology Company Limited

Opinion

We have audited the accompanying consolidated balance sheets of Sunplus Technology Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as of December 31, 2018 and 2017 and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended, in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<u>Revenue recognition</u>

Integrated circuit chip sales accounted for 94% of the Group's total revenue. Operating income declined in 2018, but sales to some customers increased significantly. Therefore, we deem revenue recognition as a key audit matters. For a detailed explanation of revenue, refer to Notes 4 and 25 to the accompanying consolidated financial statements.

1. We understood the related internal control and operating procedures in the sales transaction cycle, and we evaluated and confirmed the operatung effectiveness of the internal control and operating procedures.

2. We selected samples from the sales details, and we examined customers' original orders, sales electronic orders, delivery orders, logistics receipt documents or export declaration, and sales invoices for any abnormal situations and confirmed the validity of the revenue.

Other Matter

We have also audited the parent company only financial statements of Sunplus Technology Company Limited as of and for the years ended December 31, 2018 and 2017 on which we have issued an unmodified opinion.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2018 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 20, 2019

Notice to Readers

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

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

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018		2017	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 3, 4 and 6)	$ 3,235,721	27	$ 4,156,277	31
Financial assets at fair value through profit or loss - current (Notes 3, 4, 7 and 35)	1,313,747	11	9,468	-
Available-for-sale financial assets - current (Notes 3, 4 and 9)	-	-	1,633,531	12
Notes and accounts receivable, net (Notes 3, 4, 5, 11, 25 and 36)	954,030	8	1,197,626	9
Other receivables (Notes 3, 4 and 6)	70,960	1	164,712	1
Inventories (Notes 4 and 12)	818,948	7	1,007,962	8
Other financial assets - current (Notes 3, 18 and 37)	153,575	1	291,373	2
Other current assets (Note 18)	91,321	1	100,961	1
Total current assets	6,638,302	56	8,561,910	64
NON-CURRENT ASSETS				
Financial assets at fair value through profit or loss - non-current (Notes 3, 4, 7 and 35)	737,867	6	89,280	1
Financial assets at fair value through other comprehensive income - non-current (Notes 3, 4, 8 and 35)	246,208	2	-	-
Available-for-sale financial assets - non-current (Notes 3, 4, 9 and 35)	-	-	189,263	1
Financial assets carried at cost (Notes 3, 4 and 10)	-	-	519,259	4
Investments accounted for using the equity method (Notes 4 and 14)	729,219	6	379,351	3
Property, plant and equipment (Notes 4, 5, 15 and 37)	2,052,359	17	2,164,154	16
Investment properties (Notes 4 and 16)	1,039,314	9	1,139,051	8
Intangible assets (Notes 4, 5 and 17)	178,521	2	196,131	1
Deferred tax assets (Notes 4 and 27)	30,254	-	31,215	-
Other financial assets - non-current (Notes 3, 18 and 37)	127,215	1	84,426	1
Other non-current assets (Notes 18 and 36)	147,725	1	125,939	1
Total non-current assets	5,288,682	44	4,918,069	36
TOTAL	$ 11,926,984	100	$ 13,479,979	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 19 and 37)	$ 311,215	3	$ 444,111	3
Contract liabilities - current (Notes 3 and 25)	7,511	-	-	-
Accounts payable (Note 20)	484,810	4	723,983	5
Current tax liabilities (Notes 4 and 27)	56,972	-	60,946	1
Provisions - current (Notes 4 and 21)	-	-	11,555	-
Deferred revenue - current (Notes 4, 22 and 30)	1,629	-	1,663	-
Current portion of long-term loans bank (Notes 19 and 37)	250,046	2	175,000	1
Other current liabilities (Notes 3 and 22)	572,546	5	772,858	6
Total current liabilities	1,684,729	14	2,190,116	16
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 19 and 37)	-	-	249,143	2
Deferred revenue - non-current, net of current portion (Notes 4, 22 and 30)	61,894	-	64,844	-
Net defined benefit liabilities - non-current (Notes 4 and 23)	79,313	1	101,000	1
Guarantee deposits received (Notes 33 and 36)	230,177	2	230,702	2
Other liabilities	3,265	-	889	-
Total non-current liabilities	374,649	3	646,578	5
Total liabilities	2,059,378	17	2,836,694	21
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4, 24 and 29)				
Share capital				
Common shares	5,919,949	50	5,919,949	44
Capital surplus	801,398	7	835,241	6
Retained earnings				
Legal reserve	1,941,826	16	1,900,505	14
Special reserve	67,279	1	22,995	-
Unappropriated earnings	241,734	2	413,209	3
Total retained earnings	2,250,839	19	2,336,709	17
Other equity	(442,843)	(4)	(62,262)	-
Treasury shares (Note 37)	(63,401)	1	(63,401)	-
Total equity attributable to owners of the Company	8,465,942	71	8,966,236	67
NON-CONTROLLING INTERESTS (Notes 4, 13, 24 and 32)	1,401,664	12	1,677,049	12
Total equity	9,867,606	83	10,643,285	79
TOTAL	$ 11,926,984	100	$ 13,479,979	100

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

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	**%**	**Amount**	**%**
NET OPERATING REVENUE (Notes 4, 25, and 36)	$ 6,077,733	100	$ 6,820,237	100
OPERATING COSTS (Notes 12 and 26)	3,648,349	60	4,083,471	60
GROSS PROFIT	2,429,384	40	2,736,766	40
OPERATING EXPENSES (Notes 26 and 36)				
Selling and marketing expenses	286,562	5	308,054	4
General and administrative expenses	532,943	9	599,899	9
Research and development expenses	1,699,345	28	1,779,383	26
Total operating expenses	2,518,850	42	2,687,336	39
OTHER OPERATING INCOME AND EXPENSES	(324)	-	(2,245)	-
(LOSS) PROFIT FROM OPERATIONS	(89,790)	(2)	47,185	1
NON-OPERATING INCOME AND EXPENSES (Notes 4, 14, 26, 30 and 36)				
Other income	116,463	2	97,685	1
Other gains and losses	246,002	4	424,967	6
Finance costs	(23,823)	-	(26,226)	-
Share of profit of associates	(44,862)	(1)	91,044	1
Total non-operating income and expenses	293,780	5	587,470	8
PROFIT BEFORE INCOME TAX	203,990	3	634,655	9
INCOME TAX EXPENSE (Notes 4 and 27)	61,667	1	83,427	1
NET PROFIT FOR THE YEAR	142,323	2	551,228	8
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss (Notes 4 and 24):				
Remeasurement of defined benefit plans	1,845	-	(5,947)	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	(103,685)	(2)	-	-

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SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	**%**	**Amount**	**%**
Share of the other comprehensive loss of associates accounted for using the equity method	(8,556)	-	(75)	-
Items that may be reclassified subsequently to profit or loss (Notes 4 and 24):				
Exchange differences on translating foreign operations	(18,061)	-	(62,931)	(1)
Unrealized (loss) gain on available-for-sale financial assets	-	-	(256,849)	(4)
Share of other comprehensive income (loss) of associates accounted for using the equity method	(2,904)	-	5,635	-
Other comprehensive loss income for the year, net of income tax	(131,361)	(2)	(320,167)	(5)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 10,962	-	$ 231,061	3
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	$ 5,616	-	$ 421,458	6
Non-controlling interests	136,707	2	129,770	2
	$ 142,323	2	$ 551,228	8
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	$ (120,733)	(2)	$ 109,174	1
Non-controlling interests	131,695	2	121,887	2
	$ 10,962	-	$ 231,061	3
EARNINGS PER SHARE (Note 28)				
Basic	$ 0.01		$ 0.72	
Diluted	$ 0.01		$ 0.72	

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

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company												
	Share Capital Issued and Outstanding			Retained Earnings			Other Equity						
	Share (Thousands)	Amount	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Treasury Shares	Total	Noncontrolling 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
Offset of the 2016 deficit													
Legal reserve	-	-	-	9,974	-	(9,974)	-	-	-	-	-	-	-
Special reserve	-	-	-	-	1,068	(1,068)	-	-	-	-	-	-	-
Cash dividends for common shares	-	-	-	-	-	(88,681)	-	-	-	-	(88,681)	-	(88,681)
Difference between stock price and book value from disposal of subsidiaries, associates and joint ventures accounted for using the equity method	-	-	-	-	-	(18)	-	-	-	-	(18)	-	(18)
Issuance of share dividends from capital surplus	-	-	(207,317)	-	-	-	-	-	-	-	(207,317)	-	(207,317)
Difference between share price and book value from disposal of subsidiaries	-	-	129,668	-	-	-	-	-	-	-	129,668	-	129,668
Net profit for the year ended December 31, 2017	-	-	-	-	-	421,458	-	-	-	-	421,458	129,770	551,228
Other comprehensive loss for the year ended December 31, 2017, net of income tax	-	-	-	-	-	(5,622)	(60,038)	(246,624)	-	-	(312,284)	(7,883)	(320,167)
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	-	415,836	(60,038)	(246,624)	-	-	109,174	121,887	231,061
Changes of equity of subsidiaries	-	-	-	-	-	(2,624)	-	-	-	-	(2,624)	-	(2,624)
Adjustment of capital surplus for the Company													
Cash dividends received by subsidiaries	-	-	1,780	-	-	-	-	-	-	-	1,780	-	1,780
Decrease in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(108,761)	(108,761)
BALANCE, DECEMBER 31, 2017	591,995	5,919,949	835,241	1,900,505	22,995	413,209	(122,100)	59,838	-	(63,401)	8,966,236	1,677,049	10,643,285
Effect of retrospective application and retrospective restatement	-	-	-	-	-	294,288	-	(59,838)	(230,011)	-	4,439	1,478	5,917
BALANCE, 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
Offset of the 2017 deficit													
Legal reserve	-	-	-	41,321	-	(41,321)	-	-	-	-	-	-	-
Special reserve	-	-	-	-	44,284	(44,284)	-	-	-	-	-	-	-
Cash dividends for common shares	-	-	-	-	-	(327,551)	-	-	-	-	(327,551)	-	(327,551)
Changes in capital surplus from investments in associates accounted for using the equity method	-	-	50,782	-	-	-	-	-	-	-	50,782	-	50,782
Issuance of share dividends from capital surplus	-	-	(86,846)	-	-	-	-	-	-	-	(86,846)	-	(86,846)
Difference between share price and book value from disposal of subsidiaries	-	-	(271)	-	-	-	-	-	-	-	(271)	-	(271)
Changes of equity of subsidiaries	-	-	-	-	-	(22,606)	-	-	-	-	(22,606)	-	(22,606)
Net profit for the year ended December 31, 2018	-	-	-	-	-	5,616	-	-	-	-	5,616	136,707	142,323
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	-	-	1,453	(16,775)	-	(111,027)	-	(126,349)	(5,012)	(131,361)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	7,069	(16,775)	-	(111,027)	-	(120,733)	131,695	10,962
Adjustment of capital surplus for the Company													
Cash dividends received by subsidiaries	-	-	2,492	-	-	-	-	-	-	-	2,492	-	2,492
Disposals of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	(37,070)	-	-	37,070	-	-	-	-
Decrease in noncontrolling interests	-	-	-	-	-	-	-	-	-	-	-	(408,558)	(408,558)
BALANCE, DECEMBER 31, 2018	591,995	$ 5,919,949	$ 801,398	$ 1,941,826	$ 67,279	$ 241,734	$ (138,875)	$ -	$ (303,968)	$ (63,401)	$ 8,465,942	$ 1,401,664	$ 9,867,606

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

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 203,990	$ 634,655
Adjustments for:		
Depreciation expenses	275,786	259,983
Amortization expenses	82,237	97,645
Bad-debt expenses	-	29,376
Net gain on fair value change of financial assets designated as of fair value through profit or loss	(67,736)	(4,901)
Finance costs	23,823	26,226
Interest income	(26,314)	(22,111)
Dividend income	(23,564)	(23,230)
Compensation costs of employee share options	37	220
Share of profits of associates	44,862	(91,044)
Loss on disposal of property, plant and equipment	324	2,245
Gain on disposal of subsidiaries	(170,897)	-
Gain on disposal of investments	(11,724)	(642,140)
Impairment loss recognized on financial assets	-	203,363
Impairment loss recognized non-financial assets	-	25,190
Net loss on foreign currency exchange	34,248	9,184
Amortization of prepaid lease payments	2,810	2,778
Changes in operating assets and liabilities:		
Decrease in financial assets held for trading	-	15,053
Decrease in trade receivables	114,488	48,582
Decrease (increase) in other receivables	11,333	(90,911)
Increase in inventories	(17,157)	(149,572)
(Increase) decrease in other current assets	(6,368)	41,058
Decrease in trade payables	(89,495)	(6,586)
Increase in contract liabilities	27,331	-
Decrease in provisions	-	(779)
Decrease in deferred revenue	(3,659)	(1,641)
Decrease in other current liabilities	(151,849)	(38,882)
Decrease in accrued pension liabilities	(4,309)	(3,213)
Cash generated from operations	248,197	320,548
Interest received	25,125	24,445
Dividends received	97,629	64,377
Interest paid	(21,745)	(27,065)
Income tax paid	(65,287)	(67,373)
Net cash generated from operating activities	283,919	314,932
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of available-for-sale financial assets	-	(1,921,210)
Proceeds of the sale of available-for-sale financial assets	-	2,745,491
Purchases of financial assets measured at cost	-	(89,341)
Proceeds of the disposal of financial assets measured at cost	-	54,099
Returned capital to the Company - financial assets measured at cost	-	3,183
Purchase of financial assets at FVTOCI	(105,213)	-
Purchase of financial assets at FVTPL	(1,764,316)	-
Proceeds from the sale of financial assets at FVTPL	2,060,690	-
Proceeds from the sale of financial assets at FVTOCI	4,930	-

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SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018	**2017**
Acquisition of associates	(110,368)	-
Proceeds from disposal of subsidiaries	(159,571)	219,242
Payments for property, plant and equipment	(173,729)	(99,960)
Proceeds of the disposal of property, plant and equipment	568	162
Increase in refundable deposits	(2,039)	-
Decrease in refundable deposits	62	748
Payments for intangible assets	(84,655)	(124,521)
Payments for investment properties	(3,891)	(6,592)
Decrease in investment properties	10,016	-
Decrease (increase) on other non-current assets	10,635	(143,170)
Decrease in other assets - non-current	3,570	1,476
Net cash (used in) generated from investing activities	(313,311)	639,607
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of short-term borrowings	(132,566)	(105,832)
Repayments of long-term borrowings	(179,088)	(1,021,586)
Proceeds of guarantee deposits received	47,914	107,187
Refunds of guarantee deposits received	(18,331)	(77,857)
Dividends paid to interests	(411,905)	(294,218)
Dividends paid to non-controlling interests	(169,798)	(200,179)
Decrease in non-controlling interests	(31,266)	(1,000)
Net cash used in financing activities	(895,040)	(1,593,485)
EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	3,876	(8,272)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(920,556)	(647,218)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	4,156,277	4,803,495
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 3,235,721	$ 4,156,277

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

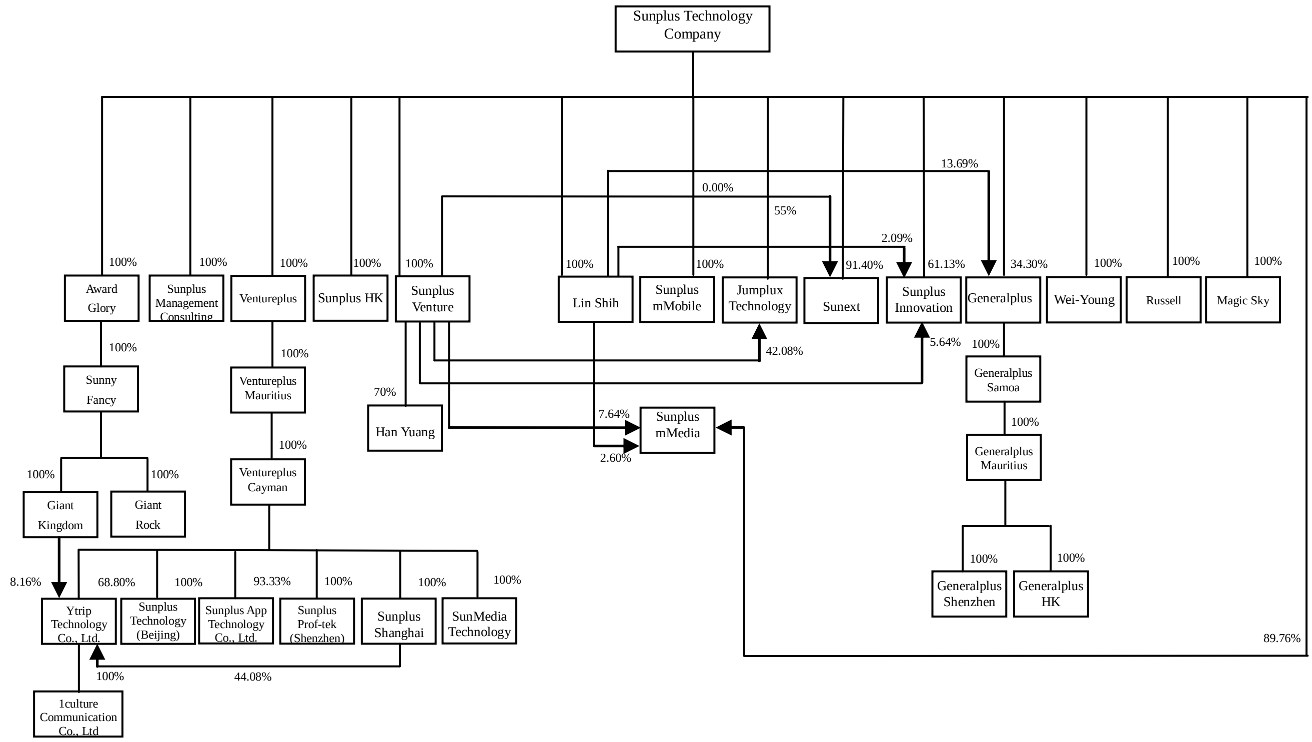
SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Sunplus Technology Company Limited ("Sunplus" or the "Company") was established in August 1990. It researches, develops, designs, tests and sells high quality, high value-added consumer integrated circuits (ICs). Its products are based on core technologies in such areas as multimedia audio/video, single-chip microcontrollers and digital signal processors. These technologies are used to develop hundreds of products including various ICs: liquid crystal display, microcontroller, multimedia, voice/music, and application-specific. Sunplus' shares have been listed on the Taiwan Stock Exchange since January 2000. Some of its shares have been issued in the form of global depositary receipts (GDRs), which have been listed on the London Stock Exchange since March 2001 (refer to Note 24).

Following is a diagram of the relationship and ownership percentages between Sunplus and its subsidiaries (collectively, the "Group") as of December 31, 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 Company's board of directors and authorized for issue on March 20, 2019.

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, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC did not have 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 payments at the measurement date. Instead, they should be taken into account by adjusting the number of awards included in the measurement of the liability arising from the transaction. The amendment 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, 2018, the Group 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 Group's financial assets and financial liabilities as at January 1, 2018.

	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 profit or loss - equity instruments	708,522	533,487	(b)
		Fair value through other comprehensive income - equity instruments	-	279,700	(b)
Mutual funds	Available‐for‐sale	Fair value through profit or loss - current	1,633,531	1,633,531	(c)

(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	1,362,338	1,362,338	(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)	-	2,053,783	14,487	2,068,270	67,898	(53,412)	(b), (c)
	98,748	2,053,783	14,487	2,167,018	67,898	(53,412)	
FVTOCI	-	-	-	-	-	-	
Add: Reclassification from available-for-sale (IAS 39)	-	288,270	(8,570)	279,700	226,390	(236,437)	(b), (c)
	-	288,270	(8,570)	279,700	226,390	(236,437)	
	$ 98,748	$ 2,342,053	$ 5,917	$ 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 Group 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 $6,416 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 $278,613 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 $275,558 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 $8,145 thousand in other equity - unrealized gain (loss) on available-for-sale financial assets and an increase of $8,145 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.

Impact on assets, liabilities and equity for the current period

	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 Group expects to recover the carrying amount of the debt instrument by sale or by holding it and collecting contractual cash flows.

In addition, in determining whether to recognize a deferred tax asset, the Group should assess a deductible temporary difference in combination with all of its other deductible temporary differences, unless the tax law restricts the utilization of losses as 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 Group's assets for more than their carrying amount if there is sufficient evidence that it is probable that the Group will achieve the higher amount and that the estimate for future taxable profit should exclude tax deductions resulting from the reversal of deductible temporary differences.

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

The amendments clarify that the Group should transfer to, or from, investment property when, and only when, the property meets, or ceases to meet, the definition of investment property and there is evidence of 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 Group 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 Group 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 Group will elect to apply the guidance of IFRS 16 in determining whether contracts are, or contain, a lease, only to contracts entered into (or changed) on or after January 1, 2019. 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 Group as lessee

Upon initial application of IFRS 16, lease assets and liabilities are recognized 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 Group 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 Group 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.

Anticipated impact on assets, liabilities and equity

	Carrying Amount as of December 31, 2018	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2019
Right-of-use assets	$ -	$ 249,727	$ 249,727
Total effect on assets	$ -	$ 249,727	$ 249,727
Lease liabilities - current	$ -	$ 10,907	$ 10,907
Lease liabilities – non-current	-	238,820	238,820
Total effect on liabilities	$ -	$ 249,727	$ 249,727

The Group as lessor

Except for sublease transactions, the Group will not make any adjustments for leases in which it is a lessor and will account for those leases with the application of IFRS 16 starting from January 1, 2019.

2) IFRIC 23 "Uncertainty over Income Tax Treatments"

IFRIC 23 clarifies that when there is uncertainty over income tax treatments, the Group should assume that the taxation authority will have full knowledge of all related information when making related examinations. If the Group concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the Group 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 Group should make estimates using either the most likely amount or the expected value of the tax treatment, depending on which method the entity expects to better predict the resolution of the uncertainty. The Group has to reassess its judgments and estimates if facts and circumstances change.

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

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

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

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

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 3 "Definition of a Business"	January 1, 2020 (Note 2)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 and IAS 8 "Definition of Materiality"	January 1, 2020 (Note 3)

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 Group shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of the period.

Note 3: The Group shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

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

Group's interest as an unrelated investor in the associate or joint venture, i.e. the Group'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 Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of Compliance

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

b. Basis of preparation

The Group financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values, 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 are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

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

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

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

c. Classification of current and noncurrent assets and liabilities

Current assets include:

1) Assets held primarily for the purpose of trading;

2) Assets expected to be realized within 12 months after the reporting period; and

3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

2) Liabilities due to be settled within 12 months after the reporting period, and

3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

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

d. Basis of consolidation

1) Principles for preparing consolidated financial statements

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

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

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

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

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

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

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

e. Foreign currencies

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

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

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

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

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

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

f. Inventories

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

g. Investments in associates and jointly controlled entities

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

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

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

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

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

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

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

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

h. Property, plant and equipment

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

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

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

i. Investment properties

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

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

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

j. Goodwill

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

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

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

k. Intangible assets

1) Intangible assets acquired separately

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

2) Derecognition of intangible assets

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

l. Impairment of tangible and intangible assets other than goodwill

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

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

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

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

m. Financial instruments

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

A financial asset is 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 Group 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 Group'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 Group's documented risk management or investment strategy, and information about the Group 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 Group's right to receive the dividends is established.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment loss at the end of each reporting period and presented as 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 Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables).

The Group always recognizes lifetime expected credit losses (i.e. ECLs) for trade receivables. For all other financial instruments, the Group 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 Group 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 Group 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 Group'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 Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

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.

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.

n. Provisions

For the best estimate of provisions, the discounted cash flows need to consider the risk and uncertainties of obligations. Provisions are measured by the discounted value of the estimated cash flows for the liquidation of the obligation.

o. Revenue recognition

<u>2018</u>

The Group 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 Group fulfills its performance obligations.

<u>Revenue from the sale of goods</u>

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

<u>Other</u>

Other mainly comes from software development.

<u>2017</u>

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.

1) Sale of goods

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

a) The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
b) The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

c) The amount of revenue can be measured reliably;

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

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

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

2) Dividend and interest income

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

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

p. Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

1) The Group as lessor

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

2) The Group as lessee

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

q. Borrowing costs

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

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

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

r. Government grants

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

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

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

s. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

2) Retirement benefits

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

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

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

t. Share-based payment arrangements

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

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

When restricted shares for employees are issued, other equity - unearned employee benefits is recognized on the grant date, with a corresponding increase in capital surplus - restricted shares for employees. If restricted shares for employees are granted for consideration and should be returned, they are recognized as payables. Dividends paid to employees on restricted shares that do not need to be returned if employees resign in the vesting period are recognized as expenses when the dividends are declared with a corresponding adjustment in capital surplus - restricted shares for employees.

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

u. Taxation

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

1) Current tax

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

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

2) Deferred tax

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

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

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

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

3) Current and deferred tax for the period

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

a. Estimated impairment of financial assets - 2018

The provision for impairment of trade receivables is based on assumptions about the risk of default and expected loss rates. The Group uses judgment in making these assumptions and in selecting the inputs to the impairment calculation based on the Group'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.

b. Estimated impairment of trade receivables - 2017

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

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

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

For the year ended December 31, 2018 and 2017, the Group recognized impairment losses on intangible assets of $0 and $25,190 thousand, respectively.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2018	2017
Cash on hand	$ 7,521	$ 10,220
Checking accounts and demand deposits	1,338,553	1,535,059
Cash equivalent		
Time deposits in banks	1,881,214	2,602,835
Repurchase agreements collateralized by bonds	8,433	8,163
	$ 3,235,721	$ 4,156,277

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

	December 31 2018	December 31 2017
Bank balance	0.01%-1.55%	0.01%-3.60%
Repurchase agreement collateralized by bonds	1.00%	1.00%

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

	December 31 2018	December 31 2017
Financial assets at FVTPL - current		
Financial assets classified as at FVTPL		
Non-derivative financial assets		
- Mutual funds	$ 1,280,668	$ -
- Securities listed in the ROC - CB	28,718	-
- Securities listed in the ROC	4,361	-
Financial assets held for trading		
Non-derivative financial assets		
- Securities listed in the ROC - CB	-	9,468
	$ 1,313,747	$ 9,468
Financial liabilities at FVTPL – non-current		
Financial assets classified as at FVTPL		
Non-derivative financial assets		
- Unlisted shares and emerging market shares	$ 462,387	$ -
- Private funds	160,226	-
- Mutual funds	75,432	-
- Listed shares and emerging market shares	39,822	-
Financial assets held for trading		
Non-derivative financial assets		
- Unlisted debt securities in other countries - CB	-	89,280
	$ 737,867	$ 89,280

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

	December 31, 2018
Non-current	
Domestic and foreign investments	
Listed shares and emerging market shares	$ 78,246
Unlisted shares and emerging market shares	127,991
Private funds	39,971
	$ 246,208

9. AVAILABLE-FOR-SALE FINANCIAL ASSETS - 2017

	December 31, 2017
Current	
Domestic and foreign investments	
- Mutual funds	$ 1,321,681
- Listed shares and emerging market shares	311,850
	$ 1,633,531
Non-current	
Domestic investments	
- Listed shares and emerging market shares	$ 114,828
- Mutual funds	74,435
	$ 189,263

10. FINANCIAL ASSETS MEASURED AT COST - 2017

	December 31, 2017
Non-current	
Unlisted shares and emerging market shares	$ 382,170
Private funds	137,089
	$ 519,259
Classification according to financial asset measurement categories	
Classified as available for sale	$ 519,259

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

The Group recognized impairment losses of $203,363 thousand for the above financial assets carried at cost for December 31, 2017.

11. NOTES AND ACCOUNTS RECEIVABLE, NET

	December 31	
	2018	**2017**
Notes receivable		
Notes receivable - operating	$ 16	$ 57
Trade receivables		
At amortized cost		
Gross carrying amount	954,518	1,305,313
Less: Allowance for impairment loss	(504)	(107,744)
	954,014	1,197,569
	$ 954,030	$ 1,197,626

Accounts receivable

2018

The average credit period on sales of goods was 30 to 60 days without interest. The Group's exposure to credit risk and external credit ratings are continuously monitored. In order to minimize credit risk, the management of the Group has delegated a team responsible for determining 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 allowance is made for possible irrecoverable amounts. In this regard, the management believes the Group’s credit risk was significantly reduced.

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all trade receivables. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor’s current financial position, the forecast direction of economic conditions at the reporting date. As the Group’s historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group’s different customer base.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. Where recoveries are made, these are recognized in profit or loss.

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

December 31, 2018

	Not Overdue	**Overdue 1- 60 days**	**Overdue 61-90 days**	**Overdue 91-120 days**	**Overdue 121 days or More**	**Total**
Gross carrying amount	$ 953,258	$ 691	$ -	$ -	$ 569	$ 954,518
Expected credit losses	-	-	-	-	(504)	(504)
Amortized cost at December 31, 201	$ 953,258	$ 691	$ -	$ -	$ 65	$ 954,014

The movements of the loss allowance of trade receivables were as follows:

	December 31, 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)	(107,257)
Exchange differences	17
Balance at December 31, 2018	$ 504

Note: The accounts receivable from one customer that were overdue for 2 years and determined to be uncollectible and the accounts receivable from another customer that was declared bankrupt by court ruling were both written off. The written-off receivables and allowance were both $107,257.

December 31, 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.

For some trade receivables balances that were past due at the end of the reporting period, the Group did not recognize an allowance for the impairment for notes and trade receivables as of December 31, 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 was as follows:

	December 31, 2017
0-60 days	$ 1,008,766
61-90 days	102,429
91-120 days	86,891
121-360 days	-
More than and including 361 days	107,257
Total	$ 1,305,313

The above aging schedule was based on the invoice date.

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

	December 31, 2017
Less than and including 60 days	$ 636
More than and including 91 days	-
Total	$ 636

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

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

	Individually Impaired	Collectively Impaired	Total
Balance at January 1, 2017	$ 78,394	$ -	$ 78,394
Add: Impairment losses recognized on receivable	29,376	-	29,376
Foreign exchange translation gains	(26)	-	(26)
Balance at December 31, 2017	$ 107,744	$ -	$ 107,744

12. INVENTORIES

	December 31	
	2018	2017
Finished goods	$ 321,099	$ 401,352
Work in progress	290,973	302,298
Raw materials	206,876	304,312
	$ 818,948	$ 1,007,962

The costs of inventories recognized as cost of goods sold for the years ended December 31, 2018 and 2017 were $3,563,885 thousand and $3,563,885 thousand, respectively.

The costs of inventories recognized as costs of goods sold for the years ended December 31, 2018 and 2017 were as follows:

	Years Ended December 31	
	2018	2017
Inventory write - downs (reversed)	$ (35,411)	$ (11,426)
Income from scrap sales	361	94
	$ (35,050)	$ (11,332)

13. SUBSIDIARIES

a. The subsidiaries included in the consolidated financial statements

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

Name of Investor	Name of Investee	Main Businesses and Products	Percentage of Ownership December 31 2018	2017	Note
Sunplus	Sunplus Management Consulting	Management	100.00	100.00	-
	Ventureplus Group Inc.	Investment	100.00	100.00	-
	Sunplus Technology (H.K.)	International trade	100.00	100.00	-
	Sunplus Venture	Investment	100.00	100.00	-
	Lin Shih Investment	Investment	100.00	100.00	-
	Sunplus mMobile Inc.	Design of ICs	100.00	100.00	-
	Sunext Technology Co., Ltd.	Design of ICs	91.40	61.15	-
	Sunplus Innovation Technology	Design of ICs	61.13	61.13	-
	Generalplus Technology Inc. ("Generalplus")	Design of ICs	34.30	34.30	Sunplus and its subsidiaries had a 47.99% stake in Generalplus Technology, Inc. and the Group had controlling interest over Generalplus Technology, Inc.; the investee is included in the consolidated financial statements
	iCatch Technology Inc.	Design of ICs	-	37.64	The Group lost controlling interest over iCatch as of July 31, 2018; thus the investee is no longer included in the consolidated financial statements; refer to Note 14 for the details.
	Wei-Young Investment Inc.	Investment	100.00	100.00	-
	Russell Holdings Limited	Investment	100.00	100.00	-
	Magic Sky Limited	Investment	100.00	100.00	-
	Sunplus mMedia Inc.	Design of ICs	89.76	87.20	-
	Award Glory	Investment	100.00	100.00	-
	Jumplux Technology	Design of ICs	55.00	-	Sunplus and its subsidiaries owned 97.08% of the equity in Jumplux Technology.
Ventureplus	Ventureplus Mauritius	Investment	100.00	100.00	-
Ventureplus Mauritius	Ventureplus Cayman	Investment	100.00	100.00	-
Ventureplus Cayman	Ytrip Technology	Web research and development	38.47	68.80	Sunplus's subsidiaries had a 90.71% stake in Ytrip.
	Sunplus App Technology	Manufacturing and sale of computer software; system integration services and information management and education.	93.33	93.33	-
	Sunplus Prof-tek Technology (Shenzhen)	Development of computer software, system integration services, building rental services and property management	100.00	100.00	-
	Sunplus Technology (Shanghai)	Development of computer software, system integration services and building rental services	100.00	100.00	-
	SunMedia Technology	Development of computer software, system integration services and building rental services	100.00	100.00	-
	Sunplus Technology (Beijing)	Development of computer software, system integration services and building rental services	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 to Note 14 for the details.
	Ytrip Technology	Web research and development	44.08	-	Sunplus's subsidiaries had a 90.71% stake in Ytrip.
Ytrip Technology	1culture Communication	Development and sale	100.00	100.00	-
Sunplus Venture	Jumplux Technology	Design of ICs	42.08	72.14	Sunplus and its subsidiaries owned 97.08% of the equity in Jumplux Technology.
	Han Young Technology	Design of ICs	70.00	70.00	-
	Sunext Technology Co., Ltd. ("Sunext")	Design of ICs	-	6.98	Sunplus and its subsidiaries had 91.40% equity in Sunext.
	Sunplus mMedia	Design of ICs	7.64	9.55	Sunplus and its subsidiaries had 100% equity in Sunplus mMedia.
	Sunplus Innovation	Design of ICs	5.64	5.64	Sunplus and its subsidiaries had 68.86% equity in Sunplus Innovation
	iCatch Technology, Inc.	Design of ICs	-	6.05	The Group lost controlling interest over iCatch as of July 31, 2018; thus the investee is no longer included in the consolidated financial statements; refer to Note 14 for the details.

(Continued)

Name of Investor	Name of Investee	Main Businesses and Products	Percentage of Ownership December 31 2018	2017	Note
Lin Shih	Generalplus Technology Inc.	Design of ICs	13.69	13.69	Sunplus and its subsidiaries had 47.99% equity in Generalplus.
	Sunext Technology	Design of ICs	-	5.29	Due to organizational restructuring, the company transferred its equity to Sunplus in 2018.
	Sunplus mMedia	Design of ICs	2.60	3.25	Sunplus and its subsidiaries had 100% equity in Sunplus mMedia.
	Sunplus Innovation	Design of ICs	2.09	2.09	Sunplus and its subsidiaries had 68.86% equity in Sunplus Innovation
	iCatch Technology	Design of ICs	-	1.75	The Group lost controlling interest over iCatch as of July 31, 2018; thus the investee is no longer included in the consolidated financial statements; refer to Note 14 for the details.
Generalplus	Generalplus Samoa	Investment	100.00	100.00	-
Generalplus Samoa	Generalplus Mauritius	Investment	100.00	100.00	-
Generalplus Mauritius	Generalplus Shenzhen	IC product development, after sales service and market research	100.00	100.00	-
	Generalplus HK	Sales	100.00	100.00	-
Wei-Young	Sunext Technology Co., Ltd.	Design of ICs	-	0.03	Due to organizational restructuring, the company transferred its equity to Sunplus in 2018.
Russell	Sunext Technology Co., Ltd.	Design of ICs	-	0.70	Due to organizational restructuring, the company transferred its equity to Sunplus in 2018.
Sunplus mMedia Inc.	Jumplux Technology	Design of ICs	-	22.86	Due to organizational restructuring, the company transferred its equity to Sunplus in 2018.
Award Glory	Sunny Fancy	Investment	100.00	100.00	-
Sunny Fancy	Giant Kingdom	Investment	100.00	100.00	-
	Giant Rock	Investment	100.00	100.00	-
Giant Kingdom	Ytrip Technology	Web research and development	8.16	14.60	Sunplus's subsidiaries had a 90.71% stake in Ytrip.

(Concluded)

The financial statements as of and for the years ended December 31, 2017 of the above subsidiaries except Sunplus Management Consulting had been audited by the auditors. The management of the Company believes that the financial statements of Sunplus Management Consulting will not be subject to major adjustments if it were audited.

b. Subsidiary excluded from the consolidated financial statements

	The Voting Ratio of Noncontrolling Equity December 31 2018	2017
<u>Company name</u>		
Generalplus Technology Inc.	52.01%	52.01%
Sunplus Innovation Technology	31.14%	31.14%
iCatch Technology	-	54.56%

Refer to attachment 6 for registered countries and company information:

Company Name	Profits Attributed to Noncontrolling Interests Years Ended December 31 2018	2017	Noncontrolling Interests December 31 2018	2017
Generalplus Technology Inc.	$ 147,898	$ 176,445	$ 1,109,947	$ 1,138,500
Sunplus Innovation Technology	18,906	(635)	283,063	261,835
iCatch Technology	(20,889)	(38,445)	-	250,584

The summarized financial information below represents amounts before intragroup eliminations.

	December 31	
	2018	2017
Current assets	$ 3,201,689	$ 3,959,132
Noncurrent assets	760,401	783,624
Current liabilities	828,965	1,137,685
Noncurrent liabilities	175,669	201,562
Equity	$ 2,957,456	$ 3,403,509
Equity attributable to:		
Owners of the Company	$ 1,564,446	$ 1,752,590
Noncontrolling interests	1,393,010	1,650,919
	$ 2,957,456	$ 3,403,509

	For the Years Ended December 31	
	2018	2017
Operating revenue	$ 4,223,670	$ 4,756,231
Net income	$ 306,710	$ 286,739
Other comprehensive income	(10,077)	(18,398)
Total other comprehensive income	$ 296,633	$ 268,341
Equity attributable to:		
Owners of the Company	$ 160,795	$ 149,374
Noncontrolling interests	145,915	137,365
	$ 306,710	$ 286,739
Total other comprehensive attributable to:		
Owners of the Company	$ 156,526	$ 138,712
Noncontrolling interests	140,107	129,629
	$ 296,633	$ 268,341
Cash flows		
Cash flows from operating activities	$ 414,702	$ 241,873
Cash flows used in investing activities	(146,496)	(52,177)
Cash flows used in financing activities	(296,520)	(340,361)
Effect of exchange rate changes on the balance of cash held in foreign currencies	(1,649)	3,970
Net cash outflow	$ (29,963)	$ 146,695
Dividend paid to noncontrolling interests		
Generalplus Technology Inc.	$ (169,798)	$ (200,179)

14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2018	2017
Investments in associates	$ 729,219	$ 379,351

a. Investments in associates

	December 31	
	2018	2017
Listed companies		
Global View Co., Ltd.	$ 307,106	$ 379,351
iCatch Technology	350,859	-
Autsys Co., Ltd.	71,254	-
	$ 729,219	$ 379,351

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

	December 31	
Name of Associate	**2018**	**2017**
Global View Co., Ltd.	13%	13%
iCatch Technology	36%	-
Autsys Co., Ltd.	19%	-

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.

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 they lost control of Sunplus Technology Xiamen Xm-plus. As a result, the Company's equity investment in Xiamen Xm-plus was reclassified to "investments accounted for using the equity method" on March 31, 2018 and the equity investment was re-measured at fair value, and a disposal gain of $27,061 thousand was recognized.

In July 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 45% to 19%.

The board of directors of Xiamen Xm-plus Technology Ltd. was re-elected on December 19, 2018. The Company had lost significant influence on Xiamen Xm-plus Technology Ltd. As a result, the "investments accounted for using the equity method" is classified as "financial assets at fair value through profit or loss".

iCatch Technology Inc. has independently operated its financial activities since July 31, 2018 due to operational needs, thus the Company assessed that the control of iCatch Technology Inc. was lost. As a result, the Company reclassified its equity in iCatch Technology Inc. as "investments accounted for using the equity method" on July 31, 2018 and the equity investment was re-measured at fair value, and a disposal gain of $143,836 thousand was recognized.

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

	December 31	
Name of Associate	**2018**	**2017**
Global View, Co., Ltd.	$ 248,530	$ 392,134

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

	December 31	
	2018	**2017**
Total assets	$ 2,569,477	$ 2,062,675
Total liabilities	$ 369,039	$ 129,672

	Years Ended December 31	
	2018	**2017**
Revenue	$ 1,005,661	$ 188,461
Profit for the period	$ (45,428)	$ 53,596
Comprehensive income	$ (103,126)	$ 739,555
Group's share of profits of associates	$ (44,862)	$ 91,044

The investments accounted for by the equity method and the share of profit or loss and other comprehensive income of those investments for the year ended December 31, 2018 and 2017 was based on the associates' financial statements audited by the auditors for the same years.

15. PROPERTY, PLANT AND EQUIPMENT

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

	Year Ended December 31, 2018										
	Buildings	Auxiliary Equipment	Machinery and Equipment	Testing Equipment	Transportation Equipment	Furniture and Fixtures	Leasehold Improvements	Other Equipment	Construction in Progress	Payable for purchases of Equipment	Total
Cost											
Balance at January 1, 2018	$ 2,407,349	$ 184,489	$ 15,131	$ 566,450	$ 7,846	$ 257,883	$ 26,352	$ 21,772	$ -	$ -	$ 3,487,272
Additions	-	882	1,576	133,708	-	19,426	125	253	45	2,940	158,955
Disposals	-	(9,476)	(1,836)	(5,908)	(1,790)	(6,625)	-	(1,237)	-	-	(26,872)
Reclassified to investment property	-	23,676	-	-	-	45	(23,676)	-	(45)	-	-
Consolidated changes	-	-	-	(77,014)	-	(1,224)	(516)	-	-	-	(78,754)
Effect of exchange rate changes	(24,104)	(5,697)	(1,142)	(707)	(152)	(3,174)	497	3,171	-	-	(31,308)
Balance at December 31, 2018	$ 2,383,245	$ 193,874	$ 13,729	$ 616,529	$ 5,904	$ 266,331	$ 2,782	$ 23,959	$ -	$ 2,940	$ 3,509,293
Accumulated depreciation											
Balance at January 1, 2018	$ 456,802	$ 109,497	$ 13,500	$ 478,413	$ 3,556	$ 226,324	$ 4,695	$ 18,833	$ -	$ -	$ 1,311,620
Depreciation expense	53,993	21,608	3,612	101,194	1,348	15,746	5,272	773	-	-	203,546
Disposals	-	(9,476)	(1,115)	(6,389)	(22)	(7,741)	-	(1,237)	-	-	(25,980)
Reclassified to investment property	-	2,762	-	-	-	-	(2,762)	-	-	-	-
Consolidated charges	-	-	-	(34,174)	-	(505)	(473)	-	-	-	(35,152)
Effect of exchange rate changes	(2,977)	2,466	(3,238)	1,551	(1,249)	(1,828)	(4,401)	1,078	-	-	(8,598)
Balance at December 31, 2018	$ 507,818	$ 126,857	$ 12,759	$ 540,595	$ 3,633	$ 231,996	$ 2,331	$ 19,447	$ -	$ -	$ 1,445,436
Accumulated impairment											
Balance at December 31, 2018	$ -	$ -	$ -	$ 11,498	$ -	$ -	$ -	$ -	$ -	$ -	$ 11,498
Balance at December 31, 2017 and January 1, 2018	$ 1,950,547	$ 74,992	$ 1,631	$ 76,539	$ 4,290	$ 31,559	$ 21,657	$ 2,939	$ -	$ -	$ 2,164,154
Carrying amounts at December, 2018	$ 1,875,427	$ 67,017	$ 970	$ 64,436	$ 2,271	$ 34,335	$ 451	$ 4,512	$ -	$ 2,940	$ 2,052,359

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

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

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

16. INVESTMENT PROPERTIES

	Investment Properties
Cost	
Balance at January 1, 2017	$ 1,444,993
Additions	6,592
Reclassified	(268)
Effect of exchange rate differences	(16,256)
Balance at December 31, 2017	1,435,061
Accumulated depreciation	
Balance at January 1, 2017	(226,089)
Depreciation expense	(71,542)
Effect of exchange rate differences	1,621
Balance at December 31, 2017	(296,010)
	$ 1,139,051

(Continued)

	Investment Properties
Cost	
Balance at January 1, 2018	$ 1,435,061
Additions	3,891
Reclassified	(10,016)
Effect of exchange rate differences	(28,801)
Balance at December 31, 2018	1,400,135
Accumulated depreciation	
Balance at January 1, 2018	$ (296,010)
Depreciation expense	(72,240)
Effect of exchange rate differences	7,429
Balance at December 31, 2018	(360,821)
	$ 1,039,314

(Concluded)

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

The fair value of the investment properties of SunMedia Technology had been determined on the basis of valuations carried out on December 31, 2018 and 2017 by Sichuan Zongli Real Estate Land Assets Evaluation Co., Ltd. and Beijing Great Wall Joint Property Assessment LLC. The fair value was measured by using Level 3 inputs. The evaluation adopted the income method, and the important unobservable input values used include the discounted value. The evaluated fair value is as follows:

	December 31	
	2018	2017
Fair value	$ 1,267,909	$ 1,755,274

The fair value of the investment properties of Sunplus Technology (Shanghai) Co., Ltd. had been determined on the basis of valuations carried out at the reporting dates by Suzhou Feng-Zheng valuation firm. The evaluation adopted the income method, and the important unobservable input values used include the discounted value. The evaluated fair value is as follows:

	December 31	
	2018	2017
Fair value	$ 2,471,410	$ 2,310,166

17. INTANGIBLE ASSETS

	Year Ended December 31, 2017					
	Technology License Fees	Software	Patents	Goodwill	Technological Know-how	Total
Cost						
Balance at January 1	$ 716,741	$ 393,456	$ 114,229	$ 30,596	$ 2,460	$ 1,257,482
Additions	99,512	29,101	-	-	-	128,613
Decrease	(99,113)	(65,129)	-	-	(3,882)	(168,124)
Reclassified	44,922	(45,695)	271	-	-	(502)
Effect of exchange rate differences	370	(999)	10	-	1,422	803
Balance at December 31	$ 762,432	$ 310,734	$ 114,510	$ 30,596	$ -	$ 1,218,272
Accumulated amortization						
Balance at January 1	$ 527,506	$ 346,256	$ 79,091	$ -	$ 2,460	$ 955,322
Amortization expense	63,947	30,978	2,720	-	-	97,645
Decrease	(99,113)	(65,129)	-	-	(3,882)	(168,124)
Reclassified	36,268	(36,302)	34	-	-	-
Effect of exchange rate differences	64	(515)	1	-	1,422	972
Balance at December 31	$ 528,672	$ 275,297	$ 81,846	$ -	$ -	$ 885,815
Accumulated deficit						
Balance at January 1	$ 111,136	$ -	$ -	$ -	$ -	$ 111,136
Addition	3,613	-	21,577	-	-	25,190
Balance at December 31	$ 114,749	$ -	$ 21,577	$ -	$ -	$ 136,326
Carrying amounts at December 31, 2017	$ 119,011	$ 35,437	$ 11,087	$ 30,596	$ -	$ 196,131

	Year Ended December 31, 2018					
	Technology License Fees	Software	Patents	Goodwill	Technological Know-how	Total
Cost						
Balance at January 1	$ 762,432	$ 310,734	$ 114,510	$ 30,596	$ -	$ 1,218,272
Additions	66,784	24,736	-	-	-	91,520
Decrease	(20,568)	(22,271)	-	-	-	(42,839)
Effect of exchange rate differences	(500)	(3,439)	(6)	-	-	(3,945)
Consolidated changes	(29,641)	(11,151)	-	-	-	(40,792)
Balance at December 31	$ 778,507	$ 298,609	$ 114,504	$ 30,596	$ -	$ 1,222,216
Accumulated amortization						
Balance at January 1	$ 528,672	$ 275,297	$ 81,846	$ -	$ -	$ 885,815
Amortization expense	54,526	26,340	1,371	-	-	82,237
Decrease	(20,568)	(22,271)	-	-	-	(42,839)
Effect of exchange rate differences	(181)	(375)	(2)	-	-	(558)
Consolidated changes	(5,534)	(8,139)	-	-	-	(13,673)
Balance at December 31	$ 556,915	$ 270,852	$ 83,215	$ -	$ -	$ 910,982

(Continued)

	Year Ended December 31, 2018					
	Technology License Fees	Software	Patents	Goodwill	Technological Know-how	Total
Accumulated deficit						
Balance at January 1	$ 114,749	$ -	$ 21,577	$ -	$ -	$ 136,326
Consolidated changes	(3,613)	-	-	-	-	(3,613)
Balance at December 31	$ 111,136	$ -	$ 21,577	$ -	$ -	$ 132,713
Carrying amounts at December 31, 2018	$ 110,456	$ 27,757	$ 9,712	$ 30,596	$ -	$ 178,521

(Concluded)

Impairment loss recognized on the above intangible assets was $25,190 thousand for the year ended December 31, 2017.

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

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

	For the Year Ended December 31	
	2018	2017
An analysis of depreciation by function		
Operating costs	$ 228	$ 629
Selling and marketing expenses	110	100
General and administrative expenses	6,743	7,067
Research and development expenses	75,156	89,849
	$ 82,237	$ 97,645

18. OTHER ASSETS

	December 31	
	2018	2017
Current		
Other financial assets		
Pledged time deposits (a)	$ 153,575	$ 291,373
Other assets		
Pledged for EDA tools	$ 17,194	$ 25,929
Finance lease payables (c)	2,756	2,814
Others	71,371	72,218
	$ 91,321	$ 100,961

(Continued)

	December 31	
	2018	2017
Noncurrent		
Other financial assets		
Pledged time deposits (a)	$ 10,943	$ 11,386
Time deposits (b)	116,272	73,040
	$ 127,215	$ 84,426
Other assets		
Finance lease payables (c)	$ 102,175	$ 107,113
Refundable deposits	7,749	7,456
Prepaid long-term investment	30,001	-
Others	7,800	11,370
	$ 147,725	$ 125,939

(Concluded)

a. Refer to Notes 33 and 37 for information on pledged time deposits.

b. Generalplus Shenzhen invested RMB26,000 thousand and RMB16,0000 thousand in long-term certificates of deposit with the bank in August 2016 and July 2018 (for durations of two to three years). The interest rates for such certificates of deposit are at fixed rates.

c. The amounts of the Group's finance lease payables for land grants in China as of December 31, 2018 and 2017 were $104,931 thousand and $109,927 thousand, respectively.

19. LOANS

Short-term borrowings

	December 31	
	2018	2017
Secured borrowings		
Bank loans	$ 122,769	$ 208,800
Unsecured borrowings		
Bank loans	188,446	235,311
	$ 311,215	$ 444,111

The weighted average effective interest rates for bank loans from January 1, 2018 to December 31, 2018 and from January 1, 2017 to December 31, 2017 were 2.500%-3.594% and 1.800%-2.650% per annum, respectively.

Long-term borrowings

The borrowings of the Group were as follows:

	Maturity Date	Significant Covenant	December 31 2018	December 31 2017
Floating rate borrowings				
Unsecured bank borrowings	2019.10.14	Repayable in October 2019	$ 135,046	$ 149,143
Unsecured bank borrowings	2019.11.10	Repayable semiannually from November 2016	100,000	200,000
Unsecured bank borrowings	2019.2.14	Repayable quarterly from February 2014	15,000	75,000
			250,046	424,143
Less: Current portion			250,046	175,000
Long-term borrowings			$ -	$ 249,143

The effective borrowing rates as of December 31, 2018 and 2017 were 1.545%-3.959% and 1.545%-2.655%.

According to the loan contract, the consolidated financial statements of the company for 107 and 106 years are limited by current ratio, debt ratio, interest guarantee multiple and current ratio, debt ratio and a restriction on net tangible assets. However, the Company's inability to meet the ratio requirements would not be deemed as a violation of the contracts. As of 2018 and 2017, the Company was in compliance with these financial ratio requirements.

20. TRADE PAYABLES

	December 31 2018	December 31 2017
Accounts payable		
Payable - operating	$ 484,810	$ 723,983

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
Customer returns and rebates	$ 11,555

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

22. OTHER LIABILITIES

	December 31 2018	December 31 2017
Current		
Other payables		
Salaries or bonuses	$ 299,445	$ 347,067
Compensation due to directors	59,190	85,979
Payable for royalties	42,261	38,743
Commissions payable	39,772	36,667
Labor/health insurance	29,424	28,702
Refund liabilities (Note 25)	14,796	-
Payables for purchases of equipment	8,670	23,444
Payables for labor	6,403	8,615
Receipt in advance	3,767	51,096
Others	68,818	152,545
	$ 572,546	$ 772,858
Deferred revenue		
Deferred revenue		
Arising from government grants (Note 30)	$ 1,629	$ 1,663
Non-current		
Other payable		
Payables for purchases of equipment	$ 2,376	$ -
Decommissioning liabilities	889	889
	$ 3,265	$ 889
Deferred revenue		
Arising from government grants (Note 30)	$ 61,894	$ 64,844

23. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

b. Defined benefit plans

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

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

	December 31	
	2018	2017
Present value of funded defined benefit obligation	$ 268,025	$ 290,833
Fair value of plan assets	(188,770)	(191,869)
Net liabilities arising from defined benefit obligation	$ 79,255	$ 98,964

Movements in net defined benefit liabilities were as follows:

	Present Value of Funded Defined Benefit Obligation	Fair Value of Plan Assets	Net Defined Benefit Liabilities (Assets)
Balance at January 1, 2017	$ 278,239	$ 185,639	$ 92,600
Service cost			
Current service cost	771	-	771
Net interest expense (income)	4,357	2,993	1,364
Recognized gain and loss	5,128	2,993	2,135
Remeasurement			
Return on plan assets	-	(1,589)	1,589
Actuarial (gain) loss-experience adjustment	64	-	64
Actuarial (gain) loss-changes in demographic assumptions	2,530	-	2,530
Actuarial loss-changes in financial assumptions	4,872	-	4,872
Recognized in other comprehensive income	7,466	(1,589)	9,055
Benefit paid	-	4,826	(4,826)
Balance at December 31, 2017	$ 290,833	$ 191,869	$ 98,964
Balance at January 1, 2018	$ 290,833	$ 191,869	$ 98,964
Service cost			
Current service cost	789	-	789
Net interest expense (income)	3,587	2,513	1,074
Recognized gain and loss	4,376	2,513	1,863
Remeasurement			
Return on plan assets	-	4,596	(4,596)
Actuarial (gain) loss-experience adjustment	(4,068)	-	(4,068)
Actuarial (gain) loss-changes in demographic assumptions	(53)	-	(53)
Actuarial loss-changes in financial assumptions	5,222	-	5,222
Recognized in other comprehensive income	1,101	4,596	(3,495)

(Continued)

	Present Value of Funded Defined Benefit Obligation	Fair Value of Plan Assets	Net Defined Benefit Liabilities (Assets)
Contributions from the employer	$ -	$ 5,932	$ (5,932)
Consolidated changes	(24,373)	(8,609)	(15,764)
Liabilities extinguished on settlement	(3,912)	(7,531)	3,619
Balance at December 31, 2018	$ 268,025	$ 188,770	$ 79,255

(Concluded)

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

	For the Year Ended December 31	
	2018	2017
Operating costs	$ 215	$ 273
Selling and marketing expenses	234	251
General and administrative expenses	453	522
Research and development expenses	904	1,147
Net liability arising from defined benefit obligation	$ 1,806	$ 2,193

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

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

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

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

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

	December 31	
	2018	2017
Discount rate(s)	1.10%-1.20%	1.25%-1.50%
Expected rate(s) of salary increase	4.00%-5.00%	3.50%-6.25%
Resignation rate	0%-28%	0%-29%

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

	December 31, 2018	December 31, 2017
Discount rate(s)		
0.25% increase	$ (8,405)	$ (9,901)
0.25% decrease	$ 8,761	$ 10,306
Expected rate(s) of salary increase		
1% increase	$ 35,932	$ 40,268
1% decrease	$ (31,147)	$ (35,114)

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

	December 31	
	2018	2017
Expected contributions to the plan for the next year	$ 9,106	$ 4,829
Average duration of the defined benefit obligation	14-17 years	14-18 years

24. EQUITY

a. Share capital

1) Common shares:

	December 31	
	2018	2017
Number of shares authorized (in thousands)	1,200,000	1,200,000
Shares authorized	$ 12,000,000	$ 12,000,000
Number of shares issued and fully paid (in thousands)	591,995	591,995
Shares issued	$ 5,919,949	$ 5,919,949

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

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

2) Global depositary receipts

In March 2001, Sunplus issued 20,000 thousand units of global depositary receipts (GDRs), representing 40,000 thousand common shares that consisted of newly issued and originally outstanding shares. The GDRs are listed on the London Stock Exchange (code: SUPD) with an issuance price of US$9.57 per unit. As of December 31, 2018, the outstanding 175 thousand units of GDRs represented 350 thousand common shares.

b. Capital surplus

	December 31	
	2018	2017
May be 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
Arising from the acquisition of a subsidiary	157,423	157,423
The difference between consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	140,022	140,293
May be used to offset a deficit only		
From treasury share transactions	43,958	41,466
Changes in net equity of associates or joint ventures accounted for using the equity method	50,782	-
	$ 801,398	$ 835,241

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

c. Retained earnings and dividend policy

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

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

Under the regulations promulgated, a special reserve equivalent to the debit balance of any account shown in the shareholders' equity section of the balance sheet (for example, unrealized loss on financial assets and cumulative translation adjustments) should be allocated from unappropriated retained earnings. For the policies on distribution of employees' compensation and remuneration to directors before and after amendment, refer to Note 26-g.

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

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

The appropriations from the 2017 and 2016 earnings were approved at the shareholders’ meetings in June 11, 2018 and on June 13, 2017, respectively. The appropriations, including dividends, were as follows:

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

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

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

The appropriations of earnings, the bonuses for employees, and the remuneration of directors for 2018 are subject to resolution in the shareholders’ meeting to be held on March 20, 2016.

	Appropriation of Earnings	**Dividends Per Share (NT$)**
Legal reserve	$ 561	$ -
Special reserve	241,173	-

The Company’s board of directors also proposed in the shareholders’ meeting on March 20, 2019 to issue cash dividends from capital surplus of $213,118 thousand.

The appropriation of earnings for 2018 is subject to resolution in the shareholders’ meeting to be held on June 10, 2019.

d. Special reserve

	For the Year Ended December 31	
	2018	**2017**
Beginning at January 1	$ 22,995	$ 21,927
Appropriations to the special reserve	44,284	1,068
Balance at December 31	$ 67,279	$ 22,995

e. Other equity items

1) Foreign currency translation reserve:

	For the Year Ended December 31	
	2018	**2017**
Balance at January 1	$ (122,100)	$ (62,062)
Exchange differences on translating foreign operations	(13,871)	(59,220)
Share of exchange differences of associates accounted for using equity method	(2,904)	(818)
Balance at December 31	$ (138,875)	$ (122,100)

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

	For the Year Ended December 31, 2017
Balance at January 1, 2017	$ 306,462
Changes in fair value of available-for-sale financial assets	356,999
Cumulative (gain)/loss reclassified to profit or loss on sale of available-for-sale financial assets	(610,076)
Share of unrealized gain on revaluation of available-for-sale financial assets of associates accounted for using the equity method	6,453
Balance at December 31, 2018	59,838
Effect of retrospective application and retrospective restatement - IFRS 9	(59,838)
Balance at January 1, 2018 (IFRS 9)	$ -

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

	For the Year Ended December 31, 2018
Balance at January 1 (IAS 39)	$ -
Effect of retrospective application and retrospective restatement - IFRS 9	(230,011)
Balance at January 1 (IFRS 9)	(230,011)
Current	
Unrealized gain (loss)	(104,028)
Cumulative unrealized gain (loss) of equity instruments transferred to retained earnings due to disposal	37,070
Share of unrealized gain (loss) on associates accounted for using the equity method	(6,999)
Balance at December 31	$ (303,968)

f. Non-controlling interests

	For the Year Ended December 31	
	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 no controlling interests:		
Share of profit for the year	136,707	129,770
Exchange difference on translation foreign operations	(4,190)	(3,711)
Unrealized losses on available-for-sale financial assets	-	(3,772)
Unrealized gain (loss) on financial assets at FVTOCI	343	-
Actuarial gains on defined benefit plans	(1,165)	(400)
Distribution of dividends by associates	(169,798)	(200,179)
Partial disposal of subsidiaries	-	88,842
Noncontrolling interests - restricted shares options held by subsidiaries' employees	-	142
Noncontrolling interests related to outstanding vested share options held by the employees of subsidiaries	37	78
Disposal of subsidiaries (Note 31)	(229,844)	-
Others	(8,953)	2,356
Balance at December 31	$ 1,401,664	$ 1,677,049

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 December 31, 2017	-	3,560	3,560
Number of shares as of January 1, 2018	-	3,560	3,560
Decrease	-	-	-
Number of shares as December 31, 2018	-	3,560	3,560

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

Purpose of Buyback	Shares Transferred to Employees (in Thousands of Shares)	Shares Held by Its Subsidiaries (in Thousands of Shares)	Total (in Thousands of Shares)
December 31, 2018			
Lin Shin Investment Co., Ltd	3,560	$ 63,401	$ 40,050

(Continued)

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

(Concluded)

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

25. REVENUE

	For the Year Ended December 31	
	2018	2017
Revenue from contracts with customers	$ 5,663,059	$ 6,419,659
Rental income from property	199,184	216,055
Other	215,490	184,523
	$ 6,077,733	$ 6,820,237

a. Contract information

Revenue from the sale of goods

IC products are sold to agents and customers. The Company 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 Company recognizes the amount and the liabilities for refunds (accounted for as other current liabilities).

Other

Other mainly come from software development.

b. Disaggregation of revenue

For the Year Ended December 31, 2018

	Reportable Segments
	Direct Sales
Primary geographical markets	
Asia	$ 4,067,191
Taiwan	1,908,470
Others	102,072
	$ 6,077,733

(Continued)

	Reportable Segments
	Direct Sales
Timing of revenue recognition	
Satisfied at a point in time	$ 5,812,317
Satisfied over time	265,416
	$ 6,077,733

(Concluded)

c. Contract balances

	December 31, 2018
Note and trade receivables (Note 11)	$ 954,030
Contract liabilities - current	$ 7,511

The variation of contract liabilities is mainly due to the difference between the time when the performance obligation is met and the payment schedule of the customer.

26. NET PROFIT

Net profit included the following items:

a. Other income

	For the Year Ended December 31	
	2018	2017
Dividend income	$ 23,564	$ 23,230
Interest income	26,314	22,111
Others	66,585	52,344
	$ 116,463	$ 97,685

b. Other gains and losses

	For the Year Ended December 31	
	2018	2017
Gain on disposal of investment	$ -	$ 642,140
Gain on disposal of subsidiary/associates	182,621	-
Net gain (loss) on financial assets and liabilities		
Net gain (loss) on financial assets designated as at FVTPL (Note 7)	67,736	4,901
Net foreign exchange loss	(15,895)	(64)
Loss on reversal of impairment loss on financial assets	-	(25,190)
Loss on non-financial assets	-	(203,363)
Others	11,540	6,543
	$ 246,002	$ 424,967

c. Finance costs

	For the Year Ended December 31	
	2018	2017
Interest on bank loans	$ 21,239	$ 24,530
Other finance costs	2,584	1,696
	$ 23,823	$ 26,226

d. Depreciation and amortization

	For the Year Ended December 31	
	2018	2017
An analysis of depreciation by function		
Operating costs	$ 79,758	$ 79,327
Operating expenses	196,028	180,656
	$ 275,786	$ 259,983
An analysis of amortization by function		
Operating costs	$ 228	$ 629
Operating expenses	82,009	97,016
	$ 82,237	$ 97,645

e. Operating expenses directly related to investment properties

	For the Year Ended December 31	
	2018	2017
Direct operating expenses from investment property that generated rental income	$ 76,191	$ 77,210

f. Employee benefit expense

	For the Year Ended December 31	
	2018	2017
Short-term benefits	$ 1,716,303	$ 1,833,142
Post-employment benefits		
Defined contribution plans	56,066	54,695
Defined benefit plans (Note 23)	1,806	2,193
Other employee benefits	57,872	56,888
Share-based payments		
Equity-settled	37	220
Other employee benefits	28,418	27,157
Total employee benefit expense	$ 1,802,630	$ 1,917,407
An analysis of employee benefit expense by function		
Operating costs	$ 136,269	$ 157,293
Operating expenses	1,666,361	1,760,114
	$ 1,802,630	$ 1,917,407

g. Employees' compensation and remuneration of directors

The Company resolved amendments to its Articles of Incorporation to distribute employees' compensation and remuneration directors at rates of no less than 1% and no higher than 1.5%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. The employees' compensation and remuneration of directors for the years ended December 31, 2018 and 2017, which have been approved by the Company's board of directors on March 20, 2019 and March 14, 2018, respectively, were as follows:

Accrual rate

	For the Year Ended December 31	
	2018	**2017**
Employees' compensation	1.00%	1.00%
Remuneration of directors	1.50%	1.50%

Amount

	For the Year Ended December 31			
	2018		**2017**	
	Cash	**Shares**	**Cash**	**Shares**
Employees' compensation	$ 80	$ -	$ 4,323	$ -
Remuneration of directors	119	-	6,484	-

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

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

Information on the employees' compensation and remuneration of directors resolved by the Company's board of directors in 2019 and 2018 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

h. Gain or loss on exchange rate changes

	For the Year Ended December 31	
	2018	**2017**
Exchange rate gains	$ 140,569	$ 181,405
Exchange rate losses	(156,464)	(181,469)
	$ (15,895)	$ (64)

27. INCOME TAXES

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	For the Year Ended December 31	
	2018	2017
Current tax		
In respect of the current year	$ 86,720	$ 92,937
Adjustments for prior periods	(24,496)	(7,310)
Consolidated changes	(1,518)	-
	60,706	85,627
Deferred tax		
In respect of the current year	961	(2,200)
Income tax expense recognized in profit or loss	$ 61,667	$ 83,427

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

	Years Ended December 31	
	2018	2017
Profit before tax	$ 203,990	$ 634,655
Income tax expense at the 17% statutory rate	$ 40,798	$ 107,891
Different statutory rate in other jurisdictions	1,710	3,258
Tax effect of adjusting items:		
Nondeductible expenses in determining taxable income	(11,962)	(125,363)
Temporary differences	(22,380)	37,484
Unrecognized temporary differences	(885)	(876)
Additional income tax under the Alternative Minimum Tax Act	-	9,471
Current investment credit	-	(3,306)
Effects of consolidated income tax filing	(47)	(40)
Current income tax expense	7,234	28,519
Deferred income tax expense		
Temporary differences	961	(2,200)
Unrecognized loss carryforwards	77,806	64,418
Adjustments for prior years' tax	(24,496)	(7,310)
Foreign income tax expense	1,680	-
Consolidated changes	(1,518)	-
Income tax expense recognized in profit or loss	$ 61,667	$ 83,427

Based on the Income Tax Act in the ROC, the applicable corporate tax rate used by the Group in 2017 was 17%. In February 2018, the Income Tax Act in the ROC was amended and, starting from 2018, the corporate income tax rate has been adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings has been reduced from 10% to 5%.

As the status of the appropriation of earnings in 2019 is uncertain, the potential income tax consequences of the 2018 unappropriated earnings are not reliably determinable.

b. Current tax assets and liabilities

	December 31 2018	December 31 2017
Current tax assets		
Tax refund receivable (classified as other receivable)	$ 871	$ 3,431
Current tax liabilities		
Income tax payable	$ 56,972	$ 60,946

c. Deferred tax assets and liabilities

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

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

For the year ended December 31, 2018

Deferred Tax Assets	Opening Balance	Recognized in Profit or Loss	Closing Balance
Temporary differences			
Unrealized loss on inventories	$ 19,913	$ (7,811)	$ 12,102
Fixed assets	864	3,199	4,063
Unrealized sales	658	17	675
Exchange (gains) losses	(924)	(79)	(1,003)
Other	10,704	3,713	14,417
	$ 31,215	$ (961)	$ 30,254

For the year ended December 31, 2017

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

d. Deductible temporary differences, unused loss carryforwards and unused investment credits for which no deferred tax assets have been recognized in the consolidated balance sheets

	December 31	
	2018	**2017**
Loss Carryforwards		
Expiry in 2018	$ -	$ 200,391
Expiry in 2019	257,108	257,108
Expiry in 2020	251,700	251,700
Expiry in 2021	551,637	551,637
Expiry in 2022	536,364	536,364
Expiry in 2023	1,467,084	1,486,011
Expiry in 2024	65,199	65,199
Expiry in 2025	49,489	49,489
Expiry in 2026	55,551	139,632
Expiry in 2027	88,194	130,842
Expiry in 2027	132,947	-
Expiry in 2028		
	$ 3,455,273	$ 3,668,373
Deductible temporary differences	$ 177,411	$ 510,560

e. Unused loss carryforwards and tax-exemptions

Loss carryforwards as of December 31, 2018 pertaining to Sunplus:

Unused Amount	Expiry Year
$ 190,618	2019
211,457	2020
322,509	2021
394,894	2022
1,144,831	2023
24,228	2027
$ 2,288,537	

Loss carryforwards as of December 31, 2018 pertaining to Sunplus Venture:

Unused Amount	Expiry Year
$ 30,907	2019
17,891	2020
4,863	2022
92,197	2023
$ 145,858	

Loss carryforwards as of December 31, 2018 pertaining to Lin Shin:

Unused Amount	**Expiry Year**
$ 9,864	2019
39,908	2023
$ 49,772	

Loss carryforwards as of December 31, 2018 pertaining to Sunext:

Unused Amount	**Expiry Year**
$ 120,088	2021
100,760	2022
159,490	2023
31,147	2024
975	2025
2,618	2028
$ 415,078	

Loss carryforwards as of December 31, 2018 pertaining to Sunplus mMedia:

Unused Amount	**Expiry Year**
$ 25,719	2019
22,352	2020
109,040	2021
35,847	2022
30,658	2023
29,360	2024
27,164	2025
11,155	2026
9,369	2027
57,436	2028
$ 358,100	

Loss carryforwards as of December 31, 2018 pertaining to Jumplux:

Unused Amount	**Expiry Year**
$ 4,692	2024
21,350	2025
44,396	2026
54,597	2027
72,893	2028
$ 197,928	

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

Project	Tax Exemption Period
Sunplus	
Fourteenth expansion	January 1, 2015 to December 31, 2019
Fifteenth expansion	January 1, 2015 to December 31, 2019

Income tax assessments

The income tax returns of Sunplus and Sunplus mMobile through 2015 and Generalplus, Sunplus Innovation, Sunext, Sunplus mMedia, Sunplus management Consulting, Wei-Yough, Lin Shih, Sunplus Venture and Jumplus through 2016 had been assessed by the tax authorities.

28. EARNINGS PER SHARE

Unit: NT$ Per Share

	For the Year Ended December 31	
	2018	2017
Basic gain per share	$ 0.01	$ 0.72
Diluted earnings per share	$ 0.01	$ 0.72

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

Net profit for the year

	Years Ended December 31	
	2018	2017
Profit for the year attributable to owners of the Company	$ 5,616	$ 421,458
Effect of potentially dilutive common shares		
Bonuses for employees	-	-
Earnings used in the computation of diluted EPS from continuing operations	$ 5,616	$ 421,458

The weighted average number of common shares outstanding (in thousand shares) is as follows:

	For the Year Ended December 31	
	2018	2017
Weighted average number of common shares used in the computation of basic earnings per shares	588,435	588,435
Effect of dilutive potential common shares:		
Bonuses issued to employees	60	284
Weighted average number of common shares used in the computation of diluted earnings per share	588,495	588,719

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

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 plan on a restricted employee share option plan (ESOP), through which employees would receive 2,400 thousand shares amounting to $24,000 thousand, with no up-front cost and at a par value of $10.00; the Financial Supervisory Commission approved this plan on June 28, 2013.

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

In their meeting on April 18, 2014, the shareholders of Sunplus Innovation Technology Inc. (SITI) approved the second plan of the restricted employee share option plan (ESOP), through which employees would receive 1,400 thousand shares amounting to $14,000 thousand, with no up-front cost and at a par value of $10.00. The shares were issued and granted on April 19, 2014, with the fair value of $6.0599.

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

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

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

The restrictions under the ESOP are as follows:

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

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

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

Information about the Sunplus Innovation's restricted share option plan for the year ended December 31, 2018 and 2017 was as follows:

	Number of Restricted Shares (In Thousands)	
	2018	**2017**
Balance at January 1	-	234
Vested	-	(234)
Balance at December 31	-	-

30. GOVERNMENT GRANTS

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

The total revenue recognized as profit for the years ended December 31, 2018 and 2017 was $1,661 and $1,641 thousand, 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. In addition, iCatch Technology has independently operated its financial activities on July 31, 2018, so the Company assessed it has lost control.

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

	Sunplus Technology Xiamen Xm-plus	**iCatch Technology**
Current assets		
Cash and cash equivalents	$ 187	$ 159,384
Accounts receivables	-	130,898
Inventories	971	205,200
Other receivables	63	5,686
Other current assets	1,009	94,941
Noncurrent assets		
Property, plant and equipment	595	43,007
Intangible assets	77	25,427
Refundable deposits	-	1,674
Deferred income tax - noncurrent	-	1,518

(Continued)

	Sunplus Technology Xiamen Xm-plus	iCatch Technology
Current liabilities		
Trade payables	$ (170)	$ (148,922)
Accrued expenses	-	(28,812)
Other current liabilities	(20,710)	(606)
Accrued pension liabilities	-	(15,533)
Deposits received	-	(33,053)
Contract liabilities	-	(19,637)
Net liabilities disposed of	$ (17,978)	$ 421,172

(Concluded)

b. Gain on disposal of subsidiaries

	Sunplus Technology Xiamen Xm-plus	iCatch Technology
Collection price of investments accounted for using the equity method	$ 9,294	$ 335,164
Disposed of net liabilities (assets)	17,978	(421,172)
Reclassification of net assets and related hedging instruments to accumulated exchange differences on profit (loss) due to loss of control of subsidiaries	(211)	-
Non-controlling interests	-	229,844
Gain on disposals	$ 27,061	$ 143,836

32. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

In June 2017, Sunplus Venture purchased equity from employees of Jumplux Technology Co., Ltd., increasing its controlling interest from 94.29% to 95.00%.

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

In July 2018, Sunplus subscribed for the capital increase in cash of Jumplux Technology Co., Ltd., increasing its controlling interest from 95.00% to 97.08%.

In August 2018, Sunplus Technology (Shanghai) subscribed for the capital increase in cash of Ytrip Technology Co., Ltd., increasing its controlling interest from 83.40% to 90.71%.

From October to December, 2018, Sunplus purchased the equity from the external shareholders of Sunext Technology Co., Ltd. increasing its controlling interest from 74.15% to 91.40%.

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

2018

	Jumplux Technology Co., Ltd.	Ytrip Technology Co., Ltd.	Sunext Technology Co., Ltd.
Cash consideration paid	$ (100,000)	$ (120,150)	$ (31,571)
The proportionate share of the carrying amount of the net assets of the subsidiary transferred to non-controlling interests	96,333	101,403	31,300
Reattribution of other equity to (from) non-controlling interests			
-Exchange differences on translating the financial statements of foreign operations	-	212	-
Differences recognized from equity transactions	$ (3,667)	$ (18,535)	$ (271)

	Jumplux Technology Co., Ltd.	Ytrip Technology Co., Ltd.	Sunext Technology Co., Ltd.	Total
Line items adjusted for equity transactions				
Capital surplus - changes in percentage of ownership interests in subsidiaries	$ (3,667)	$ (18,535)	$ -	$ (22,202)
Capital surplus - difference between consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition				
Retained earnings	-	-	(271)	(271)
	$ (3,667)	$ (18,535)	$ (271)	$ (22,473)

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 for the period ended. The Company had pledged $6,100 thousand time deposits (classified as other noncurrent financial assets) as collateral for the land lease agreements.

Future annual minimum rentals under the leases are as follows:

	December 31	
	2018	2017
Up to 1 year	$ 8,318	$ 8,259
Over 1 year to 5 years	21,079	23,855
Over 5 years	36,576	39,901
	$ 65,973	$ 72,015

Sunplus Innovation

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

The future lease payables are as follows:

	December 31	
	2018	2017
Up to 1 year	$ 5,549	$ 5,489
Over 1 year to 5 years	22,196	-
	$ 27,745	$ 5,489
Refundable deposits	$ 910	$ 910

Generalplus Technology Inc.

Generalplus leases land from Science-Based Industrial Park Administration under renewable agreements expiring in December 2020. The SBIPA has the right to adjust the annual lease amount of $1,532 thousand. Generalplus deposited $3,000 thousand (classified as other noncurrent financial assets) as collateral for the land lease agreements.

Future annual minimum rentals under the leases are as follows:

	December 31	
	2018	2017
Up to 1 year	$ 1,491	$ 1,458
Over 1 year to 5 year	1,491	2,916
	$ 2,982	$ 4,374

The Group as lessor

Sunplus Technology (Shanghai)

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

As of December 31, 2018 and 2017, deposits received under operating leases amounted to $39,899 thousand and $37,439 thousand, respectively.

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

	December 31	
	2018	2017
Up to 1 year	$ 142,129	$ 97,784
Over 1 year to 5 years	133,209	37,218
	$ 275,338	$ 135,002

SunMedia Technology

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

As of December 31, 2018 and 2017, deposits received under operating leases amounted to $7,379 thousand and $6,848 thousand, respectively.

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

	December 31	
	2018	2017
Up to 1 year	$ 84,521	$ 83,978
Over 1 to 5 years	435,290	440,026
Over 5 years	581,826	684,521
	$ 1,101,637	$ 1,208,525

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 values of financial assets and financial liabilities that are not measured at fair value approximate their fair values.

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

1) Fair value hierarchy

December 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Mutual funds	$ 1,356,100	$ -	$ -	$ 1,356,100
Listed shares and emerging market shares	44,183	-	-	44,183
Unlisted shares and emerging market shares	-	-	462,387	462,387
Securities listed in the ROC - CB	28,718	-	-	28,718
Private funds	-	-	160,226	160,226
	$ 1,429,001	$ -	$ 622,613	$ 2,051,614
Financial assets at FVTOCI				
Listed shares and emerging market shares	$ 78,246	$ -	$ -	$ 78,246
Unlisted shares and emerging market shares	17,320	-	110,671	127,991
Private funds	-	-	39,971	39,971
	$ 95,566	$ -	$ 150,642	$ 246,208

December 31, 2017

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

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 Year Ended December 31, 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	15,589	-	15,589
Recognized in other comprehensive income	-	(77,563)	(77,563)
Purchases	276,125	75,212	351,337
Sales	(111,996)	(4,930)	(116,926)
Transfers out of Level 3	-	(13,593)	(13,593)
Effect of exchange rate changes	7	(52)	(45)
Balance at December 31, 2018	$ 622,613	$ 150,642	$ 773,255

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

a) The fair values of unlisted shares and emerging market shares 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.

	December 31	
	2018	2017
Price-to-book ratio	0.66-4.16	0.94-3.37
Price-to-sales ratio	0.69-7.52	1.25-1.38
Discount for lack of marketability	10%-30%	10%-50%

b) The fair values of unlisted shares and emerging market shares 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 unlisted shares and emerging market shares 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.

c. Categories of financial instruments

	December 31	
	2018	**2017**
Financial assets		
Fair value through profit or loss (FVTPL)		
Held for trading	$ -	$ 98,748
Fair value through profit or loss (FVTPL)	2,051,614	-
Loans and receivables (i)	-	5,901,870
Available-for-sale financial assets (ii)	-	2,342,053
Financial assets at amortized cost (iii)	4,549,250	-
Financial assets at fair value through other comprehensive income		
Equity instruments	246,208	-
Financial liabilities		
Measured at amortized cost (iv)	1,276,248	1,822,939

i) The balances included loans and receivables measured at amortized cost, which comprise cash and cash equivalents, note and trade receivables, other financial assets and refundable deposit.

ii) The balance included 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, trade and other receivables and other financial assets. Those reclassified to held-for-sale disposal groups are also included.

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

d. Financial risk management objectives and policies

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

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

1) Market risk

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

a) Foreign currency risk

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

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

The carrying amounts of the Group's foreign currency-denominated monetary assets and monetary liabilities (including those eliminated on consolidation) at the end of the reporting period were refer to Note 38.

Sensitivity analysis

The Group was mainly exposed to the USD and RMB.

The following table details the Company sensitivity to a US$1.00 and RMB1.00 increase and decrease in the New Taiwan dollar (the functional currency) against the relevant foreign currencies. The sensitivity analysis considers the currencies of USD and RMB in circulation, and adjusts the end-of-term conversion to exchange rate change of $1.00. The sensitivity analysis covers cash and cash equivalents, notes and accounts receivable, other receivables, other financial assets, long-term and short-term loans, accounts payable, other accounts payable and deposit margins. A negative number below indicates a decrease in post-tax profit associated with the New Taiwan dollar strengthening $1.00 against USD and RMB. For a $1.00 weakening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on post-tax profit, and the balances below would be positive.

	USD Impact	
	Years Ended December 31	
	2018	**2017**
Profit or loss	$ (9,525)	$ (17,986)

	RMB Impact	
	Years Ended December 31	
	2018	**2017**
Profit or loss	$ (107)	$ (1,159)

b) Interest rate risk

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

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

	December 31	
	2018	**2017**
Fair value interest rate risk		
Financial assets	$ 2,025,410	$ 2,878,159
Financial liabilities	311,215	191,761
Cash flow interest rate risk		
Financial assets	1,367,150	1,566,070
Financial liabilities	250,046	676,493

Sensitivity analysis

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

Had interest rates increased/decreased by 0.125% and all other variables held constant, the Group's post-tax profit for the years ended December 31, 2018 and 2017 would increase/decrease by $1,396 thousand and $1,122 thousand, respectively.

c) Other price risk

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

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

Had the prices of financial assets at FVTPL been 1% higher/lower, post-tax profit for the year ended December 31, 2018 would have increased/decreased by $20,516 thousand, respectively.

Had the prices of financial assets at FVTOCI been 1% higher/lower, post-tax profit for the year ended December 31, 2018 would have increased/decreased by $2,462 thousand, respectively.

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

2) Credit risk

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

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

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

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

The Group's concentration of credit risk of 59% and 61% in total trade receivables as of December 31, 2018 and 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 December 31, 2018 and 2017, the Group had available unutilized overdraft and financing facilities refer to the following instruction.

a) Liquidity and interest risk rate tables

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

December 31, 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
Nonderivative financial liabilities					
Noninterest bearing	$ 274,169	$ 85,001	$ 561,988	$ 38,504	$ 63,523
Variable interest rate liabilities	105	15,000	235,046	-	-
Fixed interest rate liabilities	117,896	-	193,361	7,685	152,292
	$ 392,170	$ 100,001	$ 990,395	$ 46,189	$ 215,815

December 31, 2017

	On Demand or Less than 1 Month	1-3 Months	More than 3 Months to 1 Year	Over 1 Year to 5 Years	5+ Years
Nonderivative financial liabilities					
Noninterest bearing	$ 497,278	$ 383,305	$ 752	$ 39,605	$ -
Variable interest rate liabilities	246	-	175,000	100,000	-
Fixed interest rate liabilities	59,533	-	-	11,090	153,723
	$ 557,057	$ 383,305	$ 175,752	$ 150,695	$ 153,723

b) Financing facilities

	December 31 2018	2017
Unsecured bank overdraft facility		
Amount used	$ 561,504	$ 710,776
Amount unused	4,479,716	4,829,399
	$ 5,041,220	$ 5,540,175

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
Beijing Golden Global View Co., Ltd.	Associate (Note 1)
Xiamen Xm-plus Technology Ltd.	Associate (Note 2)
iCatch Technology, Inc.	Associate (Note 3)
Advanced Vehicle Systems Co., Ltd.	Associate (Note 4)

Note 1： It is an associate of the Company; subsidiary of Global View Co., Ltd.

Note 2： The board of directors of Xiamen Xm-plus Technology Ltd. was re-elected on December 19, 2018. The Company judged that it had lost significant influence on Xiamen Xm-plus Technology Ltd.

Note 3： On July 31, 2018, the Company assessed that it had lost control of iCatch Technology, Inc.; therefore, it is classified as an associate.

Note 4： It is an associate of the company; subsidiary of AutoSys Co., Ltd.

b. Sales of goods

Line Items	Related Party Categories	For the Year Ended December 31 2018	2017
Sales	Associates	$ 51,833	$ 296

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

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

Account Item	Related Party	December 31 2018	2017
Trade receivables	Associates	$ 17,941	$ -
Other trade receivable	Associates	$ 1,358	$ -

There were no guarantees on outstanding receivables from related parties. For the years ended December 31, 2018 and 2017, no impairment loss was recognized for trade receivables from related parties.

d. Other transactions with related parties

Account Item	Related Parties Types	December 31 2018	2017
Refundable deposits	Associates	$ 871	$ 888
Deposits received	Associates	$ 393	$ -
Operating expenses	Associates	$ 4,539	$ 5,017
Non-operating income and expenses	Associates	$ 9,009	$ -

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

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

e. Compensation of key management personnel

	For the Years Ended December 31 2018	2017
Short-term employee benefits	$ 61,183	$ 59,185
Post-employment benefits	1,562	1,515
	$ 62,745	$ 60,700

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

37. PLEDGED OR MORTGAGED ASSETS

The following assets of the Company have been pledged or mortgaged as guarantees for endorsement, loan, purchase quota, leased land and customs clearance:

	December 31	
	2018	**2017**
Buildings, net	$ 615,136	$ 634,538
Pledged time deposits (classified as other financial assets, including current and non-current)	164,518	302,759
	$ 779,654	$ 937,297

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

The Group's group entities' significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between foreign currencies and respective functional currencies were as follows:

December 31, 2018

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 42,724	30.715	$ 1,312,268
CNY	2,388	4.472	10,679
JPY	352	0.278	98
HKD	152	3.921	596
GBP	3	38.880	117
EUR	1	35.200	35
Nonmonetary items			
USD	28	30.715	848
CHF	786	31.190	24,513
Financial liabilities			
Monetary items			
USD	33,199	30.715	1,019,707
CNY	2,281	4.472	10,201

December 31, 2017

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 47,338	29.760	$ 1,408,779
HKD	13,832	3.807	52,658
CNY	5,011	4.565	22,875
JPY	607	0.264	160
GBP	3	40.110	120
EUR	1	35.570	36
Nonmonetary items			
USD	3,000	29.760	89,280
USD	501	30.571	15,316
CHF	510	30.179	15,391
Financial liabilities			
Monetary items			
USD	29,352	29.760	873,516
CNY	3,852	4.565	17,584
EUR			

The foreign currency exchange loss and gain (realized and unrealized) were amounted to $15,895 thousand and $64 thousand for the ended December 31, 2018 and 2017, respectively. Due to the diversity of the functional currencies of the Group, it is unable to disclose foreign currency with significant influence.

39. ADDITIONAL DISCLOSURES

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

1) Financings provided: Table 1 (attached)

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

3) Marketable securities held: Table 3 (attached)

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

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

6) Information on investee: Table 5 (attached)

b. Information on investments in mainland China

1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 6)

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 receiving of services.

Except for Table 1 to Table 6, there's no further information about other significant transactions.

40. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on types of goods provided. Since all products have similar economic characteristics and product selling is centralized, the Group reports information as referring to one segment. Thus, the information of the operating segment is the same as that presented in the accompanying financial statements. That is, the revenue by sub segment and operating results for the years ended December 31, 2018 and 2017 are shown in the accompanying consolidated income statements, and the assets by segment as of December 31, 2018 and 2017 are shown in the accompanying consolidated balance sheets.

a. Segment revenues and results

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

	Segment Revenue For the Year Ended December 31	
	2018	**2017**
IC design	$ 5,663,059	$ 6,419,659
Income from lease of property, plant, and equipment	199,184	216,055
Other income	215,490	184,523
	$ 6,077,733	$ 6,820,237

b. Geographical information

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

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

	Revenue from External Customers		Noncurrent Assets	
	For the Year Ended December 31		For the Year Ended December 31	
	2018	2017	2018	2017
Asia	$4,067,191	$ 4,594,885	$2,192,346	$2,356,138
Taiwan	1,908,470	2,154,290	1,077,848	1,143,198
Others	102,072	71,062	-	-
	$6,077,733	$6,820,237	$3,270,194	$3,499,336

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

c. Information about major customers

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

	For the Year Ended December 31	
	2018	2017
Customer A	$ 763,906	$ 798,635
Customer B	652,318	658,358
Customer C	622,701	1,083,925

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

FINANCINGS PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Lender	Borrower	Financial Statement Account	Related Party	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	$ 40,027	$ -	$ -	3.1971%	Note 1	$ -	Note 2	$ -	-	$ -	$ 135,431 (Note 10)	$ 270,862 (Note 10)
2	Sunplus Technology (Shanghai) Co., Ltd.	Sunplus Technology (Beijing)	Receivables from related parties	Yes	6,900	-	-	1.8%	Note 1	-	Note 3	-	-	-	259,645 (Note 12)	259,645 (Note 12)
2	Sunplus Technology (Shanghai) Co., Ltd.	Sunplus APP Technology	Receivables from related parties	Yes	29,959	25,108	25,108	1.8%	Note 1	-	Note 4	-	-	-	21,637 (Note 11)	43,274 (Note 11)
2	Sunplus Technology (Shanghai) Co., Ltd.	Sun Media Technology Co., Ltd.	Receivables from related parties	Yes	219,120	91,300	91,300	1.8%	Note 1	-	Note 5	-	-	-	259,645 (Note 12)	259,645 (Note 12)
3	Russell Holdings Ltd.	Sun Media Technology Co., Ltd.	Receivables from related parties	Yes	381,320	256,923	256,923	2.35%	Note 1	-	Note 6	-	-	-	463,230 (Note 13)	463,230 (Note 13)
4	Sunplus Venture Capital Co., Ltd.	Sun Media Technology Co., Ltd.	Receivables from related parties	Yes	321,321	230,061	168,561	2.2%	Note 1	-	Note 7	-	-	-	411,427 (Note 14)	411,427 (Note 14)
5	Sunplus Prof-tek Technology (Shenzhen)	Ytrip Technology Co., Ltd.	Receivables from related parties	Yes	1,963	-	-	1.8%	Note 1	-	Note 8	-	-	-	40,850 (Note 15)	81,700 (Note 15)
5	Sunplus Prof-tek Technology (Shenzhen)	Sunplus APP Technology	Receivables from related parties	Yes	41,086	29,673	29,673	1.8%	Note 1	-	Note 9	-	-	-	40,850 (Note 15)	81,700 (Note 15)

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 Ytrip Technology Co., Ltd.

Note 9: Sunplus Prof-tek Technology (Shenzhen) provided funds for the operating needs of Sunplus APP Technology.

Note 10: The foreign company has voting shares that are directly and indirectly wholly owned by the Company's parent company. The total amount of all guarantees issued 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 11: The aggregate amount of all guarantees issued should not exceed 10% of the net equity of Sunplus Technology (Shanghai) Co., Ltd. ("Sunplus Shanghai"), and the individual amount of each guarantee should not exceed 5% of Sunplus Shanghai's net equity, with net equity based on its latest financial statements.

Note 12: The foreign company has voting shares that are directly and indirectly wholly owned by the Company's parent company. The total amount of all guarantees issued and the individual amount of each guarantee should not exceed 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 13: 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 14: 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 15: The total amount of all guarantees issued and the individual amount of each guarantee should not exceed 10% of the net equity of Sunplus Prof-tek Technology (Shenzhen); and the individual amount of each guarantee should not exceed 5% of Sunplus Shanghai's net equity.

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

ENDORSEMENT/GUARANTEE PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 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)	$ 846,594 (Note 5)	$ 160,075	$ -	$ -	$ -	-	$ 1,693,188 (Note 6)	Yes	No	No
		Sun Media Technology Co., Ltd.	3 (Note 4)	846,594 (Note 5)	417,528	417,528	219,960	-	4.93	1,693,188 (Note 6)	Yes	No	Yes
		Ytrip Technology Co., Ltd.	3 (Note 4)	846,594 (Note 5)	121,780	-	-	-	-	1,693,188 (Note 6)	Yes	No	Yes
		Sunext Technology Co., Ltd.	2 (Note 3)	846,594 (Note 5)	20,000	10,000	10,000	-	0.12	1,693,188 (Note 6)	Yes	No	No
1 (Note 2)	Russell Holdings Ltd.	Sun Media Technology Co., Ltd.	3 (Note 4)	347,423 (Note 7)	316,025	156,725	125,380	156,725	27.07	347,423 (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: Russell Holdings Ltd. and the endorsement guaranty object are the parent company which holds 100% voting rights directly or indirectly. For each transaction entity, the guarantee amount should not exceed 60% of the endorsement/guarantee provider's net equity, i.e. Russell Holdings Ltd. provider's latest financial statements.

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
FOR THE YEAR ENDED DECEMBER 31, 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	December 31, 2018				Note
				Shares or Units (In Thousands)	Carrying Amount	Percentage of Ownership (%)	Market Value or Net Asset Value	
Sunplus Technology Company Limited (the "Company")	Nomura Taiwan Money Market	-	Financial assets at fair value through profit or loss - current	616	$ 10,043	-	$ 10,043	Note 3
	Mega RMB Money Market RMB	-	Financial assets at fair value through profit or loss - current	466	24,408	-	24,408	Note 3
	FSITC RMB Money Market TWD	-	Financial assets at fair value through profit or loss - current	5,387	53,267	-	53,267	Note 3
	Yuanta AUD Money Market	-	Financial assets at fair value through profit or loss - current	2,000	18,518	-	18,518	Note 3
	Taishin China-US Money Market	-	Financial assets at fair value through profit or loss - current	3,000	30,287	-	30,287	Note 3
	Yuanta USD Money Market TWD	-	Financial assets at fair value through profit or loss - current	4,396	42,367	-	42,367	Note 3
	Yuanta RMB Money Market CNY	-	Financial assets at fair value through profit or loss - current	470	24,253	-	24,253	Note 3
	Mega Diamond Money Market	-	Financial assets at fair value through profit or loss - current	13,197	165,249	-	165,249	Note 3
	PineBridge Preferred Securities	-	Financial assets at fair value through profit or loss - current	2,946	28,431	-	28,431	Note 3
	UPAMC James Bond Money Market	-	Financial assets at fair value through profit or loss - current	1,851	30,887	-	30,887	Note 3
	Yuanta USD Money Market USD	-	Financial assets at fair value through profit or loss - current	247	78,532	-	78,532	Note 3
	PineBridge Multi-Income	-	Financial assets at fair value through profit or loss - current	3,000	28,955	-	28,955	Note 3
	Jih Sun Money Market	-	Financial assets at fair value through profit or loss - current	3,420	50,589	-	50,589	Note 3
	Prudential Financial RMB Money Market TWD	-	Financial assets at fair value through profit or loss - current	5,810	57,669	-	57,669	Note 3
	Yuanta RMB Money Market TWD	-	Financial assets at fair value through profit or loss - current	1,702	18,039	-	18,039	Note 3
	Pictet-Security RI	-	Financial assets at fair value through profit or loss - non-current	2	61,430	-	61,430	Note 3
	Yuanta Emerging Indonesia and India 4 years Bond Fund	-	Financial assets at fair value through profit or loss - non-current	1,500	14,002	-	14,002	Note 3
	Broadcom Inc.	-	Financial assets at fair value through profit or loss - non-current	-	672	-	672	Note 2
	Triknight Capital Corporation	-	Financial assets at fair value through profit or loss - non-current	21,000	190,050	5	190,050	Note 1

(Continued)

Holding Company Name	Type and Name of Marketable Security	Relationship with the Holding Company	Financial Statement Account	December 31, 2018				Note
				Shares or Units (In Thousands)	Carrying Amount	Percentage of Ownership (%)	Market Value or Net Asset Value	
Sunplus Technology Company Limited (the "Company")	Availink Inc.	-	Financial assets at fair value through other comprehensive income - non-current	9,039	$ 590	-	$ 590	Note 1
	Network Capital Global Fund	-	Financial assets at fair value through other comprehensive income - non-current	380	3,747	7	3,747	Note 1
Lin Shih Investment Co., Ltd.	CTBC Global iSport Fund	-	Financial assets at fair value through profit or loss - current	1,000	9,410	-	9,410	Note 3
	Yuanta Multi-Income	-	Financial assets at fair value through profit or loss - current	3,000	25,680	-	25,680	Note 3
	Paradigm Pion Money Market Fund	-	Financial assets at fair value through profit or loss - current	870	10,042	-	10,042	Note 3
	Ruentex Material Co., Ltd.	-	Financial assets at fair value through profit or loss - current	20	526	-	526	Note 2
	Taiwan Mask Corp.	-	Financial assets at fair value through profit or loss - current	101	1,853	-	1,853	Note 2
	Global Pmx Co., Ltd. - CB	-	Financial assets at fair value through profit or loss - current	200	19,300	-	19,300	Note 2
	Laster Tech Corporation Ltd. - CB	-	Financial assets at fair value through profit or loss - current	15	1,466	-	1,466	Note 2
	Everlight Electronics Co., Ltd. - CB	-	Financial assets at fair value through profit or loss - current	80	7,952	-	7,952	Note 2
	Genius Vision Digital Co., Ltd.	-	Financial assets at fair value through profit or loss - non-current	600	-	4	-	Note 1
	Ortery Technologies, Inc.	-	Financial assets at fair value through profit or loss – non-current	103	-	1	-	Note 1
	Chain Sea Information Integration Co., Ltd.	-	Financial assets at fair value through profit or loss - non-current	69	1,121	-	1,121	Note 1
	Sanjet Technology Corporation	-	Financial assets at fair value through profit or loss - non-current	8	-	-	-	Note 1
	Minton Optic Industry Co., Ltd.	-	Financial assets at fair value through profit or loss - non-current	4,272	-	7	-	Note 1
	Ability Enterprise Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	5,434	78,246	2	78,246	Note 2
	Sunplus Technology Co., Ltd.	Parent company	Financial assets at fair value through other comprehensive income - non-current	3,560	40,050	1	40,050	Note 2
	Lead Sun Corporation	-	Financial assets at fair value through other comprehensive income - non-current	1,000	30,756	-	30,756	Note 1
	Prine Rich International Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	33	3,380	-	3,380	Note 1
Russell Holdings Limited	Synerchip Inc.	-	Financial assets at fair value through profit or loss - non-current	6,452	-	12	-	Note 1
	OZ Optics Limited	-	Financial assets at fair value through profit or loss - non-current	1,000	-	8	-	Note 1

(Continued)

Holding Company Name	Type and Name of Marketable Security	Relationship with the Holding Company	Financial Statement Account	December 31, 2018				Note
				Shares or Units (In Thousands)	Carrying Amount	Percentage of Ownership (%)	Market Value or Net Asset Value	
Russell Holdings Limited	Ortega InfoSystem, Inc.	-	Financial assets at fair value through profit or loss - non-current	2,557	$ -	-	$ -	Note 1
	Innobrige International Inc.	-	Financial assets at fair value through profit or loss - non-current	4,000	-	15	-	Note 1
	Ether Precision Inc.	-	Financial assets at fair value through profit or loss - non-current	1,250	-	1	-	Note 1
	Asia Tech Taiwan Venture, L.P.	-	Financial assets at fair value through profit or loss - non-current	-	-	5	-	Note 1
	Asia B2B on Line Inc.	-	Financial assets at fair value through profit or loss - non-current	1,000	-	3	-	Note 1
	AMED Ventures I, L.P.	-	Financial assets at fair value through profit or loss - non-current	-	6,143	-	6,143	Note 1
	Availink Inc.	-	Financial assets at fair value through other comprehensive income	9,920	31,280	8	31,280	Note 1
	GeneOne Diagnostics Corporation	-	Financial assets at fair value through other comprehensive income - non-current	1,710	21,113	-	21,113	Note 1
	Intudo Ventures II, L.P.	-	Financial assets at fair value through other comprehensive income - non-current	-	9,215	-	9,215	Note 1
Sunplus Venture Capital Co., Ltd.	Taiwan Mask Corp.	-	Financial assets at fair value through profit or loss - current	108	1,982	-	1,982	Note 2
	Fubon Financial Holding Co., Ltd.	-	Financial assets at fair value through profit or loss - current	1,900	47,937	-	47,937	Note 2
	Cathay China A50	-	Financial assets at fair value through profit or loss - current	2,900	47,995	-	47,995	Note 2
	Cyberon Corporation	-	Financial assets at fair value through profit or loss - non-current	786	28,820	8	28,820	Note 1
	Grand Fortune Venture Capital Co., Ltd.	-	Financial assets at fair value through profit or loss - non-current	5,000	54,500	7	54,500	Note 1
	Ortery Technologies, Inc.	-	Financial assets at fair value through profit or loss - non-current	68	-	1	-	Note 1
	Book4u Company Limited	-	Financial assets at fair value through profit or loss - non-current	9	-	-	-	Note 1
	Sanjet Technology Corp.	-	Financial assets at fair value through profit or loss - non-current	49	-	-	-	Note 1
	Simple Act Inc.	-	Financial assets at fair value through profit or loss - non-current	1,900	-	10	-	Note 1
	Information Technology Total Services	-	Financial assets at fair value through profit or loss - non-current	51	-	-	-	Note 1
	Minton Optic Industry Co., Ltd.	-	Financial assets at fair value through profit or loss - non-current	5,000	-	8	-	Note 1
	Raynergy Tek Inc.	-	Financial assets at fair value through profit or loss - non-current	4,500	64,890	16	64,890	Note 1
	Genius Vision Digital	-	Financial assets at fair value through profit or loss - non-current	750	-	5	-	Note 1
	CDIB Capital Growth Partners L.P.	-	Financial assets at fair value through profit or loss - non-current	-	36,970	2	36,970	Note 1

(Continued)

Holding Company Name	Type and Name of Marketable Security	Relationship with the Holding Company	Financial Statement Account	December 31, 2018				Note
				Shares or Units (In Thousands)	Carrying Amount	Percentage of Ownership (%)	Market Value or Net Asset Value	
Sunplus Venture Capital Co., Ltd.	VenGlobal International Fund	-	Financial assets at fair value through profit or loss - non-current	1	$ -	-	$ -	Note 1
	TIEF Fund LP	-	Financial assets at fair value through profit or loss - non-current	-	43,742	7	43,742	Note 1
	San Neng Group Holding Co., Ltd.	-	Financial assets at fair value through profit or loss - non-current	900	39,150	2	39,150	Note 2
	Intudo Ventures I, L.P.	-	Financial assets at fair value through profit or loss - non-current	-	29,663	8	29,663	Note 1
	eWave System, Inc.	-	Financial assets at fair value through profit or loss - non-current	1,833	-	22	-	Note 1
	Feature Integration Technology Inc.	-	Financial assets at fair value through other comprehensive income - non-current	1,386	17,320	4	17,320	Note 2
	Qun-Kin Venture Capital	-	Financial assets at fair value through other comprehensive income - non-current	3,000	25,200	6	25,200	Note 1
Sunplus Technology (Shanghai) Co., Ltd.	GF B Type Money Market Fund	-	Financial assets at fair value through profit or loss - current	6,400	29,162	-	29,162	Note 3
	GF Every Day The Red Haired Type Money Market Fund B		Financial assets at fair value through profit or loss - current	5,700	25,587	-	25,587	Note 3
	Chongqing CYIT Communication Technology Co., Ltd.	-	Financial assets at fair value through profit or loss - non-current	-	-	3	-	Note 1
	Ready Sun Investment Group Fund	-	Financial assets at fair value through profit or loss - non-current	-	43,708	16	43,708	Note 1
	Xiamen Xm-plus Technology Ltd.		Financial assets at fair value through profit or loss - non-current	-	8,076	4	8,076	Note 1
Generalplus Technology Inc.	Franklin Templeton SinoAm Money Market	-	Financial assets at fair value through profit or loss - current	5,721	59,048	-	59,048	Note 3
	Yuanta De-Li Money Market Fund	-	Financial assets at fair value through profit or loss - current	2,601	42,347	-	42,347	Note 3
Sunplus Innovation Technology Inc.	Mega Diamond Money Market	-	Financial assets at fair value through profit or loss - current	810	10,143	-	10,143	Note 3
	Yuanta USD Money Market USD	-	Financial assets at fair value through profit or loss - current	150	47,512	-	47,512	Note 3
	Yuanta RMB Money Market	-	Financial assets at fair value through profit or loss - current	3,679	38,982	-	38,982	Note 3
	Yuanta USD Money Market TWD	-	Financial assets at fair value through profit or loss - current	6,712	64,694	-	64,694	Note 3
	Fuh Hwa You Li Money Market	-	Financial assets at fair value through profit or loss - current	2,235	30,072	-	30,072	Note 3
	Yuanta De-Li Money Market	-	Financial assets at fair value through profit or loss - current	4,333	70,553	-	70,553	Note 3
	Yuanta De-Bao Money Market	-	Financial assets at fair value through profit or loss - current	5,000	60,010	-	60,010	Note 3
	Advanced Silicon SA	-	Financial assets at fair value through other comprehensive income - non-current	1,000	24,513	10	24,513	Note 1

(Continued)

Holding Company Name	Type and Name of Marketable Security	Relationship with the Holding Company	Financial Statement Account	December 31, 2018				Note
				Shares or Units (In Thousands)	Carrying Amount	Percentage of Ownership (%)	Market Value or Net Asset Value	
Sunplus Innovation Technology Inc.	Advanced NuMicro System, Inc.	-	Financial assets at fair value through other comprehensive income - non-current	2,000	$ 848	8	$ 848	Note 1
	Point Grab Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	182	-	1	-	Note 1
Magic Sky Limited	GTA Co., Ltd. - CB	-	Financial assets at fair value through profit or loss - non-current	-	82,623	-	82,623	Note 1
Giant Rock Inc.	Xiamen Xm-plus Technology Ltd.		Financial assets at fair value through profit or loss - non-current	-	32,306	15	32,306	Note 1

Note 1: The market value was based on the carrying amount as of December 31, 2018.

Note 2: The market value was based on the closing price as of December 31, 2018.

Note 3: The market value was based on the net asset value of the fund as of December 31, 2018.

Note 4: The exchange rate was based on the exchange rate as of December 31, 2018.

(Concluded)

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Counterparty	Flow of Transaction (Note 5)	Intercompany Transactions			
			Financial Statement Account Item	Amount	Terms	Percentage of Consolidated Total Gross Sales or Total Assets
Sunplus Technology Co., Ltd. (the "Company")	Generalplus Technology Inc.	1	Sales	$ 3,105	Note 1	0.05%
			Nonoperating income and gains	137	Note 2	-
			Notes and trade receivables	375	Note 1	-
	Sunext Technology Co., Ltd.	1	Sales	1,500	Note 1	0.02%
			Nonoperating income and gains	10,580	Notes 2 and 4	0.17%
			Notes and trade receivables	187	Note 1	-
			Other receivables	1,226	Note 3	0.01%
	Sunplus Innovation Technology Inc.	1	Sales	427	Note 1	0.01%
			Nonoperating income and gains	3,828	Note 2	0.06%
			Notes and trade receivables	78	Note 1	-
			Other receivables	642	Note 3	0.01%
	iCatch Technology, Inc.	1	Sales	4,843	Note 1	0.08%
			Nonoperating income and gains	8,601	Notes 2 and 4	0.14%
	Jumplux Technology Co., Ltd.	1	Sales	6,857	Note 1	0.11%
			Nonoperating income and gains	13,111	Notes 2 and 4	0.22%
			Notes and trade receivables	1,407	Note 1	0.01%
			Other receivables	2,084	Note 3	0.02%
	Sunplus mMedia Inc.	1	Nonoperating income and gains	8,250	Notes 2 and 4	0.14%
			Other receivables	1,388	Note 3	0.01%
			Sales	2,728	Note 1	0.04%
Sunplus Innovation Technology Inc.	Sun Media Technology Co., Ltd.	2	Accrued expenses	608	Note 3	0.01%
			Marketing expenses	2,688	Note 2	0.04%
	Sunplus Prof-tek (Shenzhen) Co., Ltd.	2	Accrued expenses	5,370	Note 3	0.05%
			Marketing expenses	23,271	Note 2	0.38%
Generalplus Technology Inc.	Generalplus Technology (Hong Kong) Inc.	2	Marketing expenses	11,087	Note 2	0.18%
			Other accrued expenses	2,322	Note 3	0.01%
	Generalplus Technology (Shenzhen) Inc.	2	Sales	2,211	Note 2	0.03%
			Research and development expenses	94,261	Note 2	1.55%
			Notes and trade receivables	1,505	Note 3	0.01%
			Other accrued expenses	43,030	Note 3	0.36%
	Sunplus Innovation Technology Inc.	2	Sales	80	Note 1	-
iCatch Technology, Inc.	Sunplus Prof-tek (Shenzhen) Co., Ltd.	2	Marketing expenses	7,821	Note 2	0.13%
	Sun Media Technology Co., Ltd.	2	Marketing expenses	17,597	Note 2	0.29%
Sunext Technology Co., Ltd.	Sunplus Technology (Beijing)	2	Accrued expenses	25	Note 3	-
			Research and development expenses	26	Note 2	-

(Continued)

Company Name	Counterparty	Flow of Transaction (Note 5)	Intercompany Transactions			
			Financial Statement Account Item	Amount	Terms	Percentage of Consolidated Total Gross Sales or Total Assets
Sunplus Technology (Shanghai) Co., Ltd.	SunMedia Technology Co., Ltd.	2	Other receivables	$ 89,440	Note 3	0.75%
			Other payable	345	Note 3	-
			Nonoperating income and gains	2,161	Note 2	0.04%
			Research and development expenses	319	Note 3	0.01%
	Sunplus App Technology	2	Nonoperating income and gains	399	Note 2	0.01%
			Other receivables	24,596	Note 3	0.21%
	Sunplus Technology (Beijing)	2	Research and development expenses	477	Note 2	0.01%
			Nonoperating income and gains	33	Note 2	-
	Jumplux Technology Co., Ltd.	2	Account receivables	125	Note 2	-
			Sales	320	Note 1	0.01%
Jumplux Technology Co., Ltd.	Sunplus Technology (Beijing)	2	Other accrued expenses	4,084	Note 3	0.03%
			Research and development expenses	5,323	Note 2	0.09%
Sunplus Venture	Sun Media Technology Co., Ltd.	2	Nonoperating income and gains	3,816	Note 2	0.06%
			Other receivables	172,133	Note 3	1.44%
Ventureplus Cayman Inc.	Sun Media Technology Co., Ltd.	2	Nonoperating income and gains	307	Note 2	0.01%
Russell Holdings Ltd.	Sun Media Technology Co., Ltd.	2	Other receivables	261,358	Note 3	2.19%
			Nonoperating income and gains	5,180	Note 2	0.09%
SunMedia Technology Co., Ltd.	Sunplus App Technology	2	Research and development expenses	210	Note 2	-
	Sunplus Technology (Beijing)	2	Management expenses	65	Note 2	-
			Accounts payable	64	Note 1	-
Ytrip Technology Co., Ltd.	1culture Communication Co., Ltd.	2	Sales	510	Note 1	0.01%
			Management expenses	31	Note 2	-
Sunplus Technology (Beijing)	Xinamen Xm-plus Technology Ltd.	2	Sales	427	Note 2	0.01%
Sunplus Prof-tek (Shenzhen) Co., Ltd.	Ytrip Technology Co., Ltd.	2	Nonoperating income and gains	3	Note 2	-
			Other receivables	29,068	Note 3	0.24%
	Sunplus App Technology	2	Nonoperating income and gains	272	Note 2	-

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

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

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

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

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

(Concluded)

TABLE 5

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCES
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2018			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				December 31, 2018	December 31, 2017	Shares (Thousands)	Percentage of Ownership (%)	Carrying Amount			
Sunplus Technology Company Limited	Ventureplus Group Inc.	Belize	Investment	$ 2,460,981 (US$ 74,605 RMB 37,900)	$ 2,451,767 (US$ 74,305 RMB 37,900)	-	100	$ 1,354,351	$ (79,793)	$ (79,793)	Subsidiary
	Award Glory Ltd.	Belize	Investment	62,720 (US$ 2,042)	23,712 (US$ 772)	-	100	33,116	(7,932)	(7,932)	Subsidiary
	GLOBAL VIEW CO., LTD.	Hsinchu, Taiwan	Consumer electronics, components and rental of buildings	315,658	315,658	8,229	13	307,106	82,960	10,837	Investee
	Lin Shih Investment Co., Ltd.	Hsinchu, Taiwan	Investment	699,988	699,988	70,000	100	750,558	64,080	61,556	Subsidiary
	Generalplus Technology Inc.	Hsinchu, Taiwan	Design of ICs	281,001	281,001	37,324	34	704,549	284,344	97,531	Subsidiary
	Sunplus Venture Capital Co., Ltd.	Hsinchu, Taiwan	Investment	999,982	999,982	100,000	100	1,028,567	55,005	55,005	Subsidiary
	Sunplus Innovation Technology Inc.	Hsinchu, Taiwan	Design of ICs	414,663	414,663	31,450	61	523,083	60,709	37,109	Subsidiary
	Russell Holdings Limited	Cayman Islands, British West Indies	Investment	757,432 (US$ 24,660)	739,003 (US$ 24,060)	24,660	100	579,038	1,965	1,965	Subsidiary
	iCatch Technology, Inc.	Hsinchu, Taiwan	Design of ICs	207,345	207,345	20,735	30	289,419	(103,184)	(28,936)	Investee
	Sunext Technology Co., Ltd.	Hsinchu, Taiwan	Design of ICs	924,730	924,730	58,050	91	174,391	1,808	2,746	Subsidiary
	Sunplus mMedia Inc.	Hsinchu, Taiwan	Design of ICs	357,565	357,565	22,441	90	46,128	(1,647)	(58,822)	Subsidiary
	Sunplus Management Consulting Inc.	Hsinchu, Taiwan	Management	5,000	5,000	500	100	3,910	(41)	(41)	Subsidiary
	Sunplus Technology (H.K.) Co., Ltd.	Kowloon Bay, Hong Kong	International trade	43,425 (HK$ 11,075)	43,425 (HK$ 11,075)	11,075	100	39	-	-	Subsidiary
	Magic Sky Limited	Samoa	Investment	308,133 (US$ 10,032)	305,921 (US$ 9,960)	-	100	82,747	(14,459)	(14,459)	Subsidiary
	Sunplus mMobile Inc.	Hsinchu, Taiwan	Design of ICs	2,596,792	2,596,792	16,240	100	29,785	(417)	(417)	Subsidiary
	Wei-Young Investment Inc.	Hsinchu, Taiwan	Investment	70,157	30,157	5,400	100	56,947	2,338	2,339	Subsidiary
	Jumplux Technology Co., Ltd.	Hsinchu, Taiwan	Design of ICs	132,000	-	13,200	55	17,475	(73,126)	(17,085)	Subsidiary
Lin Shih Investment Co., Ltd.	Generalplus Technology Inc.	Hsinchu, Taiwan	Design of ICs	86,256	86,256	14,892	14	282,537	284,344	38,915	Subsidiary
	Sunext Technology Co., Ltd.	Hsinchu, Taiwan	Design of ICs	-	369,316	-	-	-	1,808	54	Subsidiary
	Sunplus Innovation Technology Inc.	Hsinchu, Taiwan	Design of ICs	15,701	15,701	1,075	2	15,662	60,709	1,268	Subsidiary
	iCatch Technology, Inc.	Hsinchu, Taiwan	Design of ICs	9,645	9,645	965	1	13,793	(103,184)	(1,016)	Investee
	Sunplus mMedia Inc.	Hsinchu, Taiwan	Design of ICs	19,408	19,408	650	3	6,000	(1,647)	(2,186)	Investee
Sunplus Venture Capital Co., Ltd.	Jumplux Technology Co., Ltd.	Hsinchu, Taiwan	Design of ICs	101,000	101,000	10,100	42	13,370	(73,126)	(43,067)	Subsidiary
	Sunplus Innovation Technology Inc.	Hsinchu, Taiwan	Design of ICs	57,388	57,388	2,904	6	49,298	60,709	3,426	Subsidiary
	iCatch Technology, Inc.	Hsinchu, Taiwan	Design of ICs	33,439	33,439	3,332	5	47,647	(103,184)	(3,510)	Investee
	Sunext Technology Co., Ltd.	Hsinchu, Taiwan	Design of ICs	-	385,709	-	-	-	1,808	128	Subsidiary
	Sunplus mMedia Inc.	Hsinchu, Taiwan	Design of ICs	44,878	44,878	1,909	8	2,371	(1,647)	(6,419)	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 of ICs	- (US$ -)	65,085 (US$ 2,119)	-	-	-	1,808	11 (US$ -)	Subsidiary
	Autosys Co., Ltd.	Cayman Islands, British west Indies	Investment	76,788 (US$ 2,500)	-	5,000	19	71,254	(14,214)	(4,738)	Investee
Wei-Young Investment Inc.	Sunext Technology Co., Ltd.	Hsinchu, Taiwan	Design of ICs	-	350	-	-	-	1,808	2	Subsidiary
Ventureplus Group Inc.	Ventureplus Mauritius Inc.	Mauritius	Investment	2,460,981 (US$ 74,605 RMB 37,900)	2,451,767 (US$ 74,305 RMB 37,900)	-	100	1,354,332	(79,794)	(79,794)	Subsidiary
Ventureplus Mauritius Inc.	Ventureplus Cayman Inc.	Cayman Islands, British West Indies	Investment	2,460,981 (US$ 74,605 RMB 37,900)	2,460,981 (US$ 74,305 RMB 37,900)	-	100	1,354,309	(79,795)	(79,795)	Subsidiary
Generalplus Technology Inc.	Generalplus International (Samoa) Inc.	Samoa	Investment	586,349 (US$ 19,090)	586,349 (US$ 19,090)	19,090	100	480,817	14,211	14,211	Subsidiary
Generalplus International (Samoa) Inc.	Generalplus (Mauritius) Inc.	Mauritius	Investment	586,349 (US$ 19,090)	586,349 (US$ 19,090)	19,090	100	480,815	14,211	14,211	Subsidiary

(Continued)

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2018			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				December 31, 2018	December 31, 2017	Shares (Thousands)	Percentage of Ownership (%)	Carrying Amount			
Generalplus (Mauritius) Inc.	Generalplus Technology (Hong Kong) Inc.	Hong Kong	Sales	$ 11,979 (US$ 390)	$ 11,979 (US$ 390)	390	100	$ 5,253	$ (462)	$ (462)	Subsidiary
Sunplus mMedia Inc.	Jumplux Technology Co., Ltd.	Hsinchu, Taiwan	Design of ICs	-	32,000	-	-	-	(48,781)	(10,034)	Subsidiary
Award Glory Ltd.	Sunny Fancy Ltd.	Seychelles	Investment	62,720 (US$ 2,042)	23,712 (US$ 772)	-	100	33,116	(7,932)	(7,932)	Subsidiary
Sunny Fancy Ltd.	Giant Kingdom Ltd.	Seychelles	Investment	23,712 (US$ 772)	23,712 (US$ 772)	-	100	811	(3,121)	(3,121)	Subsidiary
	Giant Rock Inc.	Anguilla	Investment	39,008 (US$ 1,270)	- (US$ -)	-	100	32,306	(4,812)	(4,812)	Subsidiary

Note 1: The initial exchange rate was based on the exchange rate as of December 31, 2018.

(Concluded)

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2018	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2018	% Ownership of Direct or Indirect Investment	Net Income (Loss) of the investee	Investment Loss	Carrying Amount as of December 31, 2018	Accumulated Inward Remittance of Earnings as of December 31, 2018
					Outflow	Inflow						
Sunplus Technology (Shanghai) Co., Ltd.	Development of computer software, system integration services and building rental services	$ 528,298 (US$ 17,200)	Note 1	$ 542,273 (US$ 17,665)	$ -	$ -	$ 542,273 (US$ 17,655)	100%	$ 39,671	$ 39,671	$ 432,741	$ -
Sunplus Prof-tek (Shenzhen) Co., Ltd.	Development of computer software, system integration services, building rental services and property management	990,559 (US$ 32,250)	Note 1	990,559 (US$ 32,250)	-	-	990,559 (US$ 32,250)	100%	(3,070)	(3,070)	817,000	-
Sun Media Technology Co., Ltd.	Development of computer software, system integration services and building rental services	614,300 (US$ 20,000)	Note 1	614,300 (US$ 20,000)	-	-	614,300 (US$ 20,000)	100%	(80,976)	(80,976)	102,178	-
Sunplus App Technology Co., Ltd.	Manufacturing and sale of computer software, system integration services and information management and education	67,080 (RMB 15,000)	Note 1	62,719 (US$ 586 RMB 10,000)	-	-	62,719 (US$ 586 RMB 10,000)	93%	(23,514)	(21,947)	(53,034)	-
Ytrip Technology Co., Ltd.	Computer system integration services, supply of general advertising and other information services	273,910 (RMB 61,250)	Note 1	138,555 (US$ 4,511)	-	-	138,555 (US$ 4,511)	91%	(25,374)	(21,852)	(1,026)	-
Sunplus Technology (Beijing)	Development of computer software, system integration services and building rental services	120,744 (RMB 27,000)	Note 1	120,744 (RMB 27,000)	-	-	120,744 (RMB 27,000)	100%	1,041	1,041	48,076	-
1culture Communication Co., Ltd.	System development	14,534 (RMB 3,250)	Note 3	-	-	-	-	100%	18	11	112	-
Xiamen Xm-plus Technology Ltd.	Development of computer software, system integration services and building rental services	232,544 (RMB 52,000)	Note 1	-	39,008 (US$ 1,270)	-	39,008 (US$ 1,270)	19%	(65,610)	(32,089)	-	-

Accumulated Investment in Mainland China as of December 31, 2018	Investment Amounts Authorized by Investment Commission, MOEA	Limit on Investment
$ 2,508,158 (US$ 76,272 and RMB 37,000)	$ 2,580,950 (US$ 75,002 and RMB 62,000)	$ 5,079,565

Sunplus Venture Capital Co., Ltd.

Accumulated Investment in Mainland China as of December 31, 2018	Investment Amounts Authorized by Investment Commission, MOEA	Limit on Investment
$ 38,701 (US$ 1,260)	$ 38,701 (US$ 1,260)	$ 617,140

(Continued)

Generalplus Technology Inc. (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 December 31, 2018	% Ownership of Direct or Indirect Investment	Net Loss of the investee	Investment Loss (Note 2)	Carrying Amount as of December 31, 2018	Accumulated Inward Remittance of Earnings as of December 31, 2018
					Outflow	Inflow						
Generalplus Shenzhen	IC product development, after sales service and market research	$ 574,371 (US$ 18,700)	Note 1	$ 574,371 (US$ 18,700)	$ -	$ -	$ 574,371 (US$ 18,700)	100%	$ 14,673	$ 14,673	$ 475,542	$ -

Accumulated Investment in Mainland China as of December 31, 2018	Investment Amount Authorized by Investment Commission, MOEA	Limit on Investment
$ 574,371 (US$ 18,700)	$ 574,371 (US$ 18,700)	$ 1,250,480

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

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

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

Note 4: The initial exchange rate was based on the exchange rate as of December 31, 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 YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Transaction Type	Research and Development Expense		Price	Transaction Details		Other Payable To Related Parties		Unrealized (Gain) Loss	Note
		Amount	%		Payment Term	Comparison with Market Transactions	Ending Balance	%		
Generalplus Technology (Shenzhen) Corp.	Development and processing services	$ 94,261	19.18%	Based on contract	Based on contract	Not comparable with market transactions	$ 43,030	94.88	$ -	NA