



**SUNPLUS TECHNOLOGY CO., LTD.**  
**2017 ANNUAL GENERAL SHAREHOLDERS' MEETING**

**MEETING AGENDA**

*(Translation in English—Original in Chinese)*

Date: June 13, 2017

Place: Newton Palace, Science Park Life Hub,  
No.1, Industrial East Road 2, Hsinchu Science Park, Taiwan 300

*Please Read the Following Notice Before Using the Meeting Agenda*

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

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

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

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

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**Sunplus Technology Co., Ltd.**  
**2017 Annual General Shareholders' Meeting**  
**Meeting Procedure**

- I. Meeting Announcement
- II. Chairman's Address
- III. Report Items
- IV. Recognition Items
- V. Discussion Items
- VI. Extemporaneous Motions
- VII. Meeting Adjourned

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**Sunplus Technology Co., Ltd.**  
**2017 Annual General Shareholders' Meeting**  
**Meeting Agenda**

- I. Time: 9:00a.m., June 13, 2017 (Tuesday)
- II. Place: Newton Palace, Science Park Life Hub  
No.1, Industrial East Road 2, Hsinchu Science Park, Taiwan 300  
(Hsinchu Science Industrial Park Science and Technology Living Museum)
- III. Chairman: Chou-Chye Huang, Chairman of the Board of Directors
- IV. Chairman's Address
- V. Report Items
  - (1) 2016 Business Report
  - (2) Report by Audit Committee
  - (3) Remuneration to Directors and Employee Bonus in 2016
  - (4) Revision of the Company's Report on Procedures and Conduct of Honest Operations
  - (5) Report on the Code of Conduct for Directors and Managers of the Company
  - (6) Report on the Code The Company's Corporate Social Responsibility Practice Code
- VI. Recognition Items
  - (1) 2016 Annual Business Report and Financial Statements
  - (2) Report by Audit Committee
  - (3) Execution of Buy Back Program
  - (4) 2016 The company's surplus distribution
- VII. Discussion Items
  - (1) For the allocation of capital reserve cash
  - (2) Amendments to the company's acquisition or disposal of asset handling procedures
  - (3) Amendments to the Endorsement of Operational Procedures of the company
  - (4) To Lift the Ban on Directors against Joining Competitors
- VIII. Extemporary Motions
- IX. Meeting Adjourned

## **REPORT ITEMS**

### **(1) 2016 Business Report**

#### **Explanatory Notes:**

The Business Report is attached hereto as ANNEX 1 (See pages 07 to 10 for details).

### **(2) Report by Audit Committee**

#### **Explanatory Notes:**

The Report by Audit Committee is attached hereto as ANNEX 2 (See pages 11 for details).

### **(3) Remuneration to Directors and Employee Bonus in 2016**

#### **Explanatory Notes:**

- (1) According to the Company's "Payroll Committee Rules" and "Articles of Association" provisions.
- (2) 2016 The BOD proposed NT\$1,241,806 for employee compensation and NT\$1,862,708 for Board of directors, all paid in cash.

### **(4) Revision of the Company's Report on Procedures and Conduct of Honest Operations**

#### **Explanatory Notes:**

Pursuant to the Reference Examples and the Management Requirements of the Company in accordance with the Guidance on Procedures and Conduct of Integrity Management Practices, We hereby revise the relevant provisions of the Company's Business Procedures and Conduct Guidelines for Integrity Management, for details, please refer to ANNEX 3 of this manual (see pages 12 to 17 for details).

### **(5) Revision of the Company's Code of Conduct for Directors and Managers**

#### **Explanatory Notes:**

According to Article 6 of the Guidelines on the Establishment of Internal Control System for Public Offering Companies, consolidated "Code of Conduct for Directors' Manager", please refer to Annex 4 of this manual (see pages 18 to 19).

### **(6) Revision of the Corporate Social Responsibility Practice Code**

#### **Explanatory Notes:**

According to the Securities and Futures Commission, "the preparation and declaration of corporate social responsibility report of listed companies operating methods", the Company intends to follow the Code of Practice for Corporate Social Responsibility, please refer to Annex 5 of this manual (see pages 20 to 25).

## RECOGNITION ITEMS

### (1) To Accept 2016 Business Report and Financial Statements

(Proposed by the Board of Directors)

#### Explanatory Notes:

1. Sunplus' 2016 Financial Statements were audited by independent auditors of Deloitte & Touche and the Company's audit committee and approved by Board Meeting on 2017/03/15.
2. The 2016 Business Report, the Independent Auditors' Report and Financial Statements are attached hereto as ANNEX 1 (see pages 07 to 10) and ANNEX 6 to 15 (see pages 26 to 45).

#### Resolution:

### (2) To Accept the 2016 Distribution of Earning

(Proposed by the Board of Directors)

#### Explanatory Notes:

1. The Company reduced its retained earnings by \$19,252,076 due to the use of the equity method, The recognition of the benefit plan is recognized as a decrease of \$ 6,518,181 in retained earnings, Adjusted accumulated losses of NT \$ 20,448,963.
2. Earnings distribution of the Company, in addition to compensate for loss of NT\$20,448,963, the statutory surplus reserve of NT\$9,973,801 and the special surplus reserve of NT\$1,067,998, it is proposed to allocate a surplus of \$0.1498 per ordinary share dividend for the year 2016, total NT\$88,680,839, cash dividends are paid to Yuan (rounding down), the total amount of its abnormal dollars included in the company's other income. The remaining undistributed surplus is NT\$15,370, which is retained in subsequent years.
3. After the adoption of the resolution of this (106) annual general meeting, It is proposed that the chairman of the board of directors should be appointed to set aside the basis for the date of interest.
4. The Company has affected the number of outstanding shares as a result of changes in share capital, so that the shareholders of the interest rate so changes, intends to authorize the Chairman to adjust.
5. 2016 annual surplus distribution table, please refer to Appendix 16 of this manual (see page 46 for details).

#### Resolution:



## DISCUSSION ITEMS

### **(1) Adoption of Additional Paid In Capital for Cash dividend distribution, drew approval**

(Proposed by the Board of Directors)

#### **Explanatory Notes:**

1. The capital reserve of the Company is NT\$207,316,621 in excess of the amount of the issued shares, Shareholding of the shareholders of the Company on the basis of capital reserve, each shareholder will be entitled to receive a cash dividend of NT\$0.3502 per share.
2. The ex-dividend date will be determined by Chairman after the shareholders meeting 2017 approve the distribution of 2016 earnings.
3. If the capital and outstanding shares change afterward, the Chairman is authorized by the shareholders' meeting to adjust the payout.

#### **Resolution:**

### **(2) Amendment to the Operational procedures for Acquisition and Disposal of Assets, drew approval**

(Proposed by the Board of Directors)

#### **Explanatory Notes:**

According to the FSC on February 9, 2006 gold tube issued by the letter 1060001296 letter. To amend the relevant provisions of the Company to acquire or dispose of the asset processing procedures. Please refer to ANNEX 17 of this manual for revised tables (See pages 47 to 51 for details), attention shareholders approved.

#### **Resolution:**

### **(3) Amendment to the Operational procedures for Endorsement to ensure, drew approval**

(Proposed by the Board of Directors)

#### **Explanatory Notes:**

In line with the company's actual operating needs, and revise the relevant provisions of the Company's Endorsement Warranty Procedures, Please refer to ANNEX 18 of this manual for revised tables (See pages 52 for details)

#### **Resolution:**

### **(4) To Lift the Ban on Directors against Joining Competitors**

(Proposed by the Board of Directors)

#### **Explanatory Notes:**

1. In accordance with the Article 209 of the "Company Act", "a director who does anything for himself or on behalf of another person that is within the scope of the company's business, shall explain to the meeting of shareholders the essential contents of such an act and secure its approval. "
2. The board of directors proposed to lift the ban against joining competitors to those newly elected directors because of necessary business operations. The detail list was attached hereto as ANNEX 19 of this manual (see page 53)

**EXTEMPORARY MOTIONS**

**MEETING ADJOURNED**

## BUSINESS REPORT

### 2016 Business Results

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

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

The interest attributable to associates and joint ventures recognized by the equity method in 2016 was reduced from NT\$254 million in 2015 to NT\$366 million in 2016, while net operating income decreased from NT\$371 million in 2015 to NT\$130 million in 2016. The net income in 2016 were NT\$273 million which decline 67.1% compared to NT\$828million in 2015. The net profit attributable to owner of the Company were NT\$120 million which decline 79.61% compared to NT\$589 million in 2015.

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

### PRODUCTS R&D, TECHNOLOGIES AND OUTLOOK

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

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

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

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

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

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

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

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

**External competition, regulations, and overall economic environment**

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

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

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

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

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

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

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

Looking forward to 2017, in the stormy 2016 British off Europe, Trump was elected President of the United States and other unexpected international events. Rebound in international oil prices, US stock markets hitting new highs, the overall economy back to

warm-up, the rise of trade barrierism, China and the East Association and other growth and cooling, The future is full of uncertain factors short-term difficult to pick up. The above factors will also affect the overall growth of Sunplus Technology, the company will also keep a close watch on the major changes that may occur in the international economic environment.

Sunplus Technology includes all of the merged individuals of the Group, will continue to deepen the core competitiveness of various fields, efforts to expand the market to increase market share, develop high value-added products to increase gross margin, observe the boom and market trends, adjust and optimize the product line and investment, improve the performance of the industry and foreign investment, at the same time actively into the development of advanced technology, looking for the next emerging product and market, reserve a new wave of growth momentum. Expect to continue to increase profits, return the long-term support of shareholders. Sunplus consolidated net operating revenue totaled NT\$7,556 million and the gross profit were NT\$3,202 million in 2015. While R&D expense totaled NT\$1,908 million and the marketing expense were NT\$353 million, G&A expenses were NT\$704 million, the gain from operations summed up NT\$236 million in 2015. Including total non-operating net income NT\$130 million, the profit before tax were NT\$366 million. Excluding the income tax expense NT\$94 million, the net profit of the year totaled NT\$273 million, attributable to owner of the Company were NT\$120 million which the earning per share after tax for 2015 was NT\$0.20.

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Sunplus Technology includes all of the merged individuals of the Group, will continue to deepen the core competitiveness of various fields, efforts to expand the market to increase market share, develop high value-added products to increase gross margin, observe the boom and market trends, adjust and optimize the product line and investment, improve the performance of the industry and foreign investment, at the same time actively into the development of advanced technology, looking for the next emerging product and market, reserve a new wave of growth momentum. Expect to continue to increase profits, return the long-term support of shareholders.

Chairman of the Board:

Manager:

Accountant:

**REPORT BY AUDIT COMMITTEE**

Sunplus' Board has prepared and submitted the 2015 business report, financial statements and the proposals. The CPAs of Deloitte & Touche were retained to audit those financial statements and have submitted the audit report. The Audit Committee has, have reviewed the business report, financial statements and the proposals as being correct and accurate. According to Article 14-4 of Securities and Exchange Act and Article 219 of the Company Law, the Committee hereby submits this report.

Please check

Sincerely

**To Sunplus 2017 Annual General Shareholders' Meeting**

Audit Committee Convenor: **Dr. Che-Ho Wei**

March 15, 2017

ANNEX 3

**“PROCEDURES FOR ETHICAL MANAGEMENT AND GUIDELINES FOR CONDUCT”  
OF SUNPLUS TECHNOLOGY COMPANY LIMITED (THE "COMPANY")  
AMENDMENTS TO THE PROVISIONS**

Before revision	After revision	Reason explanation
<p><b>2. Applicable subjects</b> For the purposes of these Procedures and Guidelines, the term "personnel of the Company" refers to any director, <del>supervisor</del>, managerial officer, employee, mandatary or person having substantial control, of the Company or business groups and organizations. Any promise, request, or acceptance of improper benefits by any personnel of the Company through a third party will be presumed to be an act by the personnel of the Company.</p>	<p><b>2. Applicable subjects</b> For the purposes of these Procedures and Guidelines, the term "personnel of the Company" refers to any director, managerial officer, employee, mandatary or person having substantial control, of the Company or business groups and organizations. Any promise, request, or acceptance of improper benefits by any personnel of the Company through a third party will be presumed to be an act by the personnel of the Company.</p> <p>Group companies have established relevant operating procedures and behavior guide, In accordance with the company operating procedures and conduct of the implementation of the guidelines.</p>	<p>1.The company has set up an audit committee, so delete supervisor of related provisions. 2.Group companies have established relevant operating procedures and behavior guide, in accordance with the company operating procedures and conduct of the implementation of the guidelines.</p>
<p><b>5.Responsible unit</b> The Company shall designate the Broad of Directors Office as the solely responsible unit (hereinafter, "responsible unit") in charge of the amendment, implementation, interpretation, and advisory services with respect to these Procedures and Guidelines, the recording and filing of reports, and the monitoring of implementation. The responsible unit shall also submit <del>regular</del> reports to the board of directors.</p>	<p><b>5.Responsible unit</b> The Company shall designate the Broad of Directors Office as the solely responsible unit (hereinafter, "responsible unit") in charge of the amendment, implementation, interpretation, and advisory services with respect to these Procedures and Guidelines, the recording and filing of reports, and the monitoring of implementation. The responsible unit shall also submit <del>regular</del> <b>every year</b> reports to the board of directors.</p> <p>1.To help integrate integrity</p>	<p>The Company's dedicated unit (the chairman's office) shall report annually to the board of directors on the relevant implementation status of the integrity management, Regular reports help to improve corporate governance evaluation scores.</p>

Before revision	After revision	Reason explanation
	<p>and ethical values into the company's business strategy, and with the legal system to ensure that the integrity of the relevant business to ensure the anti-fraud measures.</p> <p>2.To prevent fraud against the integrity of the program, establish guidelines for operational procedures and conducts in the relevant areas of work in each program.</p> <p>3.Planning internal organization, preparation and duties, business activities with high risk of dishonesty in the business scope, resettlement supervision and supervision mechanism.</p> <p>4.Promote and coordinate the promotion of integrity policy.</p> <p>5.Planning prosecution system, to ensure the effectiveness of the implementation.</p> <p>6.To assist the board of directors and the management in checking and assessing the effectiveness of the precautionary measures established by the integrity management, and regularly review the relevant business processes to follow the situation, made a report.</p>	
<p><b>6. Prohibition against providing or accepting improper benefits</b> Any personnel of the Company are prohibited to request, directly or indirectly, any money, gratuity or preferential treatment, including luxury entertainment and dining or other treatment in whatever form which is not in accordance with local courtesy and custom from any supplier, agent or customer who has business relationship with the Company. Any personnel of the Company are</p>	<p><b>6. Prohibition against providing or accepting improper benefits</b> Any personnel of the Company are prohibited to request, directly or indirectly, any money, gratuity or preferential treatment, including luxury entertainment and dining or other treatment in whatever form which is not in accordance with local courtesy and custom from any supplier, agent or customer who has business relationship with the Company.</p>	<p>Tail bonus gift for the annual routine of the customs activities, so no need to report.</p>

Before revision	After revision	Reason explanation
<p>prohibited to accept any money or gratuity from any supplier, agent or customer. The preceding conduct is undertaken unless either it is in accordance with local courtesy, convention, or custom which the market value are less than NT\$3,000 or it is the gift-away or souvenirs with printed logo provided by another party. The market value of the property provided coming from the same source within a single fiscal year shall be limited to NT\$30,000. The personnel of the Company shall return or refuse politely any other gifts, money or benefits in whatever form or name in accordance with Article 7 of the procedures and guidelines. Any personnel of the Company are prohibited to accept gifts or other payments unless it is for the Company's ceremony and reported in written form to BU's head in advance.</p>	<p>Any personnel of the Company are prohibited to accept any money or gratuity from any supplier, agent or customer. The preceding conduct is undertaken unless either it is in accordance with local courtesy, convention, or custom which the market value are less than NT\$3,000 or it is the gift-away or souvenirs with printed logo provided by another party. The market value of the property provided coming from the same source within a single fiscal year shall be limited to NT\$30,000. The personnel of the Company shall return or refuse politely any other gifts, money or benefits in whatever form or name in accordance with Article 7 of the procedures and guidelines. Any personnel of the Company are prohibited to accept gifts or other payments unless it is for the Company's ceremony (Except for the end gift of the Welfare committee) and reported in written form to BU's head in advance.</p>	
<p><b>8. Recusal</b> When the Company director, supervisor, officer or other stakeholder attending or present at a board meeting, or the juristic person represented thereby, has a stake in a proposal at the meeting, that director, supervisor, officer or stakeholder shall state the important aspects of the stake in the meeting and, where there is a likelihood that the interests of the Company would be prejudiced, may not participate in the discussion or vote on that proposal, shall recuse himself or herself from any discussion and voting, and may not exercise voting rights as proxy on behalf of another director. The directors shall exercise discipline among</p>	<p><b>8. Recusal</b> When the Company director, officer or other stakeholder attending or present at a board meeting, or the juristic person represented thereby, has a stake in a proposal at the meeting, that director, supervisor, officer or stakeholder shall state the important aspects of the stake in the meeting and, where there is a likelihood that the interests of the Company would be prejudiced, may not participate in the discussion or vote on that proposal, shall recuse himself or herself from any discussion and voting, and may not exercise voting rights as proxy on behalf of another director. The directors shall exercise discipline among</p>	<p>The company has set up an audit committee, so delete supervisor of related provisions.</p>

Before revision	After revision	Reason explanation
<p>themselves, and may not support each other in an inappropriate manner.</p>	<p>themselves, and may not support each other in an inappropriate manner.</p>	
<p><b>17. Handling of unethical conduct by personnel of this Corporation</b>  Upon discovering or receiving a complaint about any personnel's involvement in unethical conduct, the Company shall ascertain the relevant facts without delay; if it is verified that there is indeed a violation of applicable laws and regulations or the Company's policy and procedures of ethical management, the Company shall immediately require the violator to cease the conduct and shall make an appropriate disposition. When necessary, the Company will institute legal proceedings and seek damages to safeguard its reputation and its rights and interests.  With respect to the unethical conduct that has occurred, the Company shall charge relevant units with the task of reviewing the internal control system and relevant procedures and proposing corrective measures to prevent a recurrence of the same unethical conduct.  The responsible unit of the Company shall submit to the board of directors a report on the unethical conduct, actions taken, and subsequent reviews and corrective measures.</p>	<p><b>17. Handling of unethical conduct by personnel of this Corporation</b>  Upon discovering or receiving a complaint about any personnel's involvement in unethical conduct, the Company shall ascertain the relevant facts <b>with the company "prosecution system"</b> without delay; if it is verified that there is indeed a violation of applicable laws and regulations or the Company's policy and procedures of ethical management, the Company shall immediately require the violator to cease the conduct and shall make an appropriate disposition. When necessary, the Company will institute legal proceedings and seek damages to safeguard its reputation and its rights and interests.  With respect to the unethical conduct that has occurred, the Company shall charge relevant units with the task of reviewing the internal control system and relevant procedures and proposing corrective measures to prevent a recurrence of the same unethical conduct.  The responsible unit of the Company shall submit to the board of directors a report on the unethical conduct, actions taken, and subsequent reviews and corrective measures.</p>	<p>The Company has established a prosecution system, the relevant procedures are carried out in accordance with the system.</p>
<p><b>19. Establishment of a system for rewards, penalties, and complaints, and related disciplinary measures</b>  The Company shall link ethical management to employee performance evaluations and human resources policy, and establish clear and</p>	<p><b>19. Establishment of a system for rewards, penalties, and complaints, and related disciplinary measures</b>  The Company shall link ethical management to employee performance evaluations and human resources policy, and establish clear and effective</p>	<p>The company exposes the information in violation of the integrity of the website</p>

Before revision	After revision	Reason explanation
<p>effective systems for rewards, penalties, and complaints. If any personnel of the Company seriously violates ethical conduct, the Company shall dismiss the personnel from his or her position or terminate his or her employment in accordance with applicable laws and regulations or the personnel policy and procedures of the Company. The Company shall disclose on its intranet information the name and title of the violator, the date and details of the violation, and the actions taken in response.</p>	<p>systems for rewards, penalties, and complaints. If any personnel of the Company seriously violates ethical conduct, the Company shall dismiss the personnel from his or her position or terminate his or her employment in accordance with applicable laws and regulations or the personnel policy and procedures of the Company. The Company depending on the circumstances disclose on its intranet information the name and title of the violator, the date and details of the violation, and the actions taken in response.</p>	
<p><b>20. Enforcement</b> These Procedures and Guidelines, and any amendments hereto, shall be implemented after adoption by resolution of the board of directors, and shall be delivered to each supervisor and reported to the shareholders meeting. When the Procedures are submitted to the board of directors for discussion, each independent director's opinions shall be taken into full consideration, and their objections and reservations expressed shall be recorded in the minutes of the board of directors meeting. An independent director that is unable to attend a board meeting in person to express objection or reservation shall provide a written opinion before the board meeting unless there is a legitimate reason to do otherwise, and the opinion shall be recorded in the minutes of the board of directors meeting. <del>For the Company that has established an audit committee, the provisions</del></p>	<p><b>20. Enforcement</b> These Procedures and Guidelines, and any amendments hereto, shall be implemented after adoption by resolution of the board of directors, and shall be delivered to the Audit Committee and reported to the shareholders meeting. When the Procedures are submitted to the board of directors for discussion, each independent director's opinions shall be taken into full consideration, and their objections and reservations expressed shall be recorded in the minutes of the board of directors meeting. An independent director that is unable to attend a board meeting in person to express objection or reservation shall provide a written opinion before the board meeting unless there is a legitimate reason to do otherwise, and the opinion shall be recorded in the minutes of the board of directors meeting.</p>	<p>The company has set up an audit committee, so delete supervisor of related provisions.</p>



Before revision	After revision	Reason explanation
<del>regarding supervisors in these Principles shall apply mutatis mutandis to the audit committee.</del>		
<p><b>21. Amendment</b>            These Procedures and Guidelines are enacted on April 10th, 2013.            1st amendment acted on March 23th, 2015.</p>	<p><b>21. Amendment</b>            These Procedures and Guidelines are enacted on April 10th, 2013.            1st amendment acted on March 23th, 2015.            2st amendment acted on November 14th, 2016.</p>	<p>Add revision date</p>

## CODE OF ETHICS FOR DIRECTORS AND MANAGERS

- I. The purpose and basis: To guide the directors and managers (including the general manager and a considerable level, deputy general manager and a considerable level, associate and a considerable level, financial department heads, accounting department heads, and other companies for management and signature rights) To comply with ethical standards and to make the Company's stakeholders more aware of the Company's ethical standards and to establish this Code for compliance.
- II. The content covers:
- (A) to prevent conflicts of interest: Personal interest or may intervene in the interests of the company as a whole, such as when a director or manager of a company is unable to handle official business in an objective and efficient manner, or on the basis of his position in the company, , Parents, children or relatives within the two relatives of the improper benefits. The Company shall pay particular attention to the relationship between the Company and the aforesaid personnel, or provide guarantee for them, major asset transactions, and transactions between the Company and the Company.
  - (B) to avoid the personal gain: Directors or managers shall avoid the following: (1) the opportunity of personal gain through the use of company property, information or by virtue of his position; (2) obtaining personal gain through the use of company property, information or by his office; (3) compete with the company. When the company has a profit opportunity, the directors or managers have the responsibility to increase the company can obtain the legitimate interests.
  - (C) Confidentiality: A director or a manager shall have a duty of confidentiality with respect to the information contained in the company itself or its customers, except as authorized or legally required. Information that should be kept confidential includes all undisclosed information that may be compromised by a company or customer after it has been exploited or leaked by a competitor.
  - (D) Fair trade: Directors or managers of the Company shall treat the Company's customers, competitors and employees fairly, and shall not, by manipulation, concealment or misuse of information which he / she has learned from his / her duties, make false representations of material events or other unfair trading practices Access to improper interests.
  - (E) Protection and proper use of the Company's assets: A director or manager has a duty to protect the assets of the company and to ensure that it is effectively and legally used in business, and that theft, negligence or waste will directly affect the profitability of the company.
  - (F) to comply with laws and regulations: The Company continues to promote the compliance of directors or managers with the Securities Exchange Act and other laws and regulations.
  - (G) Encourage reporting of any unlawful or unethical conduct: The company continues to advocate ethical values and encourages employees to report to the company's "reporting system" when they suspect or find violations of laws, regulations, or ethical codes of conduct.
  - (H) Disciplinary measures: Where a director or manager violates an ethical code of conduct, the company will comply with the relevant rules and regulations and immediately disclose information on the date of violation, violation, violation of rules and treatment of personnel who violate the ethical code of conduct at the public information observatory.

III. Procedure for the application of the exemption

The Company exempting the directors or managers to abide by the Company's Code of Ethics must pass the resolution of the Board of Directors and immediately disclose the date of passing the waiver of the Board of Directors, the objection or reservation of the independent director, the period of exemption, And the exemption of applicable criteria to enable the shareholders to assess the appropriateness of the resolutions adopted by the Board in order to contain any or any suspected exemption from compliance with the Code and to ensure that any exemption in the circumstances of the Code is subject to appropriate control mechanisms to protect the company.

IV. Way of disclosure: The Company shall disclose the ethical code of conduct established by the Company

The Company shall disclose the ethical code of conduct established by the Company on its website, annual report, public prospectus and public information observatory, as amended.

V. The Code of Conduct is adopted by the Board of Directors after the implementation, and sent to the Audit Committee and presented to the shareholders, similarly for the amendment.

VI. This Code of Conduct was adopted by the Board of Directors on November 14, 2016.

## CORPORATE SOCIAL RESPONSIBILITY BEST PRACTICE PRINCIPLES

### Chapter I General Principles

- Article 1 In order to fulfill their corporate social responsibility initiatives and to promote economic, environmental, and social advancement for purposes of sustainable development, Company (“Sunplus”) adopts the following Principles to be followed. Company is advised to promulgate its own corporate social responsibility principles in accordance with the Principles to manage their economic, environmental and social risks and impact.
- Article 2 The Principles applies to Company, including the entire operations of each such company and its business group.  
The Principles encourages Company to actively fulfill their corporate social responsibility in the course of their business operations so as to follow international development trends and to contribute to the economic development of the country, to improve the quality of life of employees, the community and society by acting as responsible corporate citizens, and to enhance competitive edges built on corporate social responsibility.
- Article 3 In fulfilling corporate social responsibility initiatives, Company shall, in its corporate management guidelines and business operations, give due consideration to the rights and interests of stakeholders and, while pursuing sustainable operations and profits, also give due consideration to the environment, society and corporate governance.
- Article 4 To implement corporate social responsibility initiatives, Company is advised to follow the principles below:
1. Exercise corporate governance.
  2. Foster a sustainable environment.
  3. Preserve public welfare.
  4. Enhance disclosure of corporate social responsibility information.
- Article 5 Company shall take into consideration the correlation between the development of domestic and international corporate social responsibility principles and corporate core business operations, and the effect of the operation of individual companies and of their respective business groups as a whole on stakeholders, in establishing their policies, systems or relevant management guidelines, and concrete promotion plans for corporate social responsibility programs, which shall be approved by the board of directors and then reported to the shareholders meeting.  
When a shareholder proposes a motion involving corporate social responsibility, the company's board of directors is advised to review and consider including it in the shareholders meeting agenda.

### Chapter 2 Exercising Corporate Governance

- Article 6 Company is advised to follow the Corporate Governance Best Practice Principles, the Procedures for Ethical Management and Guidelines for Conduct, and the Code of Ethical Conduct to establish effective corporate governance frameworks and relevant ethical standards so as to enhance corporate governance.
- Article 7 The directors of Company shall exercise the due care of good administrators to urge the company to perform its corporate social responsibility initiatives, examine the results of the implementation thereof from time to time and continually make adjustments so as to ensure the thorough implementation of its corporate social responsibility policies.

The board of directors of Company is advised to give full consideration to the interests of stakeholders, including the following matters, in the company's performance of its corporate social responsibility initiatives:

1. Identifying the company's corporate social responsibility mission or vision, and declaring its corporate social responsibility policy, systems or relevant management guidelines;
2. Making corporate social responsibility the guiding principle of the company's operations and development, and ratifying concrete promotional plans for corporate social responsibility initiatives; and
3. Enhancing the timeliness and accuracy of the disclosure of corporate social responsibility information.

The board of directors shall appoint executive-level positions with responsibility for economic, environmental, and social issues resulting from the business operations of Company, and to report the status of the handling to the board of directors. The handling procedures and the responsible person for each relevant issue shall be concrete and clear.

Article 8 Company is advised to, on a regular basis, organize education and training on the implementation of corporate social responsibility initiatives, including promotion of the matters prescribed in paragraph 2 of the preceding article.

Article 9 For the purpose of managing corporate social responsibility initiatives, Company is advised to establish an exclusively (or concurrently) dedicated unit to be in charge of proposing and enforcing the corporate social responsibility policies, systems, or relevant management guidelines, and concrete promotional plans and to report on the same to the board of directors on a periodic basis.

Company is advised to adopt reasonable remuneration policies, to ensure that remuneration arrangements support the strategic aims of the organization, and align with the interests of stakeholders.

It is advised that the employee performance evaluation system be combined with corporate social responsibility policies, and that a clear and effective incentive and discipline system be established.

Article 10 Company shall, based on respect for the rights and interests of stakeholders, identify stakeholders of the company, and establish a designated section for stakeholders on the company website; understand the reasonable expectations and demands of stakeholders through proper communication with them, and adequately respond to the important corporate social responsibility issues which they are concerned about.

### **Chapter 3 Fostering a Sustainable Environment**

Article 11 Company shall follow relevant environmental laws, regulations and international standards to properly protect the environment and shall endeavor to promote a sustainable environment when engaging in business operations and internal management.

Article 12 Company is advised to endeavor to utilize all resources more efficiently and use renewable materials which have a low impact on the environment to improve sustainability of natural resources.

Article 13 Company is advised to establish proper environment management systems based on the characteristics of their industries. Such systems shall include the following tasks:

1. Collecting sufficient and up-to-date information to evaluate the impact of the company's business operations on the natural environment.
2. Establishing measurable goals for environmental sustainability, and examining whether the development of such goals should be maintained and whether it is still relevant on a regular basis.

3. Adopting enforcement measures such as concrete plans or action plans, and examining the results of their operation on a regular basis.
- Article 14 Company is advised to establish a dedicated unit or assign dedicated personnel for drafting, promoting, and maintaining relevant environment management systems and concrete action plans, and should hold environment education courses for their managerial officers and other employees on a periodic basis.
- Article 15 Company is advised to take into account the effect of business operations on ecological efficiency, promote and advocate the concept of sustainable consumption, and conduct research and development, procurement, production, operations, and services in accordance with the following principles to reduce the impact on the natural environment and human beings from their business operations:
1. Reduce resource and energy consumption of their products and services.
  2. Reduce emission of pollutants, toxins and waste, and dispose of waste properly.
  3. Improve recyclability and reusability of raw materials or products.
  4. Maximize the sustainability of renewable resources.
  5. Enhance the durability of products.
  6. Improve efficiency of products and services.
- Article 16 To improve water use efficiency, Company shall properly and sustainably use water resources and establish relevant management measures.  
Company shall construct and improve environmental protection treatment facilities to avoid polluting water, air and land, and use their best efforts to reduce adverse impact on human health and the environment by adopting the best practical pollution prevention and control measures.
- Article 17 Company is advised to adopt standards or guidelines generally used in Taiwan and abroad to enforce corporate greenhouse gas inventory and to make disclosures thereof, the scope of which shall include the following:
1. Direct greenhouse gas emissions: emissions from operations that are owned or controlled by the company.
  2. Indirect greenhouse gas emissions: emissions resulting from the generation of externally purchased or acquired electricity, heating, or steam.
- Company is advised to monitor the impact of climate change on their operations and should establish company strategies for energy conservation and carbon and greenhouse gas reduction based upon their operations and the result of a greenhouse gas inventory. Such strategies should include obtaining carbon credits to promote and minimize the impact of their business operations on climate change.

#### **Chapter 4 Preserving Public Welfare**

- Article 18 Company shall comply with relevant laws and regulations, and the International Bill of Human Rights, with respect to rights such as gender equality, the right to work, and prohibition of discrimination.

Company, to fulfill its responsibility to protect human rights, shall adopt relevant management policies and processes, including:

1. Presenting a corporate policy or statement on human rights.
2. Evaluating the impact of the company's business operations and internal management on human rights, and adopting corresponding handling processes.
3. Reviewing on a regular basis the effectiveness of the corporate policy or statement on human rights.

4. In the event of any infringement of human rights, the company shall disclose the processes for handling of the matter with respect to the stakeholders involved.

Company shall comply with the internationally recognized human rights of labor, including the freedom of association, the right of collective bargaining, caring for vulnerable groups, prohibiting the use of child labor, eliminating all forms of forced labor, eliminating recruitment and employment discrimination, and shall ensure that their human resource policies do not contain differential treatments based on gender, race, socioeconomic status, age, or marital and family status, so as to achieve equality and fairness in employment, hiring conditions, remuneration, benefits, training, evaluation, and promotion opportunities.

Company shall provide an effective and appropriate grievance mechanism with respect to matters adversely impacting the rights and interests of the labor force, in order to ensure equality and transparency of the grievance process. Channels through which a grievance may be raised shall be clear, convenient, and unobstructed. A company shall respond to any employee's grievance in an appropriate manner.

Article 19 Company shall provide information for their employees so that the employees have knowledge of the labor laws and the rights they enjoy in the countries where the companies have business operations.

Article 20 Company is advised to provide safe and healthful work environments for their employees, including necessary health and first-aid facilities and shall endeavor to curb dangers to employees' safety and health and to prevent occupational accidents. Company is advised to organize training on safety and health for their employees on a regular basis.

Article 21 Company is advised to create an environment conducive to the development of their employees' careers and establish effective training programs to foster career skills.

Company shall appropriately reflect the corporate business performance or achievements in the employee remuneration policy, to ensure the recruitment, retention, and motivation of human resources, and achieve the objective of sustainable operations.

Article 22 Company shall establish a platform to facilitate regular two-way communication between the management and the employees for the employees to obtain relevant information on and express their opinions on the company's operations, management and decisions.

Company shall respect the employee representatives' rights to bargain for the working conditions, and shall provide the employees with necessary information and hardware equipment, in order to improve the negotiation and cooperation among employers, employees and employee representatives.

Company shall, by reasonable means, inform employees of operation changes that might have material impacts.

Article 23 Company shall take responsibility for their products and services, and take marketing ethics seriously. In the process of research and development, procurement, production, operations, and services, the company shall ensure the transparency and safety of their products and services. They further shall establish and disclose policies on consumer rights and interests, and enforce them in the

course of business operations, in order to prevent the products or services from adversely impacting the rights, interests, health, or safety of consumers. .

Article 24 Company shall ensure the quality of their products and services by following the laws and regulations of the government and relevant standards of their industries. Company shall follow relevant laws, regulations and international guidelines when marketing or labeling their products and services and shall not deceive, mislead, commit fraud or engage in any other acts which would betray consumers' trust or damage consumers' rights or interests.

Article 25 Company is advised to evaluate and manage all types of risks that could cause interruptions in operations, so as to reduce the impact on consumers and society. Company is advised to provide a clear and effective procedure for accepting consumer complaints to fairly and timely handle consumer complaints, shall comply with laws and regulations related to the Personal Information Protection Act for respecting consumers' rights of privacy and shall protect personal data provided by consumers.

Article 26 Company is advised to assess the impact their procurement has on society as well as the environment of the community that they are procuring from, and shall cooperate with their suppliers to jointly implement the corporate social responsibility initiative.

Prior to engaging in commercial dealings, Company is advised to assess whether there is any record of a supplier's impact on the environment and society, and avoid conducting transactions with those against corporate social responsibility policy. When Company enter into a contract with any of their major suppliers, the content should include terms stipulating mutual compliance with corporate social responsibility policy, and that the contract may be terminated or rescinded any time if the supplier has violated such policy and has caused significant negative impact on the environment and society of the community of the supply source.

Article 27 Company shall evaluate the impact of their business operations on the community, and adequately employ personnel from the location of the business operations, to enhance community acceptance.

Company is advised to, through commercial activities, endowments, volunteering service or other charitable professional services etc. , dedicate resources to organizations that commercially resolve social or environmental issues, participate in events held by citizen organizations, charities and local government agencies relating to community development and community education to promote community development.

#### **Chapter 5 Enhancing Disclosure of Corporate Social Responsibility Information**

Article 28 Company shall disclose information according to relevant laws, regulations and the Corporate Governance Best Practice Principles for Company and shall fully disclose relevant and reliable information relating to their corporate social responsibility initiatives to improve information transparency.

Relevant information relating to corporate social responsibility which Company shall disclose includes:

1. The policy, systems or relevant management guidelines, and concrete promotion plans for corporate social responsibility initiatives, as resolved by the board of directors.
2. The risks and the impact on the corporate operations and financial condition arising from exercising corporate governance, fostering a sustainable environment and preserving social public welfare.
3. Goals and measures for realizing the corporate social responsibility initiatives established by the companies, and performance in implementation.
4. Major stakeholders and their concerns.



5. Disclosure of information on major suppliers' management and performance with respect to major environmental and social issues.

6. Other information relating to corporate social responsibility initiatives.

Article 29 Company shall adopt internationally widely recognized standards or guidelines when producing corporate social responsibility reports, to disclose the status of their implementation of the corporate social responsibility policy. It also is advisable to obtain a third-party assurance or verification for reports to enhance the reliability of the information in the reports. The reports are advised to include:

1. The policy, system, or relevant management guidelines and concrete promotion plans for implementing corporate social responsibility initiatives.

2. Major stakeholders and their concerns.

3. Results and a review of the exercising of corporate governance, fostering of a sustainable environment, preservation of public welfare and promotion of economic development.

4. Future improvements and goals.

#### **Chapter 6 Supplementary Provisions**

Article 30 Company shall at all times monitor the development of domestic and foreign corporate social responsibility standards and the change of business environment so as to examine and improve their established corporate social responsibility framework and to obtain better results from the implementation of the corporate social responsibility policy.

Article 31 These Practice Principles are adopted by the Board of Directors, similarly after any subsequent amendment.

## ACCOUNTANT AUDIT REPORT

Sunplus Technology Co., Ltd public view:

### Check opinion

Sunplus Technology Co., Ltd. in the Republic of 2016 and December 31, 2015 individual balance sheet, And the Republic of 2016 and individual income statement for the period from 1 January to 31 December of 2015 、 Changes in Individual Interests 、 Individual cash flow statement 、 and the notes to the individual financial statements (Including summary of major accounting policies), the auditor has passed the audit.

Opinion by the accountant, The issuance of individual financial statements is made in all material respects in accordance with the preparation of the financial statements of securities issuers, sufficient to allow the expression of Sunplus Technology Co., Ltd. 2016 and December 31, 2015 of the individual financial status, and individual financial performance and individual cash flows from of 2016 and January 1 to December 31, 2015.

### Check the basis of opinion

The accountant shall carry out the verification work in accordance with the rules of the auditor's examination of the financial statements of the visas and the generally accepted auditing standards, The liability of the accountant under these criteria will be further explained in the account of the auditor's audit of the individual financial statements.

The personnel of the accountant subject to the independence of the accountant has been in accordance with the accounting profession ethics, with Sunplus Technology Co., Ltd. to maintain a transcendent independence, and perform other duties of the specification. The accountant believes that sufficient and appropriate evidence has been obtained, as the basis for the opinion of the audit.

### Key check items

The key check item is the professional judgment of the accountant, Sunplus technology company limited by 105 of individual financial statements to check the most important matters. These matters are subject to the review of the overall financial statements and the formation of audit opinions, The accountant does not express his opinion separately on such matters.

The key check-ups of the individual financial statements of the year 2016 for Sunplus Technology Co., Ltd. are as follows:

### Income recognition

1. Sunplus technology company limited sales of integrated circuit chips is significant, Accounting for 94% of total revenue, please note 22.
2. The business unit receives the customer order and builds the electronic order when the system is built, the system will automatically review the customer's quota, if the order amount is within the usable amount, the system will accept the order, if the order amount exceeds the available

amount, the system will mark the order and make the business unit unable to ship. If the goods are overdue for more than one month of accounts receivable or overdue within one month of accounts receivable and the amount of more than 10% of the credit line, the system will also freeze the shipping application, the business unit shall fill in the credit line with the approval of the general manager, to the accounting unit to release. Confirmed after shipment, the warehouse is packed according to the packing list of the business unit, submitted to the quality assurance unit for goods and signatures. Products by the quality assurance staff to confirm the correct and shipment, by the storage unit to enter the system after the implementation of orders, the system that accounts receivable and income and automatically throw accounting ledger.

3. Due to the aforementioned transactions include manual work, so there is the risk of real sales income is real.
  
4. The accountant assesses the changes in the credit line of Sunplus Technology Co., Ltd. and the use of the credit line, and carry out the following verification procedures in the details of the sales volume of the customer who has changed the credit line of the current year or has used the credit line, to confirm whether the income really happened.
  - (1) To examine changes in their credit lines and changes in the amount of credit granted to clients who have used the credit line and whether they have the appropriate reason for the release and the approval of the authority.
  - (2) Check the sales order of the customer's original order and purchase the system. The sales order is approved by the authority.
  - (3) Check sales of electronic orders, the details of the library are the same as the number of unified invoices or commercial invoices, and shipped by the competent authority after approval.
  - (4) Check whether the invoice or commercial invoice and the signed delivery or export report are the same, and review the terms of trade to confirm whether the risk of rights and obligations has indeed been transferred.
  - (5) Check the amount received of receivables, remittance voucher and the object is consistent with the amount of income recognition and object, and approved by the competent authority.

Management and management units on the individual financial statements of the responsibility

The responsibility of the management department is prepared in accordance with the issuance of financial statements issued by the issuer of the financial statements of the individual financial statements, and to maintain the necessary internal controls related to the preparation of individual financial statements, to ensure that the individual financial statements do not have significant false statements that are attributable to fraud or error.

In the preparation of individual financial statements, the responsibility of the management team also includes the ability to assess the continued operation of Sunplus Technology Co., Ltd., relevant matters, as well as the continued use of accounting basis, unless the management intends to

liquidate the Sunplus Technology Co., Ltd. or to stop business, or other programs that are not practicable except for liquidation or suspension.

The governance unit of the Sunplus Technology Co., Ltd. (including the Audit Committee) has the responsibility to supervise the financial reporting process.

#### The responsibility of the accountant to check the individual financial statements

The purpose of the auditor's examination of the consolidated financial statements is to determine whether the consolidated financial statements are reasonable assurance about fraud or incorrect misrepresentation, and to issue a verification report. Reasonable assurance is highly assurance. However it is not guarantee that a significant incorrect misrepresentation of the individual financial statements will be detected by the Regulations Governing Auditing standards. Misrepresentation may lead due to fraud or error. If the individual amount or the aggregate of misrepresentation is reasonably expected to affect the economic decisions made by the users of the individual financial statements, it is considered significant.

When the accountant checks in accordance with the Regulations Governing Auditing standards, it will use professional judgment and maintain professional suspicion. The accountant also performs the following tasks:

1. Identify and evaluate the individual financial statements due to the risk of fraud or incorrect misrepresentation; design and implement appropriate strategy to the risks assessed; and obtain adequate and appropriate audit evidence as the basis for the audit opinion. Fraud may involve conspiracy, falsification, intentional omission, false declaration or transcend internal control, therefore, the risk of incorrect misrepresentation due to fraud is higher than that caused by the incorrectness.
2. Based on the necessary understanding of the internal control of the audit we design the appropriate inspection procedures at the time while the purpose is not to express any opinion of the effectiveness on the internal control of Sunplus Technology Co., Ltd.
3. Assess the appropriateness of the accounting policies adopted by the management, and the rationality of the accounting estimates and related disclosures.
4. Make conclusions based on the evidence obtained, the appropriateness of the continuing management of the accounting foundation adopted by the management, and the ability of continuing operating Sunplus Technology Co., Ltd. may have significant concerns about the event or the situation that is a significant uncertainty. If the accountant considers that there are significant uncertainties in such events or circumstances, we must remind the related disclosure of the individual financial statements by the user in the audit report, or we have to correct the audit opinion at the inappropriate disclosure. The conclusion is based on the audit evidence obtained at the date of the audit reports, while future events or circumstances may lead Sunplus Technology Co., Ltd. to no longer have the ability to continue to operate.
5. Assess the overall expression, structure and content of the individual's financial statements (including the relevant notes), and whether the individual financial statements express properly relevant transactions and events.
6. Obtain sufficient and appropriate audit evidence for the financial information from the individual members of Sunplus Technology Co., Ltd. to express the opinions on the individual financial statements. The accountant is responsible for the audit case of the

guidance, supervision and implementation, and is responsible for forming the audit opinion of Sunplus Technology Co., Ltd.

The matter communicated by the accountant and the management unit includes the planned scope and time, and the significant audit phenomenon (including significant loss of internal control identified in the audit process.).

The accountant also provides to the management unit that the person of the office subject to independence of the accountant has followed the statement of independence in the accountant's professional ethics, and communicated with the management unit of all relationships that may be considered to affect the independence of the accountant and other matter. (including relevant protective measures.)

The accountant decided to check the critical audit items from Sunplus Technology Co., Ltd. 2015 Annual Individual Financial Statements by the communication matters with the management unit. The accountant shall state such matters in the audit report unless the particular matter is prohibited disclosure, or in rare cases, the accountant decides not to communicate the particular matter in the audit report due to the reasonable expectation of the negative impact is greater than the increased public interests.

Deloitte & Touche

Accountant Zheng Zhi Lin

Accountant Shu Jie Huang

Financial Supervision and Management  
Commission approval number  
Gold and six cards of the word No.  
0930160267

Securities and Futures Commission approval  
number  
Taiwan financial card six words No.  
0920123784 number

March 15, 2017

PARENT COMPANY ONLY BALANCE SHEETS  
DECEMBER 31, 2016 AND 2015

(In Thousands of New Taiwan Dollars, Except Par Value)

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

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

**SUNPLUS TECHNOLOGY COMPANY LIMITED**
**ANNEX 8**
**PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME  
YEARS ENDED DECEMBER 31, 2016 AND 2015**
**(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

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

(Continued)

## SUNPLUS TECHNOLOGY COMPANY LIMITED

### PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

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

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

(Concluded)



## SUNPLUS TECHNOLOGY COMPANY LIMITED

## ANNEX 9

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

	Share Capital Issued and Outstanding (Note 21)		Capital Surplus (Notes 4 and 21)	Retained Earnings (Note 21)			Other Equity (Notes 4 and 21)		Treasury Shares (Notes 4 and 21)	Total Equity
	Share (Thousands)	Amount		Legal Reserve	Special Reserve	Unappropriated Earnings (Accumulated Deficits)	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets		
BALANCE, JANUARY 1, 2015	591,995	\$ 5,919,949	\$ 936,051	\$ 1,790,538	\$ 22,639	\$ 408,610	\$ 128,258	\$ 181,674	\$ (63,401)	\$ 9,324,318
Appropriation of the 2014 earnings										
Legal reserve	-	-	-	41,058	-	(41,058)	-	-	-	-
Special reserve	-	-	-	-	(4,806)	4,806	-	-	-	-
Cash dividends for common shares	-	-	-	-	-	(355,198)	-	-	-	(355,198)
Changes in capital surplus from investments in associates and joint ventures accounted for by the equity method	-	-	-	-	-	(753)	-	-	-	(753)
Disposal of investment accounted for using the equity method	-	-	(40,863)	-	-	-	-	(41)	-	(40,904)
Difference between stock price and book value from disposal of subsidiaries	-	-	-	-	-	(8,783)	-	-	-	(8,783)
Changes of equity of subsidiaries	-	-	(7)	-	-	-	-	-	-	(7)
Net profit for the year ended December 31, 2015	-	-	-	-	-	589,348	-	-	-	589,348
Other comprehensive income for the year ended December 31, 2015, net of income tax	-	-	-	-	-	(1,746)	(30,749)	52,350	-	19,855
Total comprehensive income for the year ended December 31, 2015	-	-	-	-	-	587,602	(30,749)	52,350	-	609,203
Adjustment of capital surplus for the company's cash dividends received by subsidiaries	-	-	2,136	-	-	-	-	-	-	2,136
BALANCE, DECEMBER 31, 2015	591,995	5,919,949	897,317	1,831,596	17,833	595,226	97,509	233,983	(63,401)	9,530,012
Appropriation of the 2015 earnings										
Legal reserve	-	-	-	58,935	-	(58,935)	-	-	-	-
Special reserve	-	-	-	-	-	(526,875)	-	-	-	(526,875)
Cash dividends for common shares	-	-	-	-	4,094	(4,094)	-	-	-	-
Difference between stock price and book value from disposal of subsidiaries	-	-	10,625	-	-	-	-	-	-	10,625
Changes of equity of subsidiaries	-	-	-	-	-	(19,253)	-	-	-	(19,253)
Net profit for the year ended December 31, 2016	-	-	-	-	-	120,187	-	-	-	120,187
Other comprehensive income for the year ended December 31, 2016, net of income tax	-	-	-	-	-	(6,518)	(159,571)	72,479	-	(93,610)
Total comprehensive income for the year ended December 31, 2016	-	-	-	-	-	113,669	(159,571)	72,479	-	26,577
Disposal of treasury shares	-	-	3,168	-	-	-	-	-	-	3,168
BALANCE, DECEMBER 31, 2016	591,995	\$ 5,919,949	\$ 911,110	\$ 1,890,531	\$ 21,927	\$ 99,738	\$ (62,062)	\$ 306,462	\$ (63,401)	\$ 9,024,254

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

**SUNPLUS TECHNOLOGY COMPANY LIMITED**
**ANNEX 10**
**PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2016 AND 2015  
(In Thousands of New Taiwan Dollars)**

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

(Continued)

## SUNPLUS TECHNOLOGY COMPANY LIMITED

### PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars)

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

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

(Concluded)

**ACCOUNTANT AUDIT REPORT**

Sunplus Technology Co., Ltd public view:

**Check opinion**

Sunplus Technology Co., Ltd. and its subsidiaries in 2016 and December 31, 2015 consolidated balance sheet, consolidated income statement for 2016 and the period from January 1 to December 31, 2015, consolidated Statement of Changes in Equity and Consolidated Cash Flow Statement,

As well as notes to the consolidated financial statements (including summary of significant accounting policies), the auditor has passed the audit.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Sunplus Technology Company Limited and its subsidiaries as of December 31, 2016 and 2015, and their consolidated financial performance and their consolidated cash flows for the years then ended, in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed by the Financial Supervisory Commission of the Republic of China.

**Check the basis of opinion**

The accountant shall carry out the verification work in accordance with the rules of the auditor's examination of the financial statements of the visas and the generally accepted auditing standards. The liability of the accountant under these criteria will be further explained in the statements of the auditor's audit of the consolidated financial statements. The personnel subject to the independence of the accountant keep their detached independence with Sunplus Technology Co., Ltd. and its subsidiaries in accordance with the accountant's professional ethics and perform other duties of the specification. It is believed that the accountant has already obtain sufficient and appropriate audit evidence as the basis for the opinion of the audit.

**Key check items**

Critical audit items refer to the most important matters concerning the verification of the consolidated financial statements of the year 2016 by Sunplus Technology Co., Ltd. and its subsidiaries in accordance with the professional judgment of the accountant. These matters have been mentioned in the process of auditing the consolidated financial statements as a whole and forming an audit opinion. The accountant does not give their opinion separately on such matters.

The critical audit items of the consolidated financial statements for the year 2016 for Sunplus Technology Co., Ltd. and its subsidiaries are as follows:

## Income Recognition

1. The amount of integrated circuit chip sales by Sunplus Technology Co., Ltd. and its subsidiaries is significant, accounting for 94% of total revenue. Please note the Notes 26 for detail.
2. When the business unit receives the customer order and completes the sales electronic order system, the system will automatically review the customer's available amount. If the order amount is within the available amount, the system will accept the order. If the order amount exceeds the available amount, the system will mark the order and make the business unit unable to ship. If there are accounts receivable overdue for more than one month or accounts receivable which exceeds 10% of the credit line within one month, the system will also freeze the shipping application. The ship will be released by the authority unit after the general manager signed the credit line release application form filled by the business unit. After confirming the shipment, the storehouse packs the products according to the packing list of the business unit, and sends them to the quality assurance unit for inspection and signature. The storage unit will execute the order in the system after the products are confirmed by the quality assurance. Then the system will recognize the accounts receivable and income and automatically throw them into the accounting ledger.
3. Because the transaction above contains manual work, so there are risks that the sales revenue actually occurs or not.
4. The accountant assesses the changes in the credit line of Sunplus Technology Co., Ltd. and its subsidiaries and the use of the credit line. Also, to confirm whether the income has actually occurred by sampling the sales details of the customer who has changed the amount of the credit line or has been used for the credit line release application form for the year, the accountant perform the following audit procedures:
  - (1) Examine customers who have changed the amount of the credit and have been used for the credit line release application form that whether the change and the release of the amount of the credit line are with appropriate reasons and approved by the authority.
  - (2) Examine whether the sales orders which actually acquire the original order from of the customer and are built into the sales electronic order system are approved by the authority.
  - (3) Examine the conformity of the amount and the name in the sales of electronic orders, the warehouse details and unified invoice or commercial invoice, and the order approved by the authority for the shipment.
  - (4) Check whether the unified invoice or commercial invoice and the signed delivery note or the export report are the same, and examine the terms of trade to confirm whether the risk of rights and obligations has been transferred.
  - (5) Check whether the accounts receivable and the amount receipt, the remittance voucher and the object are matched with the recognition income and the object, and approved by the authority.

## Other Items

We have also audited the financial statements of the parent company, Sunplus Technology Corporation, as of and for the years ended December 31, 2016 and 2015, on which we have issued an unqualified report.

The responsibility of Management level and Governance unit to the consolidated financial statements

The responsibilities of the Company's management are in accordance with the guidelines for the Regulations Governing the Preparation of Financial Reports by Securities Issuers, International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations (IFRIC), and Interpretations issued and approved by the Financial Supervisory Commission, and are to ensure the consolidated financial statements containing significant false statements that are attributable to fraud or error by maintaining the necessary internal control related to the preparation of consolidated financial statements.

In the preparation of the consolidated financial statements, the responsibilities of the Company's management also includes the ability to assess the continued operation of Sunplus Technology Co., Ltd. and its subsidiaries, the disclosure of relevant matters and the adoption of the continuing accounting basis. Unless the management intends to liquidate Sunplus Technology Co., Ltd. and its subsidiaries or cease to operate, or other programs that are not practicable except for liquidation or suspension. The governance unit of Sunplus Technology Co., Ltd. and its subsidiaries (including the Audit Committee) has the responsibility to supervise the financial reporting process.

#### The Consolidated Financial Statement Audited By Certified Public Accountant

The purpose of the consolidated financial statement audited by the Certified Public Accountant is to check if there is any material falsity arising from corrupt practices, maladministration, or mistakes, and then acquire reasonable assurance and submit the Audit Report. Reasonable assurance means high assurance. However, the Auditing tasks in accordance with the Generally Accepted Auditing Standards can't guarantee able to certainly detect material falsities described in the consolidated financial statement. The falsity may be caused by corrupt practices, maladministration, or mistakes. If such falsity on particular amount or aggregate amount, reasonably expected, will influence the economic decision made by the user as per the consolidated financial statement, it shall be deemed materiality.

While the Certified Public Accountant performs auditing in accordance with Generally Accepted Auditing Standards, use professional judgment and maintain professional suspicion. The Certified Public Accountant performs the following tasks as well:

1. Recognize and evaluate the risk of material falsities arising from corrupt practices, maladministration, or mistakes in the consolidated financial statement. Design and execute appropriate corresponding solutions for the evaluated risk, and acquire sufficient and suitable auditing evidences as a basis of auditing opinions given. Because corrupt practices or maladministration may be involved in conspiracy, counterfeit, intentionally omission, unreal statement, or out of internal controls, the undetectable risk of corrupt practices or maladministration is higher than that of mistakes.
2. Have necessary understanding of internal controls in relation to Auditing to design a suitable auditing process based on the situation at that time; however, the purpose is nothing to do with expressing opinions for the effectiveness of Sunplus and its subsidiaries' internal controls.
3. Evaluate the adequateness of the Accounting Policy adopted by the management hierarchy and the reasonability of Accounting Calculations and related disclosure.
4. Make a conclusion for the adequateness of continuous business accounting basis adopted by the management hierarchy and the possibility of any material uncertainty with regard to the ability of Sunplus and its subsidiaries' continuous business operation that may be effected by events or conditions of material doubts. If the Certified Public Accountant considers such events or conditions existing in material uncertainties, in his or her Audit Report, he or she must remind the user of consolidated finance statement that the user has to keep an eye on the related disclosure of the consolidated finance statement, or makes amendment on auditing opinions given if such disclosure is unsuitable. The conclusion by the Certified Public Accountant is based on the acquired auditing evidences at the end of the audit report

date. However, Sunplus and its subsidiaries may lose the ability of the continuous business operation due to future events or conditions.

5. Evaluate the entire expression, structure, and content of consolidated finance statement and related annotations. And evaluate whether the related transactions and events are applicably described in the consolidated finance statement.

6. Acquire sufficient and suitable auditing evidences from the finance Information of the entities of Sunplus and its subsidiaries. And Comment on the consolidated finance statement. The Certified Public Accountant takes charge of conducting, monitoring, and executing the Audit Case of Sunplus and its subsidiaries, and gives auditing opinions to Sunplus and its subsidiaries.

The communication items between the Certified Public Accountant and the governance unit include the plan of audit scope, audit time, and material audit findings inclusive of the significant deficiency of internal controls recognized during the Auditing Process.

The Certified Public Accountant also provides the governance unit with a statement of independence that he or she affiliating with an Accounting Firm is subject to the regulation of independence and complies with the independence in accordance with the CPA code of professional ethics. Besides, the Certified Public Accountant shall communicate with the governance unit concerning all items that may probably influence the relationship of CPA's independence and other items, including the associated measures of prevention and protection.

The Certified Public Accountant determines the key auditing items to the auditing of Sunplus and its subsidiaries' consolidated financial statement for the Year 2016 from the communication items with the governance unit. The Certified Public Accountant will describe such items in the Audit Report unless specific items are not allowed to be disclosed publicly by laws or the Certified Public Accountant decides not to communicate specific items which negative impact is much more than public interest expected reasonably in the Audit Report in a rare situation.

Deloitte & Touche

Accountant Zheng Zhi Lin

Accountant Shu Jie Huang

Financial Supervision and Management

Commission approval number

Gold and six cards of the word No.

0930160267

Securities and Futures Commission approval

number

Taiwan financial card six words No.

0920123784 number

March 15, 2017

**SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES**
**ANNEX 12**
**CONSOLIDATED BALANCE SHEETS  
DECEMBER 31, 2016 AND 2015  
(In Thousands of New Taiwan Dollars)**

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

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



**SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES ANNEX 13**

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

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

(Continued)

## SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

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

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

## SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

## ANNEX 14

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015  
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company											
	Share Capital Issued and Outstanding (Note 25)		Capital Surplus (Notes 4 and 25)	Retained Earnings (Note 25)			Other Equity (Notes 4 and 25)			Noncontrolling Interests (Notes 4 and 25)	Total Equity	
				Legal Reserve	Special Reserve	Unappropriated Earnings (Accumulated Deficits)	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Treasury Shares (Notes 4, 25 and 37)			Total
	Share (Thousands)	Amount										
BALANCE, JANUARY 1, 2015	591,995	\$ 5,919,949	\$ 936,051	\$ 1,790,538	\$ 22,639	\$ 408,610	\$ 128,258	\$ 181,674	\$ (63,401)	\$ 9,324,318	\$ 1,598,388	\$ 10,922,706
Appropriation of the 2014 earnings												
Legal reserve	-	-	-	41,058	-	(41,058)	-	-	-	-	-	-
Cash dividends for common shares	-	-	-	-	-	(355,198)	-	-	-	(355,198)	-	(355,198)
Special reserve	-	-	-	-	(4,806)	4,806	-	-	-	-	-	-
Changes in capital surplus from investments in associates and joint ventures accounted for by the equity method	-	-	-	-	-	(753)	-	-	-	(753)	-	(753)
Disposal of investment accounted for using the equity method	-	-	(40,863)	-	-	-	-	(41)	-	(40,904)	-	(40,904)
Difference between stock price and book value from disposal of subsidiaries	-	-	-	-	-	(8,783)	-	-	-	(8,783)	-	(8,783)
Changes of equity of subsidiaries	-	-	(7)	-	-	-	-	-	-	(7)	-	(7)
Net profit for the year ended December 31, 2015	-	-	-	-	-	589,348	-	-	-	589,348	238,932	828,280
Other comprehensive income for the year ended December 31, 2015, net of income tax	-	-	-	-	-	(1,746)	(30,749)	52,350	-	19,855	(1,573)	18,282
Total comprehensive income for the year ended December 31, 2015	-	-	-	-	-	587,602	(30,749)	52,350	-	609,203	237,359	846,562
Adjustment of capital surplus for the company's												
Cash dividends received by subsidiaries	-	-	2,136	-	-	-	-	-	-	2,136	-	2,136
Decrease in noncontrolling interests	-	-	-	-	-	-	-	-	-	-	(140,519)	(140,519)
BALANCE, DECEMBER 31, 2015	591,995	5,919,949	897,317	1,831,596	17,833	595,226	97,509	233,983	(63,401)	9,530,012	1,695,228	11,225,240
Offset of the 2015 deficit												
Legal reserve	-	-	-	58,935	-	(58,935)	-	-	-	-	-	-
Cash dividends for common shares	-	-	-	-	-	(526,875)	-	-	-	(526,875)	-	(526,875)
Special reserve	-	-	-	-	4,094	(4,094)	-	-	-	-	-	-
Disposal of investment accounted for using the equity method	-	-	10,625	-	-	-	-	-	-	10,625	-	10,625
Difference between stock price and book value from disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-
Changes of equity of subsidiaries	-	-	-	-	-	(19,253)	-	-	-	(19,253)	-	(19,253)
Net profit for the year ended December 31, 2016	-	-	-	-	-	120,187	-	-	-	120,187	152,319	272,506
Other comprehensive income for the year ended December 31, 2016, net of income tax	-	-	-	-	-	(6,518)	(159,571)	72,479	-	(93,610)	(19,946)	(113,556)
Total comprehensive income for the year ended December 31, 2016	-	-	-	-	-	113,669	(159,571)	72,479	-	26,577	132,373	158,950
Adjustment of capital surplus for the company's												
Cash dividends received by subsidiaries	-	-	3,168	-	-	-	-	-	-	3,168	-	3,168
Decrease in noncontrolling interests	-	-	-	-	-	-	-	-	-	-	(163,678)	(163,678)
BALANCE, DECEMBER 31, 2016	591,995	5,919,949	911,110	1,890,531	21,927	99,738	(62,062)	306,462	(63,401)	9,024,254	1,663,923	10,688,177

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

**SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES ANNEX 15**

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

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

(Continued)

## SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

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

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

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

(Concluded)

## PROPOSAL FOR EARNINGS DISTRIBUTION

ITEMS	AMOUNT (NT\$)
Earnings to be distributed (Ended of 2015)	5,321,294
Adjustments from long-term investment by equity method	(19,252,076)
Adjustments from Recalculated pension program	(6,518,181)
Adjust the accumulated losses	(20,448,963)
2016 Net income after Tax	120,186,971
2016 Net profit after tax up accumulated losses balance after	99,738,008
Legal reserve	(9,973,801)
Special reserve	(1,067,998)
Distributable Earnings	88,696,209
Dispatch project:	
Earnings to be distributed-Cash Dividend	(88,680,839)
Retained Earnings after distributing cash dividend	15,370

**Description:**

1. Distribution of profits to 105 priority allocation of Divisible surplus
2. The Company reduced its retained earnings by \$19,252,076 due to the use of the equity Method, determine the benefit plan to reduce the retained earnings by \$6,518,181, adjusted accumulated losses of NT \$ 20,448,963.
3. Shareholders' dividends \$88,680,839, \$0.1498 in cash dividend per share, cash dividends are paid to Yuan (rounding down), The total amount of its abnormal dollars included in the company's other income.
4. After the adoption of the resolution of this (2017) annual general meeting, it is proposed that the chairman of the board of directors should be appointed to set aside the basis for the date of interest.
5. The Company has affected the number of outstanding shares as a result of changes in share Capital, so that the shareholders of the interest rate so changes, to be authorized to adjust the chairman of the board.

Chairman of the board:

Manager:

Accountant:

**PROCEDURES FOR ACQUISITION AND DISPOSAL OF ASSETS (THE PROCEDURES) OF  
SUNPLUS TECHNOLOGY COMPANY LIMITED (THE COMPANY)  
AMENDMENTS TO THE PROVISIONS**

Before revision	After revision	Reason explanation
<p><b>Article 6</b> In acquiring or disposing of real property or equipment where the transaction amount reaches 20 percent of the Company's paid-in capital or NT\$300 million or more, the Company, unless transacting with a government <del>department</del>, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions:</p>	<p><b>Article 6</b> In acquiring or disposing of real property or equipment where the transaction amount reaches 20 percent of the Company's paid-in capital or NT\$300 million or more, the Company, unless transacting with a government <del>department</del> <b>agency</b>, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions:</p>	Discretionary writing
<p><b>Article 8</b> Where the Company acquires or disposes of memberships or intangible assets and the transaction amount reaches 20 percent or more of paid-in capital or NT\$300million or more, except in transactions with a government <del>department</del>, the Company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price; the CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.</p>	<p><b>Article 8</b> Where the Company acquires or disposes of memberships or intangible assets and the transaction amount reaches 20 percent or more of paid-in capital or NT\$300million or more, except in transactions with a government <del>department</del> <b>agency</b>, the Company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price; the CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.</p>	Discretionary writing

Before revision	After revision	Reason explanation
<p><b>Article 9</b> The Company that conducts a merger, demerger, acquisition, or transfer of shares, prior to convening the board of directors to resolve on the matter, shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the board of directors for deliberation and passage.</p>	<p><b>Article 9</b> The Company that conducts a merger, demerger, acquisition, or transfer of shares, prior to convening the board of directors to resolve on the matter, shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the board of directors for deliberation and passage. <b>However, obtaining an aforementioned opinion on reasonableness issued by an expert may be exempted in the case of a merger between a public company and its subsidiary whose one hundred percent of the issued shares or authorized capital is held by a public company or the merger between its subsidiaries whose one hundred percent of the issued shares or authorized capital held by a public company.</b></p>	<p>The merger between company and its subsidiary one hundred percent invested by company or the merger between its subsidiaries one hundred percent invested by company in accordance with the Enterprises Mergers and Acquisitions Act shall be not involved in the agreement of shares exchange ratio or the distribution of shareholders' cash dividends or other property practices. Such merger, its spirit identified as reorganization among the same Group may exempt an expert's opinion on reasonableness for the issue of shares exchange ratio.</p>



Before revision	After revision	Reason explanation
<p><b>Article 15</b> Under any of the following circumstances, the Company acquiring or disposing of assets shall publicly announce and report the relevant information on information reporting website designated by Financial Supervisory Commission, R.O.C. (FSC), in the appropriate format as prescribed by regulations within 2 days commencing immediately from the date of occurrence of the event:</p> <p>1. Acquisition or disposal of real property from or to a related party, or acquisition or disposal of assets other than real property from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of government bonds, bonds under repurchase and resale agreements, or subscription or <del>redemption</del> of domestic money market funds.</p> <p>2. Merger, demerger, acquisition, or transfer of shares.</p> <p><del>3. Where an asset transaction other than any of those referred to in the preceding two subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20 percent or more of paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances:</del></p> <p><del>(1) Trading of government bonds.</del></p> <p><del>(2) Securities trading by</del></p>	<p><b>Article 15</b> Under any of the following circumstances, the Company acquiring or disposing of assets shall publicly announce and report the relevant information on information reporting website designated by Financial Supervisory Commission, R.O.C. (FSC), in the appropriate format as prescribed by regulations within 2 days commencing immediately from the date of occurrence of the event:</p> <p>1. Acquisition or disposal of real property from or to a related party, or acquisition or disposal of assets other than real property from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of government bonds, bonds under repurchase and resale agreements, or subscription or <b>repurchase of domestic securities investment trusts issued by the money market fund.</b></p> <p>2. Merger, demerger, acquisition, or transfer of shares.</p> <p><b>3. Where the type of the acquisition or disposal of assets is equipment used for business operation, the trading counterparty is not a related party, and the transaction amount meets any of the following criteria:</b></p> <p><b>(1) For company whose paid-in capital is less than NT\$10 billion, the transaction amount reaches NT\$500 million or more.</b></p> <p><b>(2) For company whose paid-in capital is NT\$10 billion or more, the transaction amount reaches NT\$1 billion</b></p>	<p>1. Here is an amendment that the domestic money market funds referred in the Subparagraph 1 of Paragraph 1 means the money market funds issued by professional securities investment trust enterprises permitted by the Financial Supervisory Commission in accordance with the Securities Investment Trust and Consulting Act.</p> <p>2. The acquisition or disposal on equipment for business use is the required item for company running daily routine. If the reporting criterion publicly announced is too low, it will lead to report publicly announced too much frequently and will reduce the importance on the reference of information disclosure. In consideration of larger companies, here is an amendment on the current Section 4 under Subparagraph 3 of Paragraph 1 that For a public company whose paid-in capital is NT\$10 billion or more, the criterion of public announcement is elevated to be NT\$1 billion by the trading amount in the case of the acquisition or disposal on equipment for business use and the trading counterparty not the related party. And move the Section to the Subparagraph 3 of Paragraph 1.</p> <p>3. The current Section 5 under Subparagraph 3 of Paragraph 1 is moved to the Subparagraph 4 of Paragraph 1; the current Subparagraph 4 of Paragraph 1 is moved to the Subparagraph 3 of Paragraph 1.</p> <p>4. Amend the current Section 2 under Subparagraph 3 of Paragraph 1 and move the Section to the Section 2 under Subparagraph 5 of Paragraph 1:</p> <p>1) Security trading by</p>

Before revision	After revision	Reason explanation
<p><del>investment professionals on foreign or domestic securities exchanges or over the counter markets, or subscription of securities by a securities firm, either in the primary market or in accordance with relevant regulations.</del></p> <p><del>(3) Trading of bonds under repurchase/resale agreements, or subscription or redemption of domestic money market funds.</del></p> <p><del>(4) Where the type of asset acquired or disposed is equipment for business use, the trading counterparty is not a related party, and the transaction amount is less than NT\$500 million.</del></p> <p><del>(5) Where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the amount the company expects to invest in the transaction is less than NT\$500 million.</del></p>	<p>or more.</p> <p>4. Where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, joint construction and separate sale, and the transaction amount that company expects to invest in reaches NT\$500 million or more.</p> <p>5. Where an asset transaction other than any of those mentioned in the preceding four subparagraphs, a disposal of receivables by a financial institution or an investment in the mainland China area reaches twenty percent of paid-in capital or NT\$300 million or more; provided, this shall not apply to the following situations:</p> <p>(1) Trading of government bonds.</p> <p>(2) Security trading by investment professionals on foreign or domestic securities exchanges or over-the-counter markets, or subscription by investment professionals of ordinary corporate bonds or of general bank debentures without equity characteristics that are offered and issued in the domestic primary market, or subscription by a securities firm of securities as necessitated by its undertaking business or as an advisory recommending securities firm for an emerging stock company in accordance with the rules of the Taipei Exchange.</p> <p>(3) Trading of bonds under repurchase/resale agreements, subscription or redemption of money market funds issued by domestic securities investment</p>	<p>investment professionals on ordinary corporate bonds or of general bank debentures without equity characteristics that are offered and issued in the domestic primary market is the regular business primarily for earning interests and the simple nature. Besides, when it's sold out in the secondary market, there is no public announcement required based on the current regulations due to the consideration of benefit and consistency by the information disclosure, exempted from the applicable scope of public announcement. Moreover, in accordance with the Paragraph 1 of Article 2 in the Regulations Governing Issuance of Bank Debentures by Banks, the aforementioned general bank debentures without equity characteristics exclude the secondary bank debentures.</p> <p>2)In addition, it's also exempted from the applicable scope of public announcement where there is subscription by a securities firm of securities as necessitated by its undertaking business or as an advisory recommending securities firm for an emerging stock company without listed on stock exchange in accordance with the rules of the Taipei Exchange</p> <p>5.The revision reason of the current Section 3 under Subparagraph 3 of Paragraph 1 is the same as that of Item 1, and move the Section to the Section 3 under Subparagraph 5 of Paragraph 1.</p> <p>6.Here is an amendment on the wordings of the Fourth Paragraph that when company at the time of public announcement makes an error or omission in a required item by regulations to be publicly announced and is</p>

Before revision	After revision	Reason explanation
<p>When the Company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety.</p>	<p><del>trust enterprises.</del> When the Company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety <b>be informed within two days from today.</b></p>	<p>required to correct it, all the items shall be again publicly announced and reported in their entirety within two days counting inclusively from the date of knowing such error or omission by additionally referring to the Article 16 with regard to the regulation of any changes being publicly announced and reported within two days from the date when company originally made a public report.</p>
<p><b>Article 19</b> When the Company intends to acquire or dispose of real property from or to a related party, or when it intends to acquire or dispose of assets other than real property from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the Company's total assets, or NT\$300 million or more, except in trading of government bonds or bonds under repurchase and resale agreements, or subscription or <del>redemption</del> of domestic money market funds, the company may not proceed to enter into a transaction contract or make a payment until the following matters have been recognized by the audit committee and approved by the board of directors:</p>	<p><b>Article 19</b> When the Company intends to acquire or dispose of real property from or to a related party, or when it intends to acquire or dispose of assets other than real property from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the Company's total assets, or NT\$300 million or more, except in trading of government bonds or bonds under repurchase and resale agreements, or subscription or <b>repurchase of domestic securities investment trusts issued by the money market fund</b>, the company may not proceed to enter into a transaction contract or make a payment until the following matters have been recognized by the audit committee and approved by the board of directors:</p>	<p>The reasons for amendment are the same as Article 15.</p>

**PROCEDURES FOR ENDORSEMENTS & GUARANTEES (THE PROCEDURES)  
OF SUNPLUS TECHNOLOGY COMPANY LIMITED (THE COMPANY)**

Before revision	After revision	Reason explanation
<p><b>Article 4</b> The amount of endorsements worth and/or guarantees between its subsidiaries in which the company holds directly and indirectly more than 90% of its total voting shares cannot reach 10% of the company's net worth except the 100% holding subsidiaries, <del>not in this limit.</del></p>	<p><b>Article 4</b> The amount of endorsements worth and/or guarantees between its subsidiaries in which the company holds directly and indirectly more than 90% of its total voting shares cannot reach 10% of the company's net worth except the 100% holding subsidiaries, <b>shall not exceed 50% of the net value of the Company.</b></p>	<p>As per the Law, providing endorsements or guarantees for companies with directly and indirectly holding one hundred percent of voting shares is unrestricted to ten percent of Net Value. However, the Credit still shall be restricted to no more than fifty percent of Net Value.</p>

ANNEX19

**DIRECTORS WAITING FOR LIFTING THE BAN AGAINST JOINING COMPETITORS**

<b>Name of Director</b>	<b>Joining Company</b>	<b>Position</b>
Wen-Shuing Jan	HI-YES GROUP Co., Ltd.	Supervisors
Che-Ho Wei	MACRONIX International Co., Ltd.	Director

## APPENDIX

### APPENDIX 1

#### PROCEDURES FOR ETHICAL MANAGEMENT AND GUIDELINES FOR CONDUCT OF SUNPLUS TECHNOLOGY COMPANY LIMITED (THE COMPANY)

##### **Article1 Purpose and scope**

The Company engages in commercial activities following the principles of fairness, honesty, faithfulness, and transparency, and in order to fully implement a policy of ethical management and actively prevent unethical conduct, these Procedures for Ethical Management and Guidelines for Conduct (hereinafter, "Procedures and Guidelines") are adopted pursuant to the provisions of "the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and the applicable laws and regulations of the places where the Company and its business groups and organizations operate, with a view to providing all personnel of the Company with clear directions for the performance of their duties.

##### **Article2 Applicable subjects**

For the purposes of these Procedures and Guidelines, the term "personnel of the Company" refers to any director, supervisor, managerial officer, employee, mandatary or person having substantial control, of the Company or business groups and organizations. Any promise, request, or acceptance of improper benefits by any personnel of the Company through a third party will be presumed to be an act by the personnel of the Company.

##### **Article3 Unethical conduct**

For the purposes of these Procedures and Guidelines, "unethical conduct" means that any personnel of the Company, in the course of their duties, directly or indirectly provides, promises, requests, or accepts improper benefits or commits a breach of ethics, unlawful act, or breach of fiduciary duty for purposes of acquiring or maintaining benefits. The counterparties of the unethical conduct under the preceding paragraph include public officials, political candidates, political parties or their staffs, and government-owned or private-owned enterprises or institutions and their directors, supervisors, managerial officers, employees, persons having substantial control, or other interested parties.

##### **Article4 Types of benefits**

For the purposes of these Procedures and Guidelines, the term "benefits" means any money, gratuity, gift, commission, position, service, preferential treatment, rebate, facilitating payment, entertainment, dining, or any other item of value in whatever form or name.

##### **Article5 Responsible unit**

The Company shall designate the Broad of Directors Office as the solely responsible unit (hereinafter, "responsible unit") in charge of the amendment, implementation, interpretation, and advisory services with respect to these Procedures and Guidelines, the recording and filing of reports, and the monitoring of implementation. The responsible unit shall also from time to regular reports to the board of directors.

##### **Article6 Prohibition against providing or accepting improper benefits**

Any personnel of the Company are prohibited to request, directly or indirectly, any money, gratuity or preferential treatment, including luxury entertainment and dining or other treatment in whatever form which is not in accordance with local courtesy and custom from any supplier, agent or customer who has business relationship with the Company. Any personnel of the Company are prohibited to accept any money or gratuity

from any supplier, agent or customer. The preceding conduct is undertaken unless either it is in accordance with local courtesy, convention, or custom which the market value are less than NT\$3,000 or it is the gift-away or souvenirs with printed logo provided by another party. The market value of the property provided coming from the same source within a single fiscal year shall be limited to NT\$30,000. The personnel of the Company shall return or refuse politely any other gifts, money or benefits in whatever form or name in accordance with Article 7 of the procedures and guidelines. Any personnel of the Company are prohibited to accept gifts or other payments unless it is for the Company's ceremony and reported in written form to BU's head in advance. Any personnel of the Company are prohibited to accept the dining treatment and entertainment from any supplier, agent and customer unless it's on business trip or approved by the Company. Any personnel of the Company are prohibited to make loans or leasing contracts either gratuitous or non-gratuitous with any supplier, agent and customer who have commercial relationship with the Company.

#### **Article7 Procedures for handling the acceptance of improper benefits**

Except under any of the circumstances set forth in the preceding article, when any personnel of the Company are provided with or are promised, either directly or indirectly, any benefits as specified in Article 4 by a third party,, the matter shall be handled in accordance with the following procedures:

1. If there is no relationship of interest between the party providing or offering the benefit and the official duties of the Company's personnel, the personnel shall report to their immediate supervisor within 3 days from the acceptance of the benefit, and the responsible unit shall be notified if necessary.
2. If a relationship of interest does exist between the party providing or offering the benefit and the official duties of the Company's personnel, the personnel shall return or refuse the benefit, and shall report to his or her immediate supervisor and notify the responsible unit. When the benefit cannot be returned, then within 3 days from the acceptance of the benefit, the personnel shall refer the matter to the responsible unit for handling.

"A relationship of interest between the party providing or offering the benefit and the official duties of the Company's personnel," as referred to in the preceding paragraph, refers to one of the following circumstances:

1. When the two parties have commercial dealings, a relationship of direction and supervision, or subsidies (or rewards) for expenses.
2. When a contracting, trading, or other contractual relationship is being sought, is in progress, or has been established.
3. Other circumstances in which a decision regarding the Company's business, or the execution or non-execution of business, will result in a beneficial or adverse impact.

The responsible unit of the Company shall make a proposal, based on the nature and value of the benefit under paragraph 1, that it be returned, accepted on payment, given to the public, donated to charity, or handled in another appropriate manner. The proposal shall be implemented after being reported and approved by CEO of the Company.

#### **Article8 Recusal**

When the Company director , supervisor, officer or other stakeholder attending or present at a board meeting, or the juristic person represented thereby, has a stake in a proposal at the meeting , that director, supervisor, officer or stakeholder shall state the important aspects of the stake in the meeting and, where there is a likelihood that the interests of the Company would be prejudiced, may not participate in the discussion or vote on that proposal, shall recuse himself or herself from any discussion

and voting, and may not exercise voting rights as proxy on behalf of another director. The directors shall exercise discipline among themselves, and may not support each other in an inappropriate manner. If in the course of conducting company business, any personnel of the Company discovers that a potential conflict of interest exists involving themselves or the juristic person that they represent, or that they or their spouse, parents, children, or a person with whom they have a relationship of interest is likely to obtain improper benefits, the personnel shall report the relevant matters to both his or her immediate supervisor and the responsible unit, and the immediate supervisor shall provide the personnel with proper instructions. No personnel of the Company may use company resources on commercial activities other than those of the Company, nor may any personnel's job performance be affected by his or her involvement in the commercial activities other than those of the Company.

**Article9 Unit in charge of confidentiality regime and its responsibilities**

The Company shall designate the Legal & Intellectual Property Department (“The Department”) charged with formulating and implementing procedures for managing, preserving, and maintaining the confidentiality of the Company's trade secrets, trademarks, patents, works and other intellectual properties and it shall also conduct periodical reviews on the results of implementation to ensure the sustained effectiveness of the confidentiality procedures. All personnel of this Corporation shall faithfully follow the operational directions pertaining to intellectual properties as mentioned in the preceding paragraph and may not disclose to any other party any trade secrets, trademarks, patents, works, and other intellectual properties of this Corporation of which they have learned, nor may they inquire about or collect any trade secrets, trademarks, patents, and other intellectual properties of this Corporation unrelated to their individual duties.

**Article10 Prohibition against Fair Trade**

The Company shall follow the Fair Trade Act and applicable competition laws and regulations when engaging in business activities, and may not fix prices, make rigged bids, establish output restrictions or quotas, or share or divide markets by allocating customers, suppliers, territories, or lines of commerce.

**Article11 Prohibition against insider trading**

The Company's personnel shall adhere to the provisions of the Securities and Exchange Act, and may not take advantage of undisclosed information of which they have learned to engage in insider trading. Personnel are also prohibited from divulging the undisclosed information to any other party in order to prevent another party from using such information to engage in insider trading.

**Article12 Non-disclosure agreement**

Any organization or person outside of the Company that is involved in any merger, demerger, acquisition and share transfer, major memorandum of understanding, strategic alliance, other business partnership plan, or the signing of a major contract by the Company shall be required to sign a non-disclosure agreement in which they undertake not to disclose to any other party any trade secret or other material information of the Company acquired as a result, and that they may not use such information without the prior consent of the Company.

**Article13 Announcement of policy of ethical management to outside parties**

The Company shall disclose its policy of ethical management in its internal rules, annual reports, on the Company's websites, and in other promotional materials, and shall make timely announcements of the policy in events held for outside parties such as product launches and investor press conferences, in order to make its suppliers, customers, and other business-related institutions and personnel fully aware of its principles and rules with respect to ethical management.



**Article14 Ethical management evaluation prior to development of commercial relationships**

Before developing a commercial relationship with another party, such as an agent, supplier, customer, or other counterparty in commercial dealings, the Company shall evaluate the legality and ethical management policy of the party and ascertain whether the party has involved in a record of unethical conduct, in order to ensure that the party conducts business in a fair and transparent manner and will not request, offer, or take bribes.

When the Company carries out the evaluation under the preceding paragraph, it may adopt appropriate audit procedures for a review of the counterparty with which it will have commercial dealings with respect to the following matters, in order to gain a comprehensive knowledge of its ethical management:

1. The enterprise's nationality, location of business operations, organizational structure, and management policy, and place where it will make payment.
2. Whether the enterprise has adopted an ethical management policy, and the status of its implementation.
3. Whether enterprise's business operations are located in a country with a high risk of corruption.
4. Whether the business operated by the enterprise is in an industry with a high risk of bribery.
5. The long-term business condition and degree of goodwill of the enterprise.
6. Consultation with the enterprise's business partners on their opinion of the enterprise.
7. Whether the enterprise has a record of unethical conduct such as bribery or illegal political contributions.

**Article15 Statement of ethical management policy to counterparties in commercial dealings**

Any personnel of the Company, when engaging in commercial activities, shall make a statement to the trading counterparty about the Company's ethical management policy and related rules, and shall clearly refuse to provide, promise, request, or accept, directly or indirectly, any improper benefit.

**Article16 Avoidance of commercial dealings with unethical operators**

All personnel of the Company shall avoid business transactions with the agent, supplier, customer, or other counterparty in commercial interactions who has recorded of unethical conduct. When the counterparty or partner in cooperation is found to have engaged in unethical conduct, the personnel shall immediately cease dealing with the counterparty and blacklist it for any further business interaction in order to effectively implement the Company's ethical management policy.

**Article17 Handling of unethical conduct by personnel of this Corporation**

Upon discovering or receiving a complaint about any personnel's involvement in unethical conduct, the Company shall ascertain the relevant facts without delay; if it is verified that there is indeed a violation of applicable laws and regulations or the Company's policy and procedures of ethical management, the Company shall immediately require the violator to cease the conduct and shall make an appropriate disposition. When necessary, the Company will institute legal proceedings and seek damages to safeguard its reputation and its rights and interests. With respect to the unethical conduct that has occurred, the Company shall charge relevant units with the task of reviewing the internal control system and relevant procedures and proposing corrective measures to prevent a recurrence of the same unethical conduct. The responsible unit of the Company shall submit to the board of directors a report on the unethical conduct, actions taken, and subsequent reviews and

corrective measures.

**Article18 Actions upon event of unethical conduct by others towards this Corporation**

If any personnel of the Company discovers that another party has engaged in unethical conduct towards the Company, and such unethical conduct involves alleged illegality, the Company shall report the relevant facts to the judicial and prosecutorial authorities; where a public service agency or public official is involved, the Company shall additionally notify the governmental anti-corruption agency.

**Article19 Establishment of a system for rewards, penalties, and complaints, and related disciplinary measures**

The Company shall link ethical management to employee performance evaluations and human resources policy, and establish clear and effective systems for rewards, penalties, and complaints. If any personnel of the Company seriously violates ethical conduct, the Company shall dismiss the personnel from his or her position or terminate his or her employment in accordance with applicable laws and regulations or the personnel policy and procedures of the Company. The Company shall disclose on its intranet information the name and title of the violator, the date and details of the violation, and the actions taken in response.

**Article20 Enforcement**

These Procedures and Guidelines, and any amendments hereto, shall be implemented after adoption by resolution of the board of directors, and shall be delivered to each supervisor and reported to the shareholders meeting. When the Procedures are submitted to the board of directors for discussion, each independent director's opinions shall be taken into full consideration, and their objections and reservations expressed shall be recorded in the minutes of the board of directors meeting. An independent director that is unable to attend a board meeting in person to express objection or reservation shall provide a written opinion before the board meeting unless there is a legitimate reason to do otherwise, and the opinion shall be recorded in the minutes of the board of directors meeting. For the Company that has established an audit committee, the provisions regarding supervisors in these Principles shall apply mutatis mutandis to the audit committee.

**Article21 Amendment**

These Procedures and Guidelines are enacted on April 10th, 2013.  
1st amendment acted on March 23th, 2015.

## PROCEDURES FOR ACQUISITION AND DISPOSAL OF ASSETS (THE PROCEDURES) OF SUNPLUS TECHNOLOGY COMPANY LIMITED (THE COMPANY)

### Chapter I General Principles

**Article1** The Company shall handle the acquisition or disposal of assets in compliance with these Procedures; where another law or regulation provides provided otherwise, such provisions shall govern.

**Article2** The term "assets" as used in these Procedures includes the following:

1. Investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depository receipts, call (put) warrants, beneficial interest securities, and asset-backed securities.
2. Real property (including land, houses and buildings, investment property, rights to use land, and construction enterprise inventory) and equipment.
3. Memberships.
4. Patents, copyrights, trademarks, franchise rights, and other intangible assets.
5. Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law.
6. Other major assets.

**Article3** Terms used in these Procedures are defined as follows:

1. Related party or subsidiary: As defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
2. Professional appraiser: Refers to a real property appraiser or other person duly authorized by law to engage in the value appraisal of real property or equipment.
3. Date of occurrence: Refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of boards of directors resolutions, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier; provided, for investment for which approval of the competent authority is required, the earlier of the above date or the date of receipt of approval by the competent authority shall apply.

**Article4** Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide the Company with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions shall not be a related party of any party to the transaction.

**Article5** Where the Company acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or CPA opinion.

### Chapter II Appraisal Procedures of Acquiring or Disposing Assets

**Article6** In acquiring or disposing of real property or equipment where the transaction amount reaches 20 percent of the Company's paid-in capital or NT\$300 million or more, the Company, unless transacting with a government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment for

business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions:

1. Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the board of directors, and the same procedure shall be followed for any future changes to the terms and conditions of the transaction.
2. Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.
3. Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to perform the appraisal in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ROC Accounting Research and Development Foundation (ARDF) and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:
  - (1) The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.
  - (2) The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount.
4. No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date; provided, where the publicly announced current value for the same period is used and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser.

**Article7** The Company acquiring or disposing of securities shall, prior to the date of occurrence of the event, obtain financial statements of the issuing company for the most recent period, certified or reviewed by a certified public accountant, for reference in appraising the transaction price, and if the dollar amount of the transaction is 20 percent of the company's paid-in capital or NT\$300 million or more, the Company shall additionally engage a certified public accountant prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. If the CPA needs to use the report of an expert as evidence, the CPA shall do so in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ARDF. This requirement does not apply, however, to publicly quoted prices of securities that have an active market, or where otherwise provided by regulations of the Financial Supervisory Commission (FSC).

**Article8** Where the Company acquires or disposes of memberships or intangible assets and the transaction amount reaches 20 percent or more of paid-in capital or NT\$300million or more, except in transactions with a government agency, the Company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price; the CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF. Article8-1 The calculation of the transaction amounts referred to in the preceding three articles shall be done in accordance with Article 15, paragraph 2 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained need not be counted toward the transaction amount.

**Article9** The Company that conducts a merger, demerger, acquisition, or transfer of shares, prior to convening the board of directors to resolve on the matter, shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the board of directors for deliberation and passage.

**Article10** The Company shall prepare a public report to shareholders detailing important contractual content and matters relevant to the merger, demerger, or acquisition prior to the shareholders meeting and include it along with the expert opinion referred to in paragraph 1 of the preceding Article when sending shareholders notification of the shareholders meeting for reference in deciding whether to approve the merger, demerger, or acquisition. Provided, where a provision of another act exempts a company from convening a shareholders meeting to approve the merger, demerger, or acquisition, this restriction shall not apply. Where the shareholders meeting of any one of the companies participating in a merger, demerger, or acquisition fails to convene or pass a resolution due to lack of a quorum, insufficient votes, or other legal restriction, or the proposal is rejected by the shareholders meeting, the company shall immediately publicly explain the reason, the follow-up measures, and the preliminary date of the next shareholders meeting.

### **Chapter III Operating Procedures of Acquiring or Disposing Assets**

**Article11** Where the Company acquires or disposes of preceding equipment, memberships, intangible assets and so forth, the terms of trading, the degree of authority delegated and implement shall be in accordance with the "Rules Governing the Management of Procurement, Payment and Warehouse", "Rules Governing the Management of Assets" and "Rules Governing the Implementation of Authorization".

**Article12** Where the Company acquires or disposes of securities and real properties due to expanding operations or other reason, the terms of trading, the degree of authority delegated and implement shall be in accordance with the "Rules Governing the Management of Investment Operations" and "Rules Governing the Implementation of Authorization".

**Article13** Where the Company could serve as board of director by acquiring the shareholding of other companies, the implement shall follow the "Rules Governing the Management of Investment Control".

**Article14** Procedure when participating in a merger, demerger, acquisition or transfer of shares:

1. The companies participating in a merger, demerger, or acquisition shall convene a board of directors meeting and shareholders meeting on the day of the transaction to resolve matters relevant to the merger, demerger, or acquisition, unless another act provides otherwise or the FSC is notified in advance of extraordinary circumstances and grants consent.

The company participating in a transfer of shares shall call a board of directors meeting on the day of the transaction, unless another act provides otherwise or the FSC is notified in advance of extraordinary circumstances and grants consent.

When participating in a merger, demerger, acquisition, or transfer of another company's shares, the company that is listed on an exchange or has its shares traded on an OTC market shall prepare a full written record of the following information and retain it for 5 years for reference:

(1) Basic identification data for personnel: Including the occupational titles, names, and national ID numbers (or passport numbers in the case of foreign nationals) of all persons involved in the planning or

implementation of any merger, demerger, acquisition, or transfer of another company's shares prior to disclosure of the information.

(2) Dates of material events: Including the signing of any letter of intent or memorandum of understanding, the hiring of a financial or legal advisor, the execution of a contract, and the convening of a board of directors meeting.

(3) Important documents and minutes: Including merger, demerger, acquisition, and share transfer plans, any letter of intent or memorandum of understanding, material contracts, and minutes of board of directors meetings.

When participating in a merger, demerger, acquisition, or transfer of another company's shares, the company that is listed on an exchange or has its shares traded on an OTC market shall, within 2 days commencing immediately from the date of passage of a resolution by the board of directors, report (in the prescribed format and via the Internet-based information system) the information set out in subparagraphs 1 and 2 of the preceding paragraph to the FSC for recordation.

Where any of the companies participating in a merger, demerger, acquisition, or transfer of another company's shares is neither listed on an exchange nor has its shares traded on an OTC market, the company(s) so listed or traded shall sign an agreement with such company whereby the latter is required to abide by the provisions of paragraphs 3 and 4.

2. Every person participating in or privy to the plan for merger, demerger, acquisition, or transfer of shares shall issue a written undertaking of confidentiality and may not disclose the content of the plan prior to public disclosure of the information and may not trade, in their own name or under the name of another person, in any stock or other equity security of any company related to the plan for merger, demerger, acquisition, or transfer of shares.

3. The Company participating in a merger, demerger, acquisition, or transfer of shares may not arbitrarily alter the share exchange ratio or acquisition price unless under the below-listed circumstances, and shall stipulate the circumstances permitting alteration in the contract for the merger, demerger, acquisition, or transfer of shares:

(1) Cash capital increase, issuance of convertible corporate bonds, or the issuance of bonus shares, issuance of corporate bonds with warrants, preferred shares with warrants, stock warrants, or other equity based securities.

(2) An action, such as a disposal of major assets, that affects the company's financial operations.

(3) An event, such as a major disaster or major change in technology, that affects shareholder equity or share price.

(4) An adjustment where any of the companies participating in the merger, demerger, acquisition, or transfer of shares from another company, buys back treasury stock.

(5) An increase or decrease in the number of entities or companies participating in the merger, demerger, acquisition, or transfer of shares.

(6) Other terms/conditions that the contract stipulates may be altered and that have been publicly disclosed.

4. The contract for participation by the Company in a merger, demerger, acquisition, or of shares shall record the rights and obligations of the companies participating in the merger, demerger, acquisition, or transfer of

shares, and shall also record the following:

- (1) Handling of breach of contract.
  - (2) Principles for the handling of equity-type securities previously issued or treasury stock previously bought back by any company that is extinguished in a merger or that is demerged.
  - (3) The amount of treasury stock participating companies are permitted under law to buy back after the record date of calculation of the share exchange ratio, and the principles for handling thereof.
  - (4) The manner of handling changes in the number of participating entities or companies.
  - (5) Preliminary progress schedule for plan execution, and anticipated completion date.
  - (6) Scheduled date for convening the legally mandated shareholders meeting if the plan exceeds the deadline without completion, and relevant procedures.
5. After public disclosure of the information, if any company participating in the merger, demerger, acquisition, or share transfer intends further to carry out a merger, demerger, acquisition, or share transfer with another company, all of the participating companies shall carry out anew the procedures or legal actions that had originally been completed toward the merger, demerger, acquisition, or share transfer; except that where the number of participating companies is decreased and a participating company's shareholders meeting has adopted a resolution authorizing the board of directors to alter the limits of authority, such participating company may be exempted from calling another shareholders meeting to resolve on the matter anew.

#### **Chapter IV Public Announcement and Regulatory Filing Procedures**

**Article 15** Under any of the following circumstances, the Company acquiring or disposing of assets shall publicly announce and report the relevant information on information reporting website designated by Financial Supervisory Commission, R.O.C. (FSC), in the appropriate format as prescribed by regulations within 2 days commencing immediately from the date of occurrence of the event:

1. Acquisition or disposal of real property from or to a related party, or acquisition or disposal of assets other than real property from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of government bonds, bonds under repurchase and resale agreements, or subscription or redemption of domestic money market funds.
2. Merger, demerger, acquisition, or transfer of shares.
3. Where an asset transaction other than any of those referred to in the preceding two subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20 percent or more of paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances:
  - (1) Trading of government bonds.
  - (2) Securities trading by investment professionals on foreign or domestic securities exchanges or over-the-counter markets, or subscription of securities by a securities firm, either in the primary market or in accordance with relevant regulations.
  - (3) Trading of bonds under repurchase/resale agreements, or

subscription or redemption of domestic money market funds.

(4) Where the type of asset acquired or disposed is equipment for business use, the trading counterparty is not a related party, and the transaction amount is less than NT\$500 million.

(5) Where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the amount the company expects to invest in the transaction is less than NT\$500 million.

The amount of transactions above shall be calculated as follows:

1. The amount of any individual transaction.
2. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same trading counterparty within the preceding year.
3. The cumulative transaction amount of real property acquisitions and disposals (cumulative acquisitions and disposals, respectively) within the same development project within the preceding year.
4. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.

"Within the preceding year" as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with these Procedures need not be counted toward the transaction amount.

When the Company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety.

The Company acquiring or disposing of assets shall keep all relevant contracts, meeting minutes, log books, appraisal reports and CPA, attorney, and securities underwriter opinions at the Company headquarters, where they shall be retained for 5 years except where another act provides otherwise.

**Article16** Where any of the following circumstances occurs with respect to a transaction that the company has already publicly announced and reported in accordance with the preceding article, a public report of relevant information shall be made on the information reporting website designated by the FSC within 2 days commencing immediately from the date of occurrence of the event:

1. Change, termination, or rescission of a contract signed in regard to the original transaction.
2. The merger, demerger, acquisition, or transfer of shares is not completed by the scheduled date set forth in the contract.
3. Change to the originally publicly announced and reported information.

**Article17** Information required announcing and reporting publicly in accordance with the provisions of this chapter on acquisitions and disposals of assets by a subsidiary of the Company that is not itself a public company in Taiwan shall be reported by the Company. The paid-in capital or total assets of the Company shall be the standard for determining whether or not a subsidiary referred to in the preceding paragraph is subject to Article 15, paragraph 1, requiring a public announcement and regulatory filing in the event the type of transaction specified therein reaches 20 percent of paid-in capital or 10 percent of the total assets.



## **Chapter V Related Party Transactions**

**Article18** When the Company engages in any acquisition, or disposal of assets from or to a related party, in addition to ensuring that the necessary resolutions in accordance with Article 6~8 and this chapter are adopted and the reasonableness of the transaction terms is appraised, if the transaction amount reaches 10 percent or more of the Company's total assets, the company shall also obtain an appraisal report from a professional appraiser or a CPA's opinion in compliance with the provisions of the preceding Article 6~8.

The calculation of the transaction amount referred to in the preceding paragraph shall be made in accordance with Article 8-1 herein. For the calculation of 10 percent of total assets under these Regulations, the total assets stated in the most recent parent company only financial report or individual financial report prepared under the Regulations Governing the Preparation of Financial Reports by Securities Issuers shall be used.

**Article19** When the Company intends to acquire or dispose of real property from or to a related party, or when it intends to acquire or dispose of assets other than real property from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the Company's total assets, or NT\$300 million or more, except in trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of domestic money market funds, the company may not proceed to enter into a transaction contract or make a payment until the following matters have been recognized by the audit committee and approved by the board of directors:

1. The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.
2. The reason for choosing the related party as a trading counterparty.
3. With respect to the acquisition of real property from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Article 20 and Article 21.
4. The date and price at which the related party originally acquired the real property, the original trading counterparty, and that trading counterparty's relationship to the company and the related party.
5. Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.
6. An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the preceding article.
7. Restrictive covenants and other important stipulations associated with the transaction.

The calculation of the transaction amounts referred to in the preceding paragraph shall be made in accordance with Article 15, paragraph 2 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been recognized by the audit committee and approved by the board of directors need not be counted toward the transaction amount.

With respect to the acquisition or disposal of business-use equipment between the company and its parent or subsidiaries, the company's board of directors may delegate the board chairman to decide such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified by the next board of directors meeting.

When a matter is submitted for discussion by the board of directors pursuant to the first paragraph, the board of directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting, and shall be announced subject to mutatis

mutandis application of Article 27 in these Procedures.

**Article20** The Company that acquires real property from a related party shall evaluate the reasonableness of the transaction costs by the following means:

1. Based upon the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. "Necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the Company purchases the property; provided, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.

2. Total loan value appraisal from a financial institution where the related party has previously created a mortgage on the property as security for a loan; provided, the actual cumulative amount loaned by the financial institution shall have been 70 percent or more of the financial institution's appraised loan value of the property and the period of the loan shall have been 1 year or more. However, this shall not apply where the financial institution is a related party of one of the trading counterparties.

Where land and structures thereupon are combined as a single property purchased in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed in the preceding paragraph. The Company that acquires real property from a related party and appraises the cost of the real property in accordance with paragraph 1 and paragraph 2 shall also engage a CPA to check the appraisal and render a specific opinion.

Where the Company acquires real property from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with Article 19 and the preceding three paragraphs do not apply:

1. The related party acquired the real property through inheritance or as a gift.

2. More than 5 years will have elapsed from the time the related party signed the contract to obtain the real property to the signing date for the current transaction.

3. The real property is acquired through signing of a joint development contract with the related party or through engaging a related party to build real property, either on the company's own land or on rented land.

**Article21** When the results of the Company's appraisal conducted in accordance with paragraph 1 and paragraph 2 of the preceding Article are uniformly lower than the transaction price, the matter shall be handled in compliance with Article 22. However, where the following circumstances exist, objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real property appraiser and a CPA have been obtained, this restriction shall not apply: :

1. Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:

(1) Where undeveloped land is appraised in accordance with the means in the preceding Article, and structures according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price. The "Reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division over the most recent 3 years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of

Finance, whichever is lower.

(2) Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market practices.

(3) Completed leasing transactions by unrelated parties for other floors of the same property from within the preceding year, where the transaction terms are similar after calculation of reasonable price discrepancies among floors in accordance with standard property leasing market practices.

2. Where the Company acquiring real property from a related party provides evidence that the terms of the transaction are similar to the terms of transactions completed for the acquisition of neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year.

Completed transactions for neighboring or closely valued parcels of land in the preceding paragraph in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value; transaction for similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50 percent of the property in the planned transaction; within the preceding year refers to the year preceding the date of occurrence of the acquisition of the real property.

**Article 22** Where the Company acquires real property from a related party and the results of appraisals conducted in accordance with Article 20 and Article 21 are uniformly lower than the transaction price, the following steps shall be taken:

1. A special reserve shall be set aside in accordance with Article of Act against the difference between the real property transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares.

2. Those independent directors of audit committee shall comply with Article 218 of the Company Act.

3. Actions taken pursuant to subparagraph 1 and subparagraph 2 shall be reported to a shareholders meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.

The Company that has set aside a special reserve under the preceding paragraph may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased at a premium, or they have been disposed of, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the FSC has given its consent.

When the Company obtains real property from a related party, it shall also comply with the preceding two paragraphs if there is other evidence indicating that the acquisition was not an arms length transaction.

#### **Chapter VI Other Important Matters**

**Article 23** Total amounts of real property and securities acquired by the Company for business use, and limits on individual securities as below:

1. The total amounts of real property for business use may not be higher than 50 percent or more of paid-in capital.

2. The total amount of securities for investment of a long-term nature may not be higher than 80 percent of the net worth on the latest financial statement.

3. The amount for each investment of a long-term nature shall be limited to 30 percent of the net worth on the latest financial statement.

4. Except the bond fund and money fund for investment of a short-term nature, the amount of each individual securities for investment of a short-term nature acquired by the Company shall be limited to 2 percent of the net worth on the latest financial statement, and the total amount of securities acquired by the Company may not be higher than 10 percent of the net worth on the latest financial statement.

The "net worth" in these Procedures means the balance sheet equity attributable to the owners of the parent company under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

**Article24** The Company shall see to it that its subsidiaries to make and implement its procedures for the acquisition or disposal of assets in compliance with the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" by the competent authority. The overseas subsidiaries shall apply the rules, in addition, in compliance with the regulations by local government.

**Article25** Penalties for mangers and personnel violating these Procedures or "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" by the competent authority to causes loss to the Company shall be in accordance with the "Rules Governing the Management of Employment".

#### **Chapter VII Additional Provisions**

**Article26** The company shall establish the audit committee in accordance with Securities and Exchange Act. Any amendment of the procedures and major transaction of acquisition and disposal of assets from or to a related party, or when it intends to acquire or dispose of assets other than real property from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the Company's total assets, or NT\$300 million or more, shall be approved by more than half of all audit committee members and submitted to the board of directors for a resolution. If approval of more than half of all audit committee members as required in the preceding paragraph is not obtained, the procedures may be implemented if approved by more than two-thirds of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting. The terms "all audit committee members" and "all directors" in the preceding paragraph shall be counted as the actual number of persons currently holding those positions.

**Article27** When any amendment of Procedures and major transactions or other matters shall be approved by the board of directors for a resolution, the company shall submit the director's dissenting opinion to the audit committee if any director expresses dissent and it is contained in the minutes or a written statement, When any amendment of the procedures and transaction of either acquisition or disposal is submitted for discussion by the board of directors pursuant to the preceding paragraph, the board of directors shall take into full consideration each independent director's opinions. It shall be recorded in the minutes of the board of directors meeting if an independent director agrees or objects about any matter. A public report of preceding opinion shall be made on the information reporting website designated by the competent authority within 2 days commencing immediately from the date of board meeting.

**Article28** After approved by the audit committee and Board Meeting, the procedures shall be enacted after proposed to and resolved by shareholders' meeting. The same applies in case of amendment.

**PROCEDURES FOR ENDORSEMENTS & GUARANTEES (THE PROCEDURES)  
OF SUNPLUS TECHNOLOGY COMPANY LIMITED (THE COMPANY)**

**Article1** The Company shall handle the endorsements and guarantees in compliance with these Procedures.

**Article2** The scope of application to the procedures

1. Financing endorsements/guarantee

It refers to bill discount financing, endorsement or guarantee made to meet the financing needs of another company, and issuance of a separate negotiable instrument to a non-financial enterprise as security to meet the financing needs of the company itself.

2. Customs duty endorsement/guarantee

It means an endorsement or guarantee for the company itself or another company with respect to customs duty matters.

3. Other endorsements/guarantee

It means endorsements or guarantees beyond the scope of the above two subparagraphs.

4. Any creation by the company of a pledge or mortgage on its chattel or real property as security for the loans of another company.

**Article3** Entities to make endorsements/guarantees

1. The companies with which it has business relations

2. Subsidiaries in which the company holds directly and indirectly more than 50% of its total voting shares

3. The parent company which holds, directly or indirectly more than 50% of the company's voting shares.

4. Subsidiaries in which the company holds directly and indirectly more than 90% of its total voting shares, and vice versa.

5. As shareholders making endorsements and/or guarantees for the mutually invested company in proportion to its shareholding percentage

The term "invested" means the subsidiaries held 100% directly or indirectly by the company.

**Article4** Ceiling on the amount permitted to make in endorsements/guarantee The total amount of endorsements worth and/or guarantees of the company can not reach 20% of the company's net worth as stated in its latest financial report while the amount of endorsement and /or guarantees to single entity can not reach 10% of the company's net worth as stated in its latest financial report.

Where an endorsement/guarantee is made due to needs arising from business dealings, the amount of the endorsement/guarantee is limited to 4 times of the total amount of trading between the two companies. The terms "amount of trading" means either from sale of goods or provision of services including sales revenue and service revenue or total purchase amounts with service expenditure which is higher. When making endorsements and/or guarantees for the mutually invested company in proportion to the shareholding percentage, amount of endorsements worth and/or guarantees can not reach either 10% of the company's net worth as stated in its latest financial report or the invested capital of our shareholding. The total amount of endorsements worth and/or guarantees of the company and its subsidiaries can not reach 50% of the company's net worth while the amount of endorsement and /or guarantees to single entity can not reach 20% of the company's net worth.

If the total amount of endorsements worth and/or guarantees of the company and by its subsidiaries reaches more than 50%, the company has to state its necessity and reasonability on its shareholders' meeting. The amount of endorsements worth and/or guarantees between its subsidiaries in which the company holds directly and indirectly more than 90% of its total voting shares cannot reach 10% of the company's net worth except the 100% holding subsidiaries. "Subsidiary" and "parent company" as referred to in these Regulations shall be as determined under the Regulations Governing the Preparation of Financial Reports by Securities Issuers. Where a public company's financial reports are prepared according to the International Financial Reporting Standards, "net worth" in these Regulations means the balance sheet equity attributable to the owners of the parent company under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

**Article5** Hierarchy of decision-making authority and delegation thereof

1. The company shall follow the resolution of board meeting to making the endorsements and guarantees. If the making amount of endorsements and/or guarantees was less than the ceiling amount approved by board of directors, the company shall report and state the implementation on next board meeting. The board of directors empowers the chairman to grant endorsements/guarantees within NT\$100,000,000 by following related regulations of these procedures, for subsequent submission to and ratification by the next board of directors' meeting.
2. The company may provide endorsement/guarantee exceeding the amount permitted in these Procedures, provided that the prior approval from the board of the directors is obtained, and more than half of the directors shall be the joint guarantors for the loss of the company resulting from the amount in excess of the permitted endorsement/guarantee amount. The company shall also revise the Procedure accordingly and submit it to the shareholders meeting for ratification. If the shareholders' meeting does not pass the resolution for ratification, the company shall adopt a plan to discharge the amount in excess within a certain period.
3. The endorsements/ guarantees must be reviewed and approved by Board Meeting if the entity is one of the subsidiaries in which the company holds directly and indirectly more than 90% of its total voting shares except the 100% holding subsidiaries
4. Where the Company has established the position of independent director, when it submits the endorsement/guarantee cases to others for discussion by the board of directors, the board of directors shall take into full consideration each independent director's opinion; independent directors' opinions specifically expressing assent or dissent and their reasons for dissent shall be included in the minutes of the board of directors' meeting.

**Article6** Procedures for making endorsements/guarantees

1. When making endorsements and guarantees to others, the endorser and/or guarantor shall fill out the "Application form for endorsements and or guarantees" to the company's handling department for application. The handling department shall check the applying materials and endorser and/or guarantor's credit carefully; meanwhile evaluate the necessity of and reasonableness of endorsements/guarantees, the impact on the company's business operations, financial condition, and shareholders' equity, and whether collateral must be obtained and appraisal of the value thereof. After evaluation, the handling department shall report to CEO for auditing and then shall submit to board of directors for resolution. The company shall follow the resolution of board meeting to making the

endorsements and guarantees.

2. The company shall prepare a memorandum truthfully record containing its endorsement and/or guarantee including the subject of the endorsement and/or guarantee, the name of the party made for the endorsement and/or guarantee, the result of the risk evaluation, the amount of the endorsement and/or guarantee, the content of the Collateral, and the condition and date for discharging the obligation of the endorser and/or guarantor.

The internal auditors shall audit the Operational Procedures for Endorsements/Guarantees for Others and the implementation thereof no less frequently than quarterly and prepare written records accordingly. They shall promptly notify all the audit committee in writing of any material violation found.

3. The finance department of the company shall evaluate and identify the contingency loss from the endorsement and/or guarantee, meanwhile the company shall also disclose information regarding the endorsement and/or guarantee in the financial report and provide the same to the CPA for his/her proceeding with the necessary audit procedure and issuing the proper audit report.

4. When the conditions are changed after making endorsements and/or guarantees complying with Article 3, or that the maximum amount permitted are out of limitation because of the change of calculating basis, such endorsement and/or guarantee has to be revised in the specific period of time, and the revised proposal has to be submitted to Board of Directors.

5. If the company makes endorsements/guarantees to its subsidiaries which its net worth is less than 50% of its the paid-in capital, the president of the entity has to report its operations periodically to the Company's BOD till the net worth of the entity is more than 50% of the paid-in capital and the following comments by the Company' BOD.

In the case of a subsidiary with shares having no par value or a par value other than NT\$10, for the paid-in capital in the calculation under the preceding paragraph, the sum of the share capital plus paid-in capital in excess of par shall be substituted.

#### **Article7** Procedures for use and custody of corporate chops

1. The company shall use the corporate chop registered with the Ministry of Economic Affairs as the dedicated chop for endorsements/guarantees. The chop shall be kept in the custody of a designated person approved by the board of directors and may be used to seal or issue negotiable instruments only in prescribed procedures.

2. When making a guarantee for a foreign company, the company shall have the Guarantee Agreement signed by the person authorized by the board of directors.

#### **Article8** Announcing and reporting procedures

The company shall announce and report the previous month's balance of endorsements/guarantees of itself and its subsidiaries and the monthly sales by the 10th day of each month. The company whose balance of endorsements/guarantees reaches one of the following levels shall announce and report such event within two days commencing immediately from the date of occurrence:

1. The aggregate balance of endorsements/guarantees by the company and

its subsidiaries reaches 50 percent or more of the company's net worth as stated in its latest financial statement.

2. The balance of endorsements/guarantees by the company and its subsidiaries for a single enterprise reaches 20 percent or more of the company's net worth as stated in its latest financial statement.

3. The balance of endorsements/guarantees by the company and its subsidiaries for a single enterprise reaches NT\$10 millions or more and the aggregate amount of all endorsements/guarantees for, investment of a long-term nature in, and balance of loans to, such enterprise reaches 30 percent or more of company's net worth as stated in its latest financial statement.

4. The amount of new endorsements/guarantees made by the company or its subsidiaries reaches NT\$30 million or more, and reaches 5 percent or more of the company's net worth as stated in its latest financial statement. Refers to the date of contract signing, date of payment, resolution date of board of directors, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier.

The company shall announce and report on behalf of any subsidiary thereof that is not a public company of the Republic of China any matters that such subsidiary is required to announce and report pursuant to subparagraph 4 of the preceding paragraph.

**Article9** A subsidiary of the Company intends to make endorsements or guarantees to others, shall formulate its own operational procedures in compliance with "Regulations Governing Loaning of Funds and Making of Endorsements/ Guarantees by Public Companies" and comply with its own operational procedures when making endorsements or guarantees to others, except those overseas subsidiaries shall adopt the locally registered chop for making endorsements or guarantees, which is different from the corporate chop which is registered for endorsement and guarantees with the Ministry of Economic Affairs provided in the Article 7.

**Article10** Any manager and personnel in charge, who violate the Procedure or other regulations governing endorsement and guarantees by the competent authorities, is to the jurisdiction of the Company's Code of Conduct or related rules.

**Article11** The company shall establish the audit committee in accordance with Securities and Exchange Act. Any amendment of Procedures and major endorsement and guarantees shall be approved by more than half of all audit committee members and submitted to the board of directors for a resolution. If any director expresses dissent and it is contained in the minutes or a written statement, the company shall submit the director's dissenting opinion to the audit committee. If approval of more than half of all audit committee members as required in the preceding paragraph is not obtained, the procedures may be implemented if approved by more than two-thirds of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting.

The terms "all audit committee members" and "all directors" in the preceding paragraph shall be counted as the actual number of persons currently holding those positions. When any amendment of the procedures is submitted for discussion by the board of directors pursuant to the first preceding paragraph, the board of directors shall take into full consideration each independent director's opinions. It shall be recorded in the minutes of the board of directors meeting if an independent director agrees or objects about any matter.

**Article12** After approved by the audit committee and Board Meeting, the Procedures shall be enacted after proposed to and resolved by shareholders' meeting. The same applies in case of amendment.



**APPENDIX 4**

2008.06.13

Adopted by the shareholders' meeting

**SUNPLUS TECHNOLOGY  
RULES OF SHAREHOLDERS' MEETING**

**Article 1** Shareholders' Meeting of the Company, except as otherwise provided in the Act, according to the rules of the line.

**Article 2** The shareholders referred to in these Rules refer to the proxies held by the shareholders themselves and the shareholders entrusted to attend. Shareholders are entrusted to attend the agent as a legal person, the legal person may only appoint one person to attend the shareholders' meeting.

**Article 3** Attendance should be accompanied by attendance, paid registration card to sign in. registration card to the company, deemed registration card contained in the shareholder or agent personally attended, the company does not accept the responsibility.

**Article 4** Attendance and voting of the shareholders' meeting, should be based on the calculation of shares. When a legal person is entrusted to attend the shareholders' meeting, the legal person has to appoint only one representative to attend. Where a legal person shareholder appoints two or more representatives to attend the shareholders' meeting, the same bill had to be pushed by one person. The exercise of its voting rights, is still calculated by its holdings of shares.

**Article 5** The place where the shareholders' meeting of the Company will be held, at the place where the Company or the factory location or the Convenience Share is present and suitable for the convening of the Shareholders' Meeting, the meeting should not start at 9 am or later than 3 pm.

**Article 6** The shareholders will be convened by the board of directors, its president by the chairman of the board, when chairman on leave or for any reason unable to exercise the powers, by the chairman of the designated director of a proxy, the chairman of the board does not appoint an agent, by the directors assigned to each other a proxy. The shareholders will be convened by the convener of the convener other than the board of directors, the chairman shall be held by the convener. When the convener has more than two people, should be designated one by one for each other.

**Article 7** Has a meeting time, the Chairman shall declare a meeting, but no shareholders who represent more than half of the total number of issued shares are present, the chairman may announce a postponement of the meeting, the number of delays is limited to two times, the delay time shall not exceed one hour. Delayed two times still insufficient, The chairman must announce to cancel the meeting, but if more than one third of the total number of issued shares is present at the meeting, it shall also be a fake resolution in accordance with Paragraph 1 of Article 175 of the Company Law, but for the special provisions of the provisions of the company law, its resolution made, should be in accordance with the provisions of the company law. Before the meeting was over, if the number of shares represented by the shareholders is more than half of the total number of issued shares, the chairman will be made a false resolution, in accordance with the provisions of Article 174 of the Company Law, to the General Assembly.

**Article 8** The shareholders will be convened by the board of directors, the agenda is set by the Board of Directors, the meeting should be based on the scheduled agenda, without the resolution of the shareholders may not be changed. The shareholders will be convened by the convener of the convener other than the

board of directors, apply the provisions of the preceding paragraph. The first two items are scheduled for the agenda (with temporary motion) before the end, not by resolution, the President shall not adjourn the meeting, but if the order is chaotic, or something else, it is difficult for the meeting to proceed normally, the President may adjourn the meeting by resolution.

After the meeting, the shareholders shall not elect the chairman to continue the meeting at the original site or another place. But the chairman violates the rules of procedure, announced the dissolution of the meeting, to vote for more than half of the shareholders to vote for the election of one person as chairman, continue to meet.

**Article 9** If the number of shareholders proposed to be counted, the chairman is not accepted. When the motion is voted on, if the amount has been reached, the bill is still passed.

**Article 10** Speaking of attending the shareholders, must be preceded by a statement, attendance card number and name, by the chairman to speak. The attendees only made speeches and did not speak, as no speech, the content of the statement is inconsistent with the statement, subject to the content of the statement. Shareholders are authorized by the agent in the power of attorney or otherwise, do not ask whether the company knows, in the case of a statement or vote by an agent.

**Article 11** Shareholders' inquiries on the matters reported on the Agenda, shall be read or reported by the Chairman or its designated person after all the report has been completed, have to speak. each person can't speak more than twice, not more than five minutes each time, but by the chairman of the permit, be extended for five minutes, And to extend the time limit.

Shareholders' recognition of the agenda, to discuss each of the matters, and the provisional motion, the time and number of statements should be stated in the preceding paragraph.

The shareholders of the provisional agenda for the motion of the non-motion of the consultation to speak, the time and the number of the use of the provisions of the first paragraph.

Shareholders speak in violation of the preceding paragraph or beyond the scope of the subject, The president may stop his statement. Speech of attending the shareholders, the other shareholders are subject to the consent of the president and the shareholders who speak, do not speak to interfere, the president of the violator shall stop.

**Article 12** After attending the shareholders to speak, the Chairman has personally or appointed the relevant person to reply.

**Article 13** Not for the motion, not to discuss or vote. When discussing the motion, the president has to suspend the discussion, Proposed to stop the motion, if the president declares a poll by way of voting, voted on the bill at the same time, but should vote separately.

**Article 14** When the motion is voted on, if there is no objection by the president, as passed, its effectiveness and voting the same. When there is an amendment or an alternative to the same motion, by the president and in the same order as the original order, if the case has been passed, other motions are deemed to be rejected, do not vote again.

**Article 15** Vote on the motion, except as otherwise provided in the Company Law and the Articles of Association, with the consent of the majority of the shareholders to vote.

**Article 16** The bill of directors and the counting of votes, designated by the president, but the prisoners should have shareholder status.

**Article 17** The company may appoint an appointed lawyer, accountants or related personnel to attend the shareholders' meeting. The management staff of the shareholders' meeting shall wear a recognition certificate or armband.

**Article 18** The Company shall record or video the whole process of the meeting of the shareholders' meeting, and save for at least one year.

**Article 19** The president has commanded the captain or security officer to assist in maintaining the order of the venue. When the captain or security officer is present to assist in maintaining order, should wear "pickets" words armbands or identification cards.

Shareholders should obey the president, the commander of a conservationist or maintenance officer. For those who obstruct the shareholders' meeting, not stopped from the person, the president, the picker or the security officer may be excluded.

**Article 20** The meeting is in progress, president discretionary time to declare rest.

**Article 21** This rule the unspecified matters, in accordance with the provisions of the Company Law and other relevant laws and regulations.

**Article 22** These rules shall be implemented after the adoption of the Shareholders' Meeting, the same as the amendment.

**APPENDIX 5****SHAREHOLDING OF DIRECTORS AND SUPERVISORS**

1. Sunplus' paid-in capital is NT\$5,919,949,190; total issued shares are 591,994,919 shares.
2. According to Article 26 of "Securities and Exchange Act", the amount of shares held by all board directors may not be less than 18,943,837 shares, the company sets up the Audit Committee, so there is no supervisor of the law should be held by the number of shares applicable.
3. As at the closing date of this shareholders' meeting, the number of shares held by individual and all directors is listed in the table below. Has been in line with the provisions of Article 26 of the Securities and Exchange Act.

<b>Title</b>	<b>Name</b>	<b>Shareholding</b>
Director	Chou-Chye Huang	92,737,817
Director	Wen-Shiung Jan	0
Director	Global View Co., Ltd.	10,038,049
Director	Wei-Min Lin	0
Independent Director	Che-Ho Wei	0
Independent Director	Tse-Jen Huang	0
Independent Director	Yao-Ching Hsu	0
Total <sup>(note1)</sup>		102,775,866

*Note: Shares held by the independent directors are not counted in the above calculations.*

**APPENDIX 6**

**THE IMPACT OF DIVIDEND CAPITALIZATION UPON BUSINESS PERFORMANCE,  
SHAREHOLDERS' EQUITY, AND EPS**

The company has not compiled and announced the 2017 annual financial forecast, do not need to expose this information.

(End of this translation)