

**Sunplus Technology Company Limited
and Subsidiaries**

**Consolidated Financial Statements for the
Years Ended December 31, 2014 and 2013 and
Independent Auditors' Report**

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Sunplus Technology Company Limited

We have audited the accompanying consolidated balance sheets of Sunplus Technology Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as of December 31, 2014 and 2013 and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these financial statements based on our audits.

We conducted our audits in accordance with the Regulations Governing the Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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, 2014 and 2013, 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.

We have also audited the financial statements of the parent company, Sunplus Technology Corporation, as of and for the years ended December 31, 2014 and 2013, on which we have issued an unqualified report.

March 23, 2015

Notice to Readers

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

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

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2014 AND 2013 (In Thousands of New Taiwan Dollars)

ASSETS	2014		2013	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 3,576,732	24	\$ 4,331,395	30
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	14,830	-	7,994	-
Available-for-sale financial assets - current (Notes 4 and 8)	984,307	7	1,150,505	8
Debt investments with no active market - current (Notes 4 and 9)	14,903	-	-	-
Notes and trade receivables, net (Notes 4, 5, 11 and 34)	1,729,796	12	1,536,101	11
Other receivables (Note 34)	144,819	1	94,128	1
Inventories (Notes 4, 5 and 12)	1,347,742	9	922,217	6
Other current assets (Notes 17 and 35)	<u>224,616</u>	<u>1</u>	<u>232,700</u>	<u>2</u>
Total current assets	<u>8,037,745</u>	<u>54</u>	<u>8,275,040</u>	<u>58</u>
NONCURRENT ASSETS				
Available-for-sale financial assets - noncurrent (Notes 4 and 8)	731,787	5	1,018,727	7
Financial assets carried at cost (Notes 4 and 10)	241,005	2	311,448	2
Investments accounted for using the equity method (Notes 4, 5, 13 and 35)	1,409,239	9	1,161,455	8
Property, plant and equipment (Notes 4, 5, 14, 34 and 35)	3,490,672	24	2,154,641	15
Investment properties (Notes 4, 5 and 15)	282,663	2	293,069	2
Intangible assets (Notes 4, 5 and 16)	278,188	2	335,098	3
Deferred tax assets (Notes 4, 5 and 26)	42,126	-	54,625	1
Other noncurrent assets (Notes 17, 31 and 35)	<u>306,037</u>	<u>2</u>	<u>597,509</u>	<u>4</u>
Total noncurrent assets	<u>6,781,717</u>	<u>46</u>	<u>5,926,572</u>	<u>42</u>
TOTAL	<u>\$ 14,819,462</u>	<u>100</u>	<u>\$ 14,201,612</u>	<u>100</u>

LIABILITIES AND EQUITY	2014		2013	
	Amount	%	Amount	%
CURRENT LIABILITIES				
Short-term borrowings (Notes 4 and 18)	\$ 304,085	2	\$ 165,151	1
Trade payables (Note 19)	728,569	5	823,034	6
Current tax liabilities (Notes 4 and 26)	26,005	-	51,781	-
Provisions - current (Notes 4 and 20)	21,849	-	23,915	-
Current portion of long-term loans (Notes 4, 18 and 35)	905,296	6	938,447	7
Deferred revenue - current (Notes 4, 21, 29 and 34)	3,375	-	3,314	-
Other current liabilities (Note 21)	<u>836,995</u>	<u>6</u>	<u>704,035</u>	<u>5</u>
Total current liabilities	<u>2,826,174</u>	<u>19</u>	<u>2,709,677</u>	<u>19</u>
NONCURRENT LIABILITIES				
Long-term borrowings (Notes 4, 18 and 35)	657,082	4	704,616	5
Accrued pension liabilities (Notes 4 and 22)	105,889	1	116,289	1
Guarantee deposits (Note 31)	221,747	1	223,573	2
Deferred revenue - noncurrent, net of current portion (Notes 4, 21 and 29)	81,311	1	81,056	-
Other noncurrent liabilities, net of current portion (Notes 4 and 21)	<u>2,319</u>	<u>-</u>	<u>889</u>	<u>-</u>
Total noncurrent liabilities	<u>1,068,348</u>	<u>7</u>	<u>1,126,423</u>	<u>8</u>
Total liabilities	<u>3,894,522</u>	<u>26</u>	<u>3,836,100</u>	<u>27</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY				
Share capital (Notes 23)				
Ordinary shares	5,919,949	40	5,969,099	42
Capital surplus (Notes 4, 23 and 28)	936,044	6	950,179	7
Retained earnings (Notes 23)				
Legal reserve	1,790,538	12	1,909,685	14
Special reserve	22,639	-	30,755	-
Unappropriated earnings (accumulated deficit)	410,595	3	(127,263)	(1)
Other equity (Notes 4 and 23)	309,932	2	199,670	1
Treasury shares (Notes 4, 23 and 35)	<u>(63,401)</u>	<u>-</u>	<u>(155,236)</u>	<u>(1)</u>
Total equity attributable to owners of the Company	9,326,296	63	8,776,889	62
NONCONTROLLING INTERESTS (Notes 4 and 23)	<u>1,598,644</u>	<u>11</u>	<u>1,588,623</u>	<u>11</u>
Total equity	<u>10,924,940</u>	<u>74</u>	<u>10,365,512</u>	<u>73</u>
TOTAL	<u>\$ 14,819,462</u>	<u>100</u>	<u>\$ 14,201,612</u>	<u>100</u>

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

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2014		2013	
	Amount	%	Amount	%
NET OPERATING REVENUE (Notes 4, 24, and 34)	\$ 8,709,939	100	\$ 8,521,868	100
OPERATING COSTS (Notes 12, 22 ,25 and 34)	<u>5,164,262</u>	<u>59</u>	<u>5,129,900</u>	<u>60</u>
GROSS PROFIT	<u>3,545,677</u>	<u>41</u>	<u>3,391,968</u>	<u>40</u>
OPERATING EXPENSES (Notes 22, 25 and 34)				
Selling and marketing	418,855	5	486,736	6
General and administrative	575,418	6	560,365	6
Research and development	<u>2,331,300</u>	<u>27</u>	<u>2,365,059</u>	<u>28</u>
Total operating expenses	<u>3,325,573</u>	<u>38</u>	<u>3,412,160</u>	<u>40</u>
OTHER OPERATING INCOME AND EXPENSES	<u>(234)</u>	<u>-</u>	<u>5,932</u>	<u>-</u>
PROFIT (LOSS) FROM OPERATIONS	<u>219,870</u>	<u>3</u>	<u>(14,260)</u>	<u>-</u>
NONOPERATING INCOME AND EXPENSE (Notes 4, 25, 30 and 34)				
Other income	130,951	1	108,012	1
Other gains and losses	277,909	3	89,607	1
Finance costs	(34,825)	-	(37,516)	-
Share of profit of associates and joint ventures (Note 13)	<u>16,659</u>	<u>-</u>	<u>19,901</u>	<u>-</u>
Total nonoperating income and expenses	<u>390,694</u>	<u>4</u>	<u>180,004</u>	<u>2</u>
PROFIT BEFORE INCOME TAX	610,564	7	165,744	2
INCOME TAX EXPENSE (Notes 4 and 26)	<u>56,614</u>	<u>1</u>	<u>37,197</u>	<u>1</u>
NET PROFIT FOR THE YEAR	<u>553,950</u>	<u>6</u>	<u>128,547</u>	<u>1</u>
OTHER COMPREHENSIVE INCOME				
Exchange differences on translating foreign operations (Notes 4 and 23)	102,578	2	129,434	1
Unrealized gain (loss) on available-for-sale financial assets (Notes 4, 22 and 23)	7,497	-	(12,847)	-
Actuarial gain and loss from defined benefit plans (Notes 4 and 22)	8,849	-	47,377	1
Share of other comprehensive income (loss) of associates and joint ventures (Note 4)	<u>6,112</u>	<u>-</u>	<u>(1,949)</u>	<u>-</u>

(Continued)

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013 (In Thousands of New Taiwan Dollars)

	2014		2013	
	Amount	%	Amount	%
Other comprehensive income for the year, net of income tax	<u>125,036</u>	<u>2</u>	<u>162,015</u>	<u>2</u>
TOTAL COMPREHENSIVE PROFIT FOR THE YEAR	<u>\$ 678,986</u>	<u>8</u>	<u>\$ 290,562</u>	<u>3</u>
NET PROFIT ATTRIBUTABLE TO:				
Owner of the Company	\$ 422,681	5	\$ 52,785	1
Noncontrolling interests	<u>131,269</u>	<u>1</u>	<u>75,762</u>	<u>1</u>
	<u>\$ 553,950</u>	<u>6</u>	<u>\$ 128,547</u>	<u>2</u>
TOTAL COMPREHENSIVE PROFIT ATTRIBUTABLE TO:				
Owner of the Company	536,639	6	\$ 195,179	2
Noncontrolling interests	<u>142,347</u>	<u>2</u>	<u>95,383</u>	<u>1</u>
	<u>\$ 678,986</u>	<u>8</u>	<u>\$ 290,562</u>	<u>3</u>
EARNINGS PER SHARE (New Taiwan dollars; Note 27)				
) Basic	<u>\$ 0.72</u>		<u>\$ 0.09</u>	
Diluted	<u>\$ 0.72</u>		<u>\$ 0.09</u>	

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

(Concluded)

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013 (In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company											
	Capital Stock Issued and Outstanding (Note 23)		Capital Surplus (Notes 4, 23 and 28)	Retained Earnings (Note 23)			Other Equity (Notes 4 and 23)			Total	Noncontrolling Interests (Notes 4 and 23)	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, 23 and 35)			
	Share (Thousands)	Amount										
BALANCE, JANUARY 1, 2013	596,910	\$ 5,969,099	\$ 939,124	\$ 2,426,181	\$ 191,229	\$ (903,390)	\$ (84,462)	\$ 188,110	\$ (155,236)	\$ 8,570,655	\$ 1,557,162	\$ 10,127,817
Offset of the 2012 deficit												
Legal reserve	-	-	-	(516,496)	-	516,496	-	-	-	-	-	-
Special reserve	-	-	-	-	(160,474)	160,474	-	-	-	-	-	-
Restricted employee shares distributed by subsidiaries	-	-	(10,715)	-	-	-	-	-	-	(10,715)	10,715	-
Changes in capital surplus from investments in associates and joint ventures accounted for by the equity method	-	-	19,851	-	-	-	-	-	-	19,851	-	19,851
Gain on disposal of investments accounted for by the equity method	-	-	1,919	-	-	-	-	-	-	1,919	-	1,919
Net profit for the year ended December 31, 2013	-	-	-	-	-	52,785	-	-	-	52,785	75,762	128,547
Other comprehensive income for the year ended December 31, 2013, net of income tax	-	-	-	-	-	46,372	111,570	(15,548)	-	142,394	19,621	162,015
Total comprehensive income for the year ended December 31, 2013	-	-	-	-	-	99,157	111,570	(15,548)	-	195,179	95,383	290,562
Decrease in noncontrolling interests	-	-	-	-	-	-	-	-	-	-	(74,637)	(74,637)
BALANCE, DECEMBER 31, 2013	596,910	5,969,099	950,179	1,909,685	30,755	(127,263)	27,108	172,562	(155,236)	8,776,889	1,588,623	10,365,512
Offset of the 2013 deficit												
Legal reserve	-	-	-	(119,147)	-	119,147	-	-	-	-	-	-
Special reserve	-	-	-	-	(8,116)	8,116	-	-	-	-	-	-
Restricted employee shares distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-
Changes in capital surplus from investments in associates and joint ventures accounted for by the equity method	-	-	17,350	-	-	-	-	-	-	17,350	-	17,350
Acquisition of equity of subsidiaries	-	-	-	-	-	(13,666)	-	-	-	(13,666)	-	(13,666)
Changes of equity of subsidiaries	-	-	11,200	-	-	(2,116)	-	-	-	9,084	-	9,084
Net profit for the year ended December 31, 2014	-	-	-	-	-	422,681	-	-	-	422,681	131,269	553,950
Other comprehensive income for the year ended December 31, 2014, net of income tax	-	-	-	-	-	3,696	101,150	9,112	-	113,958	11,078	125,036
Total comprehensive income for the year ended December 31, 2014	-	-	-	-	-	426,377	101,150	9,112	-	536,639	142,347	678,986
Disposal of treasury stock	(4,915)	(49,150)	(42,685)	-	-	-	-	-	91,835	-	-	-
Decrease in noncontrolling interests	-	-	-	-	-	-	-	-	-	-	(132,326)	(132,326)
BALANCE, DECEMBER 31, 2014	<u>591,995</u>	<u>\$ 5,919,949</u>	<u>\$ 936,044</u>	<u>\$ 1,790,538</u>	<u>\$ 22,639</u>	<u>\$ 410,595</u>	<u>\$ 128,258</u>	<u>\$ 181,674</u>	<u>\$ (63,401)</u>	<u>\$ 9,326,296</u>	<u>\$ 1,598,644</u>	<u>\$ 10,924,940</u>

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

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013 (In Thousands of New Taiwan Dollars)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 610,564	\$ 165,744
Adjustments for:		
Depreciation expenses	287,246	266,547
Bad-debt expenses	1,565	-
Amortization expenses	153,509	204,872
Net loss on fair value change of financial assets designated as of fair value through profit or loss	165	10
Financial costs	34,825	37,516
Interest income	(41,855)	(35,402)
Dividend income	(31,119)	(30,247)
Share of profits of associates and joint ventures	(16,659)	(19,901)
Loss (gain) on disposal of property, plant and equipment	234	(6,464)
Loss on disposal of intangible assets	-	532
Gain on disposal of investments	(325,034)	(60,003)
Gain on disposal of subsidiaries	-	(22,752)
Impairment loss recognized on financial assets	112,914	30,723
Gain on reversal of impairment loss on financial assets	-	(3,888)
Impairment loss recognized on property, plant and equipment	17,013	11,498
Unrealized gain on the transactions with associates and joint ventures	-	1,351
Realized gain on the transactions with associates and joint ventures	(2,619)	(599)
Net (gain) loss on foreign currency exchange	(30,166)	6,510
Amortization of prepaid lease payments	3,033	2,975
Changes in operating assets and liabilities:		
Increase in financial assets held for trading	(6,248)	(7,046)
Increase in trade receivables	(163,482)	(146,063)
Increase in other receivables	(14,007)	(50,618)
(Increase) decrease in inventories	(425,525)	799,831
Decrease in other current assets	7,079	13,337
(Increase) decrease in trade payables	(88,820)	66,199
(Increase) decrease in provisions	(2,066)	887
(Increase) decrease in deferred revenue	(1,792)	78,832
Decrease in other current liabilities	154,407	21,892
Increase in accrued pension liabilities	(1,551)	(401)
Cash generated from operations	231,611	1,325,872
Interest received	40,440	36,168
Dividend received	139,281	63,850
Interest paid	(38,957)	(33,830)
Income tax paid	(71,580)	(24,279)
Net cash generated from operating activities	300,795	1,367,781
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of available-for-sale financial assets	(194,290)	(1,040,620)
Proceeds of the sale of available-for-sale financial assets	582,753	1,001,300
Purchase of debt investments with no active market	(14,903)	-
Proceeds of the sale of debt investments with no active market	-	16,176
Purchase of financial assets measured at cost	(107,096)	(124,332)
Proceeds of the sale of financial assets measured at cost	92,052	1,414
Acquisition of associates	-	(195,899)

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SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013 (In Thousands of New Taiwan Dollars)

	2014	2013
Net cash inflow on disposal of associates	-	319,447
Net cash inflow on disposal of subsidiaries	-	20,340
Payments for property, plant and equipment	(1,184,097)	(540,164)
Proceeds of the disposal of property, plant and equipment	334	9,835
Decrease in refundable deposits	105	1,298
Payments for intangible assets	(121,104)	(114,561)
Proceeds of the disposal of intangible assets	-	291
Payments for investment properties	(852)	-
(Increase) decrease in other assets	(34,582)	(51,559)
Increase in prepayments for equipment	-	(345,204)
Capital return to the Company on financial assets carried at cost	<u>9,659</u>	<u>82,771</u>
Net cash used in investing activities	<u>(972,021)</u>	<u>(959,467)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds (repayments) of short-term borrowings	138,934	(465,057)
Proceeds of long-term borrowings	720,728	267,648
Repayments of long-term borrowings	(820,134)	(346,853)
Proceeds of guarantee deposits received	79,047	75,035
Refund of guarantee deposits received	(84,803)	(51,521)
Dividends paid to noncontrolling interest	(130,475)	(58,043)
Decrease in noncontrolling interests	<u>(6,433)</u>	<u>(17,078)</u>
Net cash used in from financing activities	<u>(103,136)</u>	<u>(595,869)</u>
EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>19,699</u>	<u>26,054</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	<u>(754,663)</u>	<u>(161,501)</u>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>4,331,395</u>	<u>4,492,896</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 3,576,732</u>	<u>\$ 4,331,395</u>

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

(Concluded)

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

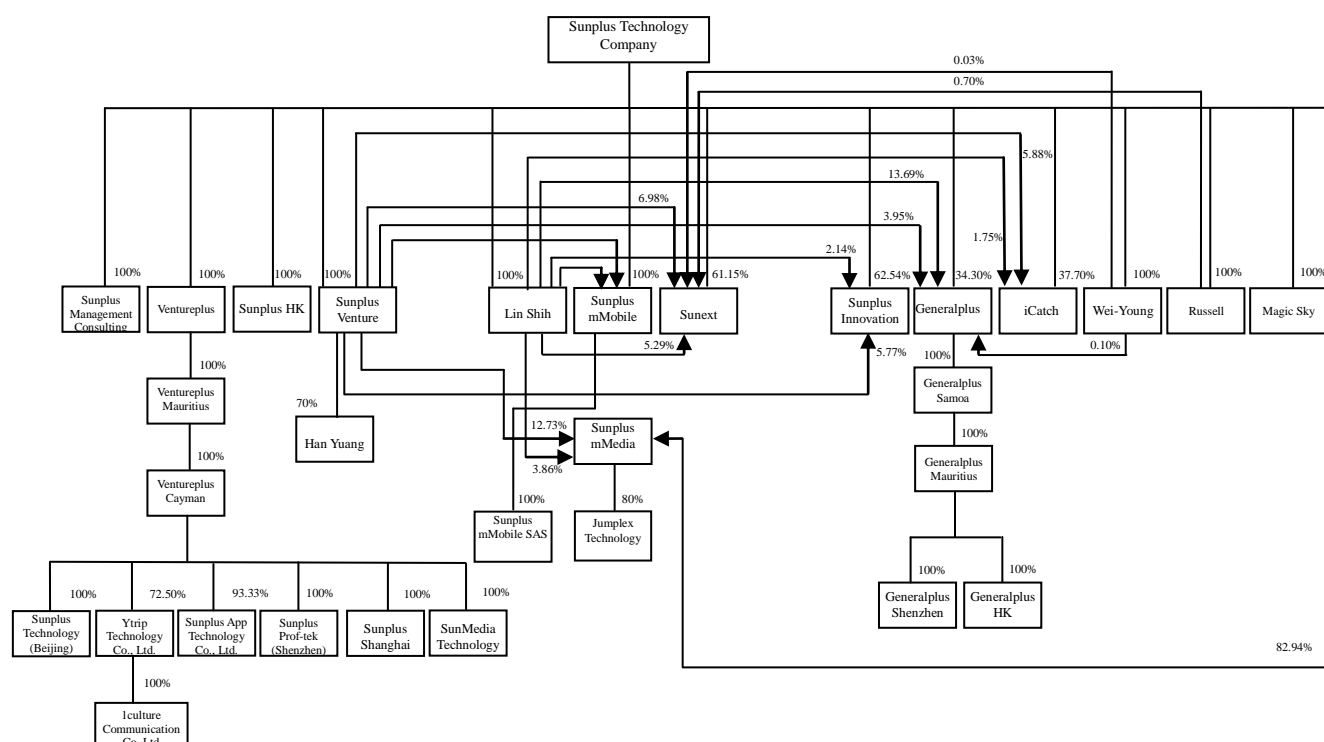
YEARS ENDED DECEMBER 31, 2014 AND 2013

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

1. GENERAL INFORMATION

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

Following is a diagram of the relationship and ownership percentages between Sunplus and its subsidiaries (collectively, the “Group”) as of December 31, 2014:



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

On October 2, 2014, Jumplux Technology Co., Ltd. (“Jumplux”) was spun off from Sunplus mMedia, and the registration of the establishment of Jumplux was completed on October 27, 2014. Jumplux researches, develops, manufactures and sells transmission media and integrated circuits; its paid-in capital was \$32,000 thousand.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors and authorized for issue on March 23, 2015.

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

- a. The 2013 version of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) in issue but not yet effective

Rule No. 1030010325 issued by the FSC on April 3, 2014, stipulated that the Group should apply the 2013 version of IFRS, IAS, IFRIC and SIC (collectively, the “IFRSs”) endorsed by the FSC starting January 1, 2015.

New, Amended and Revised Standards and Interpretations (the “New IFRSs”)	Effective Date Announced by IASB (Note)
Improvements to IFRSs (2009) - amendment to IAS 39	January 1, 2009 and January 1, 2010, as appropriate
Amendment to IAS 39 “Embedded Derivatives”	Effective for annual periods ended on or after June 30, 2009
Improvements to IFRSs (2010)	July 1, 2010 and January 1, 2011, as appropriate
Annual Improvements to IFRSs 2009-2011 Cycle	January 1, 2013
Amendment to IFRS 7 “Disclosure - Offsetting Financial Assets and Financial Liabilities”	January 1, 2013
Amendment to IFRS 7 “Disclosure - Transfer of Financial Assets”	July 1, 2011
IFRS 10 “Consolidated Financial Statements”	January 1, 2013
IFRS 11 “Joint Arrangements”	January 1, 2013
IFRS 12 “Disclosure of Interests in Other Entities”	January 1, 2013
Amendments to IFRS 10, IFRS 11 and IFRS 12 “Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance”	January 1, 2013
Amendments to IFRS 10 and IFRS 12 and IAS 27 “Investment Entities”	January 1, 2014
IFRS 13 “Fair Value Measurement”	January 1, 2013
Amendment to IAS 1 “Presentation of Other Comprehensive Income”	July 1, 2012
Amendment to IAS 12 “Deferred Tax: Recovery of Underlying Assets”	January 1, 2012
IAS 19 (Revised 2011) “Employee Benefits”	January 1, 2013

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New, Amended and Revised	Effective Date
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Standards and Interpretations (the “New IFRSs”)	Announced by IASB (Note)
IAS 28 (Revised 2011) “Investments in Associates and Joint Ventures”	January 1, 2013
Amendment to IAS 32 “Offsetting Financial Assets and Financial Liabilities”	January 1, 2014
IFRIC 20 “Stripping Costs in Production Phase of a Surface Mine”	January 1, 2013
	(Concluded)

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

Except for the following, the initial application of the above 2013 IFRSs version has not had any material impact on the Group’s accounting policies:

- b. Significant impending changes in accounting policy resulted from New IFRSs in issue but not yet effective

Except for the following, the initial application of the above New IFRSs has not had any material impact on the Group’s accounting policies:

1) IFRS 10 “Consolidated Financial Statements”

IFRS 10 replaces IAS 27 “Consolidated and Separate Financial Statements” and SIC 12 “Consolidation - Special Purpose Entities”. The Group considers whether it has control over other entities for consolidation. The Group has control over an investee if and only if it has i) power over the investee; ii) exposure, or rights, to variable returns from its involvement with the investee and iii) the ability to use its power over the investee to affect the amount of its returns. Additional guidance has been included in IFRS 10 to explain when an investor has control over an investee.

2) IFRS 11 “Joint Arrangements”

IFRS 11 replaces IAS 31 “Interests in Joint Ventures” and SIC 13 “Jointly Controlled Entities - Non-monetary Contributions by Ventures”. Joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. Joint ventures are accounted for using the equity method. Under IAS 31, Joint arrangements are classified as jointly controlled entities, jointly controlled assets, and jointly controlled operations, and the Group accounts for its jointly controlled entities using the proportionate consolidation method.

3) IFRS 12 “Disclosure of Interests in Other Entities”

IFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than in the current standards.

4) Revision to IAS 28 “Investments in Associates and Joint Ventures”

Revised IAS 28 requires when a portion of an investment in an associate meets the criteria to be classified as held for sale, that portion is classified as held for sale. Any retained portion that has not been classified as held for sale is accounted for using the equity method. Under current IAS 28, when a portion of an investment in associates meets the criteria to be classified as held for sale, the entire investment is classified as held for sale and ceases to apply the equity method.

Under revised IAS 28, when an investment in a joint venture becomes an investment in an associate, the Group continues to apply the equity method and does not remeasure the retained interest. Under current IAS 28, on the loss of joint control, the Group measures at fair value any investment the Group retains in the former jointly controlled entity. The Group recognizes in profit or loss any difference between the aggregate amounts of fair value of retained investment and proceeds from disposing of the part interest in the jointly controlled entity, and the carrying amount of the investment at the date when joint control is lost.

5) IFRS 13 “Fair Value Measurement”

IFRS 13 establishes a single source of guidance for fair value measurements. It defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The disclosure requirements in IFRS 13 are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only will be extended by IFRS 13 to cover all assets and liabilities within its scope.

The fair value measurements under IFRS 13 will be applied prospectively from January 1, 2015.

6) Amendment to IAS 1 “Presentation of Items of Other Comprehensive Income”

The amendment to IAS 1 requires items of other comprehensive income to be grouped into those items that (1) will not be reclassified subsequently to profit or loss; and (2) may be reclassified subsequently to profit or loss. Income taxes on related items of other comprehensive income are grouped on the same basis. Under current IAS 1, there were no such requirements.

The Group will apply the above amendments in presenting the consolidated statement of comprehensive income, starting from the year 2015. Items not expected to be reclassified to profit or loss are the actuarial gain (loss) arising from defined benefit plans and share of the actuarial gains (loss) arising from defined benefit plans of [associates/joint ventures] accounted for using the equity method. Items expected to be reclassified to profit or loss are the exchange differences on translating foreign operations, unrealized gains (loss) on available-for-sale financial assets, cash flow hedges, and share of the other comprehensive income (except the share of the actuarial gains (loss) arising from defined benefit plans) of [associates/joint ventures] accounted for using the equity method.

7) Revision to IAS 19 “Employee Benefits”

Revised IAS 19 requires the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the “corridor approach” permitted under current IAS 19 and accelerate the recognition of past service costs. The revision requires all actuarial gains and losses to be recognized immediately through other comprehensive income in order for the net pension asset or liability to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in current IAS 19 are replaced with a “net interest” amount, which is calculated by applying the discount rate to the net defined benefit liability or asset.

Furthermore, the interest cost and expected return on plan assets used in current IAS 19 are replaced with a “net interest” amount, which is calculated by applying the discount rate to the net defined benefit liability or asset. In addition, the revised IAS 19 introduces certain changes in the presentation of the defined benefit cost, and also includes more extensive disclosures.

On initial application of the revised IAS 19 in 2015, the changes in cumulative employee benefit costs as of December 31, 2013 resulting from the retrospective application are adjusted to net defined benefit liabilities and retained earnings; the carrying amounts of inventories is not adjusted. In addition, in preparing the consolidated financial statements for the year ended December 31,

2015, the Group would elect not to present 2014 comparative information about the sensitivity of the defined benefit obligation.

The impact on the current period is set out below:

Impact on Assets, Liabilities and Equity	As Originally Stated	Adjustments Arising from Initial Application	Restated
<u>December 31, 2014</u>			
Other current assets	\$ 224,616	\$ (18)	\$ 224,598
Total effect on assets	\$ 14,819,462	\$ (18)	\$ 14,819,444
Accrued pension liabilities	\$ 105,889	\$ 2,216	\$ 108,105
Total effect on liabilities	\$ 3,894,522	\$ 2,216	\$ 3,896,738
Retained earnings	\$ 410,595	\$ (1,985)	\$ 408,610
Capital surplus	936,044	7	936,051
Non-controlling interests	1,598,644	(256)	1,598,388
	\$ 2,945,283	\$ (2,234)	\$ 2,943,049
Total effect on equity	\$ 10,924,940	\$ (2,234)	\$ 10,922,706
<u>January 1, 2014</u>			
Other current assets	\$ 232,700	\$ (18)	\$ 232,682
Total effect on assets	\$ 14,201,612	\$ (18)	\$ 14,201,594
Accrued pension liabilities	\$ 116,289	\$ 2,216	\$ 118,505
Total effect on liabilities	\$ 3,836,100	\$ 2,216	\$ 3,838,316
Retained earnings	\$ (127,263)	\$ (1,965)	\$ (129,228)
Non-controlling interests	1,588,623	(269)	1,588,354
	\$ 1,461,360	\$ (2,234)	\$ 1,459,126
Total effect on equity	\$ 10,365,512	\$ (2,234)	\$ 10,363,278
Impact on Total Comprehensive Income	As Originally Stated	Adjustments Arising from Initial Application	Restated
For the period from January 1, 2014 to December 31, 2014			
Operating cost	\$ 5,164,262	\$ (62)	\$ 5,164,200
Operating expense	\$ 3,325,573	\$ (103)	\$ 3,325,470

(Continued)

Impact on Total Comprehensive Income	As Originally Stated	Adjustments Arising from Initial Application	Restated
Items that will not be reclassified to profit or loss:			
Remeasurements of defined benefit plan	\$ <u>8,849</u>	\$ <u>(165)</u>	\$ <u>8,684</u>
Impact on net profit attributable to:			
Owners of the Company	\$ 422,681	\$ 171	\$ 422,852
Non-controlling interests	<u>131,269</u>	<u>(6)</u>	<u>131,263</u>
	<u>\$ 553,950</u>	<u>\$ 165</u>	<u>\$ 554,115</u>
Impact on total comprehensive income attributable to:			
Owners of the Company	\$ 536,639	\$ (20)	\$ 536,619
Non-controlling interests	<u>142,347</u>	<u>20</u>	<u>142,367</u>
	<u>\$ 678,986</u>	<u>\$ -</u>	<u>\$ 678,986</u>
			(Concluded)

8) Amendments to IFRS 7 “Disclosure - Offsetting Financial Assets and Financial Liabilities”

The amendments to IFRS 7 require disclosure of information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under enforceable master netting arrangements and similar arrangements.

9) Amendments to IAS 32 “Offsetting Financial Assets and Financial Liabilities”

The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of “currently has a legally enforceable right of set-off” and “simultaneous realization and settlement”.

10) Annual Improvements to IFRSs: 2009-2011 Cycle

Several standards including IFRS 1 “First-time Adoption of International Financial Reporting Standards”, IAS 1 “Presentation of Financial Statements”, IAS 16 “Property, Plant and Equipment”, IAS 32 “Financial Instruments: Presentation” and IAS 34 “Interim Financial Reporting” were amended in this annual improvement.

The amendments to IAS 1 clarify that an entity is required to present a balance sheet as at the beginning of the preceding period when a) it applies an accounting policy retrospectively, or makes a retrospective restatement or reclassifies items in its financial statements, and b) the retrospective application, restatement or reclassification has a material effect on the information in the balance sheet at the beginning of the preceding period. The amendments also clarify that related notes are not required to accompany the balance sheet at the beginning of the preceding period.

The amendments to IAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be recognized in accordance with IAS 16 when they meet the definition of property, plant and equipment and otherwise as inventory.

The amendments to IAS 32 clarify that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction should be accounted for in accordance with IAS 12 “Income Taxes”.

The amendments to IAS 34 clarify that a measure of total liabilities for a reportable segment would be disclosed in interim financial reporting when such amounts are regularly provided to the chief operating decision maker of the Group and there has been a material change from the amounts disclosed in the last annual financial statements for that reportable segment.

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

The Group has not applied the following New IFRSs issued by the IASB but not yet endorsed by the FSC. As of the date the consolidated financial statements were authorized for issue, the FSC has not announced their effective dates.

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016 (Note 4)
IFRS 9 “Financial Instruments”	January 1, 2018
Amendments to IFRS 9 and IFRS 7 “Mandatory Effective Date of IFRS 9 and Transition Disclosures”	January 1, 2018
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	January 1, 2016 (Note 3)
Amendments to IFRS 10, IFRS 12 and IAS 28 “Investment Entities: Applying the Consolidation Exception”	January 1, 2016
Amendment to IFRS 11 “Accounting for Acquisitions of Interests in Joint Operations”	January 1, 2016
IFRS 14 “Regulatory Deferral Accounts”	January 1, 2016
IFRS 15 “Revenue from Contracts with Customers”	January 1, 2017
Amendment to IAS 1 “Disclosure Initiative”	January 1, 2016
Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”	January 1, 2016
Amendments to IAS 16 and IAS 41 “Agriculture: Bearer Plants”	January 1, 2016
Amendment to IAS 19 “Defined Benefit Plans: Employee Contributions”	July 1, 2014
Amendment to IAS 36 “Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets”	January 1, 2014
Amendment to IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting”	January 1, 2014
IFRIC 21 “Levies”	January 1, 2014

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

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

Note 3: Prospectively applicable to transactions occurring in annual periods beginning on or after January 1, 2016.

Note 4: The amendment to IFRS 5 is applied prospectively to changes in a method of disposal that occur in annual periods beginning on or after January 1, 2016; the remaining amendments are effective for annual periods beginning on or after January 1, 2016.

The initial application of the above New IFRSs has not had any material impact on the Group's accounting policies, except for the following:

1) IFRS 9 "Financial Instruments"

Recognition and measurement of financial assets

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

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

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

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

The impairment of financial assets

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

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

Hedge accounting

The main changes in hedge accounting amended the application requirements for hedge accounting to better reflect the entity's risk management activities. Compared with IAS 39, the main changes include: (1) enhancing types of transactions eligible for hedge accounting, specifically broadening the risk eligible for hedge accounting of non-financial items; (2) changing the way hedging derivative instruments are accounted for to reduce profit or loss volatility; and (3) replacing retrospective effectiveness assessment with the principle of economic relationship between the hedging instrument and the hedged item.

2) Amendment to IAS 36 “Recoverable Amount Disclosures for Non-Financial Assets”

In issuing IFRS 13 “Fair Value Measurement”, the IASB made consequential amendment to the disclosure requirements in IAS 36 “Impairment of Assets”, introducing a requirement to disclose in every reporting period the recoverable amount of an asset or each cash-generating unit. The amendment clarifies that such disclosure of recoverable amounts is required only when an impairment loss has been recognized or reversed during the period. Furthermore, the Group is required to disclose the discount rate used in measurements of the recoverable amount based on fair value less costs of disposal measured using a present value technique.

3) Annual Improvements to IFRSs: 2010-2012 Cycle

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

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

IFRS 3 was amended to clarify that contingent consideration should be measured at fair value, irrespective of whether the contingent consideration is a financial instrument within the scope of IFRS 9 or IAS 39. Changes in fair value should be recognized in profit or loss.

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

IFRS 13 was amended to clarify that the issuance of IFRS 13 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of not discounting is immaterial.

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

4) Annual Improvements to IFRSs: 2011-2013 Cycle

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

IFRS 3 was amended to clarify that IFRS 3 does not apply to the accounting for the formation of all types of joint arrangements in the financial statements of the joint arrangement itself.

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

IAS 40 was amended to clarify that IAS 40 and IFRS 3 are not mutually exclusive and application of both standards may be required to determine whether the investment property acquired is acquisition of an asset or a business combination.

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

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

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

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

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

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

6) IFRS 15 “Revenue from Contracts with Customers”

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and will supersede IAS 18 “Revenue”, IAS 11 “Construction Contracts”.

When applying IFRS 15, an entity shall recognize revenue by applying the following steps:

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

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

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

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

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

8) Annual Improvements to IFRSs: 2012-2014 Cycle

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

IFRS 5 was amended to clarify that reclassification between non-current assets (or disposal group) “held for sale” and non-current assets “held for distribution to owners” does not constitute a change to a plan of sale or distribution. Therefore, previous accounting treatment is not reversed. The amendment also explains that assets that no longer meet the criteria for “held for distribution to owners” and do not meet the criteria for “held for sale” should be treated in the same way as assets that cease to be classified as held for sale.

The amendments to IFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset. In addition, the amendments clarify that the offsetting disclosures are not explicitly required for all interim periods; however, the disclosures may need to be included in condensed interim financial statements to comply with IAS 34 under specific conditions.

IAS 19 was amended to clarify that the depth of the market for high quality corporate bonds used to estimate discount rate for post-employment benefits should be assessed by the market of the corporate bonds denominated in the same currency as the benefits to be paid, i.e. assessed at currency level (instead of country or regional level).

9) Amendment to IAS 1 “Disclosure Initiative”

The amendment clarifies that the consolidated financial statements should be prepared for the purpose of disclosing material information. To improve the understandability of its consolidated financial statements, the Group should disaggregate the disclosure of material items into their different natures or functions, and disaggregate material information from immaterial information.

The amendment further clarifies that the Group should consider the understandability and comparability of its consolidated financial statements to determine a systematic order in presenting its footnotes.

Except for the above impact, as of the date the parent Group only financial statements were authorized for issue, the Group is continuingly assessing the possible impact that the application of other standards and interpretations will have on the Group 's financial position and operating result, and will disclose the relevant impact when the assessment is complete.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of Compliance

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

b. Basis of Preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

c. Classification of current and noncurrent assets and liabilities

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within twelve months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within twelve months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; and
- 3) Liabilities for which the Company does not have an unconditional right to defer settlement for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Assets and liabilities that are not classified as current are classified as non-current.

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

d. Basis of consolidation

1) Principles for preparing consolidated financial statements

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

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation.

Attribution of total comprehensive income to no controlling interests

Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the no controlling interests even if this results in the no controlling interests having a deficit balance.

Changes in the Group's ownership interests in existing subsidiaries

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

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

The subsidiaries in the consolidated financial statements

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

Name of Investor	Name of Investee	Main Businesses and Products	Percentage of Ownership		Note
			December 31		
			2014	2013	
Sunplus	Sunplus Management Consulting	Management	100.00	100.00	-
	Global Techplus	Investment	-	-	The investee completed liquidation in September 2013; thus it was excluded from the consolidated financial statement.
	Ventureplus	Investment	100.00	100.00	-
	Sunplus Technology (H.K.)	International trade	100.00	100.00	-
	Sunplus Venture	Investment	100.00	100.00	-
	Lin Shih Investment	Investment	100.00	100.00	-
	Sunplus mMobile .	Design of integrated circuits (ICs)	100.00	100.00	-
	Sunext Technology	Design and sale of ICs	61.15	61.15	-
	Sunplus Core (S2-TEK INC.)	Design of ICs	-	-	The investee became a jointly controlled operation in January 2013; thus, the investee was not included in the consolidated financial statements.
	Sunplus Innovation Technology	Design of ICs	62.54	61.32	-

(Continued)

Name of Investor	Name of Investee	Main Businesses and Products	Percentage of Ownership		Note	
			December 31			
			2014	2013		
Sunplus	Generalplus Technology (“Generalplus”)	Design of ICs	34.30	34.30	Sunplus and its subsidiaries had 52.04% equity in Generalplus.	
	iCatch	Design of ICs	37.70	37.70	Sunplus and its subsidiaries had 45.33% equity in iCatch Technology, Inc. and the Group had controlling interest over iCatch Technology, Inc.; thus, the investee was included in the consolidated financial statements.	
Ventureplus Ventureplus Mauritius Ventureplus Cayman	Wei-Young Investment Inc.	Investment	100.00	100.00	-	
	Russell Holdings Limited	Investment	100.00	100.00	-	
	Magic Sky Limited	Investment	100.00	100.00	-	
	Sunplus mMedia Inc.	Design of ICs	82.94	82.94	-	
	Ventureplus Mauritius	Investment	100.00	100.00	-	
	Ventureplus Cayman	Investment	100.00	100.00	-	
	Ytrip Technology	Web research and development	72.50	72.50	-	
	Sunplus App Technology	Manufacturing and sale of computer software; system integration services and information management and education.	93.33	80.00	-	
	Sunplus Prof-tek Technology (Shenzhen)	Development and sale of computer software and system integration services	100.00	100.00	-	
	Sunplus Technology Technology (Shanghai)	Manufacturing and sale of consumer and rental	100.00	98.84	-	
	SunMedia Technology	Manufacturing and sale of computer software and system integration services	100.00	100.00	-	
	Sunplus Technology(Beijing)	Manufacturing and sale of computer software and system integration services	100.00	-	The investee was established in January 2014	
	Sunplus Technology (Shanghai)	ShenZhen Suntop Technology	Design of software and hardware	-	-	The investee completed liquidation in December; thus it was excluded from the consolidated financial statement
Ytrip Technology	Iculture Communication	Development and sale	100.00	100.00	The investee was established in February 2013	
Sunplus Venture	Han Young Technology	Design of ICs	70.00	70.00	-	
	Sunext Technology Co., Ltd. (“Sunext”)	Design and sale of ICs	6.98	6.98	Sunplus and its subsidiaries had 74.15% equity in Sunext.	
	Generalplus Technology Inc.	Design of ICs	3.95	3.95	Sunplus and its subsidiaries had 52.04% equity in Generalplus.	
	Sunplus Core (S2-TEK INC.)	Design of ICs	-	-	The investee became a jointly controlled operation in January 2013; thus, the investee was not included in the consolidated financial statements.	
	Sunplus mMobile Inc.	Design of ICs	-	-	Sunplus and its subsidiaries had 100% equity in Sunplus mMobile	
	Sunplus mMedia	Design of ICs	12.73	12.73	Sunplus and its subsidiaries had 99.53% equity in Sunplus mMedia.	
	Sunplus Innovation	Design of ICs	5.77	5.63	Sunplus and its subsidiaries had 69.05% equity in Sunplus Innovation	
	iCatch Technology, Inc.	Design of ICs	5.88	5.88	Sunplus and its subsidiaries had 45.33% equity in iCatch Technology, Inc.	
	Lin Shih	Generalplus Technology	Design of ICs	13.69	13.69	Sunplus and its subsidiaries had 52.04% equity in Generalplus.
		Sunext Technology	Design and sale of ICs	5.29	5.29	Sunplus and the subsidiaries had 74.15% equity in Sunext.
Sunplus Core (S2-TEK INC.)		Design of ICs	-	-	The investee become jointly controlled operations on January, thus, the investee was not included in the consolidated financial statements.	
Sunplus mMedia		Design of ICs	4.33	3.86	Sunplus and its subsidiaries had 99.53% equity in Sunplus mMedia.	
Sunplus mMobile		Design of ICs	-	-	Sunplus and its subsidiaries had 100% equity in Sunplus mMobile.	
Sunplus Innovation		Design of ICs	2.14	2.10	Sunplus and its subsidiaries had 69.05% equity in Sunplus Innovation	
iCatch Technology,		Design of ICs	1.75	1.75	Sunplus and its subsidiaries had 45.33% equity in iCatch Technology, Inc. and the Group had controlling interest over iCatch Technology, Inc.; thus, the investee was included in the consolidated financial statements.	
Sunplus mMobile		Sunplus mMobile SAS	Design of ICs	100.00	100.00	-
Sunext Technology	Great Sun	Investment	-	-	The investee completed liquidation in March.	
	Great Prosperous Corp.	Investment	-	-	The investee completed liquidation in October.	

(Continued)

Name of Investor	Name of Investee	Main Businesses and Products	Percentage of Ownership		Note
			December 31		
			2014	2013	
Great Sun	Sunext Mauritius	Investment	-	-	The investee completed liquidation in October.
Generalplus	Generalplus Samoa	Investment	100.00	100.00	-
Generalplus Samoa	Generalplus Mauritius	Investment	100.00	100.00	-
Generalplus Mauritius	Generalplus Shenzhen	After-sales service	100.00	100.00	-
	Generalplus HK	Sales	100.00	100.00	-
Wei-Young	Generalplus	Design of Ics	0.10	0.10	Sunplus and its subsidiaries had 52.04% equity in Generalplus
	Sunext Technology	Design and sale of Ics	0.03	0.03	Sunplus and its subsidiaries had 74.15% equity in Sunext
Russell	Sunext Technology	Design and sale of Ics	0.70	0.70	Sunplus and its subsidiaries had 74.15% equity in Sunext
Sunplus mMedia Inc.	Jumplux Technology	Design and sale of Ics	80.00	-	The investee was established in October 2014
(Concluded)					

(Concluded)

The financial statements of the investee above for the year ended December 31, 2014 had been reviewed, except for those of Global Techplus Capital Inc. and Sunplus Management Consulting; Furthermore, the Company believes that the financial statements of Global Techplus Capital Inc. and Sunplus Management Consulting will not be adjusted significantly, even if the financial statements are reviewed.

e. Foreign currencies

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

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

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

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

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

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

f. Inventories

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

g. Investments in associates and jointly controlled entities

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

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

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

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

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

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

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

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

h. Property, plant and equipment

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

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

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

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

i. Investment properties

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

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

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

j. Goodwill

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

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

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

k. Intangible assets

1) Intangible assets acquired separately

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

2) Derecognition of intangible assets

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

l. Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation/Corporate assets are allocated to the smallest group of cash-generating units on a reasonable and consistent allocation basis. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

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

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

m. Financial instruments

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

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

1) Financial assets

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

a) Measurement category

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

i Financial assets at fair value through profit or loss

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

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

- i) Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- ii) The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- iii) The contract contains one or more embedded derivatives so that the entire hybrid (combined) contract can be designated as at fair value through profit or loss.

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

ii. Available-for-sale financial assets

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

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

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

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

iv. Loans and receivables

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

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

b) Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

c) Derecognition of financial assets

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

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

2) Equity instruments and Financial liabilities

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

a) Equity instruments

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

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

b) Financial liabilities

i Subsequent measurement

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

i) Derecognition of financial liabilities

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

n. Provisions

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

o. Revenue recognition

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

Sale of goods

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

- 1) The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- 2) The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- 3) The amount of revenue can be measured reliably;
- 4) It is probable that the economic benefits associated with the transaction will flow to the Group; and
- 5) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

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

Dividend and interest income

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

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

p. Leasing

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

1) The Group as lessor

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

2) The Group as lessee

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

q. Borrowing costs

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

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

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

r. Government grants

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

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

s. Retirement benefit costs

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

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each reporting period. Actuarial gains and losses on the defined benefit obligation are recognized immediately in other comprehensive income. Past service cost is recognized immediately to the extent that the benefits are already vested, and otherwise is amortized on a straight-line basis over the average period until the benefits become vested.

The retirement benefit obligation recognized in the consolidated balance sheets represents the present value of the defined benefit obligation as adjusted for unrecognized past service cost, and as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to the unrecognized past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

Curtailment or settlement gains or losses on the defined benefit plan are recognized when the curtailment or settlement occurs.

t. Share-based payment arrangements

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

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

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

u. Taxation

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

Current tax

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

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

Deferred tax

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

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

sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

Current and deferred tax for the period

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

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

For the year ended December 31, 2014 and 2013, the Group recognized impairment losses on intangible assets of \$17,013 thousand and on tangible assets of \$11,498.

b. Estimated impairment of trade receivables

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

As of December 31, 2014 and December 31, 2013, the carrying amount of trade receivables was \$1,729,675 thousand and \$1,535,944 thousand, respectively (after deducting allowance of \$1,565 and \$0 thousand, respectively).

c. Income taxes

As of December 31, 2014 and December 31, 2013, the carrying amount of deferred tax assets in relation to unused tax losses was \$15,528 thousand, and 20,898 thousand, respectively. As of December 31, 2014 and December 31, 2013, no deferred tax asset has been recognized on tax losses of \$5,718,387 and \$5,870,785 thousand, respectively, due to the unpredictability of future profit streams. The realizability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognized in profit or loss for the period in which such a reversal takes place.

d. Write-down of inventory

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

e. Impairment of investment in the associate

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

6. CASH AND CASH EQUIVALENTS

	December 31	
	2014	2013
Cash on hand	\$ 6,366	\$ 4,232
Checking accounts and demand deposits	907,475	1,609,918
Cash equivalent deposits in banks	2,604,185	2,662,716
Repurchase agreements collateralized by bonds	<u>58,706</u>	<u>54,529</u>
	<u>\$ 3,576,732</u>	<u>\$ 4,331,395</u>

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

	December 31	
	2014	2013
Bank balance	0.01%~4.0%	0.02%-3.3%
Repurchase agreement collateralized by bonds	1.0%~1.625%	1.0%-1.625%

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

	December 31	
	2014	2013
<u>Financial assets held for trading</u>		
Nonderivative financial assets		
Corporate bonds of domestic listed stocks	\$ 14,830	\$ 7,994

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31	
	2014	2013
<u>Domestic investments</u>		
- Mutual funds	\$ 911,450	\$ 1,125,889
- Quoted shares	804,644	1,035,887
<u>Foreign investments</u>		
- Quoted shares	-	7,456
	<u>\$ 1,716,094</u>	<u>\$ 2,169,232</u>
Current	\$ 984,307	\$ 1,150,505
Noncurrent	<u>731,787</u>	<u>1,018,727</u>
	<u>\$ 1,716,094</u>	<u>\$ 2,169,232</u>

For the year ended December 31, 2014 and 2013, the Group recognized impairment losses of \$9,679 thousand and \$13,350 thousand, respectively.

9. DEBT INVESTMENTS WITH NO ACTIVE MARKET - CURRENT

	December 31	
	2014	2013
Fixed income fund	\$ 14,903	\$ -

In March 2014, the Group bought a fixed-income German fund established for meeting certain building needs. The fund price is US\$500 thousand and the effective interest rate of fund is 8%.

10. FINANCIAL ASSETS MEASURED AT COST

	December 31	
	2014	2013
Domestic unlisted common shares	\$ 241,005	\$ 311,448
Classified as available for sale	<u>\$ 241,005</u>	<u>\$ 311,448</u>

The above shares were classified as available for sale.

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

The Group believed that the above financial asset carried at cost had impairment losses of \$103,235 thousand and \$17,373 thousand as of December 31, 2014 and 2013, respectively.

The Group recognized disposal gains of \$67,038 thousand and \$1,400 thousand as of December 31, 2014 and 2013, respectively.

11. NOTES AND ACCOUNTS RECEIVABLE, NET

	December 31	
	2014	2013
Notes receivable	\$ 121	\$ 157
Accounts receivable	1,716,326	1,524,862
Receivable from related parties	14,914	11,082
Allowance for doubtful accounts	(1,565)	-
	<u>1,729,675</u>	<u>1,535,944</u>
	<u>\$ 1,729,796</u>	<u>\$ 1,536,101</u>

Accounts receivable

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

Of the trade receivables balance (see the aging analysis below) that are past due at the end of the reporting period, the Group had not recognized an allowance for impairment for notes and trade receivables amounting to \$77,857 thousand and \$116,716 thousand as of December 31, 2014 and 2013, respectively, because there had been no significant change in credit quality and the amounts were still considered recoverable. The Group did not hold any collateral or other credit enhancements over these balances nor did it have a legal right to make offsets against any amounts owed by the Group to the counter-party. As of March 24, 2014, the above trade receivables of December 31, 2013 that are past due but not impaired had receive 77,857 thousand.

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

	December 31	
	2014	2013
Up to 60 days	<u>\$ 77,857</u>	<u>\$ 116,716</u>

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

	Individually Impaired	Collectively Impaired	Total
Balance at January 1, 2013	\$ 48,411	\$ -	\$ 48,411
Less: Amounts written off during the period as uncollectible	(51,620)	-	(51,620)
Foreign exchange translation gains	<u>3,209</u>	<u>-</u>	<u>3,209</u>
Balance at December 31, 2013	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Balance at January 1, 2014	\$ -	\$ -	\$ -
Add: Impairment losses recognized on receivable	<u>1,565</u>	<u>-</u>	<u>1,565</u>
Balance at December 31, 2014	<u>\$ 1,565</u>	<u>\$ -</u>	<u>\$ 1,565</u>

12. INVENTORIES

	December 31	
	2014	2013
Finished goods	\$ 662,976	\$ 382,269
Work in progress	499,212	369,696
Raw materials	<u>185,554</u>	<u>170,252</u>
	<u>\$ 1,347,742</u>	<u>\$ 922,217</u>

The costs of inventories recognized as cost of goods sold for the years ended December 31, 2014 and 2013 were \$5,086,270 thousand and \$5,110,409 thousand, respectively.

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

	Years Ended December 31	
	2014	2013
Inventory obsolescence	\$ 52,836	\$ 553
(Gains) losses on inventory value recoveries	(3,414)	2,067
Income from scrap sales	<u>(521)</u>	<u>(1,056)</u>
	<u>\$ 48,901</u>	<u>\$ 1,564</u>

13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2014	2013
Investments in associates	\$ 1,345,479	\$ 1,024,451
Investments in jointly controlled entities	<u>63,760</u>	<u>137,004</u>
	<u>\$ 1,409,239</u>	<u>\$ 1,161,455</u>

a. Investments in associates

	December 31	
	2014	2013
Listed companies		
Orise Technology, Co., Ltd.	\$ 994,943	\$ 1,024,451
Global View Co., Ltd.	<u>350,536</u>	<u>-</u>
	<u>\$ 1,345,479</u>	<u>\$ 1,024,451</u>

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

	December 31	
Name of Associate	2014	2013
Orise Technology, Co., Ltd.	34%	34%
Global View Co., Ltd.	13%	-

In their meeting on September 30, 2014, the shareholders of Orise Technology (“Orise”) approved the merger of Orise and FocalTech-Systems (“FocalTech”) Technology, with FocalTech as the survivor entity, and the merger and share transfer will take effect on January 2, 2015. Orise will issue new common shares, and Focal Tech will swap 1 common share for 4.8 common shares of Orise. After the merger, the Company’s equity interest in Orise will decrease from 34% to 12%.

On March 14, 2013, the Company’s board of the directors resolved to participate in the tender offer made by Chunghwa Picture Tubes Ltd (“Chunghwa”) to acquire shares in Giantplus Technology Co. (“Giantplus”). The Company planned to sell 77,834 thousand shares of Giantplus for cash of NT\$4.03 per share and 0.72 common share of Tatung Co. for every share of Giantplus. As of April 12, 2013, the expiration date of the acquisition, the Company had disposed of 64,020 thousand shares and recognized a gain on disposal of \$42,474 thousand. On April 10, 2013, the Company’s board of directors sold 6,818 thousand shares more of Giantplus to Chunghwa for cash of NT\$9.3 per share and recognized a gain on disposal of \$5,648 thousand, so the Group reclassified its holding of Giantplus from an investment in an associated to available-for-sale financial assets.

On February 29, 2012, HT mMobile Inc.’s (HT) board of directors approved a downsizing of its operations because of (a) the termination of merger negotiations with another company and (b) the resignation of high-level employees of the research and development (R&D) department, which have hampered product R&D. On the basis of a resolution passed in a meeting of HT’s board of directors, the Group recognized an investment loss on HT, as well as the reduction of the carrying value of this investment to zero. The Group also recognized an impairment loss of \$1,466 thousand on other receivable from HT mMobile Inc. for nine months ended September 30, 2013. The Group reversal impairment loss of \$5,354 thousand for nine months ended September 30, 2013. HT’s third interim board of directors also approved a plan for HT to undergo liquidation, and it has completed liquidation in March 20, 2013.

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

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

Name of Associate	December 31	
	2014	2013
Orise Technology, Co., Ltd.	\$ <u>1,858,790</u>	\$ <u>2,142,906</u>
Global View, Co., Ltd.	\$ <u>259,639</u>	\$ <u>-</u>

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

	December 31	
	2014	2013
Total assets	\$ <u>7,604,536</u>	\$ <u>6,314,221</u>
Total liabilities	\$ <u>3,077,598</u>	\$ <u>3,392,196</u>

	Years Ended December 31	
	2014	2013
Revenue	\$ <u>9,932,008</u>	\$ <u>9,362,444</u>
Profit for the period	\$ <u>130,051</u>	\$ <u>363,725</u>
Comprehensive income	\$ <u>759,717</u>	\$ <u>363,538</u>
Group's share of profits of associates	\$ <u>89,904</u>	\$ <u>87,895</u>

The amounts of investments in jointly controlled entities pledged as collateral for bank loans were disclosed in Note 35.

b. Investments in jointly controlled entities

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

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

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

	December 31	
	2014	2013
Current assets	\$ <u>269,912</u>	\$ <u>453,707</u>
Noncurrent assets	\$ <u>23,694</u>	\$ <u>22,474</u>
Current liabilities	\$ <u>169,227</u>	\$ <u>208,257</u>
Noncurrent liabilities	\$ <u>-</u>	\$ <u>-</u>

	Years Ended December 31	
	2014	2013
Sales	<u>\$ 580,397</u>	<u>\$ 353,254</u>
Costs of sales	<u>\$ 423,564</u>	<u>\$ 223,841</u>
Operating expenses	<u>\$ 304,275</u>	<u>\$ 263,435</u>
Nonoperating income and expenses	<u>\$ 4,525</u>	<u>\$ 1,976</u>
Income tax expense	<u>\$ -</u>	<u>\$ -</u>
Share of profit or loss of associates and joint ventures	<u>\$ (73,245)</u>	<u>\$ (67,994)</u>
Share of comprehensive income of associates and joint ventures	<u>\$ (73,245)</u>	<u>\$ (67,994)</u>

14. PROPERTY, PLANT AND EQUIPMENT

	Year Ended December 31, 2013									
	Buildings	Auxiliary equipment	Machinery and equipment	Testing equipment	Transportation equipment	Furniture and fixtures	Leasehold improvements	Other equipment	Construction in progress	Total
<u>Cost</u>										
Balance, beginning of year	\$ 1,284,209	\$ 173,006	\$ 185,924	\$ 304,407	\$ 10,351	\$ 207,571	\$ 20,131	\$ 8,819	\$ 586,849	\$ 2,781,267
Additions	-	543	15,540	164,320	-	18,856	-	788	265,398	465,445
Disposals	(171)	(6,408)	(121,109)	(75,413)	-	(12,379)	-	(156)	-	(215,636)
Reclassified to investment property	(32,356)	-	-	-	-	-	-	-	-	(32,356)
Effect of exchange rate changes	17,945	(15,730)	(49,683)	6,025	591	10,494	(13,729)	9,703	20,587	(13,797)
Balance, end of year	<u>1,269,627</u>	<u>151,411</u>	<u>30,672</u>	<u>399,339</u>	<u>10,942</u>	<u>224,542</u>	<u>6,402</u>	<u>19,154</u>	<u>872,834</u>	<u>2,984,923</u>
<u>Accumulated depreciation</u>										
Balance, beginning of year	241,619	61,578	156,980	204,502	6,072	148,327	12,048	6,355	-	837,481
Depreciation expense	35,124	18,947	25,995	134,558	1,443	33,896	542	3,065	-	253,570
Disposals	(171)	(6,407)	(121,110)	(72,843)	-	(11,592)	-	(142)	-	(212,265)
Reclassified to investment property	(14,597)	-	-	-	-	-	-	-	-	(14,597)
Effect of exchange rate changes	11,081	(13,553)	(35,252)	(7,779)	480	5,950	(8,306)	1,974	-	(45,405)
Balance, end of year	<u>273,056</u>	<u>60,565</u>	<u>26,613</u>	<u>258,438</u>	<u>7,995</u>	<u>176,581</u>	<u>4,284</u>	<u>11,252</u>	<u>-</u>	<u>818,784</u>
<u>Accumulated impairment</u>										
Balance, beginning of year	-	-	-	11,498	-	-	-	-	-	11,498
Additions	-	-	-	-	-	-	-	-	-	-
Balance, end of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,498</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,498</u>
Net, end of year	<u>\$ 996,571</u>	<u>\$ 90,846</u>	<u>\$ 4,059</u>	<u>\$ 129,403</u>	<u>\$ 2,947</u>	<u>\$ 47,961</u>	<u>\$ 2,118</u>	<u>\$ 7,902</u>	<u>\$ 872,834</u>	<u>\$ 2,154,641</u>

	Year Ended December 31, 2014									
	Buildings	Auxiliary equipment	Machinery and equipment	Testing equipment	Transportation equipment	Furniture and fixtures	Leasehold improvements	Other equipment	Construction in progress	Total
<u>Cost</u>										
Balance, beginning of year	\$ 1,269,627	\$ 151,411	\$ 30,672	\$ 399,339	\$ 10,942	\$ 224,542	\$ 6,402	\$ 19,154	\$ 872,834	\$ 2,984,923
Additions	1,223,641	58,343	25,775	113,856	-	43,905	1,206	4,307	51,800	1,522,833
Disposals	-	(4,679)	(23,607)	(49,570)	-	(8,129)	(169)	-	-	(86,154)
Effect of exchange rate changes	22,994	797	(11,852)	28,498	364	6,734	(1,816)	282	33,148	79,599
Balance, end of year	<u>2,516,262</u>	<u>205,872</u>	<u>20,988</u>	<u>492,573</u>	<u>11,306</u>	<u>267,052</u>	<u>5,623</u>	<u>23,743</u>	<u>957,782</u>	<u>4,501,201</u>
<u>Accumulated depreciation</u>										
Balance, beginning of year	273,056	60,565	26,613	258,438	7,995	176,581	4,284	11,252	-	818,784
Depreciation expense	51,800	18,994	17,479	148,724	879	26,492	678	1,312	-	266,358
Disposals	-	(4,679)	(23,608)	(49,097)	-	(8,044)	(158)	-	-	(85,586)
Effect of exchange rate changes	(21,300)	(1,549)	(1,552)	16,139	203	7,288	(1,325)	1,571	-	(525)
Balance, end of year	<u>303,556</u>	<u>73,331</u>	<u>18,932</u>	<u>374,204</u>	<u>9,077</u>	<u>202,317</u>	<u>3,479</u>	<u>14,135</u>	<u>-</u>	<u>999,031</u>
<u>Accumulated impairment</u>										
Balance, beginning of year	-	-	-	11,498	-	-	-	-	-	11,498
Addition	-	-	-	-	-	-	-	-	-	-
Balance, end of period	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,498</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,498</u>
Net, end of year	<u>\$ 2,212,706</u>	<u>\$ 132,541</u>	<u>\$ 2,056</u>	<u>\$ 106,871</u>	<u>\$ 2,229</u>	<u>\$ 64,735</u>	<u>\$ 2,144</u>	<u>\$ 9,608</u>	<u>\$ 957,782</u>	<u>\$ 3,490,672</u>

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

Buildings	11-56 years
Auxiliary equipment	5-20 years
Machinery and equipment	1-10 years
Testing equipment	1-10 years
Transportation equipment	4-10 years
Furniture and fixtures	2-5 years
Leasehold improvements	2-11 years
Other equipment	3-10 years

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

15. INVESTMENT PROPERTIES

Cost

Balance at January 1, 2013	\$ 398,499
Reclassification to investment	32,356
Effect of exchange rate differences	<u>25,972</u>

Balance at December 31, 2013	<u>\$ 456,827</u>
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Accumulated depreciation

Balance at January 1, 2013	\$ (123,658)
Depreciation expense	(12,977)
Reclassification to investment	(14,597)
Effect of exchange rate differences	<u>(12,526)</u>
Balance at December 31, 2013	<u>(163,758)</u>

\$ 293,069

Cost

Balance at January 1, 2014	\$ 456,827
Reclassification to investment	852
Effect of exchange rate differences	<u>990</u>

Balance at December 31, 2014	<u>\$ 458,669</u>
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Accumulated depreciation

Balance at January 1, 2014	\$ (163,758)
Depreciation expense	(20,888)
Effect of exchange rate differences	<u>8,640</u>
Balance at December 31, 2014	<u>(176,006)</u>

\$ 282,663

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

The fair value of the investment properties was based on a valuation carried out on December 31, 2014 by the Suzhou Feng-Zheng PingGu Firm, independent qualified professional values not connected to the Group.

The important assumptions and fair value were as follows:

	December 31	
	2014	2013
Fair value	<u>\$ 406,078</u>	<u>\$ 378,894</u>
Discount rate	85.33%	87.33%

16. INTANGIBLE ASSETS

	Year Ended December 31, 2013					
	Technology License Fees	Software	Patents	Goodwill	Technological Know-how	Total
<u>Cost</u>						
Balance at January 1	\$ 995,166	\$ 403,650	\$ 112,353	\$ 30,596	\$ 2,402	\$ 1,544,167
Additions	74,355	21,165	1,579	-	-	97,099
Decrease	(309,233)	(90,918)	-	-	-	(400,151)
Effect of exchange rate Differences	105	559	-	-	58	722
Balance at December 31	<u>760,393</u>	<u>334,456</u>	<u>113,932</u>	<u>30,596</u>	<u>2,460</u>	<u>1,241,837</u>
<u>Accumulated amortization</u>						
Balance at January 1	732,273	314,676	52,594	-	1,978	1,101,521
Amortization expense	145,929	52,217	6,287	-	439	204,872
Decrease	(309,233)	(90,094)	-	-	-	(399,327)
Effect of exchange rate Differences	(198)	(172)	-	-	43	(327)
Balance at December 31	<u>568,771</u>	<u>276,627</u>	<u>58,881</u>	<u>-</u>	<u>2,460</u>	<u>906,739</u>
Carrying amounts at December 31, 2013	<u>\$ 191,622</u>	<u>\$ 57,829</u>	<u>\$ 55,051</u>	<u>\$ 30,596</u>	<u>\$ -</u>	<u>\$ 335,098</u>
	Year Ended December 31, 2014					
	Technology License Fees	Software	Patents	Goodwill	Technological Know-how	Total
<u>Cost</u>						
Balance at January 1	\$ 760,393	\$ 334,456	\$ 113,932	\$ 30,596	\$ 2,460	\$ 1,241,837
Additions	88,040	24,928	297	-	-	113,265
Decrease	(147,783)	(14,124)	-	-	-	(161,907)
Effect of exchange rate Differences	3	836	-	-	-	839
Balance at December 31	<u>700,653</u>	<u>346,096</u>	<u>114,229</u>	<u>30,596</u>	<u>2,460</u>	<u>1,194,034</u>
<u>Accumulated amortization</u>						
Balance at January 1	568,771	276,627	58,881	-	2,460	906,739
Amortization expense	103,366	43,408	6,735	-	-	153,509
Decrease	(147,783)	(14,124)	-	-	-	(161,907)
Effect of exchange rate Differences	-	492	-	-	-	492
Balance at December 31	<u>524,354</u>	<u>306,403</u>	<u>65,616</u>	<u>-</u>	<u>2,460</u>	<u>898,833</u>

(Continued)

	Year Ended December 31, 2014					
	Technology License Fees	Software	Patents	Goodwill	Technological Know-how	Total
<i>Accumulated deficit</i>						
Balance at January 1	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Addition	<u>17,013</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,013</u>
Balance at December 31	<u>17,013</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,013</u>
Carrying amounts at December 31, 2014	<u>\$ 159,286</u>	<u>\$ 39,693</u>	<u>\$ 48,613</u>	<u>\$ 30,596</u>	<u>\$ -</u>	<u>\$ 278,188</u>

(Concluded)

Intangible assets consisted of fees paid to Oak Technology (“Oak”) for the Group to use Oak’s technology on light storage solutions to develop SOC DVD/VCD (system on a chip digital compact disk/video compact disk) players and the fee paid to Royal Philips Electronics (“Philips”) for the Group to use Philips’s optical disc drive (ODD) semiconductor technology.

These intangible assets were depreciated on a straight-line basis at the following rates per annum:

Technology license fees	1-15 years
Software	1-10 years
Patents	5-18 years
Technological know-how	5 years

17. OTHER ASSETS

	December 31	
	2014	2013
Finance lease payables	\$ 132,032	\$ 130,578
Pledged time deposits (Note 35)	93,116	91,162
Other financial assets	81,472	-
Prepaid long-term investments	63,300	44,707
Refundable deposits (Note 31)	7,148	7,253
Prepayment for equipment	110	345,696
Other	<u>153,475</u>	<u>210,813</u>
	<u>\$ 530,653</u>	<u>\$ 830,209</u>
Current	\$ 224,616	\$ 232,700
Noncurrent	<u>306,037</u>	<u>597,509</u>
	<u>\$ 530,653</u>	<u>\$ 830,209</u>

The amounts of the Group’s finance lease payables for land grants in China as of December 31, 2014 and 2013 were \$132,032 thousand and \$130,578 thousand, respectively.

Prepaid equipment pertained to the acquisition by Generalplus Shenzhen and Sunplus Prof-tek (Shenzhen) Co., Ltd. of an office in Shenzhen, China. The office was officially opened for operation in December 2014 and was reclassified under property, plant and equipment.

18. LOANS

Short-term borrowings

	December 31	
	2014	2013
<u>Unsecured borrowings</u>		
Bank loans	<u>\$ 304,085</u>	<u>\$ 165,151</u>

The weighted average effective interest rates for bank loans from January 1, 2014 to December 31, 2014 and from January 1, 2013 to December 31, 2013 were 1.843%~2.2% and 1.9225%-2.06% per annum, respectively.

Long-term borrowings

The borrowings of the Group were as follows:

	Maturity Date	Significant Covenant	December 31	
			2014	2013
<u>Floating rate borrowings</u>				
Secured bank borrowings	2017.3.16	Repayable semiannually from March 2012	\$ 388,888	\$ 544,444
Unsecured bank borrowings	2017.6.27	Repayable semiannually from June 2014	300,000	-
Secured bank borrowings	2019.2.28	Repayable quarterly from February 2014	300,000	-
Unsecured bank borrowings	2015.1.10	Repayable in January 2015	199,410	119,963
Unsecured bank borrowings	2015.4.14	Repayable in April 2015	155,790	149,953
Unsecured bank borrowings	2015.12.18	Repayable in December 2015	155,790	149,953
Secured bank borrowing	2015.2.28	Repayable semiannually from February 2012	-	105,000
Unsecured bank borrowings	2015.3.30	Repayable quarterly from March 2012	62,500	312,500
Unsecured bank borrowings	2015.3.28	Repayable quarterly from March 2012	-	156,250
Unsecured bank borrowings	2015.2.28	Repayable semiannually from February 2012	-	105,000
			<u>\$ 1,562,378</u>	<u>\$ 1,643,063</u>
Current			\$ 905,296	\$ 938,447
Noncurrent			<u>657,082</u>	<u>704,616</u>
			<u>\$ 1,562,378</u>	<u>\$ 1,643,063</u>

Under the loan contracts, the Group provided buildings and shares of Giantplus Technology Co., Ltd. and Orise Technology Co., Ltd. as collaterals for the above loans (Note 35).

The effective borrowing rates as of December 31, 2014 and 2013 were 1.865%~2.752% and 1.64% - 2.54%.

The loan contracts require the Group to maintain certain financial ratios, such as debt ratio and current ratio as well as a restriction on net tangible assets. However, the Group's not being able to meet would not be deemed to be a violation of the contracts.

19. TRADE PAYABLES

	December 31	
	2014	2013
<u>Notes payable</u>		
Payable - operating	\$ 100	\$ -
<u>Accounts payable</u>		
Payable - operating	<u>728,469</u>	<u>823,034</u>
	<u>\$ 728,569</u>	<u>\$ 823,034</u>

The average credit period on purchases of certain goods was 30-90 days. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

20. PROVISIONS

	December 31	
	2014	2013
Customer returns and rebates	<u>\$ 21,849</u>	<u>\$ 23,915</u>

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

21. OTHER LIABILITIES

	December 31	
	2014	2013
<u>Other payables</u>		
Salaries or bonuses	\$ 424,590	\$ 370,405
Compensation due to directors and supervisors	83,013	74,495
Payables for purchases of equipment	50,231	52,954
Receipt in advance	42,117	25,591
Payable for royalties	38,349	10,639
Labor/health insurance	28,604	33,646
Commissions payable	10,384	10,470
Professional service fees	5,628	8,542
Others	<u>156,398</u>	<u>118,182</u>
	<u>\$ 839,314</u>	<u>\$ 704,924</u>
<u>Deferred revenue</u>		
Arising from government grants (Note 29)	\$ 81,602	\$ 78,831
Other	<u>3,084</u>	<u>5,539</u>
	<u>\$ 84,686</u>	<u>\$ 84,370</u>

(Continued)

	December 31	
	2014	2013
<u>Current</u>		
— Other liabilities	\$ 836,995	\$ 704,035
— Deferred revenue	<u>3,375</u>	<u>3,314</u>
	<u>\$ 840,370</u>	<u>\$ 707,349</u>
<u>Noncurrent</u>		
— Other current liabilities	\$ 2,319	\$ 889
— Deferred revenue	<u>81,311</u>	<u>81,056</u>
	<u>\$ 83,630</u>	<u>\$ 81,945</u>
		(Concluded)

22. RETIREMENT BENEFIT PLANS

Defined contribution plans

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

Defined benefit plans

Before the promulgation of the LPA, Sunplus, Generalplus, Sunext, Sunplus Innovation, Sunplus mMedia, Sunplus mMedia and iCatch of the Group had a defined benefit pension plan under the Labor Standards Law. Under this plan, employees should receive either a series of pension payments with a defined annuity or a lump sum that is payable immediately on retirement and is equivalent to 2 base units for each of the first 15 years of service and 1 base unit for each year of service thereafter. The total retirement benefit is subject to a maximum of 45 units. The pension benefits are calculated on the basis of the length of service and average monthly salaries of the six month before retirement. In addition, the Group makes monthly contributions, equal to 2% of salaries, to a pension fund, which is administered by a fund monitoring committee. The fund is deposited in the committee's name in the Bank of Taiwan.

The plan assets are invested in domestic (foreign) equity and debt securities, bank deposits, et. The investment is conducted at the discretion of Bureau of Labor Funds, Ministry of Labor or under the mandated management. However, in accordance with Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund the return generated by employees' pension contribution should not be below the interest rate for a 2 year time deposit with local banks.

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

	Valuation on December 31	
	2014	2013
Discount rate(s)	1.85%~2.13%	1.50%-2.00%
Expected return on plan assets	1.65%~2.00%	1.20%-2.00%
Expected rate(s) of salary increase	3.5%~6.25%	3.50%-6.25%

The assessment of the overall expected rate of return was based on historical return trends and analysts' predictions of the market for the asset over the life of the related obligation, by reference to the aforementioned use of the plan assets and the impact of the related minimum return.

Amounts recognized in profit or loss in respect of these defined benefit plans are as follows:

	For the Year Ended December 31	
	2014	2013
Current service cost	\$ 1,780	\$ 2,727
Interest cost	5,174	4,811
Expected return on plan assets	<u>(2,836)</u>	<u>(2,578)</u>
	<u>\$ 4,118</u>	<u>\$ 4,960</u>
An analysis by function		
Operating cost	\$ 546	\$ 689
Marketing expenses	246	358
Administration expenses	1,090	1,220
Research and development expenses	<u>2,200</u>	<u>2,693</u>
	<u>\$ 4,100</u>	<u>\$ 4,960</u>

Actuarial gains and losses recognized in other comprehensive income for the years ended December 31, 2014 and 2013 was \$8,849 thousand and \$47,350 thousand, respectively. The cumulative amount of actuarial gains and losses recognized in other comprehensive income as of December 31, 2014 and 2013 was \$18,499 thousand and \$9,063 thousand, respectively.

The amounts included in the consolidated balance sheets arising from the Group's obligation on its defined benefit plans were as follows:

	December 31	
	2014	2013
Present value of funded defined benefit obligation	\$ 277,708	\$ 278,476
Fair value of plan assets	<u>(176,659)</u>	<u>(166,868)</u>
Net liability arising from defined benefit obligation	<u>\$ 101,049</u>	<u>\$ 111,608</u>

Movements in the present value of the defined benefit obligations were as follows:

	For the Year Ended December 31	
	2014	2013
Opening defined benefit obligation	\$ 278,476	\$ 318,964
Current service cost	1,780	2,727
Interest cost	5,174	4,811
Actuarial gains	(7,963)	(48,026)
Other	<u>241</u>	<u>-</u>
Closing defined benefit obligation	<u>\$ 277,708</u>	<u>\$ 278,476</u>

Movements in the fair value of the plan assets were as follows:

	For the Year Ended December 31	
	2014	2013
Opening fair value of plan assets	\$ 166,868	\$ 158,617
Expected return on plan assets	2,836	2,707
Actuarial losses (gains)	1,145	(649)
Contributions from the employer	5,801	6,193
Other	<u>9</u>	<u>-</u>
Closing fair value of plan assets	<u>\$ 176,659</u>	<u>\$ 166,868</u>

The major categories of plan assets at the end of the reporting period for each category were disclosed based on the information announced by Bureau of Labor Funds, Ministry of Labor:

	December 31	
	2014	2013
Cash	19.12%	22.86%
Cash equivalents	1.98%	4.1%
Bond	11.92%	9.37%
Fixed income	14.46%	18.11%
Equity instruments	49.69%	44.77%
Others	<u>2.83%</u>	<u>0.79%</u>
	<u>100.00%</u>	<u>100.00%</u>

The Group chose to disclose the history of experience adjustments as the amounts determined for each accounting period prospectively from the date of transition to IFRSs (Note 4):

	December 31, 2014	December 31, 2013	December 31, 2012	January 1, 2012
Present value of defined benefit obligation	<u>\$ 277,708</u>	<u>\$ 278,476</u>	<u>\$ 318,964</u>	<u>\$ 275,040</u>
Fair value of plan assets	<u>\$ 176,659</u>	<u>\$ 166,868</u>	<u>\$ 158,617</u>	<u>\$ 148,708</u>
Deficit	<u>\$ 101,049</u>	<u>\$ 111,608</u>	<u>\$ 160,347</u>	<u>\$ 126,332</u>
Experience adjustments on plan liabilities	<u>\$ 7,963</u>	<u>\$ (48,026)</u>	<u>\$ 36,390</u>	<u>\$ -</u>
Experience adjustments on plan assets	<u>\$ (1,145)</u>	<u>\$ 649</u>	<u>\$ 387</u>	<u>\$ -</u>

The Group expects to make a contribution of \$2,761 thousand and \$4,171 thousand, respectively to the defined benefit plans in 2014 and 2013, respectively.

23. EQUITY

Share capital

Ordinary shares:

	December 31	
	2014	2013
Numbers of shares authorized (in thousands)	<u>1,200,000</u>	<u>1,200,000</u>
Shares authorized	<u>\$ 12,000,000</u>	<u>\$ 12,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>591,995</u>	<u>596,910</u>
Shares issued	<u>\$ 5,919,949</u>	<u>\$ 5,969,099</u>

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

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

For each class of capital surplus, a reconciliation of the carrying amounts at the beginning and at the end of the nine months ended September 30, 2014 and 2013 was as follows:

	December 31	
	2014	2013
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (a)		
Arising from issuance of common shares	\$ 703,376	\$ 709,215
Arising from conversion of bonds	34,382	71,228
Arising from treasury share transactions	157,423	157,423
Depending on the source, may be used to offset a deficit only or may not be used for any purpose (b)		
Others (please specify)	<u>40,863</u>	<u>12,313</u>
	<u>\$ 936,044</u>	<u>\$ 950,179</u>

- When the Company has no deficit, such capital surplus may be distributed as cash dividends, or may be transferred to share capital once a year and within a certain percentage of the Company's capital surplus.
- The capital surplus from the share of changes in equities of subsidiaries, associates and joint ventures, including the subsidiaries' expired share options but excluding the actual disposal or acquisition of an equity-method investment, may be used to offset a deficit; all other capital surplus from equity-method investments should not be used for any purpose.

Retained earnings and dividend policy

Sunplus' Articles of Incorporation provide that the following should be appropriated from annual net income less any accumulated deficit: (a) 10% as legal reserve; and (b) special reserve equivalent to the debit balance of any accounts shown in the shareholders' equity section of the balance sheet, other than deficit. The distribution of any remaining earnings will be as follows:

- a. up to 6% of paid-in capital as dividends; and
- b. 1.5% as remuneration to directors and supervisors and at least 1% as bonus to employees. The employees may include, with the approval of Sunplus' board of directors, those of Sunplus' subsidiaries.
- c. Under an approved shareholders' resolution, the current year's net income less all the foregoing appropriations and distributions plus the inappropriate prior years' earnings may be distributed as additional dividends.
- d. Sunplus' policy is that cash dividends should be at least 10% of total dividends distributed. However, cash dividends will not be distributed if these dividends are less than NT\$0.5 per share.

Under regulations promulgated by the Securities and Futures Bureau, a special reserve equivalent to the debit balance of any account shown in the shareholders' equity section of the balance sheet (for example, unrealized loss on financial assets and cumulative translation adjustments) should be allocated from inappropriate retained earnings.

Sunplus should estimate the bonus to employees and remuneration to directors and supervisors based on related laws and past experience. Based on the Sunplus' Articles of Incorporation, the bonus and remuneration should be appropriated only when there is remaining income after the appropriation of dividends. Thus, when the Company had deficits in 2013, it did not accrue any bonus and remuneration expenses. However, from the 2014 earnings, there were estimates of \$110 thousand as bonus to employees and \$165 thousand as remuneration to directors. Material differences between earlier estimates of bonuses and remuneration and the amounts subsequently proposed by the Board of Directors are adjusted for in the year of the proposal. If the actual amounts approved by the shareholders differ from the board of directors' proposed amounts, the differences are recorded in the year of shareholders' resolution as a change in accounting estimate.

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

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

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

The appropriations from the 2013 and 2012 earnings were approved at the shareholders' meetings on June 11, 2014 and June 11, 2013, respectively. The appropriations, including dividends, were as follows:

	For Year 2013		For Year 2012	
	Appropriation of Earnings	Dividends Per Share (NT\$)	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 119,147	\$ -	\$ 516,496	\$ -
Special reserve	(8,116)	-	(160,474)	-

The appropriations of earnings, the bonus to employees, and the remuneration to directors and supervisors for 2014 are subject to the resolution of the shareholders' meeting to be held on June 12, 2015.

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

Other equity items

Foreign currency translation reserve:

	For the Year Ended December 31	
	2014	2013
Balance at January 1	\$ 27,108	\$ (84,462)
Exchange differences arising on translating the foreign operations	<u>101,150</u>	<u>111,570</u>
Balance at December 31	<u>\$ 128,258</u>	<u>\$ 27,108</u>

Exchange differences relating to the translation of the results and net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e., New Taiwan dollars) were recognized directly in other comprehensive income and accumulated in the foreign currency translation reserve.

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

	For the Year Ended December 31	
	2014	2013
Balance at January 1	\$ 172,562	\$ 188,110
Unrealized gain arising on revaluation of available-for-sale financial assets	254,872	(31,576)
Cumulative (gain)/loss reclassified to profit or loss on sale of available-for-sale financial assets	(257,243)	3,760
Cumulative loss reclassified to profit or loss on impairment of available-for-sale financial assets	9,679	13,350
The proportionate share of other comprehensive income/losses reclassified to profit or loss upon partial disposal of associates	-	775
Share of unrealized gain on revaluation of available-for-sale financial assets of associates accounted for using the equity method	<u>1,804</u>	<u>(1,857)</u>
Balance at December 31	<u>\$ 181,674</u>	<u>\$ 172,562</u>

The investment revaluation reserve represents the cumulative gains and losses arising on the revaluation of available-for-sale financial assets that have been recognized in other comprehensive income, net of amounts reclassified to profit or loss when those assets have been disposed of or are determined to be impaired.

Noncontrolling interests

	For the Year Ended December 31	
	2014	2013
Balance at January 1	\$ 1,588,623	\$ 1,557,162
Attributable to no controlling interests:		
Share of profit for the year	131,269	75,762
Exchange difference arising on translation of foreign entities	6,842	17,864
Unrealized gains on available-for-sale financial assets	189	844

(Continued)

	For the Year Ended December 31	
	2014	2013
Actuarial gains on defined benefit plans	\$ 4,047	\$ 913
Non-controlling interest arising from acquisition of subsidiaries	(20,120)	(3,582)
Partial disposal of interests in subsidiaries	8,000	11,618
Cash dividends distributed by subsidiaries	(130,475)	(58,043)
Disposal of subsidiaries	-	(27,676)
Others	<u>10,269</u>	<u>13,761</u>
Balance at December 31	<u>\$ 1,598,644</u>	<u>\$ 1,588,623</u> (Concluded)

Treasury shares

Purpose of Buyback	Shares Transferred to Employees (In Thousands of Shares)	Shares Held by Its Subsidiaries (In Thousands of Shares)	Total (In Thousands of Shares)
Number of shares at December 31, 2013	<u>4,915</u>	<u>3,560</u>	<u>8,475</u>
Number of shares at January 1, 2014	4,915	3,560	8,475
Decrease during the year	<u>(4,915)</u>	<u>-</u>	<u>(4,915)</u>
Number of shares at December 31, 2014	<u>-</u>	<u>3,560</u>	<u>3,560</u>

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

Purpose of Buyback	Shares Transferred to Employees (in Thousands of Shares)	Shares Held by Its Subsidiaries (in Thousands of Shares)	Total (in Thousands of Shares)
<u>December 31, 2014</u>			
Lin Shin Investment Co., Ltd	3,560	<u>\$ 63,401</u>	<u>\$ 45,568</u>
<u>December 31, 2013</u>			
Lin Shin Investment Co., Ltd	3,560	<u>\$ 63,401</u>	<u>\$ 40,762</u>

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

Sunplus's board of directors resolves to write off all of the buyback treasury shares, 4,915 thousand shares. on February 26, 2014, they still not register the change. The subsidiaries holding treasury shares, however, retain shareholders' rights, except the rights to participate in any share issuance for cash and to vote.

Global depositary receipts

In March 2001, Sunplus issued 20,000 thousand units of global depositary receipts (GDRs), representing 40,000 thousand common shares that consisted of newly issued and originally outstanding shares. The GDRs are listed on the London Stock Exchange (code: SUPD) with an issuance price of US\$9.57 per unit. As of December 31, 2013, the outstanding 176 thousand units of GDRs represented 352 thousand common shares.

24. REVENUE

	<u>For the Year Ended December 31</u>	
	2014	2013
Revenue from IC	\$ 8,227,058	\$ 8,209,682
Rental income from property	145,120	123,709
Other	<u>337,761</u>	<u>188,477</u>
	<u>\$ 8,709,939</u>	<u>\$ 8,521,868</u>

25. NET PROFIT

Net profit (loss) included the following items:

Other income

	<u>For the Year Ended December 31</u>	
	2014	2013
Interest income		
Bank deposits	\$ 41,855	\$ 35,402
Dividend income	31,119	30,247
Others	<u>57,977</u>	<u>42,363</u>
	<u>\$ 130,951</u>	<u>\$ 108,012</u>

Other gains and losses

	<u>For the Year Ended December 31</u>	
	2014	2013
Gain on disposal of investment	\$ 325,034	\$ 60,003
Net foreign exchange gains	72,558	32,662
Net loss on financial assets designated as at FVTPL	(165)	(10)
Impairment loss on available-for-sale financial assets	(9,679)	(13,350)
Impairment loss on nonfinancial assets	(17,013)	(11,498)
Impairment loss on financial assets carried at cost	(103,235)	(17,373)
Gain on disposal of subsidiary	-	22,752
Gain on reversal of impairment loss on financial assets	-	3,888
Others	<u>10,409</u>	<u>12,533</u>
	<u>\$ 277,909</u>	<u>\$ 89,607</u>

Finance costs

	For the Year Ended December 31	
	2014	2013
Interest on bank loans	\$ 34,132	\$ 36,866
Other finance costs	<u>693</u>	<u>650</u>
	<u>\$ 34,825</u>	<u>\$ 37,516</u>

Information on capitalized interest is as follows:

	For the Year Ended December 31	
	2014	2013
Capitalized interest	\$ 17,771	\$ 9,043
Capitalization rate	2.63%	2.5%

Depreciation and amortization

	For the Year Ended December 31	
	2014	2013
Property, plant and equipment	\$ 266,358	\$ 253,570
Investment property	20,888	12,977
Intangible assets	<u>153,509</u>	<u>204,872</u>
	<u>\$ 440,755</u>	<u>\$ 471,419</u>
An analysis of depreciation by function		
Operating costs	\$ 10,943	\$ 25,409
Operating expenses	<u>276,303</u>	<u>241,138</u>
	<u>\$ 287,246</u>	<u>\$ 266,547</u>
An analysis of amortization by function		
Operating costs	\$ 945	\$ 1,521
Selling expenses	263	13,255
Administrative expenses	17,042	11,880
Research and development expenses	<u>135,259</u>	<u>178,216</u>
	<u>\$ 153,509</u>	<u>\$ 204,872</u>

Operating expenses directly related to investment properties

	For the Year Ended December 31	
	2014	2013
Direct operating expenses from investment property that generated rental income	\$ 22,853	\$ 19,490
Direct operating expenses from investment property that did not generate rental income	<u>122,585</u>	<u>127,086</u>
	<u>\$ 145,438</u>	<u>\$ 146,576</u>

Employee benefit expense

	<u>For the Year Ended December 31</u>	
	2014	2013
Post-employment benefits		
Defined contribution plans	\$ 59,485	\$ 66,486
Defined benefit plans	<u>4,100</u>	<u>4,960</u>
Other employee benefits	<u>2,151,953</u>	<u>2,150,601</u>
Total employee benefit expense	<u>\$ 2,215,538</u>	<u>\$ 2,222,047</u>
An analysis of employee benefit expense by function		
Operating costs	\$ 153,246	\$ 149,247
Operating expenses	<u>2,062,292</u>	<u>2,072,800</u>
	<u>\$ 2,215,538</u>	<u>\$ 2,222,047</u>

Gain or loss on exchange rate changes

	<u>For the Year Ended December 31</u>	
	2014	2013
Exchange rate gains	\$ 174,097	\$ 119,752
Exchange rate losses	<u>(101,539)</u>	<u>(87,090)</u>
	<u>\$ 72,558</u>	<u>\$ 32,662</u>

26. INCOME TAXES

Income tax recognized in profit or loss

The major components of tax expense (income) were as follows:

	<u>For the Year Ended December 31</u>	
	2014	2013
Current tax		
In respect of the current year	\$ 48,866	\$ 55,663
Adjustments for prior periods	(5,183)	(90,139)
Others	<u>432</u>	<u>323</u>
	44,115	(34,153)
Deferred tax		
In respect of the current year	12,755	71,350
Others	<u>(256)</u>	<u>-</u>
Income tax expense recognized in profit or loss	<u>\$ 56,614</u>	<u>\$ 37,197</u>

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

	Years Ended December 31	
	2014	2013
Profit before tax	\$ 610,564	\$ 165,744
Income tax expense at the 17% statutory rate	\$ 103,796	\$ 28,176
Tax effect of adjusting items:		
Nondeductible expenses in determining taxable income	(60,222)	(213,401)
Temporary differences	37,499	4,247
Tax-exempt income	(14,345)	(21,289)
Additional income tax on unappropriated earnings	455	309
Unrecognized temporary differences	(3,261)	3,320
Loss carryforwards	-	(6,183)
Investment tax credits used	-	(381)
Additional income tax under the Alternative Minimum Tax Act	692	8,101
Effects of consolidated income tax filing	(518)	(1,325)
Current income tax expense	64,096	(198,426)
Deferred income tax expense		
Temporary differences	3,667	(3,608)
Loss carryforwards	8,832	71,582
Investment credits	-	3,376
Unrecognized loss carryforwards	(20,342)	250,989
Adjustments for prior years' tax	(5,183)	(90,139)
Foreign income tax expense	5,115	3,100
Effect of different tax rates of group entities operating in other jurisdictions	429	323
Income tax expense recognized in profit or loss	\$ 56,614	\$ 37,197

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

As the status of 2014 appropriations of earnings is uncertain, the potential income tax consequences of 2013 10% additional income tax on unappropriated earnings are not reliably determinable.

Current tax assets and liabilities

	December 31	
	2014	2013
Current tax assets		
Tax refund receivable	\$ 5,638	\$ 4,099
Current tax liabilities		
Income tax payable	\$ 26,005	\$ 51,781

Deferred tax assets and liabilities

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

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

For the year ended December 31, 2014

Deferred Tax Assets	Opening Balance	Recognized in Profit or Loss	Exchange Differences	Closing Balance
Temporary differences				
Impairment loss on financial assets	\$ 5	\$ (5)	\$ -	\$ -
Unrealized loss on inventories	21,493	(5,203)	-	16,290
Fixed assets	3,800	1,996	-	5,796
Intangible assets	-	(2,499)	-	(2,499)
Unrealized sales	673	(364)	-	309
Exchange gains	(2,695)	669	-	(2,026)
Deferred credits	289	(102)	-	187
Other	<u>10,162</u>	<u>1,841</u>	<u>-</u>	<u>12,003</u>
	33,727	(3,667)	-	30,060
Loss carryforwards	<u>20,898</u>	<u>(9,279)</u>	<u>447</u>	<u>12,066</u>
	<u>\$ 54,625</u>	<u>\$ (12,946)</u>	<u>\$ 447</u>	<u>\$ 42,126</u>

For the year ended December 31, 2013

Deferred Tax Assets	Opening Balance	Recognized in Profit or Loss	Exchange Differences	Closing Balance
Temporary differences				
Impairment loss on financial assets	\$ 2,378	\$ (2,373)	\$ -	\$ 5
Unrealized loss on inventories	24,521	(3,028)	-	21,493
Fixed assets	1,100	2,700	-	3,800
Unrealized sales	784	(111)	-	673
Exchange gains	(1,723)	(972)	-	(2,695)
Deferred credits	391	(102)	-	289
Other	<u>2,668</u>	<u>7,494</u>	<u>-</u>	<u>10,162</u>
	30,119	3,608	-	33,727
Investment credits	3,376	(3,376)	-	-
Loss carryforwards	<u>92,480</u>	<u>(71,641)</u>	<u>59</u>	<u>20,898</u>
	<u>\$ 125,975</u>	<u>\$ (71,409)</u>	<u>\$ 59</u>	<u>\$ 54,625</u>

Unrecognized deferred tax assets

Loss Carryforwards	December 31	
	2014	2013
Expiry in 2014	\$ 41,307	\$ 26,456
Expiry in 2015	605,970	608,481
Expiry in 2016	228,008	176,188
Expiry in 2017	760,232	755,048
Expiry in 2018	223,686	203,951
Expiry in 2019	264,322	435,631
Expiry in 2020	484,943	582,665
Expiry in 2021	902,546	920,116
Expiry in 2022	654,850	675,599
Expiry in 2023	1,432,814	1,486,650
Expiry in 2024	<u>119,709</u>	<u>-</u>
	<u>\$ 5,718,387</u>	<u>\$ 5,870,785</u>
Deductible temporary differences	<u>\$ 11,557</u>	<u>\$ 43,932</u>

Unused loss carryforwards and tax-exemptions

Loss carryforwards as of December 31, 2014 pertaining to Sunplus:

Unused Amount	Expiry Year
\$ 210,021	2019
437,687	2020
621,262	2021
518,243	2022
<u>1,231,503</u>	2023
<u>\$ 3,018,716</u>	

Loss carryforwards as of December 31, 2014 pertaining to Sunplus Venture:

Unused Amount	Expiry Year
\$ 41,307	2014
199,512	2015
51,820	2017
57,004	2018
30,907	2019
17,891	2020
<u>4,863</u>	2021
<u>\$ 403,304</u>	

Loss carryforwards as of December 31, 214 pertaining to Lin Shin:

Unused Amount	Expiry Year
\$ 159,687	2015
41,879	2017
33,437	2018
<u>9,864</u>	2019
<u>\$ 244,867</u>	

Loss carryforwards as of December 31, 2013 pertaining to Sunplus Innovation:

Unused Amount	Expiry Year
<u>\$ 37,043</u>	2023

Loss carryforwards as of December 31, 2014 pertaining to Generalplus:

Unused Amount	Expiry Year
<u>\$ 11,862</u>	2018

Loss carryforwards as of December 31, 2014 pertaining to Generalplus (Hong Kong):

Unused Amount	Expiry Year
<u>\$ 119</u>	Not determined

Loss carryforwards as of December 31, 2014 pertaining to Sunext:

Unused Amount	Expiry Year
\$ 246,771	2015
162,829	2016
661,349	2017
18,351	2018
120,088	2021
100,760	2022
159,490	2023
<u>30,045</u>	2024
<u>\$ 1,499,683</u>	

Loss carryforwards as of December 31, 2014 pertaining to iCatch:

Unused Amount	Expiry Year
\$ 83,646	2018
24,904	2020
47,293	2021
11,163	2023
<u>18,048</u>	2024
<u>\$ 185,054</u>	

Loss carryforwards as of December 31, 2014 pertaining to Sunplus mMobile:

Unused Amount	Expiry Year
\$ <u>13,359</u>	2016

Loss carryforwards as of December 31, 2014 pertaining to Sunplus mMedia:

Unused Amount	Expiry Year
\$ 92,393	2018
26,546	2019
22,352	2020
109,040	2021
35,847	2022
30,658	2023
<u>34,573</u>	2024
\$ <u>351,409</u>	

Loss carryforwards as of December 31, 2014 pertaining to Generalplus (Hong Kong):

Unused Amount	Expiry Year
\$ <u>23,388</u>	Not determined

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

Project	Tax Exemption Period
<u>Sunplus</u>	
Eighth expansion	January 1, 2010 to December 31, 2014
Thirteenth expansion	January 1, 2013 to December 31, 2017
Fourteenth expansion	January 1, 2015 to December 31, 2019
Fifteenth expansion	January 1, 2015 to December 31, 2019
<u>Generalplus</u>	
Fourth expansion	January 1, 2010 to December 31, 2014
Fifth expansion	January 1, 2013 to December 31, 2017
<u>Sunplus Innovation</u>	
Second expansion	January 1, 2013 to December 31, 2017
<u>Integrated income tax</u>	

	December 31	
	2014	2013
Imputation credits accounts	\$ <u>372,426</u>	\$ <u>339,960</u>

For the 2014 earnings, the estimated creditable tax ratio was 20.48%. There was no distribution of earnings in 2014 since the Group had a deficit in 2013.

For the distribution of earnings generated since January 1, 1998, the imputation credit allocable to shareholders of Sunplus is based on the balance of the ICA as of the date of dividend distribution. The

expected creditable ratio for the 2010 earnings may be adjusted, depending on the ICA balance on the date of dividend distribution.

According to legal interpretation No. 10204562810 announced by the Taxation Administration of the Ministry of Finance, when calculating imputation credits in the year of first-time adoption of IFRSs, the cumulative retained earnings include the net increase or net decrease in retained earnings arising from first-time adoption of IFRSs.

Income tax assessments

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

27. EARNINGS PER SHARE

Unit: NT\$ Per Share

	For the Year Ended December 31	
	2014	2013
Basic gain per share	\$ <u>0.72</u>	\$ <u>0.09</u>
Diluted gain per share	\$ <u>0.72</u>	\$ <u>0.09</u>

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

Net Profit for the Year

	For the Year Ended December 31	
	2014	2013
Profit for the year attributable to owners of the Company	\$ 422,681	\$ 52,785
Effect of potentially dilutive ordinary shares:		
Employee share option	-	-
Bonus issue to employees	<u>-</u>	<u>-</u>
Earnings used in the computation of diluted earnings per share	\$ <u>422,681</u>	\$ <u>52,785</u>

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

	For the Year Ended December 31	
	2014	2013
Weighted average number of common shares used in the computation of basic earnings per shares	588,435	588,435
Effect of dilutive potential common shares:		
Employee share option	-	-
Bonus issue to employees	<u>9</u>	<u>-</u>
Weighted average number of common shares used in the computation of diluted earnings per share	<u>588,444</u>	<u>588,435</u>

28. SHARE-BASED PAYMENT ARRANGEMENTS

Employee share option plan

On September 11, 2007, the Securities and Futures Bureau approved the Company's adoption of an employee stock option plan ("2007 option plan"). The plan provided for the grant of 25,000 thousand options, with each unit representing one common share. The option rights had been granted to qualified employees of the Company and subsidiaries. A total of 25,000 thousand common shares had been reserved for issuance. The options were valid for six years and exercisable at certain percentages after the second anniversary of the grant date. Stock option rights were granted at an exercise price equal to the closing price of the Company's common shares listed on the Taiwan Stock Exchange on the grant date. If the Company's paid-in capital changed, the exercise price was adjusted accordingly. All options had been granted or canceled as of December 31, 2013.

Outstanding option rights were as follows:

	2014	
	Number of Options (In Thousands)	Weighted -average Exercise Price (NT\$)
Balance at January 1	18,880	\$ 38.03
Options forfeited	(1,598)	-
Options expired	<u>(17,282)</u>	-
Balance at December 31	<u><u>-</u></u>	
Options exercisable, end of period	<u><u>-</u></u>	

The number of shares and exercise prices of outstanding option have been adjusted to reflect the appropriations of cash dividends and issuance of capital stock specified under the 2007 plans.

In their meeting on June 18, 2012, the Company's shareholders approved a restricted stock plan for employees with a total amount of \$280,000 thousand, consisting of 28,000 thousand shares, and authorized the board of directors to determine the issue prices of the restricted shares.

As of December 31, 2013, the restricted stock plan for the Company's employees had not been approved by the authorities, so it became invalid.

Sunplus Innovation Technology Co., Ltd.

Sunplus Innovation Technology Inc.'s Employee Stock Option Plans were approved on April 18, 2007. The maximum number of options authorized to be granted was 2,200 thousand, with each option eligible to subscribe for one common share. The options of all the plans are valid for six years and exercisable at certain percentages after the second anniversary of the grant date.

Information about the Generalplus's outstanding options for the year ended December 31, 2012 was as follows:

	2014	
	Number of Options (In Thousands)	Weighted -average Exercise Price (NT\$)
Balance at January 1	752	\$ 10.90
Options granted	24	10.50
Options exercised	(298)	10.55
Options forfeited	<u>(478)</u>	10.50
Balance at December 31	<u>-</u>	
Options exercisable, end of period	<u>-</u>	

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

On August 7, 2013, under the board of directors' approval, SITI executed the restricted ESOP, through which employees received 1,000 thousand shares at a par value of \$10.00 with no up-front cost

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

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

- a. 50% shareholding ratio after the second anniversary from the grant date;
- b. 50% of the shareholding ratio after the third anniversary from the grant date. The restrictions under the ESOP are as follows:
 - a. During the duration of the restricted ESOP, the employee may not vend, discount, transfer, grant, enact, or any other methods.
 - b. During the duration of the restricted ESOP, employees will still receive stock and/or cash dividends, and also have rights to join the capital increase by cash plan (if any).
 - c. Shares must be handed over to the trustees after the publication of the ESOP, and the company may not request a return of the ESOP before the realization of the vesting condition. If employees fail to meet the vesting condition, SITI has the right to take back and cancel the limited employee stock ownership, but the Company will still grant employees stock and cash dividends generated during the vesting period.

iCatch Technology Inc.

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

Information about the iCatch’s outstanding options for the year ended December 31, 2013 and 2014 was as follows:

	2014		2013	
	Number of Options (In Thousands)	Weighted-average Exercise Price (NT\$)	Number of Options (In Thousands)	Weighted-average Exercise Price (NT\$)
Balance at January 1	5,929	\$ 10	-	\$ -
Options granted	<u>1,571</u>	10	<u>5,929</u>	10
Balance at December 31	<u>7,500</u>	10	<u>5,929</u>	10
Options exercisable, end of period	<u>7,500</u>	10	<u>5,929</u>	10

As of December 31, 2014, information about iCatch’s 2013 option plan outstanding and exercisable options was as follows:

Exercise Price (NT\$)	Outstanding Options			Options Exercisable	
	Number Outstanding (Thousands)	Remaining Contractual Life (In Years)	Exercise Price (NT\$/Per Share)	Number Exercisable (Thousand)	Exercise Price (NT\$/Per Share)
\$10	<u>5,929</u>	4.7	\$10	<u>-</u>	\$ -

As of December 31, 2014, information about iCatch’s 2014 option plan outstanding and exercisable options was as follows:

Exercise Price (NT\$)	Outstanding Options			Options Exercisable	
	Number Outstanding (Thousands)	Remaining Contractual Life (In Years)	Exercise Price (NT\$/Per Share)	Number Exercisable (Thousand)	Exercise Price (NT\$/Per Share)
\$10	<u>1,571</u>	5.6	\$10	<u>-</u>	\$ -

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

	2013 Option Plan	2014 Option Plan
Grant-date share price (NT\$)	\$ 3.25	\$ 2.22
Exercise price (NT\$)	10.00	10.00
Expected volatility	31.89%	45.42%
Expected life (years)	4.375 years	4.375 years
Expected dividend yield	-	-
Risk-free interest rate	1.67%	1.59%

29. GOVERNMENT GRANTS

In August 2013, Sun Media Technology Co., Ltd. received a government grant amounting to RMB16,390 thousand (\$79,213 thousand) for the purchase of land on which to build a plant. This amount, which was recognized as deferred revenue, will be recognized in profit or loss over the useful life of the land.

The total revenue recognized as profit for the years ended December 31, 2014 and 2013 was 1,792 and 1,745 thousand respectively.

The Company signed the contract of [The development program of the sensor IC of Electrocardiogram with low power consumption and Noise, the SDK system of Electrocardiogram, and the project of Hardware development] with Institute for Information Industry, III for short, on June, 2014. The program started from November 7, 2013 to May 6, 2015. As of December 31, 2014, the government grants received was amounted to 14,796 thousand dollars, and was classified to Non-operating income and gains. In addition, the Company substitute performance guarantee fund amounted to 17,775 for the assurance of joint guarantor.

30. DISPOSAL OF SUBSIDIARIES

As stated in Note 13(2), the Group lost its control over Sunplus Core Technology Co., Ltd. and disposed of another subsidiary.. Related information is as follows:

Analysis of assets and liabilities over which control was lost

	January 21, 2013
Current assets	
Cash and cash equivalents	\$ 1,168
Other receivables	1
Prepaid expenses	7,562
Noncurrent assets	
Refundable deposits	360
Current liabilities	
Payables	<u>(20)</u>
Net assets disposed of	<u>\$ 9,071</u>

Gain on disposal of subsidiary

	For the Year Ended December 31, 2013
Fair Value on January 21, 2013	\$ 204,998
Noncontrolling interests	22,724
Cash	(195,899)
Net assets disposed of	<u>(9,071)</u>
Gain on disposal	<u>\$ 22,752</u>

As described in Note 4(2), Global Techplus, Great Prosperous Corp. and ShenZhen Suntop Technology completed liquidation in September 2013, October 2013 and December 2013, respectively; related information is as follows:

Loss on liquidation of subsidiary

	For the Nine Months Ended September 30
Capital return	\$ 6,722
Net assets	<u>(11,410)</u>
Gain on disposal	<u>\$ (4,688)</u>

The gain on disposal was included in the operating profit for the period from January 1, 2013 to the liquidation date.

31. OPERATING LEASE ARRANGEMENTS

The Group as lessee

Operating leases relate to leases of land with lease terms between 2 and 8 years. All operating lease contracts over 5 years contain clauses for 5-yearly market rental reviews. The Group does not have a bargain purchase option to acquire the leased land at the expiry of the lease periods.

Sunplus

Sunplus leases lands from Science-Based Industrial Park Administration (SBIPA) under renewable agreements expiring in July 2015, December 2020 and December 2021. The SBIPA has the right to adjust the annual lease amount. The amount had been raised from \$7,929 thousand to \$8,034 thousand for the period ended. Sunplus had pledged \$6,100 thousand time deposits (classified as restricted assets) as collateral for the land lease agreements.

Future annual minimum rentals under the leases are as follows:

	December 31	
	2014	2013
Up to 1 year	\$ 6,665	\$ 8,034
Over 1 year to 5 years	18,992	20,910
Over 5 years	<u>7,501</u>	<u>12,250</u>
	<u>\$ 33,158</u>	<u>\$ 41,194</u>

Sunplus Innovation

Sunplus Innovation leases office from Science-Based Industrial Park Administration (SBIPA) under renewable agreements expiring in December 2016 and December 2018. The SBIPA has the right to adjust the annual lease amount of \$9,961 thousand.

The future lease payables are as follows:

	December 31	
	2014	2013
Up to 1 year	\$ 9,961	\$ 9,961
Over 1 year to 5 years	<u>20,879</u>	<u>38,840</u>
	<u>\$ 30,840</u>	<u>\$ 48,801</u>
Refundable deposits	<u>\$ 1,660</u>	<u>\$ 1,660</u>

Generalplus

Generalplus leases land from Science-Based Industrial Park Administration under renewable agreements expiring in December 2020. The SBIPA has the right to adjust the annual lease amount of \$1,474 thousand. Generalplus deposited \$3,000 thousand (classified as restricted assets) as collateral for the land lease agreements.

Future annual minimum rentals under the leases are as follows:

	December 31	
	2014	2013
Up to 1 year	\$ 1,474	\$ 1,474
Over 1 year to 5 years	5,896	5,896
Over 5 years	<u>1,474</u>	<u>2,948</u>
	<u>\$ 8,844</u>	<u>\$ 10,318</u>

i Catch Technology, Inc. ("i Catch")

i Catch lease offices from Siming Inc. and Siha Inc. under renewable agreements expiring in February 2016; the lease payments in 2013 were \$1,688 thousand and \$1,274 thousand, respectively.

The future lease payments are as follows:

	December 31	
	2014	2013
Up to 1 year	\$ 2,962	\$ 2,962
Over 1 year to 5 years	<u>493</u>	<u>3,455</u>
	<u>\$ 3,455</u>	<u>\$ 6,417</u>
Refundable deposits	<u>\$ 521</u>	<u>\$ 521</u>

The Group as lessor

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

As of December 31, 2014 and 2013, deposits received under operating leases amounted to \$25,981 thousand and \$21,143 thousand, respectively.

The future minimum lease payments for noncancellable operating lease are as follows:

	December 31	
	2014	2013
Up to 1 year	\$ 108,118	\$ 104,105
Over 1 year to 5 years	<u>71,230</u>	<u>95,915</u>
	<u>\$ 179,348</u>	<u>\$ 200,020</u>

32. CAPITAL MANAGEMENT

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

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

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

33. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments

1) Fair value of financial instruments not carried at fair value

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

	December 31			
	2014		2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Financial assets</u>				
Financial assets carried at cost	\$ 241,005	\$ -	\$ 311,448	\$ -
Debt investment with no active market	14,903	-	-	-

2) Fair value measurements recognized in the balance sheets

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

December 31, 2014

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Securities listed in ROC	<u>\$ 14,830</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,830</u>
Available-for-sale financial assets				
Mutual funds	\$ 911,450	\$ -	\$ -	\$ 911,450
Securities listed in ROC	<u>804,644</u>	<u>-</u>	<u>-</u>	<u>804,644</u>
	<u>\$ 1,716,094</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,716,094</u>

December 31, 2013

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Securities listed in ROC	<u>\$ 7,994</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,994</u>
Available-for-sale financial assets				
Mutual funds	\$ 1,125,889	\$ -	\$ -	\$ 1,125,889
Securities listed in ROC	1,035,887	-	-	1,035,887
Securities listed in foreign	<u>7,456</u>	<u>-</u>	<u>-</u>	<u>7,456</u>
	<u>\$ 2,169,232</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,169,232</u>

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

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

The fair value of financial instruments which has standard clause and will be transacted in active market is according to market value.

b. Categories of financial instruments

	December 31	
	2014	2013
<u>Financial assets</u>		
Fair value through profit or loss (FVTPL)		
Held for trading	\$ 14,830	\$ 7,994
Loans and receivables (i)	5,554,870	5,968,877
Available-for-sale financial assets (ii)	1,957,099	2,480,680
<u>Financial liabilities</u>		
Measured at amortized cost (iii)	2,816,779	2,854,821

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

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

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

c. Financial risk management objectives and policies

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

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

1) Market risk

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

a) Foreign currency risk

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

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

The carrying amounts of the Group's foreign currency-denominated monetary assets and monetary liabilities (including those eliminated on consolidation) at the end of the reporting period were as follows:

	December 31	
	2014	2013
<u>Assets</u>		
RMB	\$ 91,004	\$ 43,497
USD	62,218	64,585
JPY	750	328
HKD	129	102
GBP	31	3
EUR	3	2

Liabilities

USD	46,818	57,938
RMB	70	30
HKD	3	-
EUR	-	300
JPY	-	25

Sensitivity analysis

The Group was mainly exposed to the USD and RMB

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

	USD impact	
	Years Ended December 31	
	2014	2013
Profit or loss	\$ (15,400)	\$ (6,647)
	RMB impact	
	Years Ended December 31	
	2014	2013
Profit or loss	\$ (90,934)	\$ (43,467)

b) Interest rate risk

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

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

	December 31	
	2014	2013
Fair value interest rate risk		
Financial assets	\$ 2,756,009	\$ 2,471,805
Financial liabilities	148,295	-
Cash flow interest rate risk		
Financial assets	899,131	1,946,144
Financial liabilities	1,718,168	1,808,214

Sensitivity analysis

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

Had interest rates increased/decreased by 0.125% basis point and all other variables held constant, the Group's post-tax profit for the years ended December 31, 2014 and 2013 would decrease/increase by \$1,024 thousand and increase/decrease by \$172 thousand.

c) Other price risk

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

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

Had equity prices been 1% higher/lower, post-tax profit for the years ended December 31, 2014 and 2013 would have increased/decreased by \$17,161 thousand and \$21,692 thousand.

2) Credit risk

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

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

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

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

The Group's concentration of credit risk of 56% and 46% in total trade receivables as of December 31, 2014, December 31, 2013, respectively, was related to the five largest customers within the property construction business segment.

3) Liquidity risk

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

The Group relies on bank borrowings as a significant source of liquidity. As of December 31, 2014, December 31, 2013, the Group had available unutilized overdraft and financing facilities refer to the following instruction.

a) Liquidity and interest risk rate tables

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

December 31, 2014

	Weighted Average Effective Interest Rate (%)	On Demand or Less than 1 Month	1-3 Months	More than 3 Months to 1 Year	Over 1 Year to 5 Years	5+ Years
<u>Nonderivative Financial</u>						
<u>liabilities</u>						
Noninterest bearing	-	\$ 171,950	\$ 657,975	\$ 48,899	\$ 36,636	\$ -
Variable interest rate						
liabilities	1.843~1.97	783	140,278	350,556	560,554	-
Fixed interest rate liabilities	0.8~2.752	10	265	135,341	666,780	149,588
		<u>\$ 172,743</u>	<u>\$ 798,518</u>	<u>\$ 534,796</u>	<u>\$ 1,263,970</u>	<u>\$ 149,588</u>

December 31, 2013

	Weighted Average Effective Interest Rate (%)	On Demand or Less than 1 Month	1-3 Months	More than 3 Months to 1 Year	Over 1 Year to 5 Years	5+ Years
<u>Nonderivative Financial liabilities</u>						
Noninterest bearing	-	\$ 231,691	\$ 1,083,645	\$ 68,120	\$ 35,425	\$ -
Variable interest rate liabilities	2.06-2.98	999	201,528	389,028	996,767	-
Fixed interest rate liabilities	0.08-2.54	-	155,982	15,935	-	147,003
		<u>\$ 232,690</u>	<u>\$ 1,441,155</u>	<u>\$ 473,083</u>	<u>\$ 1,032,192</u>	<u>\$ 147,003</u>

b) Financing facilities

	<u>December 31</u>	
	2014	2013
Unsecured bank overdraft facility		
Amount used	\$ 2,129,373	\$ 1,804,392
Amount unused	<u>2,738,967</u>	<u>2,518,663</u>
	<u>\$ 4,868,340</u>	<u>\$ 4,323,055</u>

34. TRANSACTIONS WITH RELATED PARTIES

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

a. Sales of goods

		<u>For the Year Ended December 31</u>	
Line Items	Related Party Categories	2014	2013
Sales	Associates	\$ 68,749	\$ 35,829
	Joint ventures	<u>39,852</u>	<u>30,049</u>
		<u>\$ 108,601</u>	<u>\$ 65,878</u>

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

b. Purchases of goods

	<u>For the Year Ended December 31</u>	
Related Party Categories	2014	2013
Joint ventures	<u>\$ 6,467</u>	<u>\$ -</u>

Material purchase price to related parties is based on cost and market price. The payment term was similar to those with external vendors.

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

Account Item		December 31	
		2014	2013
Trade receivables	Associates	\$ 8,772	\$ 5,474
	Joint ventures	<u>6,142</u>	<u>5,608</u>
		<u>\$ 14,914</u>	<u>\$ 11,082</u>
Other receivable	Associates	\$ 35,354	\$ 50
	Joint ventures	<u>1,556</u>	<u>2,330</u>
		<u>\$ 36,910</u>	<u>\$ 2,380</u>

There were no guarantees on outstanding receivables from related parties.

d. Payable to related parties (excluding loans from related parties)

Account Item		December 31	
		2014	2013
Other current liabilities	Joint ventures	<u>\$ 25,330</u>	<u>\$ 18,394</u>

The following balances of trade receivables from related parties were outstanding at the end of the reporting period:

e. Property, plant and equipment acquired

Related Party	December 31	
	2014	2013
Joint ventures	<u>\$ -</u>	<u>\$ 133</u>

f. Property, plant and equipment disposed of

Related Party	Proceeds of the Disposal of Assets		Gain on Disposal of Assets	
	For the Year Ended December 31		For the Year Ended December 31	
	2014	2013	2014	2013
Joint ventures	<u>\$ 4</u>	<u>\$ 2,392</u>	<u>\$ -</u>	<u>\$ 270</u>

g. Intangible assets disposed of

Related Party	Proceeds of the Disposal of Intangible Assets		Gain on Disposal of Intangible Assets	
	For the Years Ended December 31		For the Years Ended December 31	
	2014	2013	2014	2013
Joint ventures	<u>\$ -</u>	<u>\$ 291</u>	<u>\$ -</u>	<u>\$ 21</u>

h. Other transactions with related parties

Account Item	Related Party	December 31	
		2014	2013
Deferred income	Associates	\$ <u>1,099</u>	\$ <u>1,697</u>
		For the Years Ended December 31	
Account Item	Related Parties Types	2014	2013
Operating expenses	Joint ventures	\$ <u>48,159</u>	\$ <u>48,973</u>
Nonoperating income and expenses	Joint ventures	\$ 18,708	\$ 19,550
	Associates	<u>926</u>	<u>7,286</u>
		\$ <u>19,634</u>	\$ <u>26,836</u>

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

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

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

i. Financing to related party

The Group provided financing to related parties, as follows:

Account Item	Related Party	December 31	
		2014	2013
Interest income	Associates	\$ <u>-</u>	\$ <u>1,465</u>

The fund was provided to HT mMobile with the interest rate ranged from 1.475% to 1.655%.

j. Compensation of key management personnel:

		For the Years Ended December 31	
		2014	2013
Salaries and Incentives		\$ 51,038	\$ 59,707
Special compensation		<u>3,493</u>	<u>3,736</u>
		\$ <u>54,531</u>	\$ <u>63,443</u>

35. PLEDGED OR MORTGAGED ASSETS

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

	December 31	
	2014	2013
Buildings, net	\$ 693,056	\$ 712,876
Orise stock	248,207	468,526
Pledged time deposits (classified as other assets, including current and noncurrent)	93,116	91,162
Subsidiary's holding of Sunplus' stock	<u>43,321</u>	<u>38,752</u>
	<u>\$ 1,077,700</u>	<u>\$ 1,311,316</u>

36. SIGNIFICANT EVENTS AFTER REPORTING PERIOD

In their meeting on January 21, 2015, the Company's shareholders approved the sale of an STB (set-top box) product center to Availink. (The disposal price was about \$330,000 thousand.)

In addition, the Company acquired an equity interest of about 16.67% in Availink for \$295,000 thousand.

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

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

December 31, 2014

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
CNY	\$ 91,004	5.092	\$ 463,392
USD	62,218	31.650	1,969,200
JPY	750	0.265	199
HKD	129	4.080	526
GBP	31	49.270	1,527
EUR	3	38.470	115
Nonmonetary items			
USD	1,629	31.650	51,558
EUR	510	38.470	19,620
<u>Financial liabilities</u>			
Monetary items			
USD	46,818	31.650	1,481,790
CNY	70	5.092	356
HKD	3	4.080	12

December 31, 2013

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 64,585	29.805	\$ 1,924,956
CNY	43,497	4.919	213,962
JPY	328	0.284	93
HKD	102	3.843	392
GBP	3	49.28	148
EUR	2	41.09	82
Nonmonetary items			
USD	500	29.805	14,903
EUR	510	41.09	20,956
<u>Financial liabilities</u>			
Monetary items			
USD	57,938	29.805	1,726,842
CNY	30	4.919	148
EUR	300	41.09	12,327
JPY	25	0.284	7

38. ADDITIONAL DISCLOSURES

- a. Following are the additional disclosures required for the Group and its investees by the Securities and Futures Bureau:
 - 1) Financings provided: Table 1 (attached)
 - 2) Endorsement/guarantee provided: Table 2 (attached)
 - 3) Marketable securities held: Table 3 (attached)
 - 4) Acquisition of property, plant and equipment at cost of at least \$300 million or 20% of the paid-in-capital: Table 4 (attached)
 - 5) Intercompany relationships and significant intercompany transactions: Table 5 (attached)
 - 6) Information on investee: Table 6 (attached)
- b. Information on investments in mainland China
 - 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 7)

- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: (Table 8)
- a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
 - c) The amount of property transactions and the amount of the resultant gains or losses.
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.
 - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.
 - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services.

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

39. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on types of goods provided. Since all products have similar economic characteristics and product selling is centralized, the Group reports information as referring to one segment. Thus, the information of the operating segment is the same as that presented in the accompanying financial statements. That is, the revenue by sub segment and operating results for the years ended December 31, 2014 and 2013 are shown in the accompanying consolidated income statements, and the assets by segment as of December 31, 2014 and 2013 are shown in the accompanying consolidated balance sheets.

a. Segment revenues and results

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

	Segment Revenue	
	For the Year Ended December 31	
	2014	2013
IC design	\$ 8,227,058	\$ 8,209,682
Income from lease of property, plant, and equipment	145,120	123,709
Other income	337,761	188,477
	<u>\$ 8,709,939</u>	<u>\$ 8,521,868</u>

b. Geographical information

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

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

	Revenue from External Customers		Non-current Assets	
	For the Year Ended December 31		For the Year Ended December 31	
	2014	2013	2014	2013
Asia	\$6,437,925	\$6,392,935	\$2,677,252	\$1,506,260
Taiwan	2,171,538	2,124,476	1,374,271	1,276,548
Others	<u>100,476</u>	<u>4,457</u>	<u>-</u>	<u>-</u>
	<u>\$8,709,939</u>	<u>\$8,521,868</u>	<u>\$4,051,523</u>	<u>\$2,782,808</u>

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

c. Information about major customers

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

	For the Year Ended December 31	
	2014	2013
Customer A	\$ 1,323,977	\$ 1,055,385
Customer B	1,215,880	1,167,008
Customer C	744,912	1,033,683

TABLE 1

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

**FINANCINGS PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2014
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

No.	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate	Nature of Financing	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Bad Debt	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limit
													Item	Value		
0	Sunplus Technology Company Limited	Sunplus mMobile Inc.	Other receivables	Yes	\$ 237,900	\$ -	\$ -	1.655%	Note 1	\$ -	Note 2	\$ -	-	\$ -	\$ 466,315 (Note 5)	\$ 932,630 (Note 6)
1	Sunplus Technology (Shanghai) Co., Ltd.	Sunplus Prof-tek Technology (Shenzhen)	Other receivables	Yes	21,994	-	-	3.3%	Note 1	-	Note 3	-	-	-	25,460 (Note 7)	50,920 (Note 7)
		Sunplus APP Technology	Other receivables	Yes	15,989	-	-	3.3%	Note 1	-	Note 4	-	-	-	24,240 (Note 5)	48,480 (Note 6)

- Note 1: Short-term financing.
- Note 2: Sunplus Technology Company Limited provided cash payments of Sunplus mMobile Inc.
- Note 3: Sunplus Technology (Shanghai) Co., Ltd. provided funds for Sunplus Prof-tek Technology (Shenzhen) to its need of operation.
- Note 4: Sunplus Technology (Shanghai) Co., Ltd. provided funds for Sunplus App Technology to for its need of operation.
- Note 5: For each transaction entity, the amount should not exceed 5% of the Group’s and Sunplus Technology (Shanghai) Co., Ltd. net equity as of the latest financial statements.
- Note 6: The amount should not exceed 10% of the Group’s and Sunplus Technology (Shanghai) Co., Ltd. net equity based on the latest financial statements.
- Note 7: The foreign company has voting shares that are directly and-indirectly wholly owned by the Group’s parent company. The total amounts of all guarantees issued should not exceed RMB10 million, and the individual amounts of the guarantee should not exceed RMB5 million; in addition, the guarantee period should not exceed two years.

TABLE 2**SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES****ENDORSEMENT/GUARANTEE PROVIDED****FOR THE YEAR ENDED DECEMBER 31, 2014****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

No.	Endorser/ Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party	Maximum Balance for the Period	Ending Balance	Actual Borrowing Amount	Value of Collateral Property, Plant, or Equipment	Percentage of Accumulated Amount of Collateral to Net Equity of the Latest Financial Statement	Maximum Collateral/Gua rantee Amounts Allowable	Provided by the Company	Guarantee Provided by the Subsidiary	Guarantee Provided to a Subsidiary Located in Mainland China
		Name	Nature of Relationship										
0 (Note 1)	Sunplus Technology Company Limited (the “Company”)	Sun Media Technology Co., Ltd.	3 (Note 3)	\$ 932,630 (Note 5)	\$ 800,790	\$ 800,790	\$ 679,840	-	8.59%	\$ 1,865,259 (Note 6)	Yes	No	Yes
		Ventureplus Cayman Inc.	3 (Note 3)	932,630 (Note 5)	78,175	78,175	-	-	0.84%	1,865,259 (Note 6)			
		Ytrip Technology Co., Ltd.	3 (Note 3)	932,630 (Note 5)	60,440	60,440	60,440	-	0.65%	1,865,259 (Note 6)	Yes	No	Yes
		Sunext Technology Co., Ltd.	2 (Note 2)	932,630 (Note 5)	43,671	40,000	40,000	-	0.43%	1,865,259 (Note 6)	Yes	No	No
		Generalplus Technology Inc.	3 (Note 3)	932,630 (Note 5)	13,563	-	-	-	-	1,865,259 (Note 6)	Yes	No	No
		Sunplus Innovation Technology Inc.	2 (Note 2)	932,630 (Note 5)	8,782	-	-	-	-	1,865,259 (Note 6)	Yes	No	No
		iCatch Technology Inc.	1 (Note 4)	932,630 (Note 5)	6,350	-	-	-	-	1,865,259 (Note 6)	No	No	No

Note 1: Issuer.

Note 2: Directly holds more than 50% of the common shares of a subsidiary.

Note 3: Common shares held by the Sunplus and its subsidiaries jointly own more than 50% of the investee company.

Note 4: Directly held by parent company.

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

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

TABLE 3

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2014

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

Holding Company	Type and Name of Marketable Security	Relationship with the Holding Company	Financial Statement Account	September 30, 2014				Note
				Shares or Units (Thousands)	Carrying Value	Percentage of Ownership (%)	Market Value or Net Asset Value	
Sunplus Technology Company Limited (the "Company")	<u>Stock</u>							
	Tatung Company	-	Available-for-sale financial assets	46,094	\$ 412,545	2	\$ 412,545	Note 2
	RITEK Corp.	-	Available-for-sale financial assets	5,000	19,048	-	19,048	Note 2
	United Microelectronics Corp.	-	Available-for-sale financial assets	1,968	29,023	-	29,023	Note 2
	<u>Fund</u>							
	Mega Diamond Money Market	-	Available-for-sale financial assets	13,197	162,404	-	162,404	Note 3
	Nomura Global High Dividend Acc	-	Available-for-sale financial assets	577	10,021	-	10,021	Note 3
	Cathay China Emerging Industries	-	Available-for-sale financial assets	576	8,901	-	8,901	Note 3
	FSITC Money Market	-	Available-for-sale financial assets	290	50,823	-	50,823	Note 3
	UPAMC James Bond Money Market	-	Available-for-sale financial assets	1,851	30,398	-	30,398	Note 3
	Taishin Ta-Chong Money Market	-	Available-for-sale financial assets	2,178	30,392	-	30,392	Note 3
	Yuanta De-Bao Money Market Fund	-	Available-for-sale financial assets	2,564	30,284	-	30,284	Note 3
	Capital Money Market	-	Available-for-sale financial assets	1,911	30,289	-	30,289	Note 3
	BGF Global Allocation Fund	-	Available-for-sale financial assets	3	5,373	-	5,373	Note 3
	Franklin Global Fduntl Start Fund	-	Available-for-sale financial assets	13	5,235	-	5,235	Note 3
	KGI Economic Moat Fund	-	Available-for-sale financial assets	500	5,515	-	5,515	Note 3
	Network Capital Global Fund	-	Financial assets carried at cost	500	5,000	7	5,000	Note 1
Lin Shih Investment Co., Ltd.	Technology Partners Venture Capital Corp.	-	Financial assets carried at cost	356	3,556	11	3,556	Note 1
	Ability Enterprise Co., Ltd.	-	Available-for-sale financial assets	5,274	87,812	1	87,812	Note 2
	Radiant Innovation Inc.	-	Available-for-sale financial assets	3,043	70,595	7	70,595	Note 2
	Sunplus Technology Co., Ltd.	Parent Company	Available-for-sale financial assets	3,560	45,568	1	45,568	Notes 2 and 4
	RITEK Technology Co., Ltd.	-	Available-for-sale financial assets	833	3,175	-	3,175	Note 2
	Aiptek International Inc.	-	Available-for-sale financial assets	60	311	-	311	Note 2
	Catcher Technology Co., Ltd.	-	Available-for-sale financial assets	65	16,023	-	16,023	Note 2
	Shin Kong Financial Holding Co., Ltd.	-	Available-for-sale financial assets	1,000	9,010	-	9,010	Note 2
	Asolid Technology Co., Ltd.	-	Available-for-sale financial assets	100	8,235	-	8,235	Note 2
	China Airlines Ltd.	-	Available-for-sale financial assets	500	7,250	-	7,250	Note 2
	Hon Hai Precision Ind. Co., Ltd.	-	Available-for-sale financial assets	6	526	-	526	Note 2
	Frankin Templeton Sinoa	-	Available-for-sale financial assets	1,994	20,215	-	20,215	Note 3
	Paradigm Pion Money Market	-	Available-for-sale financial assets	445	5,050	-	5,050	Note 3
	UPAMC JAMES BOND MONEY	-	Available-for-sale financial assets	431	7,078	-	7,078	Note 3
	KGI Economic Moat., Ltd.	-	Available-for-sale financial assets	100	1,103	-	1,103	Note 3
	Yuanta De Bae Money Market Fund	-	Available-for-sale financial assets	169	2,001	-	2,001	Note 3
	CTBC Hwa-win Money Market Fund	-	Available-for-sale financial assets	2,772	30,001	-	30,001	Note 3
	Nomura Taiwan Money Market Fund	-	Available-for-sale financial assets	624	10,006	-	10,006	Note 3
	Miracle Technology Co., Ltd.	-	Financial assets carried at cost	1,036	11,152	10	11,152	Note 1
	Genius Vision Digital Co., Ltd.	-	Financial assets carried at cost	600	3,676	5	3,676	Note 1
	Lingri Technology Co., Ltd.	-	Financial assets carried at cost	304	3,040	19	3,040	Note 1

(Continued)

Holding Company	Type and Name of Marketable Security	Relationship with the Holding Company	Financial Statement Account	September 30, 2014				Note
				Shares or Units (Thousands)	Carrying Value	Percentage of Ownership (%)	Market Value or Net Asset Value	
Lin Shih Investment Co., Ltd.	Chain Sea Information Integration Co., Ltd.	-	Financial assets carried at cost	56	\$ 1,121	1	\$ 1,121	Note 1
	Minton Optic Industry Co., Ltd.	-	Financial assets carried at cost	4,272	-	7	-	Note 1
	Ortery Technologies, Inc.	-	Financial assets carried at cost	103	-	1	-	Note 1
	Sanjet Technology Corp.	-	Financial assets carried at cost	8	-	-	-	Note 1
	Ubright Optright Corporation-CB	-	Financial assets at fair value through profit or loss - current	20	1,958	-	1,958	Note 2
	CHINA ELECTRIC MFG.CO.,LTD.-CB	-	Financial assets at fair value through profit or loss - current	30	2,979	-	2,979	Note 2
	Shin Kong Financial Holding Co.,Ltd	-	Financial assets at fair value through profit or loss - current	50	5,095	-	5,095	Note 2
	Zero One Technology Co., Ltd.-CB	-	Financial assets at fair value through profit or loss - current	50	4,798	-	4,798	Note 2
Russell Holdings Limited	<u>Stock</u>							
	Innobrige Venture Fund ILP	-	Financial assets carried at cost	-	41,946	-	41,946	Notes 1 and 6
					(US\$ 1,325)		(US\$ 1,325)	
	Asia Tech Taiwan Venture L.P.	-	Financial assets carried at cost	-	1,616	5	1,616	Notes 1 and 6
					(US\$ 51)		(US\$ 51)	
	Innobrige International Inc.	-	Financial assets carried at cost	4,000	1,664	15	1,664	Notes 1 and 6
					(US\$ 53)		(US\$ 53)	
	Ortega Info System, Inc.	-	Financial assets carried at cost	2,557	-	-	-	Note 1
	Ether Precision Inc.	-	Financial assets carried at cost	1,250	-	1	-	Note 1
	OZ Optics Limited.	-	Financial assets carried at cost	1,000	-	8	-	Note 1
	Asia B2B on Line Inc.	-	Financial assets carried at cost	1,000	-	3	-	Note 1
Sunplus Venture Capital Co., Ltd.	Aruba Networks, Inc.	-	Available-for-sale financial assets	10	-	-	-	Note 1
	<u>Stock</u>							
	Ability Enterprise Co., Ltd.	-	Available-for-sale financial assets	3,784	63,003	1	63,003	Note 2
	King Yuan Electronics Co., Ltd.	-	Available-for-sale financial assets	2,441	62,117	-	62,117	Note 2
	Eurocharm Holding Co.	-	Available-for-sale financial assets	601	37,496	-	37,496	Note 2
	Aiptek International Inc.	-	Available-for-sale financial assets	351	1,832	1	1,832	Note 2
	Aruba Networks, Inc.	-	Available-for-sale financial assets	4	-	-	-	Note 1
	KING YUAN ELECTRONICS CO., LTD.	-	Available-for-sale financial assets	1,250	31,813	-	31,813	Note 2
	Cathay China Emerging Industries	-	Available-for-sale financial assets	576	8,899	-	8,899	Note 3
	FSITC Money Market	-	Available-for-sale financial assets	290	50,832	-	50,832	Note 3
	Bond	-	Non-active market bond investment	1	14,903	-	14,903	Note 5
	Feature Integration Technology Inc.	-	Financial assets carried at cost	1,630	18,660	4	18,660	Note 1
	Genius Vision Digital	-	Financial assets carried at cost	750	15,000	6	15,000	Note 1
	Miracle Technology Co., Ltd.	-	Financial assets carried at cost	1,042	11,220	10	11,220	Note 1
	Cyberon Corporation	-	Financial assets carried at cost	1,521	13,691	18	13,691	Note 1
	Touch Screen Glass Technology Co., Ltd.	-	Financial assets carried at cost	4,500	45,000	18	45,000	Note 1
	Sanjet Technology Corp.	-	Financial assets carried at cost	49	-	-	-	Note 1
	Minton Optic Industry Co., Ltd.	-	Financial assets carried at cost	5,000	-	8	-	Note 1
	Simple Act Inc.	-	Financial assets carried at cost	1,900	-	10	-	Note 1
	eWave System, Inc.	-	Financial assets carried at cost	1,833	-	22	-	Note 1
	Ortery Technologies, Inc.	-	Financial assets carried at cost	68	-	1	-	Note 1
	Information Technology Total Services	-	Financial assets carried at cost	51	-	-	-	Note 1
	Book4u Company Limited	-	Financial assets carried at cost	9	-	-	-	Note 1
	VenGlobal International Fund	-	Financial assets carried at cost	1	-	3	-	Note 1

(Continued)

Holding Company	Type and Name of Marketable Security	Relationship with the Holding Company	Financial Statement Account	September 30, 2014				Note
				Shares or Units (Thousands)	Carrying Value	Percentage of Ownership (%)	Market Value or Net Asset Value	
Sunplus Technology (Shanghai) Co., Ltd.	GF Money Market Fund class B shares	-	Available-for-sale financial assets	18,500	94,202 (RMB\$18,500)	-	94,202 (RMB\$18,500)	Notes 3 and 6
	CHONGQING CHONG YOU INFORMATION TECHNOLOGY CO., LTD.	-	Financial assets carried at cost	-	-	3	-	Note 1
Wei-Young Investment Inc.	Elitergroup Computer Systems	-	Available-for-sale financial assets	238	6,344	-	6,344	Note 2
Generalplus Technology Inc.	Yuanta Wan Tai Money Market	-	Available-for-sale financial assets	1,444	21,498	-	21,498	Note 3
	Franklin Templeton Sinoam Money Market	-	Available-for-sale financial assets	3,390	34,370	-	34,370	Note 3
Sunext Technology	Yuanta Wan Tai Money Fund	-	Available-for-sale financial assets	2,301	34,254	-	34,254	Note 3
iCatch Technology Inc.	Franklin Templeton Sinoam Money Market	-	Available-for-sale financial assets	10,948	110,998	-	110,998	Note 3
Sunplus Innovation Technology Inc.	<u>Stock</u>							
	Advanced NuMicro System, Inc.	-	Financial assets carried at cost	2,000	4,121	9	4,121	Note 1
	Advanced Silicon SA	-	Financial assets carried at cost	1,000	15,392	10	15,392	Note 1
	Point Grab Ltd.	-	Financial assets carried at cost	182	45,150	4	45,150	Note 1
	<u>Fund</u>							
	Yuanta RMB Money Market	-	Available-for-sale financial assets	2,881	30,880	-	30,880	Note 3
	Fuh Hwa You Li	-	Available-for-sale financial assets	2,263	30,005	-	30,005	Note 3
	Fubon China Money Market	-	Available-for-sale financial assets	4,765	50,423	-	50,423	Note 3

Note 1: The market value was based on carrying value as of December 31, 2014.

Note 2: The Market value was based on the closing price as of December 31, 2014.

Note 3: The market value was based on the net asset value of fund as of December 31, 2014.

Note 4: As of December 31, 2014, the above marketable securities, except the holdings of Lin Shih Investment Co., Ltd. of the shares of Sunplus Technology Company Limited with a market value \$43,321 thousand had not been pledged or mortgaged.

Note 5: The market value was based on Amortised cost as of December 31, 2014.

Note 6: The exchange rate was based on the exchange rate as of December 31, 2014.

(Concluded)

TABLE 4

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

**ACQUISTION OF INDIVIDUAL REAL ESTATE PROPERTIES AT COSTS OR PRICES OF AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2014
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Company Name	Type of Property	Transaction Date	Transaction Amount (Note)	Payment Term	Counterparty	Nature of Relationship	Prior Transaction of Related Counterparty				Price Reference	Purpose of Acquisition	Other Terms
							Owner	Relationship	Transfer Date	Amount			
Sunplus Prof-tek Technology (Shenzhen)	Building	2014.01.09	RMB 159,165 thousand	RMB 159,165 thousand	ShenZhen Investment Holding Co., Ltd.	-	-	-	-	\$ -	-	Operation	None

Note: The contract price of the building bought by Sunplus Prof-tek Technology (Shenzhen) (“Prof-tek”) was RMB160,773 thousand; if the final payment will be made within 20 days after the down payment is made, Prof-tek will receive a 1% discount.

TABLE 5**SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES****INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2014****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

1. For the Year ended December 31, 2014

Company Name	Counterparty	Flow of Transactions (Note 5)	Intercompany Transactions			
			Financial Statements Account Item	Amount	Terms	Percentage to Consolidated Total Gross Sales or Total Assets
Sunplus Technology Co., Ltd. ("parent company")	Generalplus Technology Corp.	1	Sales	\$ 7,112	Note 1	0.08%
			Nonoperating income and gains	692	Note 2	0.01%
			Notes and accounts receivable	1,065	Note 1	0.01%
			Research and development	4	Note 2	-
	Sunext Technology Co., Ltd.	1	Sales	4,110	Note 1	0.05%
			Nonoperating income and gains	9,409	Note 2 and 4	0.11%
			Notes and accounts receivable	198	Note 1	-
			Other receivables	725	Note 3	-
	Sunplus mMobile	1	Nonoperating income and gains	2,466	Note 2	0.03%
	Sunplus Innovation Technology Inc.	1	Sales	498	Note 1	0.01%
			Nonoperating income and gains	4,573	Note 2	0.05%
			Notes and accounts receivable	74	Note 1	-
			Other receivables	721	Note 3	-
	iCatch Technology, Inc.	1	Sales	4,093	Note 1	0.05%
			Nonoperating income and gains	12,489	Notes 2 and 4	0.14%
			Notes and accounts receivable	763	Note 1	0.01%
			Other receivables	1,023	Note 3	0.01%
Sunext Technology Co., Ltd.	Sunplus Technology (H.K.) Co., Ltd.	1	Marketing expense	1,546	Note 2	0.02%
			Other accrued expense	550	Note 3	-
	Jumplux Technology Co., Ltd.	1	Other receivables	240	Note 3	-
			Non operating income and gain	663	Note 2	0.01%
			Notes and accounts receivable	201	Note 1	-
			Sale	189	Note 1	-
	Sunplus mMedia Inc.	1	Marketing expenses	47	Note 2	-
			Accrued expense	48	Note 3	-
	Sunplus Technology (Beijing) Sunplus Technology Co., Ltd. (Shanghai)	2	Research and development	949	Note 2	0.01%
			Marketing expense	3,640	Note 2	0.04%
Sunplus Innovation Technology Inc.	Sun Media Technology Co., Ltd.	2	Marketing expenses	1,725	Note 2	0.02%
			Accrued expense	570	Note 3	-
	Sunplus Prof-tek (Shenzhen) Co., Ltd.	2	Marketing expenses	24,978	Note 2	0.29%
			Accrued expense	5,634	Note 3	0.04%

(Continued)

Company Name	Counterparty	Flow of Transactions (Note 5)	Intercompany Transactions			
			Financial Statements Account Item	Amount	Terms	Percentage to Consolidated Total Gross Sales or Total Assets
Generalplus Technology Corp.	Sunplus Innovation Technology Inc.	2	Research and development	\$ 24	Note 2	-
			Intangible assets	2,048	Note 2	0.01%
			Marketing expenses	6,379	Note 2	0.07%
			Sales	803	Note 1	0.01%
	Generalplus Technology (H.K.) corp.	2	Marketing expenses	12,609	Note 2	0.14%
			Accrued expense	2,529	Note 3	0.02%
	Generalplus Technology (Shenzhen) corp.	2	Research and development	106,881	Note 2	1.23%
			Accrued expense	25,047	Note 1	0.17%
iCatch Technology, Inc.	Sunplus Prof-tek (Shenzhen) Co., Ltd.	2	Marketing expenses	4,512	Note 2	0.05%
			Marketing expenses	20,962	Note 2	0.24%
			Accrued expenses	5,441	Note 3	0.04%
	SunMedia Technology Co., Ltd.	2	Marketing expenses	20,795	Note 2	0.24%
			Accrued expenses	5,432	Note 3	0.04%
Sunplus Technology Co., Ltd. (Shanghai)	Generalplus Technology (Shenzhen) Corp.	2	Sales	237	Note 1	-
	Sunplus App Technology Co., Ltd.	2	Other receivables	315	Note 3	-
			Nonoperating income and gain	304	Note 2	-
	SunMedia Technology Co., Ltd.	2	Research and development	8,831	Note 2	0.1%
Sunplus mMedia Inc.	Jum plux Technology Co., Ltd.	2	Nonoperating income and gain	502	Note 2	0.01%

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

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

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

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

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

(Concluded)

TABLE 6

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEs ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
DECEMBER 31, 2014
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of September 30, 2014			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				December 31, 2014	December 31, 2013	Shares (Thousands)	Percentage of Ownership	Carrying Value			
Sunplus Technology Company Limited	Ventureplus Group Inc.	Belize	Investment	\$ 2,544,740 (US\$ 74,305 RMB\$37,900)	\$ 2,335,605 (US\$73,650 RMB\$ 900)	-	100	\$ 1,924,825	\$ (126,403)	\$ (126,403)	Subsidiary
	Orise Technology Co., Ltd.	Hsinchu, Taiwan	Design of ICs	536,298	536,298	47,290	34	978,143	144,450	49,065	Investee (Note 3)
	GLOBAL VIEW CO., LTD.	Hsinchu, Taiwan	Design and sale of ICs	315,658	-	8,229	13	350,536	563,667	39,941	Investee
	Lin Shih Investment Co., Ltd.	Hsinchu, Taiwan	Investment	699,988	699,988	70,000	100	705,413	33,049	33,049	Subsidiary
	Generalplus Technology Inc.	Hsinchu, Taiwan	Design of ICs	281,001	281,001	37,324	34	696,971	311,560	106,867	Subsidiary
	Sunplus Venture Capital Co., Ltd.	Hsinchu, Taiwan	Investment	999,982	999,982	100,000	100	657,167	(12,952)	(12,952)	Subsidiary
	Sunplus Innovation Technology Inc.	Hsinchu, Taiwan	Design of ICs	414,663	414,663	31,450	63	515,675	9,552	5,973	Subsidiary
	Russell Holdings Limited	Cayman Islands, British West Indies.	Investment	467,154 (US\$ 14,760)	467,154 (US\$ 14,760)	14,760	100	342,770	55,251	55,251	Subsidiary (Note 2)
	iCatch Technology, Inc.	Hsinchu, Taiwan	Design of ICs	207,345	207,345	20,735	38	196,396	(15,515)	(5,849)	Subsidiary
	Sunext Technology Co., Ltd.	Hsinchu, Taiwan	Design and sale of ICs	924,730	924,730	38,836	61	105,656	(10,147)	(6,204)	Subsidiary
	Sunplus mMedia Inc.	Hsinchu, Taiwan	Design of ICs	307,565	307,565	12,441	83	44,343	(29,643)	(24,586)	Subsidiary
	Sunplus Management Consulting Inc.	Hsinchu, Taiwan	Management	5,000	5,000	500	100	4,092	(31)	(31)	Subsidiary
	Sunplus Technology (H.K.) Co., Ltd.	Kowloon Bay, Hong Kong	International trade	45,186 (HK\$ 11,075)	45,186 (HK\$ 11,075)	11,075	100	4,342	(1)	(1)	Subsidiary
	Magic Sky Limited	Samoa	Investment	201,294 (US\$ 6,360)	194,964 (US\$ 6,160)	-	100	268	(6,083)	(6,083)	Subsidiary (Notes 1 and 2)
	S2-TEK INC.	Hsinchu, Taiwan	Design of ICs	362,285	362,285	908	2	2,826	(142,917)	(3,246)	Investee
	Sunplus mMobile Inc.	Hsinchu, Taiwan	Design of ICs	2,596,792	2,435,392	16,240	100	22,486	(3,044)	(3,044)	Subsidiary
	Wei-Young Investment Inc.	Hsinchu, Taiwan	Investment	30,157	30,157	1,400	100	14,758	1,239	1,239	Subsidiary
Lin Shih Investment Co., Ltd.	Generalplus Technology Inc.	Hsinchu, Taiwan	Design of ICs	86,256	86,256	14,892	14	279,723	311,560	42,639	Subsidiary
	Sunext Technology Co., Ltd.	Hsinchu, Taiwan	Design and sale of ICs	369,316	369,316	3,360	5	9,439	(10,147)	(537)	Subsidiary
	Sunplus Innovation Technology Inc.	Hsinchu, Taiwan	Design of ICs	15,701	15,701	1,075	2	15,453	9,552	204	Subsidiary
	iCatch Technology, Inc.	Hsinchu, Taiwan	Design of ICs	9,645	9,645	965	2	9,725	(15,515)	(272)	Subsidiary
	Sunplus mMedia Inc.	Hsinchu, Taiwan	Design of ICs	19,408	19,171	650	4	6,575	(29,643)	(1,178)	Subsidiary
	Sunplus mMobile Inc.	Hsinchu, Taiwan	Design of ICs	38,450	38,450	-	-	-	(3,044)	-	Subsidiary
	S2-TEK INC.	Hsinchu, Taiwan	Design of ICs	132,788	132,788	9,591	24	29,935	(142,917)	(34,267)	Investee
Sunplus Venture Capital Co., Ltd.	Generalplus Technology Inc.	Hsinchu, Taiwan	Design of ICs	56,050	56,050	4,301	4	93,830	311,560	12,314	Subsidiary
	Sunplus Innovation Technology Inc.	Hsinchu, Taiwan	Design of ICs	57,388	57,108	2,904	6	48,730	9,552	550	Subsidiary
	iCatch Technology, Inc.	Hsinchu, Taiwan	Design of ICs	32,319	32,319	3,232	6	31,088	(15,515)	(911)	Subsidiary
	Sunext Technology Co., Ltd.	Hsinchu, Taiwan	Design and sale of ICs	385,709	385,709	4,431	7	12,390	(10,147)	(708)	Subsidiary
	Orise Technology Co, Ltd.	Hsinchu, Taiwan	Design of ICs	10,800	10,800	865	1	17,011	144,450	898	Investee
	Sunplus mMedia Inc.	Hsinchu, Taiwan	Design of ICs	44,878	44,878	1,909	13	4,062	(29,643)	(3,773)	Subsidiary
	Han Young Technology Co., Ltd.	Taipei, Taiwan	Design of ICs	4,200	4,200	420	70	1,780	-	-	Subsidiary
	Sunplus mMobile Inc.	Hsinchu, Taiwan	Design of ICs	1,784	1,784	-	-	-	(3,044)	-	Subsidiary
	S2-TEK INC.	Hsinchu, Taiwan	Design of ICs	133,846	133,846	10,001	25	30,999	(142,917)	(35,732)	Investee
Russell Holdings Limited	Sunext Technology Co., Ltd.	Hsinchu, Taiwan	Design and sale of ICs	67,066 (US\$ 2,119)	67,066 (US\$ 2,119)	442	1	1,236	(10,147)	(71)	Subsidiary (Note 2)

(Continued)

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of September 30, 2014			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				December 31, 2014	December 31, 2013	Shares (Thousands)	Percentage of Ownership	Carrying Value			
Wei-Young Investment Inc.	Generalplus Technology Inc. Sunext Technology Co., Ltd.	Hsinchu, Taiwan	Design of ICs	\$ 1,800	\$ 1,800	108	-	1,944	\$ 311,560	\$ 309	Subsidiary
			Design and sale of ICs	350	350	18	-	50	(10,147)	(3)	Subsidiary
Ventureplus Group Inc.	Ventureplus Mauritius Inc.	Mauritius	Investment	2,544,740 (US\$ 74,305 RMB\$37,900)	2,335,605 (US\$ 73,650 RMB\$ 900)	-	100	1,924,804	(126,403)	(126,403)	Subsidiary (Note 2)
Ventureplus Mauritius Inc.	Ventureplus Cayman Inc.	Cayman Islands, British West Indies	Investment	2,544,740 (US\$ 74,305 RMB\$37,900)	2,335,605 (US\$ 73,650 RMB\$ 900)	-	100	1,924,782	(126,404)	(126,404)	Subsidiary (Note 2)
Generalplus Technology Inc.	Generalplus International (Samoa) Inc.	Samoa	Investment	604,199 (US\$ 19,090)	604,199 (US\$ 19,090)	19,090	100	502,904	8,231	8,231	Subsidiary (Note 2)
Generalplus International (Samoa) Inc.	Generalplus (Mauritius) Inc.	Mauritius	Investment	604,199 (US\$ 19,090)	604,199 (US\$ 19,090)	19,090	100	502,904	8,231	8,231	Subsidiary (Note 2)
Generalplus (Mauritius) Inc.	Genralplus Technology (Hong Kong) Co., Ltd.	Hong Kong	Sales	12,344 (US\$ 390)	12,344 (US\$ 390)	390	100	6,232	(3,328)	(3,328)	Subsidiary (Note 2)
Sunplus mMobile Inc.	Sunplus mMobile SAS	France	Design of ICs	9,177 (EUR\$ 237)	9,177 (EUR\$ 237)	237	100	-	-	-	Subsidiary (Note 2)
Sunplus mMedia Inc.	Jumplux Technology Co., Ltd.	Hsinchu, Taiwan	Design and sales of IC	32,000	-	3,200	80	28,154	(4,824)	(4,390)	Subsidiary (Note 2)

Note 1: Current capital registration has not been completed.

Note 2: The initial exchange rate was based on the exchange rate as of December 31, 2014.

Note 3: As of December 31, 2014, the above marketable securities, except the holdings of Lin Shih Investment Co., Ltd. of the shares of Sunplus Technology Company Limited with a market value \$248,207 thousand had not been pledged or mortgaged.

(Concluded)

TABLE 7

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA

FOR THE YEAR ENDED DECEMBER 31, 2014

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

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2014 (Note 5)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of September 30, 2014 (Note 5)	% Ownership of Direct or Indirect Investment	Net Income (Loss) of the investee	Investment Loss (Note 2)	Carrying Value as of September 30, 2014	Accumulated Inward Remittance of Earnings as of September 30, 2014
					Outflow (Note 5)	Inflow						
Sunplus Technology (Shanghai) Co., Ltd.	Manufacturing and sale of consumer ICs	\$ 544,380 (US\$ 17,200)	Note 1	\$ 538,050 (US\$ 17,000)	\$ 20,731 (US\$ 655)	\$ -	\$ 558,781 (US\$ 17,655)	100%	\$ (40,724)	\$ (40,717) (Note 2)	\$ 484,804	\$ -
Sunplus Prof-tek (Shenzhen) Co., Ltd.	Development and sale of computer software and system integration services	1,020,713 (US\$ 32,250)	Note 1	1,020,713 (US\$ 32,250)	-	-	1,020,713 (US\$ 32,250)	100%	10,200	10,200 (Note 2)	938,858	-
Sun Media Technology Co., Ltd.	Manufacturing and sale of computer software and system integration services	633,000 (US\$ 20,000)	Note 1	633,000 (US\$ 20,000)	-	-	633,000 (US\$ 20,000)	100%	(53,540)	(53,540) (Note 2)	330,365	-
Sunplus App Technology Co., Ltd.	Manufacturing and sale of computer software; system integration services and information management and education	76,380 (RMB\$ 15,000)	Note 1	18,547 (US\$ 586)	50,920 (RMB\$ 10,000)	-	69,467 (US\$ 586 RMB\$ 1,000)	93%	14,566	11,797 (Note 2)	67,346	-
Ytrip Technology Co., Ltd.	Computer system integration services and supplying general advertising and other information services.	165,490 (RMB\$ 32,500)	Note 1	118,688 (US\$ 3,750)	-	-	118,688 (US\$ 3,750)	73%	(44,007)	(31,905) (Note 3)	(12,537)	-
Iculture Communication	Development & sales	16,549 (RMB\$ 3,250)	Note 4	16,549 (RMB\$ 3,250)	-	-	16,549 (RMB\$ 3,250)	100%	(4,923)	(4,923) (Note 3)	5,400 (RMB\$ 1,061)	-
Sunplus Technology (Beijing)	Design of software	137,484 (RMB\$ 27,000)	Note 1	- (RMB\$ -)	137,484 (RMB\$ 27,000)	-	137,484 (RMB\$ 27,000)	100%	(22,005)	(22,005) (Note 2)	114,759	-

Accumulated Investment in Mainland China as of December 31, 2014 (Note 5)	Investment Amounts Authorized by Investment Commission, MOEA (Note 5)	Limit on Investment
\$ 2,538,132 (US\$ 74,241 RMB\$ 37,000)	\$ 2,554,570 (US\$ 74,760 RMB\$ 37,000)	\$5,595,778

SUNPLUS TECHNOLOGY COMPANY LIMITEDAND SUBSIDIARIES

INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2014
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Generalplus Technology (Nature of Relationship: 1)

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type (e.g., Direct or Indirect)	Accumulated Outflow of Investment from Taiwan as of January 1, 2014	Investment Flows		Accumulated Outflow of Investment from Taiwan as of September 30, 2014	% Ownership of Direct or Indirect Investment	Net Loss of the investee	Investment Loss (Note 3)	Carrying Value as of December 31, 2014	Accumulated Inward Remittance of Earnings as of December 31, 2014
					Outflow	Inflow						
Generalplus Shenzhen	Data processing service	\$ 568,854 (US\$ 18,700)	Note 1	\$ 568,854 (US\$ 18,700)	\$ -	\$ -	\$ 568,854 (US\$ 18,700)	100%	\$ 11,556	\$ 11,556	\$ 496,650	\$ -

Accumulated Investment in Mainland China as of September 30, 2014	Investment Amount Authorized by Investment Commission, MOEA	Limit on Investment
\$568,854 (US\$18,700)	\$568,854 (US\$18,700)	\$1,238,143

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

Note 2: The net assets were based on reviewed financial data as of December 31, 2014.

Note 3: Based on the investee company in the same period reviewed financial statements.

Note 4: Sunplus Technology Company Limited indirectly invested in a company located in Mainland China through Ytrip Technology Co., Ltd.

Note 5: The initial exchange rate was based on the exchange rate as of December 31, 2014.

TABLE 8

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

**SIGNIFICANT TRANSACTIONS WITH INVESTEE COMPANIES IN MAINLAND CHINA, EITHER DIRECTLY OR INDIRECTLY THROUGH A THIRD PARTY, AND THEIR PRICES, PAYMENT TERMS, AND UNREALIZED GAINS OR LOSSES
FOR THE YEAR ENDED DECEMBER 31, 2014
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Investee Company	Transaction Type	Research and Development Expense		Price	Transaction Details		Notes/Accounts Receivable (Payable)		Unrealized (Gain) Loss	Note
		Amount	%		Payment Term	Comparison with Market Transactions	Ending Balance	%		
Generalplus Technology (Shenzhen) Corp.	Development and processing services	\$ 106,881	21%	Based on contract	Based on contract	Not comparable with market transactions	\$ 25,047	90%	\$ -	NA