Sunplus Technology Company Limited

Parent Company Only Financial Statements for the Years Ended December 31, 2016 and 2015 and Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Sunplus Technology Company Limited

Opinion

We have audited the accompanying parent company only financial statements of Sunplus Technology Company Limited (the "Company"), which comprise the parent company only balance sheets as of December 31, 2016 and 2015, and the parent company only statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Corporation as of December 31, 2016 and 2015, and the parent company only financial performance and the parent company only cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements for the year ended December 31, 2016. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<u>Revenue recognition</u>

1. Integrated circuit chip sales accounted for 94% of the Company's total revenue and was material. For a detailed explanation of revenue, refer to Note 22 of the accompanying parent company only financial statements.

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

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

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

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

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

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

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

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

Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements

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

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

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

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements for the year ended December 31, 2016 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 15, 2017

__Notice to Readers__

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

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

SUNPLUS TECHNOLOGY COMPANY LIMITED

PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars, Except Par Value)

	2016		2015	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 1,957,745	19	$ 1,809,365	16
Available-for-sale financial assets - current (Notes 4 and 7)	531,277	5	436,970	4
Trade receivables, net (Notes 4, 5, 9 and 31)	350,206	3	543,156	5
Other receivables (Note 31)	36,134	-	13,419	-
Inventories (Notes 4, 5 and 10)	257,230	3	445,353	4
Other current assets (Note 15)	134,805	1	24,852	-
Total current assets	3,267,397	31	3,273,115	29
NONCURRENT ASSETS				
Available-for-sale financial assets - noncurrent (Notes 4 and 7)	773,289	7	1,295,103	11
Financial assets carried at cost (Notes 4 and 8)	300,623	3	219,574	2
Investments accounted for using the equity method (Notes 4, 5 and 12)	5,375,436	51	5,747,927	51
Property, plant and equipment (Notes 4, 5 , 13 , 31 and 32)	722,145	7	744,937	6
Intangible assets (Notes 4, 5 and 14)	68,497	1	67,742	1
Deferred tax assets (Notes 4, 5 and 24)	2,485	-	2,485	-
Other noncurrent assets (Notes 15, 28 and 32)	14,158	-	14,158	-
Total noncurrent assets	7,256,633	69	8,091,926	71
TOTAL	$ 10,524,030	100	$ 11,365,041	100

	2016		2015	
LIABILITIES AND EQUITY	**Amount**	**%**	**Amount**	**%**
CURRENT LIABILITIES				
Short-term bank borrowings (Note 16)	$ 37,500	-	$ -	-
Trade payables (Note 17)	144,804	1	120,424	1
Current tax liabilities (Notes 4 and 24)	-	-	297	-
Provisions - current (Notes 4 and 18)	9,154	-	9,319	-
Current portion of long-term bank loans (Notes 4, 16 and 32)	416,665	4	457,500	4
Other current liabilities (Notes 19 and 31)	290,800	3	249,444	2
Total current liabilities	898,923	8	836,984	7
NONCURRENT LIABILITIES				
Long-term bank loans, net of current portion (Notes 16 and 32)	529,167	5	899,582	8
Net defined benefit liabilities (Notes 4 and 20)	9,005	-	7,174	-
Guarantee deposits	62,681	1	90,839	1
Other noncurrent liabilities, net of current portion (Note 19)	-	-	450	-
Total noncurrent liabilities	600,853	6	998,045	9
Total liabilities	1,499,776	14	1,835,029	16
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY				
Share capital (Notes 4 and 21)				
Common shares	5,919,949	56	5,919,949	52
Capital surplus	911,110	9	897,317	8
Retained earnings				
Legal reserve	1,890,531	18	1,831,596	16
Special reserve	21,927	-	17,833	-
Retained earnings	99,738	1	595,226	6
Other equity	244,400	2	331,492	3
Treasury shares	(63,401)	-	(63,401)	(1)
Total equity	9,024,254	86	9,530,012	84
TOTAL	$ 10,524,030	100	$ 11,365,041	100

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

SUNPLUS TECHNOLOGY COMPANY LIMITED

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

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

(Continued)

SUNPLUS TECHNOLOGY COMPANY LIMITED

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

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

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

SUNPLUS TECHNOLOGY COMPANY LIMITED

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

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

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

SUNPLUS TECHNOLOGY COMPANY LIMITED

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

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

(Continued)

SUNPLUS TECHNOLOGY COMPANY LIMITED

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

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

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

(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 devices. Sunplus’ shares have been listed on the Taiwan Stock Exchange since January 2000. Some of its shares have been issued in the form of global depositary receipts (GDRs), which have been listed on the London Stock Exchange since March 2001 (refer to Note 21).

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

2. APPROVAL OF FINANCIAL STATEMENTS

The parent company only financial statements were approved by the board of directors and authorized for issue on March 15, 2017.

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

a. Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) endorsed by the FSC for application starting from 2017.

   Rule No. 1050050021 and Rule No. 1050026834 issued by the FSC stipulated that starting January 1, 2017, the Corporation should apply the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRS, IAS, IFRIC and SIC (collectively, the “IFRSs”) issued by the IASB and endorsed by the FSC for application starting from 2017.

New, Amended or Revised Standards and Interpretations	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 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
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

(Continued)

New, Amended or Revised Standards and Interpretations	Effective Date Announced by IASB (Note 1)
Amendment to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
Amendment to IAS 27 "Equity Method in Separate Financial Statements"	January 1, 2016
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

(Concluded)

Note 1: Unless stated otherwise, the above new or amended 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: 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 in 2017 of the above IFRSs and related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers would not have any material impact on the Corporation's accounting policies, except for the following:

1) Amendment to IAS 36 "Recoverable Amount Disclosures for Non-financial Assets"

   The amendment clarifies that the recoverable amount of an asset or a cash-generating unit is disclosed only when an impairment loss on the asset has been recognized or reversed during the period. Furthermore, if the recoverable amount of an item of property, plant and equipment for which impairment loss has been recognized or reversed is fair value less costs of disposal, the Group is required to disclose the fair value hierarchy. If the fair value measurements are categorized within Level 2 or Level 3, the valuation technique and key assumptions used to measure the fair value are disclosed. The discount rate used is disclosed if such fair value less costs of disposal is measured by using present value technique. The amendment will be applied retrospectively.

2) 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 Group or another entity in the same group or the market price of the equity instruments of the Group or another entity in the same group (i.e. a market condition); that a performance target can relate either to the performance of the Group 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 Group, but also of other entities outside the Group. The share-based payment arrangements with market conditions, non-market conditions or non-vesting conditions will be accounted for differently, and the aforementioned amendment will be applied prospectively to those share-based payments granted on or after January 1, 2017.

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 amendment will be applied prospectively to business combination with acquisition date on or after January 1, 2017.

The amended IFRS 8 requires the Group 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. The judgements made in applying aggregation criteria should be disclosed retrospectively upon initial application of the amendment in 2017.

When the amended IFRS 13 becomes effective in 2017, the short-term receivables and payables with no stated interest rate will be measured 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 Group is a related party of the Group. Consequently, the Group 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.

3) Annual Improvements to IFRSs: 2011-2013 Cycle

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

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 those contracts do not meet the definitions of financial assets or financial liabilities within IAS 32.

4) 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.

5) 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.

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). The amendment will be applied from January 1, 2016, and any adjustment arising from the initial application of the amendment will be recognized in net defined benefit liabilities, deferred tax asset and retained earnings.

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

The amendments include additions of several accounting items and requirements for disclosures of impairment of non-financial assets as a consequence of the IFRSs endorsed by the FSC for application starting from 2017. In addition, as a result of the post implementation review of IFRSs in Taiwan, the amendments also include emphasis on certain recognition and measurement considerations and add requirements for disclosures of related party transactions and goodwill.

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

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

The disclosures of related party transactions and impairment of goodwill will be enhanced when the above amendments are retrospectively applied in 2017.

Except for the above impacts, as of the date the consolidated financial statements were authorized for issue, the Group continues assessing other possible impacts that application of the aforementioned amendments and the related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers will have on the Group's financial position and financial performance, and will disclose these other impacts when the assessment is completed.

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

The Group has not applied the following IFRSs issued by the IASB but not yet endorsed by the FSC.

The FSC announced that amendments to IFRS 4 (only the overlay approach can be applied), IFRS 9 and IFRS 15 will take effect starting January 1, 2018. As of the date the parent company only financial statements were authorized for issue, the FSC has not announced the effective dates of other new IFRSs.

New, Amended or Revised Standards and Interpretations	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2014-2016 Cycle	Note 2
Amendment to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	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"	To be determined by IASB
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendments to IFRS 15 "Clarifications to IFRS15 Revenue from Contracts with Customers"	January 1, 2018
IFRS 16 "Leases"	January 1, 2019
Amendment to IAS 7 "Disclosure Initiative"	January 1, 2017
Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfers of Investment Property"	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

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

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

The initial application of the above New IFRSs, whenever applied, would not have any material impact on the Group's accounting policies, except for the following:

1) IFRS 9 "Financial Instruments"

<u>Recognition and measurement of financial assets</u>

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.

<u>The impairment of financial assets</u>

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.

<u>Transition</u>

Financial instruments that have been derecognized prior to the effective date of IFRS 9 cannot be reversed to apply IFRS 9 when it becomes effective. Under IFRS 9, the requirements for classification, measurement and impairment of financial assets are applied retrospectively with the difference between the previous carrying amount and the carrying amount at the date of initial application recognized in the current period and restatement of prior periods is not required. The requirements for general hedge accounting shall be applied prospectively and the accounting for hedging options shall be applied retrospectively.

2) IFRS 15 “Revenue from Contracts with Customers” and related amendment

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

When applying IFRS 15, 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 contract; and
- Recognize revenue when the entity satisfies a performance obligation.

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

When IFRS 15 and related amendment are 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.

3) IFRS 16 “Leases”

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

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

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

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

4) Amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”

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

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

5) Annual Improvements to IFRSs 2014-2016 Cycle

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

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

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

The Group shall apply IFRIC 22 either retrospectively or prospectively to all assets, expenses and income in the scope of the Interpretation initially recognized on or after (a) the beginning of the reporting period in which the entity first applies IFRIC 22, or (b) the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies IFRIC 22.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of Compliance

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

b. Basis for Preparation

The Company financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values.

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

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

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

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

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. Foreign currencies

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

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

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

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

For the purposes of presenting parent company only financial statements, the assets and liabilities of the Company's foreign operations (including of the subsidiaries, associates, joint ventures or branches operations in other countries or currencies used different with the Company) are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognized in other comprehensive income.

e. Inventories

Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at weighted-average cost on the balance sheet date.

f. Investments Accounted for Using Equity Method

1) Investment in subsidiaries

Subsidiaries are the entities controlled by the Company.

Under the equity method, the investment is initially recognized at cost and the carrying amount is increased or decreased to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary after the date of acquisition. Besides, the Company also recognizes the Company’s share of the change in other equity of the subsidiary.

Changes in the Company’s ownership interests in subsidiaries that do not result in the Company’s loss of control over the subsidiaries are accounted for as equity transactions. Any difference between the carrying amounts of the investment and the fair value of the consideration paid or received is recognized directly in equity.

When the Company’s share of losses of a subsidiary equals or exceeds its interest in that subsidiary (which includes any carrying amount of the investment in subsidiary accounted for by the equity method and long-term interests that, in substance, form part of the Company’s net investment in the subsidiary), the Company continues recognizing its share of further losses.

The acquisition cost in excess of the acquisition-date fair value of the identifiable net assets acquired is recognized as goodwill. Goodwill is not amortized. The acquisition-date fair value of the net identifiable assets acquired in excess of the acquisition cost is recognized immediately in profit or loss.

When testing for impairment, the cash-generating unit is determined based on the financial statements as a whole by comparing its recoverable amount with its carrying amount. If the recoverable amount of the asset subsequently increases, the reversal of the impairment loss is recognized as a gain, but the increased carrying amount of an asset after a reversal of an impairment loss shall not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized on the asset in prior years. An impairment loss recognized for goodwill shall not be reversed in a subsequent period.

When the Company ceases to have control over a subsidiary, any retained investment is measured at fair value at that date and the difference between the previous carrying amount of the subsidiary attributable to the retained interest and its fair value is included in the determination of the gain or loss. Furthermore, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Company had directly disposed of the related assets or liabilities.

Profits and losses from downstream transactions with a subsidiary are eliminated in full. Profits and losses from upstream with subsidiary and side stream transactions between subsidiaries are recognized in the Company’s financial statements only to the extent of interests in the subsidiary that are not related to the Company.

2) Investments in associates and jointly controlled entities

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

The results and assets and liabilities of associates and jointly controlled entities are incorporated in these 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 Company's share of the profit or loss and other comprehensive income of the associate and jointly controlled entity. The Company also recognizes the changes in the Company's share of equity of associates and jointly controlled entity.

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

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

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

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

The Company discontinues the use of the equity method from the date on which it ceases to have significant influence and joint control. Any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate (and the jointly controlled entity attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate and the jointly controlled entity. The 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 Company entity transacts with its associate (and jointly controlled entity, profits and losses resulting from the transactions with the associate are recognized in the Company' consolidated financial statements only to the extent of interests in the associate and the jointly controlled entity that are not related to the Company.

g. Property, plant and equipment

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

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

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

h. Intangible assets

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

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

i. Impairment of tangible and intangible assets other than goodwill

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

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

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

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

j. Financial instruments

Financial assets and financial liabilities are recognized when 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: Available-for-sale financial assets, and loans and receivables.

i. Available-for-sale financial assets

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

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

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

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

ii. Loans and receivables

Loans and receivables (including notes and trade receivables, other receivables, cash and cash 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 Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

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

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

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

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

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

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

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

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

c) Derecognition of financial assets

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

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

2) Equity instruments and financial liabilities

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

a) Equity instruments

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

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

b) Financial liabilities

i Subsequent measurement

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

ii Derecognition of financial liabilities

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

k. Provisions

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

l. Revenue recognition

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

<u>Sale of goods</u>

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

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

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

3) The amount of revenue can be measured reliably;

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

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

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

<u>Dividend and interest income</u>

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

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

m. Leasing

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

1) The Company as lessor

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

2) The Company as lessee

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

n. Government grants

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

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

o. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

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

p. Taxation

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

1) Current tax

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

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

2) Deferred tax

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

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

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

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the 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 Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred tax for the period

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

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

For the year ended December 31, 2016 and 2015, the Company recognized impairment losses on intangible assets of $0 and $94,123 thousand, respectively.

b. Estimated impairment of trade receivables

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

As of December 31, 2016 and 2015, the carrying amount of trade receivables was $350,206 thousand and $543,156 thousand, respectively (after deducting allowance of $76,699 thousand and $1,565 thousand, respectively).

c. Income taxes

As of December 31, 2016 and 2015, no deferred tax asset has been recognized on tax losses of $3,481,553 thousand and $2,655,834 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 2016	December 31 2015
Cash on hand	$ 418	$ 457
Checking accounts and demand deposits	804,827	739,458
Cash equivalent deposits in banks	1,152,500	1,069,450
	$ 1,957,745	$ 1,809,365

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

	December 31 2016	December 31 2015
Bank balance	0.01%-0.63%	0.05%-4%

7. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31 2016	December 31 2015
Domestic investments		
- Mutual funds	$ 531,277	$ 436,970
- Quoted shares	773,289	1,295,103
	$ 1,304,566	$ 1,732,073
Current	$ 531,277	$ 436,970
Noncurrent	773,289	1,295,103
	$ 1,304,566	$ 1,732,073

For the year ended December 31, 2016 and 2015, the Company recognized impairment losses of $71,740 and $809,661, respectively.

8. FINANCIAL ASSETS MEASURED AT COST

	December 31 2016	December 31 2015
Domestic unlisted common shares	$ 300,623	$ 219,574
Classified as available for sale	$ 300,623	$ 219,574
Current	$ -	$ -
Noncurrent	300,623	219,574
	$ 300,623	$ 219,574

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

The Company believed that the above financial asset carried at cost had impairment losses of $22,528 and $82,782 as of December 31, 2016 and 2015, respectively.

9. ACCOUNTS RECEIVABLE, NET

	December 31	
	2016	**2015**
Accounts receivable	$ 424,590	$ 537,356
Receivable from related parties	2,315	7,365
Allowance for doubtful accounts	(76,699)	(1,565)
	$ 350,206	$ 543,156

Accounts receivable

The average credit period on sales of goods was 30 to 60 days without interest. In determining the recoverability of a trade receivable, the Company considered any change in the credit quality of the trade receivable since the date credit was initially granted to the end of the reporting period. Allowance for impairment loss were recognized against trade receivables based on estimated irrecoverable amounts determined by reference to past default experience of the counterparties and an analysis of their current financial position.

Of the trade receivables balance (see the aging analysis below) that are past due at the end of the reporting period, the Company had not recognized an allowance for impairment for notes and trade receivables amounting to $29,034 thousand and $121,854 thousand as of December 31, 2016 and 2015, respectively, because there had been no significant change in credit quality and the amounts were still considered recoverable. The Company did not hold any collateral or other credit enhancements over these balances nor did it have a legal right to make offsets against any amounts owed by the Company to the counter-party. As of March 15, 2017, of the above trade receivables that were past due but not impaired as of December 31, 2016, the Group had received $0 thousand.

The aging of receivables was as follows:

	December 31	
	2016	**2015**
0-60 days	$ 282,096	$ 392,240
61-90 days	38,688	95,480
91-120 days	388	55,278
121-360 days	104,168	1,723
More than 360 days	1,565	-
Total	$ 426,905	$ 544,721

The above aging schedule was based on the invoice date.

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

	December 31 2016	December 31 2015
Less than 60 days	$ -	$ 121,854
More than 90 days	29,034	-
Total	$ 29,034	$ 121,854

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

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

	Individually Impaired	Collectively Impaired	Total
Balance at December 31, 2015	$ 1,565	$ -	$ 1,565
Balance at January 1, 2016	$ 1,565	$ -	$ 1,565
Add: Impairment losses recognized on receivable	75,134	-	75,134
Balance at December 31, 2016	$ 76,699	$ -	$ 76,699

10. INVENTORIES

	December 31 2016	December 31 2015
Finished goods	$ 100,741	$ 143,735
Work in progress	145,971	282,580
Raw materials	10,518	19,038
	$ 257,230	$ 445,353

The costs of inventories recognized as cost of goods sold for the years ended December 31, 2016 and 2015 were $1,136,511 thousand and $1,660,185 thousand, respectively.

The costs of inventories recognized as costs of goods sold for the years ended December 31, 2105 and 2014 were as follows:

	Years Ended December 31 2016	Years Ended December 31 2015
Inventory increment	$ 68,198	$ 136,169
Income from scrap sales	287	210
	$ 68,485	$ 136,379

11. NON-CURRENT ASSETS AND DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE

a. Discontinued operations

On January 20, 2015, the Company's board of directors entered into an agreement to sell the STB (set-top box) product center to Availink, Inc. This sale was completed in March 2015.

Refer to Note 27 for loss on disposal calculations.

Loss from discontinued operations was as follows:

	For the Year Ended December 31, 2015
Net loss for the period	$ (315,011)
Gains on disposal (see Note 27)	287,166
	$ (27,845)

Segment revenue and cash flow results:

	For the Year Ended December 31, 2015
Operating revenue	$ 96,100
Operating costs	(230,623)
Gross loss	(134,523)
Selling and marketing expenses	(1,982)
General and administrative expenses	(4,302)
Research and development expenses	(44,808)
Loss from operations	(185,615)
Other loss	(94,123)
Share of profit of associates	(35,273)
Loss before tax	(315,011)
Income tax expense	-
Net loss for the period	$ (315,011)
Loss from discontinued operations attributable to:	
Owners of the Company	$ (315,011)
Non-controlling interest	-
	$ (315,011)
Net cash used in operating activities	$ (48,216)
Net cash outflows	$ (48,216)

There was no tax expense or benefit related to the loss on discontinued operations.

The carrying amounts of assets and liabilities of the STB product center at the date of disposal are disclosed in Note 27.

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2016	**2015**
Investments in subsidiaries	$ 5,051,524	$ 5,395,609
Investments in associates	323,912	339,023
Investments in jointly controlled entities	-	13,295
	$ 5,375,436	$ 5,747,927

a. Investments in subsidiaries

	December 31	
	2016	**2015**
Listed companies		
Generalplus Technology Corp.	$ 731,737	$ 722,586
Non-listed Company		
Ventureplus Group Inc.	1,456,206	1,699,981
Sunplus Venture Capital Co., Ltd.	846,259	814,205
Lin Shih Investment Co., Ltd.	794,315	897,803
Sunplus Innovation Technology	524,574	515,144
Rusell Holdings Limited	288,020	291,435
iCatch Technology Inc.	197,578	245,948
Sunext Technology	116,471	108,058
Sunplus mMedia Inc.	45,130	48,981
Sunplus mMobile Inc.	30,440	32,373
Wei-Young Investment Inc.	16,517	14,783
Sunplus Management Consulting	4,011	4,061
Magic Sky Limited	221	251
Sunplus Technology (H.K.)	45	-
	$ 5,051,524	$ 5,395,609
Credit balances on the carrying values of long-term investments (recorded as other current liabilities)		
Award Glory Ltd.	$ 11,236	$ -
Sunplus Technology (H.K.)	-	140
	$ 11,236	$ 140

Except for Global Techplus Capital Inc., which was liquidated in September 2013, and Sunplus Management Consulting, the investments accounted for using equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2016 and 2015 were based on the subsidiaries' financial statements audited by the Company's auditors for the same reporting periods as those of the Company. Refer to Note 34 for the detail list of investments in subsidiaries.

The percentage subsidiaries' ownerships and voting right held by the Company:

	December 31	
	2016	**2015**
Listed companies		
Generalplus Technology Corp.	34%	34%
Non-listed Company		
Ventureplus Group Inc.	100%	100%
Lin Shih Investment Co., Ltd.	100%	100%
Sunplus Venture Capital Co., Ltd.	100%	100%
Sunplus Innovation Technology	61%	62%
Rusell Holdings Limited	100%	100%
iCatch Technology Inc.	38%	38%
Sunext Technology	61%	61%
Sunplus mMedia Inc.	87%	87%
Sunplus Core (S2-TEK INC.)	100%	100%
Wei-Young Investment Inc.	100%	100%
Sunplus Management Consulting	100%	100%
Magic Sky Limited	100%	100%
Sunplus Technology (H.K.)	100%	-
Credit balances on the carrying values of long-term investments (recorded as other current liabilities)		
Sunplus Technology (H.K.)	-	100%
Award Glory Ltd.	100%	-

b. Investments in associates

	December 31	
	2016	**2015**
Listed companies		
Global View Co., Ltd.	$ 323,912	$ 339,023

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

	December 31	
Name of Associate	**2016**	**2015**
Global View Co., Ltd.	13%	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 FocalTech swapped 1 common share for 4.8 common shares of Orise. After the merger, the Group had a gain of $889,145 thousand, but the Group's equity interest in Orise decreased from 34% to 12%, resulting in the Group's losing significant influence on Orise. Thus, the Group reclassified its investment in Orise to available-for-sale financial asset. Orise was renamed FocalTech Systems in January 2015.

In their meeting on June 17, 2014, the board of directors of Global View Co., Ltd. ("Global") elected a Company 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, which were based on the closing prices of those investments at the balance sheet date, are summarized as follows:

	December 31	
	2016	2015
Global View Co., Ltd.	$ 311,896	$ 252,233

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

	December 31	
	2016	2015
Total assets	$ 1,640,940	$ 1,678,504
Total liabilities	$ 132,352	$ 54,232

	Years Ended December 31	
	2016	2015
Revenue	$ 219,613	$ 27,550
Profit for the period	$ 69,013	$ (16,446)
Comprehensive income	$ 153,633	$ 106,589
Share of profits (loss) of associates accounted for using the equity method	$ 20,068	$ 18,145

The amounts of share of profits of associates are based on the associates' financial statements audited by the auditors.

c. Investments in jointly controlled entities

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

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

Due to the market price competition and the resignation of R&D personnel, S2-Tek Inc. could not develop new products. Thus, in their meeting on January 25, 2016, the shareholders approved a resolution to shut down the business of this investee.

SZ-Tech Inc. was liquidated on May 3, 2016. The Company recognized $414 thousand in loss on disposal of the investment according to the estimated amount of surplus properties distributed less the book value of the investment.

Company	December 31 2016	December 31 2015
Jointly controlled entities		
S2-Tek Inc.	$ -	$ 13,295

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

	December 31, 2015
Current assets	$ 938,782
Noncurrent assets	$ 18
Current liabilities	$ 353,473
Noncurrent liabilities	$ -

	Years Ended December 31, 2015
Sales	$ 1,039,015
Costs of sales	$ 779,526
Operating expenses	$ 278,128
Nonoperating income and expenses	$ 478,977
Income tax expense	$ -
Share of profit or loss of joint ventures	$ 10,469
Share of comprehensive income of joint ventures	$ 10,469

13. PROPERTY, PLANT AND EQUIPMENT

	Year Ended December 31, 2015					
	Buildings	Auxiliary Equipment	Machinery and Equipment	Testing Equipment	Furniture and Fixtures	Total
Cost						
Balance, beginning of year	$ 973,804	$ 54,484	$ 11,119	$ 142,666	$ 25,705	$ 1,207,778
Additions	-	4,817	627	44,511	4,466	54,421
Disposals	(4,599)	(5,379)	(9,272)	(50,615)	(6,321)	(76,186)
Balance, end of year	969,205	53,922	2,474	136,562	23,850	1,186,013
Accumulated depreciation and Impairment						
Balance, beginning of year	268,064	36,426	9,994	110,103	8,093	432,680
Depreciation expense	20,034	5,115	758	50,731	5,114	81,752
Disposals	(4,599)	(5,379)	(9,272)	(47,709)	(6,397)	(73,356)
Balance, end of year	283,499	36,162	1,480	113,125	6,810	441,076
Net, end of year	$ 685,706	$ 17,760	$ 994	$ 23,437	$ 17,040	$ 744,937

	Year Ended December 31, 2016					
	Buildings	Auxiliary Equipment	Machinery and Equipment	Testing Equipment	Furniture and Fixtures	Total
Cost						
Balance, beginning of year	$ 969,205	$ 53,922	$ 2,474	$ 136,562	$ 23,850	$ 1,186,013
Additions	-	4,890	-	38,477	4,451	47,818
Disposals	-	(11,491)	(1,306)	(3,767)	(750)	(17,314)
Balance, end of year	969,205	47,321	1,168	171,272	27,551	1,216,517
Accumulated depreciation and Impairment						
Balance, beginning of year	283,499	36,162	1,480	113,125	6,810	441,076
Depreciation expense	19,721	4,862	396	40,106	5,485	70,570
Disposals	-	(11,491)	(1,306)	(3,727)	(750)	(17,274)
Balance, end of year	303,220	29,533	570	149,504	11,545	494,372
Net, end of year	$ 665,985	$ 17,788	$ 598	$ 21,768	$ 16,006	$ 722,145

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

Buildings	35-56 years
Auxiliary equipment	4-11 years
Machinery and equipment	4 years
Testing equipment	1-5 years
Furniture and fixtures	3-5years

Refer to Note 32 for the carrying amounts of property, plant and equipment that had been pledged by the Company to secure borrowings.

14. INTANGIBLE ASSETS

	Year Ended December 31, 2015			
	Technology License Fees	Software	Patents	Total
Cost				
Balance at January 1	$ 318,068	$ 22,833	$ 97,099	$ 438,000
Additions	9,518	3,451	-	12,969
Decrease	(116,305)	(3,261)	-	(119,566)
Balance at December 31	211,281	23,023	97,099	331,403
Accumulated amortization				
Balance at January 1	149,446	7,527	63,383	220,356
Amortization expense	18,704	7,632	5,395	31,731
Decrease	(96,826)	(2,736)	-	(99,562)
Balance at December 31	71,324	12,423	68,778	152,525

(Continued)

	Year Ended December 31, 2015			
	Technology License Fees	**Software**	**Patents**	**Total**
Accumulated deficit				
Balance at January 1	$ 17,013	$ -	$ -	$ 17,013
Additions	94,123	-	-	94,123
Balance at December 31	111,136	-	-	111,136
Carrying amounts at December 31, 2015	$ 28,821	$ 10,600	$ 28,321	$ 67,742

(Concluded)

	Year Ended December 31, 2016			
	Technology License Fees	**Software**	**Patents**	**Total**
Cost				
Balance at January 1	$ 211,281	$ 23,023	$ 97,099	$ 331,403
Additions	24,166	5,729	-	29,895
Decrease	-	(8,993)	-	(8,993)
Balance at December 31	235,447	19,759	97,099	352,305
Accumulated amortization				
Balance at January 1	71,324	12,423	68,778	152,525
Amortization expense	15,105	8,640	5,395	29,140
Decrease	-	(8,993)	-	(8,993)
Balance at December 31	86,429	12,070	74,173	172,672
Accumulated deficit				
Balance at January 1	111,136	-	-	111,136
Additions	-	-	-	-
Balance at December 31	111,136	-	-	111,136
Carrying amounts at December 31, 2016	$ 37,882	$ 7,689	$ 22,926	$ 68,497

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.

The company recognized impairment loss on above intangible assets $0 and $94,123 thousand as of December 31, 2016 and 2015 respectively.

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

Technology license fees	1-10 years
Software	1-5 years
Patents	18 years

15. OTHER ASSETS

	December 31 2016	December 31 2015
Pledged time deposits	$ 70,600	$ 6,100
Prepayment for technical authorization	35,683	-
Prepayment for EDA	22,615	15,569
Golf club passports	7,800	7,800
Prepayment for royalties	5,990	7,004
Refundable deposits	258	258
Other	6,017	2,279
	$ 148,963	$ 39,010
Current	$ 134,805	$ 24,852
Noncurrent	14,158	14,158
	$ 148,963	$ 39,010

16. LOANS

a. Short-term borrowings

	December 31 2016	December 31 2015
Unsecured borrowings		
Bank loans	$ 37,500	$ -

The weighted average effective interest rate on the bank loans as of December 31, 2016 was 1.10%.

b. Long-term borrowings

The borrowings of the Company were as follows:

	December 31 2016	December 31 2015
Loans on credit	$ 868,056	$ 1,123,750
Secured borrowings	77,776	233,332
	945,832	1,357,082
Less: Current portion	416,665	457,500
Long-term borrowings - noncurrent	$ 529,167	$ 899,582

Under the loan contracts, the Company provided shares of Focal Tech Technology Co., Ltd. as collaterals for the above loans (Note 32).

The effective rate borrowings as of December 31 2016 and 2015 were 1.545%-1.850%, and 1.705%-1.920%.

The loan contracts require the Company to maintain certain financial ratios, such as debt ratio and current ratio as well as a restriction on net tangible assets in 2015 and 2016. However, the Company's not being able to meet the ratio requirement would not be deemed to be a violation of the contracts. As of December 31, 2016, the Company was in compliance with these financial ratio requirements.

17. ACCOUNTS AND NOTES PAYABLE

	December 31	
	2016	2015
Accounts payable		
Payable - operating	$ 144,804	$ 120,424

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

18. PROVISIONS

	December 31	
	2016	2015
Customer returns and rebates	$ 9,154	$ 9,319

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.

19. OTHER LIABILITIES

	December 31	
	2016	2015
Other payables		
Salaries or bonuses	$ 109,694	$ 130,918
Payable for royalties	54,280	36,841
Credit balances on the carrying values of long-term investments	11,236	140
Payable on machinery and equipment	10,433	17,412
Labor/health insurance	7,983	8,672
Compensation due to directors and supervisors	3,105	15,222
Others	94,069	40,689
	$ 290,800	$ 249,894
Current	$ 290,800	$ 249,444
Noncurrent	-	450
	$ 290,800	$ 249,894

20. RETIREMENT BENEFIT PLANS

Defined contribution plans

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

Defined benefit plans

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

The amounts included in the balance sheets in respect of the Company's defined benefit plans were as follows:

	December 31	
	2016	2015
Present value of funded defined benefit obligation	$ 159,999	$ 156,963
Fair value of plan assets	(150,994)	(149,789)
Net defined benefit liability	$ 9,005	$ 7,174

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

	Present Value of Funded Defined Benefit Obligation	Fair Value of Plan Assets	Net Liability Arising from Defined Benefit Obligation
Balance at January 1, 2015	$ 162,927	$ 143,061	$ 19,866
Service cost			
Current service cost	1,034	-	1,034
Disposal gain	(11,649)	-	(11,649)
Interest expense(income)	3,259	2,895	364
Recognized in profit or loss	(7,356)	2,895	(10,251)
Remeasurement			
Return on plan assets	-	958	(958)
Actuarial (gain) loss-experience adjustment	1,392	-	1,392
Recognized in other comprehensive income	1,392	958	434
Contributions from employer	-	2,875	(2,875)
Balance at December 31, 2015	$ 156,963	$ 149,789	$ 7,174

(Continued)

	Present Value of Funded Defined Benefit Obligation	Fair Value of Plan Assets	Net Liability Arising from Defined Benefit Obligation
Balance at January 1, 2016	$ 156,963	$ 149,789	$ 7,174
Service cost			
Current service cost	581	-	581
Disposal gain	-	-	-
Interest expense	2,747	2,647	100
Recognized in profit or loss	3,328	2,647	681
Remeasurement			
Return on plan assets	-	(1,250)	1,250
Actuarial (gain) loss-changes in financial assumptions	3,478	-	3,478
Adjustment on actuarial (gain) loss-experience adjustment	(842)	-	(842)
Recognized in other comprehensive income	2,636	(1,250)	3,886
Contributions from employer	-	2,736	(2,736)
Disposals	(2,928)	(2,928)	-
Balance at December 31, 2016	$ 159,999	$ 150,994	$ 9,005

(Concluded)

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

	For the Year Ended December 31	
	2016	2015
Operating costs	$ 188	$ 417
Selling and marketing expenses	6	11
General and administrative expenses	219	463
Research and development expenses	268	(11,138)
	$ 681	$ (10,247)

The above expense recognized in profit or loss was due to the Company's sale of the STB (set-top box) product center in March 2015, resulting in the layoff of this center's employees. The Company recognized a disposal gain of $11,649 thousand and recognized $1,606 thousand as defined benefit obligation remeasurement under other comprehensive income.

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

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

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

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

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

	December 31	
	2016	**2015**
Discount rate(s)	1.60%	1.75%
Expected rate(s) of salary increase	4.00%	4.00%
Resignation rate	0%-28%	0%-28%

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

	December 31	
	2016	**2015**
Discount rate(s)		
0.25% increase	$ (5,744)	$ (5,918)
0.25% decrease	$ 6,013	$ 6,216
Expected rate(s) of salary increase		
1% increase	$ 25,004	$ 25,899
1% decrease	$ (21,284)	$ (21,896)

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

	December 31	
	2016	**2015**
The expected contributions to the plan for the next year	$ 2,734	$ 2,875
The average duration of the defined benefit obligation	17 years	18 years

21. EQUITY

Share capital

Common shares:

	December 31	
	2016	**2015**
Numbers of shares authorized (in thousands)	1,200,000	1,200,000
Shares authorized	$ 12,000,000	$ 12,000,000
Number of shares issued and fully paid (in thousands)	591,995	591,995
Shares issued	$ 5,919,949	$ 5,919,949

Fully paid common shares, which have a par value of $10.00, carry one vote per share and a right to dividends.

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

Capital surplus

A reconciliation of the carrying amount at the beginning and at the end of 2016 and 2015 for each component of capital surplus was as follows:

	December 31	
	2016	**2015**
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (a)		
From the issuance of common shares	$ 703,376	$ 703,376
From the acquisition of a subsidiary	157,423	157,423
The difference between consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	10,625	-
May be used to offset a deficit only		
From treasury share transactions	39,686	36,518
	$ 911,110	$ 897,317

a. Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and once a year).

Retained earnings and dividend policy

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

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

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

Under the regulations promulgated, a special reserve equivalent to the debit balance of any account shown in the shareholders' equity section of the balance sheet (for example, unrealized loss on financial assets and cumulative translation adjustments) should be allocated from unappropriated retained earnings. For the policies on distribution of employees' compensation and remuneration to directors and supervisors before and after amendment, please refer to Note 23-5.

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

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

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

The appropriations from the 2015 and 2014 earnings were approved at the shareholders' meetings on June 13, 2016 and June 12, 2015, respectively. The appropriations, including dividends, were as follows:

	Appropriation of Earnings		**Dividends Per Share (NT$)**	
	For Year 2015	**For Year 2014**	**For Year 2015**	**For Year 2014**
Unappropriated retain earnings to cover losses	$ -	$ 12,806	$ -	$ -
Legal reserve	58,935	41,058	-	-
Special reserve	4,094	(4,806)	-	-
Cash dividend	526,875	355,198	0.89	0.6

The appropriations of earnings, the bonus to employees, and the remuneration to directors and supervisors for 2015 are subject to the resolution of the shareholders' meeting to be held on March 15, 2017.

	Appropriation of Earnings	**Dividends Per Share (NT$)**
Legal reserve	$ 9,974	$ -
Special reserve	1,068	-
Cash dividend	88,681	0.1498

Other equity items

Foreign currency translation reserve:

	Years Ended December 31	
	2016	**2015**
Balance at January 1	$ 97,509	$ 128,258
Exchange differences arising on translating the foreign operations	(159,571)	(30,749)
Balance at December 31	$ (62,602)	$ 97,509

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

	Years Ended December 31	
	2016	**2015**
Balance at January 1	$ 233,983	$ 181,674
Changes in fair value of available-for-sale financial assets	109,205	(721,838)
Cumulative gain/loss reclassified to profit or loss upon disposal of available-for-sale financial assets	(108,423)	(33,590)
Reclassification adjustments to profit or loss on impairment of available-for-sale financial assets	71,740	809,661
The proportionate share of other comprehensive income/losses reclassified to profit or loss upon partial disposal of associates	-	(41)
Share of unrealized gain on revaluation of jointly controlled entities accounted for using the equity method	(43)	(1,883)
Balance at December 31	$ 306,462	$ 233,983

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.

No controlling interests

Purpose of Buyback	**Shares Transferred to Employees (in Thousands of Shares)**	**Shares Held by Its Subsidiaries (in Thousands of Shares)**	**Total (in Thousands of Shares)**
Number of shares as of January 1, 2015	-	3,560	3,560
Decrease	-	-	-
Number of shares as December 31, 2015	-	3,560	3,560
Number of shares as of January 1, 2016	-	3,560	3,560
Decrease	-	-	-
Number of shares as December 31, 2016	-	3,560	3,560

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

	Number of Shares Held (In Thousand)	**Carrying Amount**	**Market Price**
December 31, 2016			
Lin Shin Investment Co., Ltd	3,560	$ 63,401	$ 40,406
December 31, 2015			
Lin Shin Investment Co., Ltd	3,560	$ 63,401	$ 41,474

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

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, 2016, the outstanding 176 thousand units of GDRs represented 352 thousand common shares.

22. REVENUE

	Years Ended December 31	
	2016	**2015**
Revenue from IC	$ 1,793,520	$ 2,535,227
Other	110,704	136,165
	$ 1,904,224	$ 2,671,392

23. NET PROFIT

Net profit included the following items:

a. Other income

	Years Ended December 31	
	2016	**2015**
Dividend income	$ 14,715	$ 18,255
Interest income	5,983	10,599
Grand income	2,468	8,667
Others	26,920	27,871
	$ 50,086	$ 65,392

b. Other gains and losses

	Years Ended December 31	
	2016	**2015**
Gain on disposal of available-for-sale financial assets	$ 108,956	$ 33,590
Service income of management support	39,016	41,964
(Loss) gain on disposal of investment accounted for using equity method	(414)	889,145
Net foreign exchange (losses) gains	(5,140)	17,287
Impairment loss on financial assets carried at cost	(22,528)	(82,782)
Impairment loss on available-for-sale financial assets	(71,740)	(809,661)
	$ 48,150	$ 89,543

c. Finance costs

	Years Ended December 31 2016	2015
Interest on bank loans	$ 19,782	$ 23,510
Other financial costs	810	744
	$ 20,592	$ 24,254

d. Depreciation and amortization

	Years Ended December 31 2016	2015
Property, plant and equipment	$ 70,570	$ 81,752
Intangible assets	29,140	31,731
	$ 99,710	$ 113,483
An analysis of depreciation by function		
Operating costs	$ 4,565	$ 6,279
Operating expenses	66,005	75,473
	$ 70,570	$ 81,752
An analysis of amortization by function		
Operating costs	$ 736	$ 851
Selling expenses	2	1
Administrative expenses	6,242	5,214
Research and development expenses	22,160	25,665
	$ 29,140	$ 31,731

e. Employee benefit expense

	Years Ended December 31 2016	2015
Short-term benefits	$ 502,698	$ 583,387
Post-employment benefits		
Defined contribution plans	20,724	21,057
Defined benefit plans	681	(10,247)
Other employee benefits	3,145	4,533
Total employee benefit expense	$ 527,248	$ 598,730
An analysis of employee benefit expense by function		
Operating costs	$ 83,406	$ 104,268
Operating expenses	443,842	494,462
	$ 527,248	$ 598,730

1) Employees' compensation and remuneration of directors and supervisors for 2016 and 2015

Under the Company Act as amended in May 2015, the Company resolved amendments to its Articles of Incorporation to distribute employees' compensation and remuneration of directors at rates of no less than 1% and no higher than 1.5%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. The employees' compensation and remuneration of directors and supervisors for the years ended December 31, 2016 and 2015 which were approved by the Company's board of directors on March 15, 2017 and March 23, 2016, respectively, were as follows:

Accrual rate

	For the Year Ended December 31	
	2016	2015
Employees' compensation	1%	1%
Remuneration of directors	1.5%	1.5%

Amount

	For the Year Ended December 31			
	2016		2015	
	Cash	Share	Cash	Share
Employees' compensation	$ 1,242	$ -	$ 6,089	$ -
Remuneration of directors	1,863	-	9,133	-

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

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

Information on the employees' compensation and remuneration of directors resolved by the Company's board of directors in 2017 and 2016 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

2) Bonus to employees and remuneration of directors and supervisors for 2014

The appropriations of bonuses to employees and remuneration of directors and supervisors for 2014 were approved in the shareholders' meetings on June 12, 2015 and were as follows:

	For the Year Ended December 31, 2014	
	Cash Dividends	Share Dividends
Bonus to employees	$ 191	$ -
Remuneration of directors and supervisors	287	-

The bonus to employees and the remuneration of directors and supervisors for the years ended December 31, 2014 were approved in the shareholders' meetings on June 12, 2015 and the amounts recognized in the financial statements for the years ended December 31, 2014 were as follows:

	For the Year Ended December 31, 2014	
	Bonus to Employees	Remuneration of Directors and Supervisors
Amounts approved in shareholders' meetings	$ 191	$ 287
Amounts recognized in respective financial statements	110	165

The differences were adjusted to profit and loss for the year ended December 31, 2015.

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

f. Gain or loss on exchange rate changes

	Years Ended December 31	
	2016	2015
Exchange rate gains	$ 53,188	$ 93,366
Exchange rate losses	(58,328)	(76,079)
	$ (5,140)	$ 17,287

24. INCOME TAXES

a. Income tax recognized in profit or loss

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

	Years Ended December 31	
	2016	2015
Current tax		
Current period	$ 889	$ 3,732
Deferred tax		
Current period	-	575
Income tax expense recognized in profit or loss	$ 889	$ 4,307

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

	Years Ended December 31	
	2016	2015
Profit before tax	$ 121,076	$ 621,500
Income tax expense at the 17% statutory rate	$ 20,583	$ 105,655
Tax effect of adjusting items:		
Nondeductible expenses	(42,189)	(173,890)
Temporary differences	9,042	143,845
Income tax on unappropriated earnings	-	1,339
Tax-exempt income	(67)	-
Current income tax expense	(12,631)	76,949
Deferred income tax expense		
Temporary differences	-	575
Investment credits	-	-
Unrecognized (loss carryforwards) investment credit	12,631	(75,610)
Foreign income tax expense	889	2,393
Income tax benefit (expense) recognized in profit or loss	$ 889	$ 4,307

The applicable tax rate used above is the corporate tax rate of 17% payable by the Company.

As the status of 2017 appropriations of earnings is uncertain, the potential income tax consequences of 2016 10% additional income tax on unappropriated earnings are not reliably determinable.

b. Current tax assets and liabilities

	December 31	
	2016	2015
Current tax assets		
Tax refund receivable	$ 3,073	$ 3,073
Current tax liabilities		
Income tax payable	$ -	$ 297

c. Deferred tax assets and liabilities

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

For the year ended December 31, 2016

Deferred Tax Assets	Opening Balance	Recognized in Profit or Loss	Closing Balance
Temporary differences			
Accrued absences compensation	$ (1,869)	$ 1,869	$ -
Depreciation expense	3,852	(959)	2,893
Unrealized loss on inventories	(49)	49	-
Exchange (gains) losses	76	(89)	(13)
Others	475	(870)	(395)
	$ 2,485	$ -	$ 2,485

For the year ended December 31, 2015

Deferred Tax Assets	Opening Balance	Recognized in Profit or Loss	Closing Balance
Temporary differences			
Accrued absences compensation	$ (912)	$ (957)	$ (1,869)
Depreciation expense	5,014	(1,162)	3,852
Unrealized loss on inventories	627	(676)	(49)
Intangible assets	(2,499)	2,499	-
Deferred credits	187	(187)	-
Exchange (gains) losses	(151)	227	76
Others	794	(319)	475
	$ 3,060	$ (575)	$ 2,485

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

	December 31	
	2016	2015
Loss Carryforwards		
Expiry in 2019	$ 368,314	$ -
Expiry in 2020	437,687	202,943
Expiry in 2021	621,262	621,262
Expiry in 2022	518,243	518,243
Expiry in 2023	1,231,503	1,231,503
Expiry in 2024	84,824	81,883
Expiry in 2025	145,422	-
Expiry in 2026	74,298	-
	$ 3,481,553	$ 2,655,834
Deductible temporary differences	$ 344,402	$ 363,485

e. Unused loss carryforwards and tax exemptions

Loss carryforwards as of December 31, 2016:

Unused Amount	Expiry Year
$ 368,314	2019
437,687	2020
621,262	2021
518,243	2022
1,231,503	2023
84,824	2024
145,422	2025
74,298	2026
$ 3,481,553	

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

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

f. Integrated income tax

	December 31	
	2016	2015
Imputation credit accounts	$ 243,091	$ 313,104

	For the Year Ended December 31	
	2016 (Expected)	2015
Creditable ratio for distribution of earnings	21.91%	20.91%

g. Income tax assessments

The income tax returns of the Company before 2012 had been assessed by the tax authorities.

25. EARNINGS PER SHARE

Unit: NT$ Per Share

	Years Ended December 31	
	2016	2015
Basic gain per share		
From continuing operations	$ 0.20	$ 1.05
From discontinued operations	-	(0.05)
Total basic earnings per share	$ 0.20	$ 1.00
Diluted earnings per share		
From continuing operations	$ 0.20	$ 1.05
From discontinued operations	-	(0.05)
Total diluted earnings per share	$ 0.20	$ 1.00

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

Net Profit for the Period

	Years Ended December 31	
	2016	2015
Profit for the year attributable to owners of the Group	$ 120,187	$ 589,348
Earnings used in the computation of basic EPS	120,187	589,348
Less: Loss for the period from discontinued operations used in the computation of basic EPS from discontinued operation	-	(27,845)

(Continued)

	Years Ended December 31	
	2016	2015
Earnings used in the computation of basic EPS from continuing operations	$ 120,187	$ 617,193
Effect of potentially dilutive ordinary shares		
Bonus to employee	-	-
Earnings used in the computation of diluted EPS from continuing operations	$ 120,187	$ 617,193

(Concluded)

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

	Years Ended December 31	
	2016	2015
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 bonus	215	528
Weighted average number of common shares used in the computation of diluted earnings per share	$ 588,650	$ 588,963

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

26. GOVERNMENT GRANTS

In June 2014, the Company signed a contract with the Institute for Information Industry for the Company to develop an IC (integrated circuit) sensor for electrocardiograms with low power consumption and noise and an SDK (software development kit) system for electrocardiograms as well as hardware development. The program started from November 7, 2013 and was ended on May 6, 2015. As of December 31, 2015, the government grants received had amounted to $6,199 thousand, which was classified under non-operating income and gains.

The Company and H.P.B Optoelectronics Co., Ltd. and National Yunlin University science and Technology Department of Electronic Engineering Cosigned the contract of [The program of HD and 3D mobile panoramic assist system with real time correction] with Hsinchu Science Park Administration, MOST, on July, 2015. The government grants will distribute to those organizations based on the process of the program. The program started from July 1, 2015 to June 30, 2016. As of December 31, 2016 and 2015, the government grants received was amounted to $2,468 thousand and was classified to non-operating income and gains.

27. DISPOSAL OF SUBSIDIARIES

As stated in Note 11, the Group lost its control over Sunplus Core Technology Co., Ltd. and disposed of another subsidiary. Related information is as follows:

	STB Product Center
a. Consideration received from the disposal	$ 330,000
b. Analysis of assets and liabilities on the date control was lost	
Current assets	
Prepaid royalty	$ 20,000
Noncurrent assets	
Property, plant and equipment	2,830
Intangible asset	20,004
Net assets disposed of	$ 42,834

Gain on disposal of subsidiary $287,166 thousand included loss on discontinuing segment (Note 11).

28. OPERATING LEASE ARRANGEMENTS

The Company as lessee

Operating leases relate to leases of land with lease terms between 20 years. All operating lease contracts over 5 years contain clauses for 5-yearly market rental reviews. The Company does not have a bargain purchase option to acquire the leased land at the expiry of the lease periods.

The Company leases lands from Science-Based Industrial Park Administration (SBIPA) under renewable agreements expiring in December 2020, December 2021 and December 2034. The SBIPA has the right to adjust the annual lease amount. The amount was $7,781 thousand for the period ended. The Company had pledged $6,100 thousand time deposits (classified as other non-current assets) as collateral for the land lease agreements.

Future annual minimum rentals under the leases are as follows:

	December 31	
	2016	2015
Up to 1 year	$ 7,781	$ 7,815
Over 1 year to 5 years	29,091	31,262
Over 5 years	40,660	45,692
	$ 77,532	$ 84,769

29. CAPITAL MANAGEMENT

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

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

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

30. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments not carried at fair value

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

December 31, 2016

		Fair Value			
	Carrying Amount	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets					
Financial assets carried at cost	$ 300,623	$ -	$ -	$ -	$ -

December 31, 2015

		Fair Value			
	Carrying Amount	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets					
Financial assets carried at cost	$ 219,574	$ -	$ -	$ -	$ -

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

1) Fair value hierarchy

December 31, 2016

	Level 1	**Level 2**	**Level 3**	**Total**
Available-for-sale financial assets				
Mutual funds	$ 531,277	$ -	$ -	$ 531,277
Securities listed in ROC	773,289	-	-	773,289
	$ 1,304,566	$ -	$ -	$ 1,304,566

December 31, 2015

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Mutual funds	$ 436,970	$ -	$ -	$ 436,970
Securities listed in ROC	1,295,103	-	-	1,295,103
	$ 1,732,073	$ -	$ -	$ 1,732,073

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

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

The fair value of financial instruments which has standard clause and will been transacted in active market is according to market value including public convertible bond, equity investment and mutual funds.

c. Categories of financial instruments

	December 31, 2016	December 31, 2015
Financial assets		
Loans and receivables (i)	$ 2,344,343	$ 2,366,198
Available-for-sale financial assets (ii)	1,605,189	1,951,647
Financial liabilities		
Measured at amortized cost (iii)	1,190,817	1,568,345

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

(ii) The balance included the carrying amount of available - for - sale financial assets measured at cost.

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

d. Financial risk management objectives and policies

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

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

1) Market risk

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

a) Foreign currency risk

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

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

The carrying amounts of the Company's foreign currency-denominated monetary assets and monetary liabilities at the end of the reporting period, please refers to Note 33.

Sensitivity analysis

The Company was mainly exposed to the USD and RMB.

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

	USD Impact	
	Years Ended December 31	
	2016	**2015**
Profit or loss	$(12,404)	$(17,301)

	RMB Impact	
	Years Ended December 31	
	2016	**2015**
Profit or loss	$ (1,149)	$(11,458)

b) Interest rate risk

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

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

	December 31	
	2016	**2015**
Fair value interest rate risk		
Financial assets	$ 1,223,100	$ 1,075,550
Financial liabilities	-	-
Cash flow interest rate risk		
Financial assets	804,673	739,304
Financial liabilities	945,832	1,357,082

Sensitivity analysis

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

Had interest rates increased/decreased by 0.125% basis point and all other variables held constant, the Company's post-tax profit for the years ended December 31, 2016 and 2015 would decrease/increase by $176 thousand and $772 thousand.

c) Other price risk

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

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

Had equity prices been 1% higher/lower, post-tax profit for the years ended December 31, 2016 and 2015 would have increased/decreased by $13,046 thousand and $17,320 thousand.

2) Credit risk

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

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

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

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

The Company's concentration of credit risk of 87% and 89% in total trade receivables as of December 31, 2016 and 2015, respectively, was related to the five largest customers within the property construction business segment.

3) Liquidity risk

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

The Company relies on bank borrowings as a significant source of liquidity. As of December 31, 2016 and 2015, the Company had available unutilized overdraft and financing facilities refer to the following instruction.

a) Liquidity and interest risk rate tables

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

December 31, 2016

	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
Non-derivative Financial liabilities						
Noninterest bearing	-	$ -	$ 285,584	$ -	$ -	$ -
Variable interest rate liabilities	1.545~1.850	788	162,498	254,167	529,167	-
Fixed interest rate liabilities	0.8	21	-	-	-	63,145
		$ 809	$ 448,802	$ 254,167	$ 529,167	$ 63,145

December 31, 2015

	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
Non-derivative Financial liabilities						
Noninterest bearing	-	$ -	$ 208,750	$ -	$ -	$ -
Variable interest rate liabilities	1.705-1.920	1,056	96,528	360,972	899,582	-
Fixed interest rate liabilities	0.8	-	-	-	-	90,878
		$ 1,056	$ 305,278	$ 360,972	$ 899,582	$ 90,878

b) Financing facilities

	December 31 2016	December 31 2015
Unsecured bank overdraft facility		
Amount used	$ 945,832	$ 1,619,682
Amount unused	2,446,440	2,322,150
	$ 3,392,272	$ 3,914,832

31. TRANSACTIONS WITH RELATED PARTIES

a. Sales of goods

Account Items	Related Parties Types	For the Year Ended December 31 2016	For the Year Ended December 31 2015
Sales of goods	Subsidiaries	$ 24,220	$ 24,721
	Joint ventures	219	45,696
		$ 24,439	$ 70,417

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

Account Item	Related Party	December 31 2016	December 31 2015
Trade receivables	Subsidiaries	$ 2,315	$ 6,615
	Joint ventures	-	750
		$ 2,315	$ 7,365
Other receivable	Subsidiaries	$ 6,883	$ 3,489
	Joint ventures	-	1,262
		$ 6,883	$ 4,751

There were no guarantees on outstanding receivables from related parties.

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

Account Item	Related Party	December 31 2016	December 31 2015
Other current liabilities	Subsidiaries	$ -	$ 739

d. Property, plant and equipment disposed of

Related Party	Proceeds of the Disposal of Assets — For the Year Ended December 31		Gain on Disposal of Assets — For the Year Ended December 31	
	2016	2015	2016	2015
Subsidiaries	$ 40	$ -	$ -	$ -

e. Other transactions with related parties

Account Item	Related Parties Types	For the Year Ended December 31	
		2016	2015
Operating expenses	Subsidiaries	$ 1,332	$ 2,917
	Joint ventures	-	13,931
		$ 1,332	$ 16,848
Nonoperating income and expenses	Subsidiaries	$ 39,774	$ 33,633
	Joint ventures	1,808	16,275
		$ 41,582	$ 49,908

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.

f. Compensation of key management personnel

	For the Year Ended December 31	
	2016	2015
Short-term employee benefits	$ 20,989	$ 18,263
Post-employment benefits	269	399
	$ 21,258	$ 18,662

Compensation of directors and other supervisors decided by individual performance and market trend from Remuneration Committee.

32. 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	
	2016	2015
Buildings, net	$ 653,940	$ 673,342
Pledged time deposits (classified to other assets, including current and noncurrent)	70,600	6,100
	$ 724,540	$ 679,442

33. 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, 2016

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 16,183	32.250	$ 521,902
HKD	13,699	4.158	56,960
CNY	1,158	4.167	5,346
JPY	74	0.267	20
GBP	3	39.610	119
Nonmonetary items subsidiaries accounted for using equity method			
USD	8,938	32.250	288,251
HKD	11	4.617	46
Financial liabilities			
Monetary items			
USD	3,779	32.250	121,873
CNY	9	4.617	42
EUR	22	33.900	746

December 31, 2015

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 22,163	32.825	$ 727,500
CNY	11,467	4.995	57,278
JPY	177	0.273	48
HKD	11	4.235	47
GBP	3	48.670	146
EUR	1	35.880	36
Nonmonetary items subsidiaries accounted for using equity method			
USD	8,886	32.825	291,683
Financial liabilities			
Monetary items			
USD	4,862	32.825	159,595
CNY	9	4.995	45
Nonmonetary items subsidiaries accounted for using equity method			
HKD	33	4.235	140

The significant unrealized foreign exchange gains (losses) were as follows:

	2016		2015	
Foreign Currencies	Exchange Rate	Net Foreign Exchange Gain (Loss)	Exchange Rate	Net Foreign Exchange Gain (Loss)
RMB	4.617 (RMB:NTD)	$ (22)	4.995 (RMB:NTD)	$ (2,429)
USD	32.250 (USD:NTD)	(456)	32.825 (USD:NTD)	(16,651)
		$ (478)		$ (19,080)

34. ADDITIONAL DISCLOSURES

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

1) Financings provided: Table 1 (attached)

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

3) Marketable securities held: Table 3 (attached)

4) Marketable securities acquired and disposed of at costs or prices of at least $100 million or 20% of the paid-in capital. Table 4 (attached)

5) Information on investee: Table 5 (attached)

b. Information on investments in mainland China

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

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

TABLE 1

SUNPLUS TECHNOLOGY COMPANY LIMITED

FINANCINGS PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate	Nature of Financing	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Bad Debt	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limit
													Item	Value		
1	Ventureplus Cayman Inc.	Sunplus Prof-tek Technology (Shenzhen)	Other receivables	Yes	$ 45,403	$ -	$ -	2.37%	Note 1	$ -	Note 2	$ -	-	$ -	$ 145,616 (Note 11)	$ 291,232 (Note 11)
1	Ventureplus Cayman Inc.	Sun Media Technology Co., Ltd.	Other receivables	Yes	113,558	113,558	74,624	2.27%-2.28%	Note 1	-	Note 3	-	-	-	145,616 (Note 11)	291,232 (Note 11)
1	Ventureplus Cayman Inc.	Ytrip Technology Co., Ltd.	Other receivables	Yes	37,475	-	-	2.20%-2.60%	Note 1	-	Note 4	-	-	-	72,808 (Note 12)	145,616 (Note 12)
2	Sunplus Technology (Shanghai) Co., Ltd.	1culture Communication Co., Ltd	Receivables from related parties	Yes	1,150	-	-	1.80%	Note 1	-	Note 5	-	-	-	25,409 (Note 13)	50,817 (Note 13)
2	Sunplus Technology (Shanghai) Co., Ltd	Ytrip Technology Co., Ltd.	Receivables from related parties	Yes	3,497	-	-	1.80%	Note 1	-	Note 6	-	-	-	25,409 (Note 13)	50,817 (Note 13)
2	Sunplus Technology (Shanghai) Co., Ltd.	Sunplus APP Technology	Receivables from related parties	Yes	25,266	14,985	14,985	1.80%	Note 1	-	Note 7	-	-	-	25,409 (Note 13)	50,817 (Note 13)
2	Sunplus Technology (Shanghai) Co., Ltd.	Sunplus Technology (Beijing)	Receivables from related parties	Yes	14,985	14,985	14,985	1.80%	Note 1	-	Note 8	-	-	-	304,904 (Note 14)	304,904 (Note 14)
2	Sunplus Technology (Shanghai) Co., Ltd.	Sunplus Prof-tek Technology (Shenzhen)	Receivables from related parties	Yes	14,985	14,985	14,985	1.80%	Note 1	-	Note 9	-	-	-	304,904 (Note 14)	304,904 (Note 14)
2	Sunplus Technology (Shanghai) Co., Ltd.	Sun Media Technology Co., Ltd.	Receivables from related parties	Yes	154,845	104,895	104,895	1.60%	Note 1	-	Note 10	-	-	-	304,904 (Note 14)	304,904 (Note 14)

Note 1: Short-term financing.

Note 2: Ventureplus Cayman Inc. provided funds for Sunplus Prof-tek Technology (Shenzhen) to its need of operation.

Note 3: Ventureplus Cayman Inc. provided funds for Sun Media Technology Co., Ltd. to its need of operation.

Note 4: Ventureplus Cayman Inc. provided funds for Ytrip Technology Co., Ltd. to its need of operation.

Note 5: Sunplus Technology (Shanghai) Co., Ltd. provided funds for the operating needs of 1culture Communication Co, .Ltd.

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

Note 7: Sunplus Technology (Shanghai) Co., Ltd. provided funds for the operating needs of Sunplus APP Technology.

Note 8: Sunplus Technology (Shanghai) Co., Ltd. provided funds for the operating needs of Sunplus Technology (Beijing).

Note 9: Sunplus Technology (Shanghai) Co., Ltd. provided funds for the operating needs of Sunplus Prof-tek Technology (Shenzhen).

Note 10: Sunplus Technology (Shanghai) Co., Ltd. provided funds for the operating needs of Sun Media Technology Co., Ltd.

(Continued)

Note 11: 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 20% of Ventureplus Cayman Inc. net equity based on the latest financial statements, and the individual amounts of the guarantee should not exceed 10% of Ventureplus Cayman Inc. net equity based on the latest financial statements; in addition, the guarantee period should not exceed two years.

Note 12: The amount should not exceed 10% of Ventureplus Cayman Inc. net equity based on the latest financial statements, and the individual amounts of the guarantee should not exceed 5% of Ventureplus Cayman Inc. net equity based on the latest financial statements.

Note 13: The aggregate amount should not exceed 10% of the net equity of Sunplus Technology (Shanghai) Co., Ltd. ("Sunplus Shanghai"), and the individual amounts of the guarantee should not exceed 5% of Sunplus Shanghai's net equity, with net equity based on this lender's latest financial statements.

Note 14: The foreign company has voting shares that are directly and indirectly wholly owned by the Company's parent company. The total amounts of all guarantees issued and the individual amounts of the guarantee should not exceed 60% of Sunplus Technology (Shanghai) Co., Ltd.'s net equity as of the latest financial statements; in addition, the guarantee period should not exceed two years.

(Concluded)

SUNPLUS TECHNOLOGY COMPANY LIMITED

ENDORSEMENT/GUARANTEE PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Endorser/ Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party	Maximum Balance for the Period	Ending Balance	Actual Borrowing Amount	Value of Collateral Property, Plant, or Equipment	Percentage of Accumulated Amount of Collateral to Net Equity of the Latest Financial Statement	Maximum Collateral/Guarantee Amounts Allowable	Provided by the Company	Guarantee Provided by the Subsidiary	Guarantee Provided to a Subsidiary Located in Mainland China
		Name	Nature of Relationship										
0 (Note1)	Sunplus Technology Company Limited (“Sunplus”)	Ventureplus Cayman Inc.	3 (Note 4)	$ 902,425 (Note 5)	$ 288,490	$ 161,400	$ 81,575	$ -	1.69	$ 1,804,851 (Note 6)	Yes	No	No
		Sun Media Technology Co., Ltd.	3 (Note 4)	902,425 (Note 5)	943,470	912,580	752,930	-	9.55	1,804,851 (Note 6)	Yes	No	Yes
		Jumplux Technology Co., Ltd.	3 (Note 4)	902,425 (Note 5)	35,000	35,000	35,000	-	0.37	1,804,851 (Note 6)	Yes	No	No
		Ytrip Technology Co., Ltd.	3 (Note 4)	902,425 (Note 5)	191,310	128,940	128,940	64,400	1.35	1,804,851 (Note 6)	Yes	No	Yes
		Sunext Technology Co., Ltd.	2 (Note 3)	902,425 (Note 5)	30,000	10,000	10,000	-	0.10	1,804,851 (Note 6)	Yes	No	No
1 (Note2)	Russell Holdings Ltd.	Sun Media Technology Co., Ltd.	3 (Note 4)	172,812 (Note 7)	159,300	159,300	-	-	55.31	172,812 (Note 7)	No	No	Yes

Note 1: Issuer.

Note 2: Investee.

Note 3: Directly holds more than 50% of the common shares of a subsidiary.

Note 4: Common shares held by the Sunplus and its subsidiaries jointly own more than 50% of the investee 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.

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

TABLE 3

SUNPLUS TECHNOLOGY COMPANY LIMITED

MARKETABLE SECURITIES HELD
DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Security	Relationship with the Holding Company	Financial Statement Account	September 30, 2016				Note
				Shares or Units (Thousands)	Carrying Value	Percentage of Ownership (%)	Market Value or Net Asset Value	
Sunplus Technology Company Limited (the "Company")	Fund							
	Nomura Global High Dividend Act	-	Available-for-sale financial assets	616	$ 9,963	-	$ 9,963	Note 3
	FSITC Money Market	-	Available-for-sale financial assets	290	51,256	-	51,256	Note 3
	Yuanta Wan Tai Money Fund	-	Available-for-sale financial assets	2,010	30,178	-	30,178	Note 3
	Mega Diamond Money Market	-	Available-for-sale financial assets	13,197	163,881	-	163,881	Note 3
	Prudential Financial Money Market Fund	-	Available-for-sale financial assets	1,925	30,153	-	30,153	Note 3
	UPAMC James Bond Money Market	-	Available-for-sale financial assets	1,851	30,651	-	30,651	Note 3
	KGI Economic Moat Fund	-	Available-for-sale financial assets	500	5,640	-	5,640	Note 3
	Yuanta Emerging Indonesia Opp Bd	-	Available-for-sale financial assets	500	5,525	-	5,525	Note 3
	Jih Sun Money Market	-	Available-for-sale financial assets	3,420	50,166	-	50,166	Note 3
	Mega RMB Money Market	-	Available-for-sale financial assets	466	23,419	-	23,419	Note 3
	Taishin China-US Money Market		Available-for-sale financial assets	3,000	30,228	-	30,228	Note 3
	Yuanta RMB Money Market CNY	-	Available-for-sale financial assets	470	23,407	-	23,407	Note 3
	Yuanta Global USD Corporate Bond TWD A	-	Available-for-sale financial assets	2,000	19,582	-	19,582	Note 3
	Yuanta USD Money Market USD	-	Available-for-sale financial assets	100	32,368	-	32,368	Note 3
	Prudential Financial RMB Money Mkt TWD	-	Available-for-sale financial assets	2,593	24,860	-	24,860	Note 3
	Stock							
	FocalTech Inc.	-	Available-for-sale financial assets	8,839	311,117	3	311,117	Note 2
	United Microelectronics Corp.	-	Available-for-sale financial assets	1,968	22,431	-	22,431	Note 2
	Tatung Company	-	Available-for-sale financial assets	46,094	439,741	2	439,741	Note 2
	Fund							
	Technology Partners Venture Capital Corp.	-	Financial assets carried at cost	213	2,133	7	2,133	Note 1
	Network Capital Global Fund	-	Financial assets carried at cost	380	3,800	11	3,800	Note 1
	Availin Inc.	-	Financial assets carried at cost	9,039	189,690	17	189,690	Note 1
	Triknight Capital Corporation	-	Financial assets carried at cost	10,500	105,000	5	105,000	Note 1
	Broadcom Corporation	-	Financial assets carried at cost	4	-	-	-	Note 1
Lin Shih Investment Co., Ltd.	Asolid Technology Co., Ltd.	-	Available-for-sale financial assets	31	1,759	-	1,759	Note 2
	Ruentex Material Co., Ltd	-	Available-for-sale financial assets	20	346	-	346	Note 2
	Compeq Manufacturing Co., Ltd.	-	Available-for-sale financial assets	1,000	15,550	-	15,550	Note 2
	Wafer works Corporation	-	Available-for-sale financial assets	1,536	22,119	-	22,119	Note 2
	AP Memory Technology Co., Ltd.	-	Available-for-sale financial assets	40	2,888	-	2,888	Note 2
	Yuanta Great China TMT TWD Acc	-	Available-for-sale financial assets	3,133	29,133	-	29,133	Note 3
	Yuanta New ASEAN Balanced TWD	-	Available-for-sale financial assets	2,000	18,980	-	18,980	Note 3

(Continued)

Holding Company Name	Type and Name of Marketable Security	Relationship with the Holding Company	Financial Statement Account	September 30, 2016				Note
				Shares or Units (Thousands)	Carrying Value	Percentage of Ownership (%)	Market Value or Net Asset Value	
Lin Shih Investment Co., Ltd.	Fubon SSE	-	Available-for-sale financial assets	340	$ 9,180	-	$ 9,180	Note 3
	Fubon SZSE	-	Available-for-sale financial assets	920	8,602	-	8,602	Note 3
	CTBC Global Silver Age Income	-	Available-for-sale financial assets	1,000	10,100	-	10,100	Note 3
	CTBC Hwa-win Money Market Fund	-	Available-for-sale financial assets	4,581	50,002	-	50,002	Note 3
	Yuanta China Balance Fund	-	Available-for-sale financial assets	213	2,827	-	2,827	Note 3
	KGI High Sharpe Glabal Bal TWD ACC	-	Available-for-sale financial assets	15	151	-	151	Note 3
	Ability Enterprise Co., Ltd.	-	Available-for-sale financial assets	5,434	91,287	2	91,287	Note 2
	Sunplus Technology Co., Ltd.	Parent Company	Available-for-sale financial assets	3,560	40,406	1	40,406	Notes 2 and 4
	Minton Optic Industry Co., Ltd.	-	Financial assets carried at cost	4,272	-	7	-	Note 1
	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	4	3,676	Note 1
	Lingri Technology Co., Ltd.	-	Financial assets carried at cost	304	3,040	19	3,040	Note 1
	Sanjet Technology Corp.	-	Financial assets carried at cost	8	-	-	-	Note 1
	Chain Sea Information Integration Co., Ltd.	-	Financial assets carried at cost	69	1,121	-	1,121	Note 1
	Ortery Technologies, Inc.	-	Financial assets carried at cost	103	-	1	-	Note 1
	Everlight Electronics Co., Ltd.-CB	-	Financial assets at fair value through profit or loss - current	80	7,916	-	7,916	Note 2
	AWEA MECHANTRONIC CO., LTD.-CB	-	Financial assets at fair value through profit or loss - current	21	2,100	-	2,100	Note 2
	King Yuan Electronics Co., Ltd.-OCB	-	Financial assets at fair value through profit or loss - current	1,000	32,379	-	32,379	Note 2
Russell Holdings Limited	Stock							
	Asia Tech Taiwan Venture, L.P.		Financial assets carried at cost	-	-	5	-	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
	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
	Innobrige Venture Fund ILP	-	Financial assets carried at cost	-	36,991 (US$ 1,147)	-	36,991 (US$ 1,147)	Note 1
	Innobrige International Inc.	-	Financial assets carried at cost	4,000	-	15	-	Note 1
	Synerchip Inc.	-	Financial assets carried at cost	6,452	-	12	-	Note 1
	King Yuan Electronics Co., Ltd.-OCB	-	Financial assets at fair value through profit or loss - current	20	64,178 (US$ 1,990)	-	64,178 (US$ 1,990)	Note 1
Sunplus Venture Capital Co., Ltd.	Stock							
	Yuanta De-Bao Money Market Fund	-	Available-for-sale financial assets	8,398	100,003	-	100,003	Note 2
	King Yuan Electronics Co., Ltd.	-	Available-for-sale financial assets	1,793	45,177	-	45,177	Note 2
	eWave System, Inc.	-	Financial assets carried at cost	1,833	-	22	-	Note 1
	Information Technology Total Services	-	Financial assets carried at cost	51	-	-	-	Note 1
	Book4u Company Limited	-	Financial assets carried at cost	9	-	-	-	Note 1
	VenGlobal International Fund	-	Financial assets carried at cost	1	-	3	-	Note 1
	Simple Act Inc.	-	Financial assets carried at cost	1,900	-	10	-	Note 1
	Feature Integration Technology Inc.	-	Financial assets carried at cost	1,386	16,215	4	16,215	Note 1
	Cyberon Corporation	-	Financial assets carried at cost	1,521	13,691	18	13,691	Note 1

(Continued)

Holding Company Name	Type and Name of Marketable Security	Relationship with the Holding Company	Financial Statement Account	September 30, 2016				Note
				Shares or Units (Thousands)	Carrying Value	Percentage of Ownership (%)	Market Value or Net Asset Value	
Sunplus Venture Capital Co., Ltd.	Miracle Technology Co., Ltd.	-	Financial assets carried at cost	1,042	$ 11,220	10	$ 11,220	Note 1
	Minton Optic Industry Co., Ltd.	-	Financial assets carried at cost	5,000	-	8	-	Note 1
	Sanjet Technology Corp.	-	Financial assets carried at cost	49	-	-	-	Note 1
	Genius Vision Digital	-	Financial assets carried at cost	750	15,000	5	15,000	Note 1
	Touch Screen Glass Technology Co., Ltd.	-	Financial assets carried at cost	4,500	45,000	18	45,000	Note 1
	Ortery Technologies, Inc.	-	Financial assets carried at cost	68	-	1	-	Note 1
	Taiwan Environmental Scientific Co., Ltd.	-	Financial assets carried at cost	981	27,900	3	27,900	Note 1
	Dawning Leading Technology Inc.	-	Financial assets carried at cost	3,101	42,000	1	42,000	Note 1
	Qun-Xin Venture Capital	-	Financial assets carried at cost	3,000	30,000	6	30,000	Note 1
	Grand Fortune Venture Capital Co., Ltd.	-	Financial assets carried at cost	5,000	50,000	7	50,000	Note 1
	TIEF fund I LP		Financial assets carried at cost	-	46,958	-	46,958	Note 1
Sunplus Technology (Shanghai) Co., Ltd.	Gf Money Market Fund	-	Available-for-sale financial assets	12,050	56,303 (RMB$ 12,195)	-	56,303 (RMB$ 12,195)	Note 3
	Gf Every Day The Red Haired Type Money Market Fund	-	Available-for-sale financial assets	3,565	16,446 (RMB$ 3,562)	-	16,446 (RMB$ 3,562)	Note 3
	GF Money Market Fund B	-	Available-for-sale financial assets	9,950	46,516 (RMB$ 10,075)	-	46,516 (RMB$ 10,075)	Note 3
	Chongquing Chong You Information Technology Co., Ltd.	-	Financial assets carried at cost	-	-	3	-	Note 1
Wei-Young Investment Inc.	Elitegroup Computer Systems	-	Available-for-sale financial assets	238	3,713	-	3,713	Note 2
Generalplus Technology Inc.	Jih Sun Money Market	-	Available-for-sale financial assets	3,011	44,172	-	44,172	Note 3
	UPAMC James Bond Money Market	-	Available-for-sale financial assets	1,513	25,055	-	25,055	Note 3
	Prudential Financial Return	-	Available-for-sale financial assets	6,458	99,605	-	99,605	Note 3
	Franklin Templeton Sinoam Money Market	-	Available-for-sale financial assets	2,955	30,243	-	30,243	Note 3
	Yuanta De-Li Money Market Fund	-	Available-for-sale financial assets	1,243	20,082	-	20,082	Note 3
iCatch Technology Inc.	Franklin Templeton Sinoam Money Market	-	Available-for-sale financial assets	986	10,088	-	10,088	Note 3
Sunplus Innovation Technology Inc.	Fund							
	Fuh Hwa You Li Money Market	-	Available-for-sale financial assets	2,253	30,103	-	30,103	Note 3
	Mega Diamond Money Market	-	Available-for-sale financial assets	810	10,059	-	10,059	Note 3
	Fubon Chi-Hsiang Money Market	-	Available-for-sale financial assets	1,930	30,005	-	30,005	Note 3
	Yuanta USD Money Market TWD	-	Available-for-sale financial assets	11,091	109,108	-	109,108	Note 3
	Yuanta RMB Money Market TWD	-	Available-for-sale financial assets	916	9,424	-	9,424	Note 3
	Yuanta USD Money Market USD	-	Available-for-sale financial assets	100	32,365	-	32,365	Note 3
	Stock							
	Advanced NuMicro System, Inc.	-	Financial assets carried at cost	2,000	4,121	9	4,122	Note 1
	Advanced Silicon SA	-	Financial assets carried at cost	1,000	15,392	10	15,391	Note 1
	Point Grab Ltd.	-	Financial assets carried at cost	182	15,150	2	15,150	Note 1

(Continued)

Note 1: The market value was based on carrying value as of December 31, 2016.

Note 2: The Market value was based on the closing price as of December 31, 2016.

Note 3: The market value was based on the net asset value of fund as of December 31, 2016.

Note 4: As of December 31, 2016, 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 $38,413 thousand had not been pledged or mortgaged.

Note 5: The exchange rate was based on the exchange rate as of December 31, 2016.

(Concluded)

TABLE 4

SUNPLUS TECHNOLOGY COMPANY LIMITED

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST $100 MILLION OR 20% OF THE PAID-IN CAPITAL
YEAR ENDED DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Type and Issuer of Marketable Security	Financial Statement Account	Counterparty	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Unit (Thousands)	Amount	Unit (Thousands)	Amount	Unit (Thousands)	Amount	Carrying Value	Gain (Loss) on Disposal	Unit (Thousands)	Amount
Sunplus Technology Company Limited	FocalTech Inc.	Available-for-sale financial assets	-	-	29,271	$ 999,590 (Note)	-	$	20,432	$ 657,218	$ 550,524	$ 106,694	$ 8,839	$ 311,117 (Note)

Note: The amount was include changes in fair value of available-for-sale financial assets and impairment loss on available-for-sale financial assets.

TABLE 5

SUNPLUS TECHNOLOGY COMPANY LIMITED

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of September 30, 2016			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				December 31, 2016	December 31, 2015	Shares (Thousands)	Percentage of Ownership	Carrying Value			
Sunplus Technology Company Limited	Ventureplus Group Inc.	Belize	Investment	$ 2,571,321 (US$ 74,305 RMB$ 37,900)	$ 2,571,321 (US$ 74,305 RMB$ 37,900)	-	100	$ 1,456,206	$ (148,167)	$ (148,167)	Subsidiary
	Award Glory Ltd.	Belize	Investment	24,897 (US$ 772)	-	-	100	(11,236)	(3,225)	(3,225)	Subsidiary
	GLOBAL VIEW CO., LTD.	Hsinchu, Taiwan	Design and sale of ICs	315,658	315,658	8,229	13	323,912	153,633	20,068	Investee
	Lin Shih Investment Co., Ltd.	Hsinchu, Taiwan	Investment	699,988	699,988	70,000	100	794,315	158,724	126,706	Subsidiary
	Generalplus Technology Inc.	Hsinchu, Taiwan	Design of ICs	281,001	281,001	37,324	34	731,737	413,473	141,823	Subsidiary
	Sunplus Venture Capital Co., Ltd.	Hsinchu, Taiwan	Investment	999,982	999,982	100,000	100	846,259	14,708	22,173	Subsidiary
	Sunplus Innovation Technology Inc.	Hsinchu, Taiwan	Design of ICs	414,663	414,663	31,450	61	524,574	27,404	16,921	Subsidiary
	Russell Holdings Limited	Cayman Islands, British West Indies.	Investment	476,010 (US$ 14,760)	476,010 (US$ 14,760)	14,760	100	288,020	1,749	1,749	Subsidiary
	iCatch Technology, Inc.	Hsinchu, Taiwan	Design of ICs	207,345	207,345	20,735	38	197,578	(83,602)	(31,489)	Subsidiary
	Sunext Technology Co., Ltd.	Hsinchu, Taiwan	Design and sale of ICs	924,730	924,730	38,836	61	116,471	14,627	8,945	Subsidiary
	Sunplus mMedia Inc.	Hsinchu, Taiwan	Design of ICs	357,565	357,565	17,441	87	45,130	(30,455)	(26,557)	Subsidiary
	Sunplus Management Consulting Inc.	Hsinchu, Taiwan	Management	5,000	5,000	500	100	4,011	(50)	(50)	Subsidiary
	Sunplus Technology (H.K.) Co., Ltd.	Kowloon Bay, Hong Kong	International trade	46,050 (HK$ 11,075)	46,050 (HK$ 11,075)	11,075	100	45	168	168	Subsidiary
	Magic Sky Limited	Samoa	Investment	218,010 (US$ 6,760)	211,560 (US$ 6,560)	6,000	100	221	(6,478)	(6,478)	Subsidiary (Note 1)
	S2-TEK INC.	Hsinchu, Taiwan	Design of ICs	-	362,285	-	2	-	30,925	702	Investee
	Sunplus mMobile Inc.	Hsinchu, Taiwan	Design of ICs	2,596,792	2,596,792	16,240	100	30,440	(1,139)	(1,139)	Subsidiary
	Wei-Young Investment Inc.	Hsinchu, Taiwan	Investment	30,157	30,157	1,400	100	16,517	2,862	448	Subsidiary
Lin Shih Investment Co., Ltd.	Generalplus Technology Inc.	Hsinchu, Taiwan	Design of ICs	86,256	86,256	14,892	14	293,490	413,473	56,587	Subsidiary
	Sunext Technology Co., Ltd.	Hsinchu, Taiwan	Design and sale of ICs	369,316	369,316	3,360	5	10,116	14,627	774	Subsidiary
	Sunplus Innovation Technology Inc.	Hsinchu, Taiwan	Design of ICs	15,701	15,701	1,075	2	15,713	27,404	578	Subsidiary
	iCatch Technology, Inc.	Hsinchu, Taiwan	Design of ICs	9,645	9,645	965	2	9,304	(83,602)	(1,465)	Subsidiary
	Sunplus mMedia Inc.	Hsinchu, Taiwan	Design of ICs	19,408	19,408	650	3	6,196	(30,455)	(990)	Subsidiary
	S2-TEK INC.	Hsinchu, Taiwan	Design of ICs	-	132,788	-	-	-	30,925	7,415	Investee
Sunplus Venture Capital Co., Ltd.	Generalplus Technology Inc.	Hsinchu, Taiwan	Design of ICs	49,099	56,050	3,983	4	91,481	413,473	15,847	Subsidiary
	Jumplux Technology Co., Ltd.	Hsinchu, Taiwan	Design and sales of IC	100,000	-	10,000	71	46,797	(44,252)	(20,986)	Subsidiary
	Sunplus Innovation Technology Inc.	Hsinchu, Taiwan	Design of ICs	57,388	57,388	2,904	6	49,436	27,404	1,562	Subsidiary
	iCatch Technology, Inc.	Hsinchu, Taiwan	Design of ICs	33,439	33,439	3,332	6	32,151	(83,602)	(4,921)	Subsidiary
	Sunext Technology Co., Ltd.	Hsinchu, Taiwan	Design and sale of ICs	385,709	385,709	4,431	7	13,282	14,627	1,020	Subsidiary
	Sunplus mMedia Inc.	Hsinchu, Taiwan	Design of ICs	44,878	44,878	1,909	10	2,945	(30,455)	(2,907)	Subsidiary
	Han Young Technology Co., Ltd.	Taipei, Taiwan	Design of ICs	4,200	4,200	420	70	1,781	-	-	Subsidiary
	S2-TEK INC.	Hsinchu, Taiwan	Design of ICs	-	133,846	-	-	-	30,925	7,732	Investee
Russell Holdings Limited	Sunext Technology Co., Ltd.	Hsinchu, Taiwan	Design and sale of ICs	68,338 (US$ 2,119)	68,338 (US$ 2,119)	442	1	1,325 (US$ 41)	12,515	102 (US$ 3)	Subsidiary
Wei-Young Investment Inc.	Generalplus Technology Inc.	Hsinchu, Taiwan	Design of ICs	-	1,800	-	-	-	413,473	130	Subsidiary
	Sunext Technology Co., Ltd.	Hsinchu, Taiwan	Design and sale of ICs	350	350	18	-	53	14,627	4	Subsidiary
Ventureplus Group Inc.	Ventureplus Mauritius Inc.	Mauritius	Investment	2,571,321 (USD 74,305 RMB 37,900)	2,571,321 (US$ 74,305 RMB$ 37,900)	-	100	1,456,186	(148,166)	(148,166)	Subsidiary
Ventureplus Mauritius Inc.	Ventureplus Cayman Inc.	Cayman Islands, British West Indies	Investment	2,571,321 (USD 74,305 RMB 37,900)	2,571,321 (US$ 74,305 RMB$ 37,900)	-	100	1,456,162	(148,166)	(148,166)	Subsidiary
Generalplus Technology Inc.	Generalplus International (Samoa) Inc.	Samoa	Investment	615,653 (US$ 19,090)	615,653 (US$ 19,090)	19,090	100	472,689	9,289	9,289	Subsidiary
Generalplus International (Samoa) Inc.	Generalplus (Mauritius) Inc.	Mauritius	Investment	$ 615,653 (US$ 19,090)	$ 615,653 (US$ 19,090)	19,090	100	472,687	9,289	9,289	Subsidiary

(Continued)

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of September 30, 2016			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				December 31, 2016	December 31, 2015	Shares (Thousands)	Percentage of Ownership	Carrying Value			
Generalplus (Mauritius) Inc.	Genralplus Technology (Hong Kong) Co., Ltd.	Hong Kong	Sales	$ 12,578 (US$ 390)	$ 12,578 (US$ 390)	-	100	$ 4,949	$ 1,246	$ 1,246	Subsidiary
Sunplus mMobile Inc.	Sunplus mMobile SAS	France	Design of ICs	16,170 (EUR 477)	16,170 (EUR 477)	-	100	-	267	267	Subsidiary (Note 1)
Sunplus mMedia Inc.	Jumplux Technology Co., Ltd.	Hsinchu, Taiwan	Design and sales of IC	32,000	32,000	3,200	23	14,975	(44,252)	(18,612)	Subsidiary
Award Glory Ltd.	Sunny Fancy Ltd.	Seychelles	Investment	24,897 (US$ 772)	-	-	100	(11,236)	(3,225)	(3,225)	Subsidiary
Sunny Fancy Ltd.	Giant Kingdom Ltd.	Seychelles	Investment	24,897 (US$ 772)	-	-	100	(11,236)	(3,225)	(3,225)	Subsidiary
	Giant Rock Inc.	Anguilla	Investment	(Note 3)	(Note 3)	(Note 3)	(Note 3)	(Note 3)	(Note 3)	(Note 3)	Subsidiary

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, 2016.

Note 3: As of December 31, 2016, the establishment registration was completed, but capital was not invested yet.

(Concluded)

SUNPLUS TECHNOLOGY COMPANY LIMITED

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2016
(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, 2016	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2016	% Ownership of Direct or Indirect Investment	Net Income (Loss) of the investee	Investment Loss (Note 2)	Carrying Value as of December 31, 2016	Accumulated Inward Remittance of Earnings as of December 31, 2016
					Outflow	Inflow						
Sunplus Technology (Shanghai) Co., Ltd.	Development of computer software, system integration services and building rental	$ 554,700 (US$ 17,200)	Note 1	$ 569,374 (US$ 17,655)	$ -	$ -	$ 569,374 (US$ 17,655)	100%	$ 34,971	$ 34,971	$ 508,173	$ -
Sunplus Prof-tek (Shenzhen) Co., Ltd.	Development of computer software, system integration services and building rental	1,040,063 (US$ 32,250)	Note 1	1,040,063 (US$ 32,250)	-	-	1,040,063 (US$ 32,250)	100%	(10,169)	(10,169)	813,289	-
Sun Media Technology Co., Ltd.	Development of computer software and system integration services	645,000 (US$ 20,000)	Note 1	645,000 (US$ 20,000)	-	-	645,000 (US$ 20,000)	100%	(89,453)	(89,453)	145,236	-
Sunplus App Technology Co., Ltd.	Manufacturing and sale of computer software; system integration services and information management and education	69,255 (RMB$ 15,000)	Note 1	65,069 (US$ 586 RMB$ 10,000)	-	-	65,069 (US$ 586 RMB$ 10,000)	93%	(27,361)	(27,361)	(1,758)	-
Ytrip Technology Co., Ltd.	Computer system integration services and supplying general advertising and other information services.	158,132 (RMB$ 34,250)	Note 1	120,938 (US$ 3,750)	24,542 (US$ 761)	-	145,480 (US$ 4,511)	83%	(37,583)	(37,583)	(66,005)	-
1culture Communication Co., Ltd	Development system	15,005 (RMB$ 3,250)	Note 1	15,005 (US$ 3,250)	-	-	15,005 (US$ 3,250)	100%	144 (RMB$ 37)	144 (RMB$ 37)	60 (RMB$ 13)	-
Sunplus Technology (Beijing)	Development of computer software, system integration services and building rental	124,659 (RMB$ 27,000)	Note 1	124,659 (RMB$ 27,000)	-	-	124,659 (RMB$ 27,000)	100%	(28,049)	(28,049)	49,846	-

Accumulated Investment in Mainland China as of December 31, 2016	Investment Amounts Authorized by Investment Commission, MOEA	Limit on Investment
$ 2,589,645 (US$ 75,002 RMB$ 37,000)	$ 2,676,249 (US$ 75,540 RMB$ 52,000)	$ 5,414,552

(Continued)

Generalplus Technology (Nature of Relationship: 1)

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type (e.g., Direct or Indirect)	Accumulated Outflow of Investment from Taiwan as of January 1, 2016	Investment Flows: Outflow	Investment Flows: Inflow	Accumulated Outflow of Investment from Taiwan as of December 31, 2016	% Ownership of Direct or Indirect Investment	Net Loss of the investee	Investment Loss (Note 3)	Carrying Value as of December 31, 2016	Accumulated Inward Remittance of Earnings as of December 31, 2016
Generalplus Shenzhen	Data processing service	$ 603,075 (US$ 18,700)	Note 1	$ 603,075 (US$ 18,700)	$ -	$ -	$ 603,075 (US$ 18,700)	100%	$ 8,043	$ 8,043	$ 467,719	$ -

Accumulated Investment in Mainland China as of December 31, 2016	Investment Amount Authorized by Investment Commission, MOEA	Limit on Investment
$ 603,075 (US$ 18,700)	$ 603,075 (US$ 18,700)	$ 1,298,498

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

Note 2: Based on the investee company in the same period reviewed financial statements.

Note 3: The initial exchange rate was based on the exchange rate as of December 31, 2016.

(Concluded)