Sunplus Technology Company Limited and Subsidiaries

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

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies required to be included in the consolidated financial statements of affiliates in accordance with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" for the year ended December 31, 2016 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard NO.10 "Consolidated Financial Statements". Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we do not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

Sunplus Technology Company Limited

By

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CHOU-CHYE HUANG
Chairman

March 15, 2017

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Sunplus Technology Company Limited

Opinion

We have audited the accompanying consolidated balance sheets of Sunplus Technology Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as of December 31, 2016 and 2015 and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the 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.

Revenue recognition

1. Integrated circuit chip sales accounted for 94% of the Group's total revenue and was material. For a detailed explanation of revenue, refer to Note 26 of the accompanying consolidated 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 and, furthermore, the account receivables exceed 10% of the client's approve 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 sure 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 it into the 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 Group'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 in 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 in 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 the 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 the 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 account receivables, certificates of remittance and counterparties are consistent with the recorded amounts and counterparties and had been approved by the competent supervisor.

Other Matter

We have also audited the parent company only financial statements of Sunplus Technology Company Limited as of and for the years ended December 31, 2016 and 2015 on which we have issued an unmodified opinion.

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

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

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

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

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

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

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

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

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

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going

concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 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
Hsinchu, Taiwan
Republic of China

March 15, 2017

Notice to Readers

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

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

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars)

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

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

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

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

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

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SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

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

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

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

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

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

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

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

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

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

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SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

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

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

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

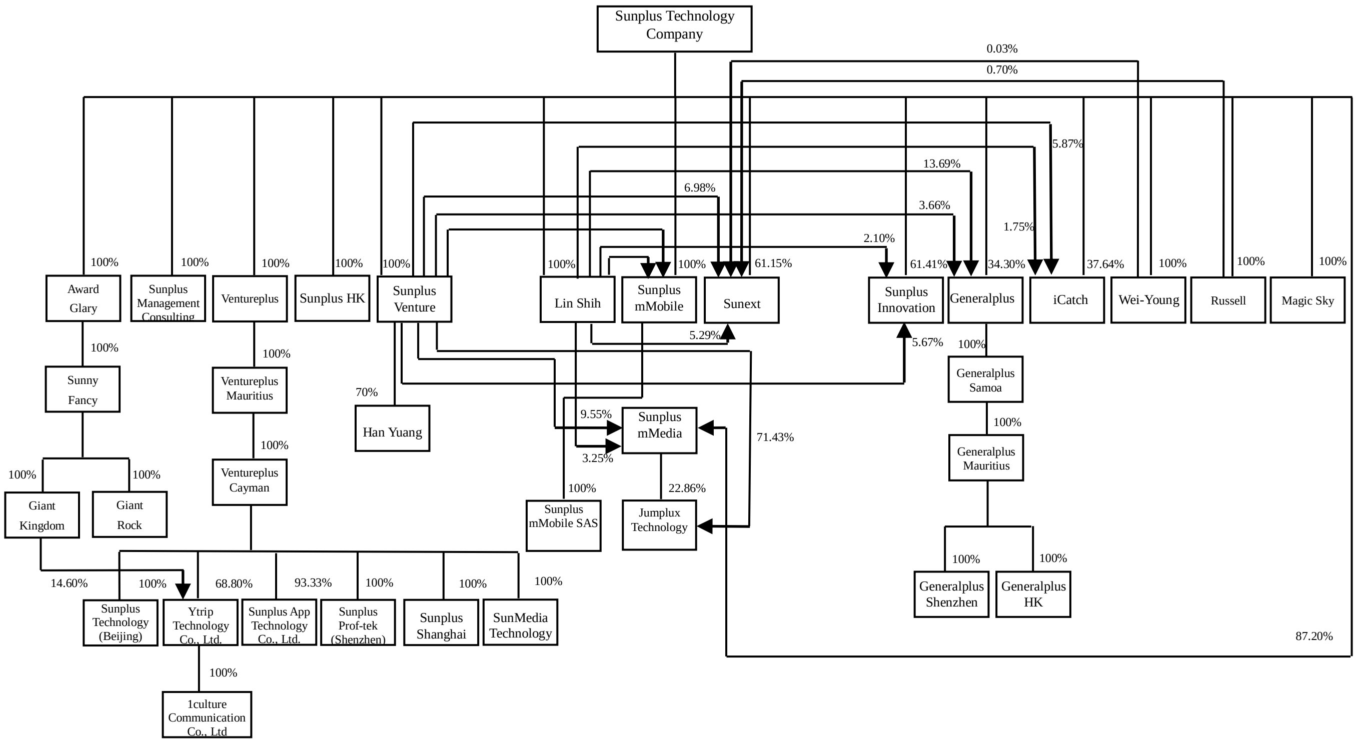
SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Sunplus Technology Company Limited ("Sunplus" or the "Company") was established in August 1990. It researches, develops, designs, tests and sells high quality, high value-added consumer integrated circuits (ICs). Its products are based on core technologies in such areas as multimedia audio/video, single-chip microcontrollers and digital signal processors. These technologies are used to develop hundreds of products including various ICs: liquid crystal display, microcontroller, multimedia, voice/music, and application-specific. Sunplus' shares have been listed on the Taiwan Stock Exchange since January 2000. Some of its shares have been issued in the form of global depositary receipts (GDRs), which have been listed on the London Stock Exchange since March 2001 (refer to Note 25).

Following is a diagram of the relationship and ownership percentages between Sunplus and its subsidiaries (collectively, the "Group") as of December 31, 2016:



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

Shenzhen and Generalplus HK do market research surveys. Sunplus HK engages in international trade. All other subsidiaries are engaged in investing activities.

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

2. APPROVAL OF FINANCIAL STATEMENTS

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

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/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 IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"

The amendments require that the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in IFRS 3, is required to apply all of the principles on business combinations accounting in IFRS 3 and other IFRSs with the exception of those principles that conflict with the guidance in IFRS 11. Accordingly, a joint operator that is an acquirer of such an interest has to:

- Measure most identifiable assets and liabilities at fair value;
- Expense acquisition-related costs (other than debt or equity issuance costs);
- Recognize deferred taxes;
- Recognize any goodwill or bargain purchase gain;
- Perform impairment tests for the cash generating units to which goodwill has been allocated;
- Disclose required information relevant for business combinations.

The amendments also apply to the formation of a joint operation if, and only if, an existing business is contributed to the joint operation on its formation by one of the parties that participate in the joint operation.

The amendments do not apply on the acquisition of an interest in a joint operation when the parties sharing control are under common control before and after the acquisition.

The above amendments will be applied to interest in joint operations acquired on or after January 1, 2017. Amounts of interests in joint operations acquired in prior periods are not adjusted.

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

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

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

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

a) In which the intangible asset is expressed as a measure of revenue (for example, the contract that specifies the entity’s use of the intangible asset will expire upon achievement of a revenue threshold); or

b) When it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

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

6) 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.

7) 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
Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date of IFRS 9 and Transition Disclosures"	January 1, 2018
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	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"

Recognition and measurement of financial assets

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

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

a) For debt instruments, if they are held within a business model whose objective is to collect the contractual cash flows, the financial assets are measured at amortized cost and are assessed for impairment continuously with impairment loss recognized in profit or loss, if any. Interest revenue is recognized in profit or loss by using the effective interest method;

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

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

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

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

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

3) 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.

4) 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.

5) 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.

6) Amendment to IFRS 2 “Classification and Measurement of Share-based Payment Transactions”

The amendment requires that market condition and non-vesting condition should be taken into account and vesting conditions, other than market conditions, should not be taken into account when estimating the fair value of the cash-settled share-based payment at the measurement date. Instead, they should be taken into account by adjusting the number of awards included in the measurement of the liability arising from the transaction. This amendment applies to share-based payment transactions that are unvested at the date the Group first applies the amendment and to share-based payment transactions with a grant date on or after the date the Group first applies the amendment.

7) 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.

8) Amendments to IAS 40 “Transfers of Investment Property”

The amendments clarify that the Group should transfer to, or from, investment property when, and only when, the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management’s intentions for the use of a property does not provide evidence of a change in use. The amendments also clarify that the evidence of the change in use is not limited to those illustrated in IAS 40.

The Group may elect to apply the amendments prospectively and reclassify the property as required to reflect the conditions that exist at the date of initial application. The Group is also required to disclose the reclassified amounts and such amounts should be included in the reconciliation of the carrying amount of investment property. Alternatively, the Group may elect to apply the amendments retrospectively if, and only if, that is possible without the use of hindsight.

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

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value.

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. Basis of consolidation

1) Principles for preparing consolidated financial statements

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

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

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

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

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

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

e. Foreign currencies

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

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

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

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

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

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

f. Inventories

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

g. Investments in associates and jointly controlled entities

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

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

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

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

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

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

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

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

h. Property, plant and equipment

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

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

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

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

i. Investment properties

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

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

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

j. Goodwill

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

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

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

k. Intangible assets

1) Intangible assets acquired separately

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

2) Derecognition of intangible assets

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

l. Impairment of tangible and intangible assets other than goodwill

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

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

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

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

m. Financial instruments

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

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

1) Financial assets

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

a) Measurement category

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

i Financial assets at fair value through profit or loss

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

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

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

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

iii) The contract contains one or more embedded derivatives so that the entire hybrid (combined) contract can be designated as at fair value through profit or loss.

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

ii. Available-for-sale financial assets

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

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

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

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

iii. Loans and receivables

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

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

b) Impairment of financial assets

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

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

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

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

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

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

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

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

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables and other receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable and other receivables are considered uncollectible, it is written off against the allowance account.

Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss except for uncollectible trade receivables that are written off against the allowance account.

c) Derecognition of financial assets

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

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

2) Equity instruments and Financial liabilities

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

a) Equity instruments

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

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

b) Financial liabilities

i Subsequent measurement

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

i) Derecognition of financial liabilities

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

n. Provisions

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

o. Revenue recognition

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

Sale of goods

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

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

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

3) The amount of revenue can be measured reliably;

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

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

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

Dividend and interest income

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

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

p. Leasing

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

1) The Group as lessor

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

2) The Group as lessee

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

q. Borrowing costs

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

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

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

r. Government grants

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

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

s. 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, and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. 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.

t. Share-based payment arrangements

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

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

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

u. Taxation

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

Current tax

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

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

Deferred tax

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

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

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

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

Current and deferred tax for the period

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

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

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

b. Estimated impairment of trade receivables

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

As of December 31, 2016 and December 31, 2015, the carrying amount of trade receivables was $1,285,645 thousand and $1,569,393 thousand, respectively (after deducting allowance of $78,394 thousand and $3,091 thousand, respectively).

c. Income taxes

As of December 31, 2016 and December 31, 2015, the carrying amount of deferred tax assets in relation to unused tax losses both were $0, respectively. As of December 31, 2016 and December 31, 2015, no deferred tax asset has been recognized on tax losses of $5,485,452 thousand and $4,615,552 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	**2015**
Cash on hand	$ 6,121	$ 4,122
Checking accounts and demand deposits	1,839,206	1,569,563
Cash equivalent deposits in banks	2,949,414	2,807,612
Repurchase agreements collateralized by bonds	8,754	61,513
	$ 4,803,495	$ 4,442,810

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

	December 31	
	2016	**2015**
Bank balance	0.01%~8%	0.01%-4.0%
Repurchase agreement collateralized by bonds	1.00%	1.0%

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

	December 31	
	2016	**2015**
Financial assets held for trading		
Non-derivative financial assets		
Corporate bonds of domestic listed stocks	$106,573	$ 24,200

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31	
	2016	**2015**
Domestic investments		
- Mutual funds	$ 1,329,829	$ 874,799
- Quoted shares	943,100	1,605,745
	$ 2,272,929	$ 2,480,544
Current	$ 1,372,492	$ 961,646
Noncurrent	900,437	1,518,898
	$ 2,272,929	$ 2,480,544

For the year ended December 31, 2016 and 2015, the Group recognized impairment losses of $72,921 thousand and $824,007 thousand, respectively.

9. DEBT INVESTMENTS WITH NO ACTIVE MARKET - CURRENT

	December 31	
	2016	**2015**
Fixed income fund	$ -	$ 15,389

In May 2015, the Group bought a fixed-income German fund established for meeting certain building needs. The fund price is US$500 thousand and the effective interest rate of fund is 8%.

10. FINANCIAL ASSETS MEASURED AT COST

	December 31	
	2016	**2015**
Domestic unlisted common shares	$ 689,261	$ 528,590
Classified as available for sale	$ 689,261	$ 528,590

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

The Group believed that the above financial asset carried at cost had impairment losses of $37,782 thousand and $99,497 thousand as of December 31, 2016 and 2015, respectively.

11. NOTES AND ACCOUNTS RECEIVABLE, NET

	December 31	
	2016	**2015**
Notes receivable	$ 165	$ 67
Accounts receivable	1,363,852	1,562,435
Receivable from related parties	187	10,049
Allowance for doubtful accounts	(78,394)	(3,091)
	1,285,645	1,569,393
	$ 1,285,810	$ 1,569,460

Accounts receivable

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

Of the trade receivables balance (see the aging analysis below) that are past due at the end of the reporting period, the Group had not recognized an allowance for impairment for notes and trade receivables amounting to $31,446 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 Group did not hold any collateral or other credit enhancements over these balances nor did it have a legal right to make offsets against any amounts owed by the Group to the counter-party. As of March 15, 2017, the above trade receivables of December 31, 2016 that are past due but not impaired had receive 2,412 thousand.

The aging of receivables was as follows:

	December 31	
	2016	**2015**
0-60 days	$ 1,099,673	$ 1,261,621
61-90 days	152,837	247,213
91-120 days	5,796	61,927
121-360 days	104,168	1,723
More than 360 days	1,565	-
Total	$ 1,364,039	$ 1,572,484

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	**2015**
Less than 60 days	$ 2,412	$ 121,854
More than 90 days	29,034	-
Total	$ 31,446	$ 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 January 1, 2015	$ 1,565	$ -	$ 1,565
Add: Impairment losses recognized on receivable	1,823	-	1,823
Less: Amounts written off during the period as uncollectible	(269)	-	(269)
Foreign exchange translation gains	(28)	-	(28)
Balance at December 31, 2015	$ 3,091	$ -	$ 3,091
Balance at January 1, 2016	$ 3,091	$ -	$ 3,091
Add: Impairment losses recognized on receivable	99,500	-	99,500
Less: Amounts written off during the period as uncollectible	(24,067)	-	(24,067)
Foreign exchange translation gains	(130)	-	(130)
Balance at December 31, 2016	$ 78,394	$ -	$ 78,394

12. INVENTORIES

	December 31	
	2016	2015
Finished goods	$ 342,308	$ 476,212
Work in progress	350,483	509,470
Raw materials	165,599	239,340
	$ 858,390	$ 1,225,022

The costs of inventories recognized as cost of goods sold for the years ended December 31, 2016 and 2015 were $4,276,690 thousand and $4,916,716 thousand, respectively.

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

	Years Ended December 31	
	2016	2015
Reversal of inventory write-downs	$ 45,057	$ 94,665
Income from scrap sales	428	246
Compensation	2,500	-
	$ 47,985	$ 94,911

13. 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.

Please refer to Note 32 for Gains (loss) on disposal calculation.

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 32)	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	(80,081)
Loss from operations	(220,888)
Other loss	(94,123)
Loss before tax	(315,011)
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 gain (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 32.

14. SUBSIDIARIES

a. The subsidiaries included in the consolidated financial statements

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

Name of Investor	Name of Investee	Main Businesses and Products	Percentage of Ownership December 31 2016	2015	Note
Sunplus	Sunplus Management Consulting	Management	100.00	100.00	-
	Ventureplus Group	Investment	100.00	100.00	-
	Sunplus Technology (H.K.)	International trade	100.00	100.00	-
	Sunplus Venture	Investment	100.00	100.00	-
	Lin Shih Investment	Investment	100.00	100.00	-
	Sunplus mMobile	Design of integrated circuits (ICs)	100.00	100.00	-
	Sunext Technology Co., Ltd.	Design and sale of ICs	61.15	61.15	-
	Sunplus Innovation Technology	Design of ICs	61.41	62.10	-
	Generalplus Technology (“Generalplus”)	Design of ICs	34.30	34.30	Sunplus and its subsidiaries had 51.65% equity in Generalplus.
	iCatch Technology	Design of ICs	37.64	37.69	Sunplus and its subsidiaries had 45.44% equity in iCatch Technology, Inc. and the Group had controlling interest over iCatch Technology, Inc.; thus, the investee was included in the consolidated financial statements.
	Wei-Young Investment Inc.	Investment	100.00	100.00	-
	Russell Holdings Limited	Investment	100.00	100.00	-
	Magic Sky Limited	Investment	100.00	100.00	-
	Sunplus mMedia Inc.	Design of ICs	87.20	87.20	-
	Award Glory	Investment	100.00	-	At the end of March 2016, the establishment registration was completed.
Ventureplus	Ventureplus Mauritius	Investment	100.00	100.00	-
Ventureplus Mauritius	Ventureplus Cayman	Investment	100.00	100.00	-
Ventureplus Cayman	Ytrip Technology	Web research and development	68.80	80.56	-
	Sunplus App Technology	Manufacturing and sale of computer software; system integration services and information management and education.	93.33	93.33	-
	Sunplus Prof-tek Technology (Shenzhen)	Development and sale of computer software and system integration services	100.00	100.00	-
	Sunplus Technology (Shanghai)	Manufacturing and sale of consumer and rental	100.00	100.00	-
	SunMedia Technology	Manufacturing and sale of computer software and system integration services	100.00	100.00	-
	Sunplus Technology (Beijing)	Manufacturing and sale of computer software and system integration services	100.00	100.00	-
Ytrip Technology	1culture Communication	Development and sale	100.00	100.00	-
Sunplus Venture	Jumplux Technology	Design and sale of ICs	71.43	-	
	Han Young Technology	Design of ICs	70.00	70.00	-
	Sunext Technology Co., Ltd. (“Sunext”)	Design and sale of ICs	6.98	6.98	Sunplus and its subsidiaries had 74.15% equity in Sunext.
	Generalplus Technology Inc.	Design of ICs	3.66	3.95	Sunplus and its subsidiaries had 51.65% equity in Generalplus.
	Sunplus mMedia	Design of ICs	9.55	9.55	Sunplus and its subsidiaries had 100% equity in Sunplus mMedia.
	Sunplus Innovation	Design of ICs	5.67	5.73	Sunplus and its subsidiaries had 69.18% equity in Sunplus Innovation
	iCatch Technology, Inc.	Design of ICs	6.05	5.87	Sunplus and its subsidiaries had 45.44% equity in iCatch Technology, Inc.
Lin Shih	Generalplus Technology	Design of ICs	13.69	13.69	Sunplus and its subsidiaries had 51.65% equity in Generalplus.
	Sunext Technology	Design and sale of ICs	5.29	5.29	
	Sunplus mMedia	Design of ICs	3.25	3.25	Sunplus and its subsidiaries had 100% equity in Sunplus mMedia.
	Sunplus Innovation	Design of ICs	2.10	2.12	Sunplus and its subsidiaries had 69.18% equity in Sunplus Innovation
Lin Shih	iCatch Technology	Design of ICs	1.75	1.75	Sunplus and its subsidiaries had 45.44% equity in iCatch Technology, Inc. and the Group had controlling interest over iCatch Technology, Inc.; thus, the investee was included in the consolidated financial statements.
Sunplus mMobile	Sunplus mMobile SAS	Design of ICs	100.00	100.00	Sunplus mMobile SAS had been liquidated on January 2017.
Generalplus	Generalplus Samoa	Investment	100.00	100.00	-
Generalplus Samoa	Generalplus Mauritius	Investment	100.00	100.00	-
Generalplus Mauritius	Generalplus Shenzhen	After-sales service	100.00	100.00	-
	Generalplus HK	Sales	100.00	100.00	-
Wei-Young	Generalplus Technology	Design of Ics	-	0.10	
	Sunext Technology Co., Ltd.	Design and sale of Ics	0.03	0.03	Sunplus and its subsidiaries had 74.15% equity in Sunext
Russell	Sunext Technology Co., Ltd.	Design and sale of Ics	0.70	0.70	Sunplus and its subsidiaries had 74.15% equity in Sunext
Sunplus mMedia Inc.	Jumplux Technology	Design and sale of Ics	22.86	80.00	-

(Continued)

Name of Investor	Name of Investee	Main Businesses and Products	Percentage of Ownership December 31 2016	Percentage of Ownership December 31 2015	Note
Award Glory	Sunny Fancy	Investment	100.00	-	At the end of March 2016, the establishment registration was completed.
Sunny Fancy	Giant Kingdom	Investment	100.00	-	At the end of March 2016, the establishment registration was completed.
	Giant Rock	Investment	100.00	-	At the end of December 2016, the establishment registration was completed, but capital was not invested yet.
Giant Kingdom	Ytrip Technology	Web research and development	14.60	-	Sunplus and its subsidiaries had 83.40% equity in Ytrip Technology.

(Concluded)

The financial statements as of and for the years ended December 31, 2015 of the above subsidiaries except Sunplus Management Consulting had been audited by the auditors.

b. Subsidiary excluded from the consolidated financial statements

	The Voting Ratio of Non-controlling Equity December 31 2016	The Voting Ratio of Non-controlling Equity December 31 2015
Company name		
Generalplus Technology Inc.	48.35%	47.96%

Please refer to attachment 5 for registered countries and company information:

Company name	Profits Attributed to Non-controlling Interests Years Ended December 31 2016	Profits Attributed to Non-controlling Interests Years Ended December 31 2015	Non-controlling Interests December 31 2016	Non-controlling Interests December 31 2015
Generalplus Technology Inc.	$ 199,087	$ 186,169	$ 1,060,094	$ 1,039,112

The summarized financial information below represents amounts before intragroup eliminations.

	December 31 2016	December 31 2015
Current assets	$ 2,195,024	$ 2,176,779
Non-current assets	733,352	721,161
Current liabilities	675,737	677,744
Non-current liabilities	88,475	82,329
Equity	$ 2,164,164	$ 2,137,867
Equity attributable to:		
Owners of the Company	$ 1,104,070	$ 1,098,755
Non-controlling interests	1,060,094	1,039,112
	$ 2,164,164	$ 2,137,867

	For the Years Ended December 31	
	2016	2015
Operating revenue	$ 3,268,664	$ 3,081,376
Net income	$ 413,473	$ 388,158
Other comprehensive income	(38,965)	(9,179)
Total other comprehensive income	$ 374,508	$ 378,979
Equity attributable to:		
Owners of the Company	$ 214,386	$ 201,989
Non-controlling interests	199,087	186,169
	$ 413,473	$ 388,158
Total other comprehensive attributable to:		
Owners of the Company	$ 194,252	$ 197,214
Non-controlling interests	180,256	181,765
	$ 374,508	$ 378,979
Cash flows		
Cash flows from operating activities	$ 587,072	$ 491,767
Cash flows used in investing activities	(153,892)	(165,941)
Cash flows used in financing activities	(390,739)	(209,190)
Effect of exchange rate changes on the balance of cash held in foreign currencies	(5,914)	(1,741)
Net cash outflow	$ 36,527	$ 114,895
Dividend paid to non-controlling interests		
Generalplus Technology Inc.	$ (167,356)	$ (146,133)

15. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2016	2015
Investments in associates	$ 323,912	$ 339,023
Investments in jointly controlled entities	-	299,994
	$ 323,912	$ 639,017

a. 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 Group were as follows:

Name of Associate	December 31 2016	December 31 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 $906,358 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 2014.

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

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

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

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

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

	Years Ended December 31 2016	Years Ended December 31 2015
Revenue	$ 219,613	$ 27,550
Profit for the period	$ 69,013	$ (16,446)
Comprehensive income	$ 73,316	$ 106,589
Group's share of profits of associates	$ 20,068	$ 18,145

The investments accounted for by the equity method and the share of profit or loss and other comprehensive income of those investments for the year ended December 31, 2016 and 2015 was based on the associates' financial statements audited by the auditors for the same years.

b. Investments in jointly controlled entities

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

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

Due to the market price competition and the resignation of R& D personnel, S2-Tek Inc. was not available to develop new product. Therefore, in the meeting on January 25, 2016, shareholders made a resolution to shut down the business.

SZ-Tech Inc. had been liquidated on May 3, 2016. The Company recognized $9,346 thousand loss on disposal of investment according to the estimated amount of surplus properties distributed less than the book value of the investment.

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 associates and joint ventures	$ 236,234
Share of comprehensive income of associates and joint ventures	$ 236,234

The investments accounted for by the equity method and the share of profit or loss and other comprehensive income of those investments for the year ended December 31, 2015 was based on the associates' financial statements audited by the auditors for the same years.

16. PROPERTY, PLANT AND EQUIPMENT

	Year Ended December 31, 2015									
	Buildings	Auxiliary equipment	Machinery and equipment	Testing equipment	Transportation equipment	Furniture and fixtures	Leasehold improvements	Other equipment	Construction in progress	Total
Cost										
Balance, beginning of year	$ 2,516,262	$ 205,872	$ 20,988	$ 492,573	$ 11,306	$ 267,052	$ 5,623	$ 23,743	$ 957,782	$ 4,501,201
Additions	45,404	28,260	640	133,284	960	14,099	-	6,374	149,784	379,406
Disposals	(16,283)	(14,029)	(11,687)	(118,790)	(5,797)	(15,604)	(2,302)	(6,279)	-	(190,691)
Effect of exchange rate changes	(26,057)	972	8,518	(4,435)	120	(13,969)	228	(111)	(18,045)	(52,860)
Balance, end of year	2,519,326	221,075	18,459	502,632	6,589	252,178	3,549	23,727	1,089,521	4,637,056
Accumulated depreciation										
Balance, beginning of year	303,556	73,331	18,932	374,204	9,077	202,317	3,479	14,135	-	999,031
Depreciation expense	56,092	27,916	11,409	116,408	498	26,820	2,114	2,563	-	243,820
Disposals	(5,232)	(14,029)	(11,673)	(113,424)	(5,487)	(14,357)	(2,002)	(6,971)	-	(173,175)
Effect of exchange rate changes	(452)	(2,440)	(2,236)	7,438	(14)	(14,992)	(1,008)	6,491	-	(7,213)
Balance, end of year	353,964	84,778	16,432	384,626	4,074	199,788	2,583	16,218	-	1,062,463
Accumulated impairment										
Balance, beginning of year	-	-	-	11,498	-	-	-	-	-	11,498
Balance, end of year	-	-	-	11,498	-	-	-	-	-	11,498
Net, end of year	$ 2,165,362	$ 136,297	$ 2,027	$ 106,508	$ 2,515	$ 52,390	$ 966	$ 7,509	$ 1,089,521	$ 3,563,095

	Year Ended December 31, 2016									
	Buildings	Auxiliary equipment	Machinery and equipment	Testing equipment	Transportation equipment	Furniture and fixtures	Leasehold improvements	Other equipment	Construction in progress	Total
Cost										
Balance, beginning of year	$ 2,519,326	$ 221,075	$ 18,459	$ 502,632	$ 6,589	$ 252,178	$ 3,549	$ 23,727	$ 1,089,521	$ 4,637,056
Additions	-	17,369	1,569	94,726	950	14,385	532	399	4,426	134,356
Disposals	-	(11,491)	(1,491)	(30,812)	(1,680)	(6,629)	(647)	(123)	-	(52,873)
Reclassified to investment property	-	(19,197)	-	(16,205)	1,606	14,458	-	1,747	(1,061,106)	(1,078,697)
Effect of exchange rate changes	(98,398)	(4,873)	(2,376)	30,868	(445)	(13,416)	(150)	(4,472)	(32,816)	(126,078)
Balance, end of year	$ 2,420,928	$ 202,883	$ 16,161	$ 581,209	$ 7,020	$ 260,976	$ 3,284	$ 21,278	$ 25	$ 3,513,764
Accumulated depreciation										
Balance, beginning of year	$ 353,964	$ 84,778	$ 16,432	$ 384,626	$ 4,074	$ 199,788	$ 2,583	$ 16,218	$ -	$ 1,062,463
Depreciation expense	56,093	23,119	1,506	105,506	892	25,988	2,737	3,044	-	218,885
Disposals	-	(11,491)	(1,477)	(30,766)	(1,512)	(6,516)	(647)	(123)	-	(52,532)
Reclassified to investment property	-	-	-	(8,307)	-	7,981	-	326	-	-
Effect of exchange rate changes	(5,817)	(805)	(1,132)	29,836	(172)	(10,265)	(2,404)	(1,701)	-	7,540
Balance, end of year	$ 404,240	$ 95,601	$ 15,329	$ 480,895	$ 3,282	$ 216,976	$ 2,269	$ 17,764	$ -	$ 1,236,356
Accumulated impairment										
Balance, beginning of year										
Additions	$ -	$ -	$ -	$ 11,498	$ -	$ -	$ -	$ -	$ -	$ 11,498
Balance, end of year	$ -	$ -	$ -	$ 11,498	$ -	$ -	$ -	$ -	$ -	$ 11,498
Net, end of year	$ 2,016,688	$ 107,282	$ 832	$ 88,816	$ 3,738	$ 44,000	$ 1,015	$ 3,514	$ 25	$ 2,265,910

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

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

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

17. INVESTMENT PROPERTIES

Cost

Balance at January 1, 2015	$ 458,669
Additions	992
Effect of exchange rate differences	(8,752)
Balance at December 31, 2015	$ 450,839

Accumulated depreciation

Balance at January 1, 2015	$ (176,006)
Depreciation expense	(21,277)
Effect of exchange rate differences	3,514
Balance at December 31, 2015	(193,769)
	$ 257,070

Cost

Balance at January 1, 2016	$ 450,839
Additions	390
Reclassified	1,078,643
Effect of exchange rate differences	(84,879)
Balance at December 31, 2016	$ 1,444,993

Accumulated depreciation

Balance at January 1, 2016	$ (193,769)
Depreciation expense	(48,258)
Effect of exchange rate differences	15,938
Balance at December 31, 2016	(226,089)
	$ 1,218,904

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

The reclassification of the investment property in current period mainly consisted of the factory buildings constructed by SunMedia Technology at Chengdu in China. The construction was completed and officially operated in June 2016. The fair value of the investment properties had been determined on the basis of a valuation carried out at the reporting date December 31, 2016 by Sichuan Wuyue joint property assessment limited liability company. The valuation was determined by the replacement cost method; the important assumptions in the valuation were as follows:

	December 31, 2016
Fair value	$ 1,063,006
Discount rate	6%

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

The valuation was determined by the income approach method on 2016 and was determined by the replacement cost method on 2015 ; the important assumptions in the valuation were as follows:

	December 31	
	2016	2015
Fair value	$2,189,700	$ 389,809
Residue Ratio		83.33%
Discount rate	5.65%	

18. INTANGIBLE ASSETS

	Year Ended December 31, 2015					
	Technology License Fees	Software	Patents	Goodwill	Technological Know-how	Total
Cost						
Balance at January 1	$ 700,653	$ 346,096	$ 114,229	$ 30,596	$ 2,460	$ 1,194,034
Additions	98,509	31,110	-	-	-	129,619
Decrease	(118,344)	(3,336)	-	-	-	(121,680)
Effect of exchange rate differences	(7)	(521)	-	-	-	(528)
Balance at December 31	680,811	373,349	114,229	30,596	2,460	1,201,445
Accumulated amortization						
Balance at January 1	524,354	306,403	65,616	-	2,460	898,833
Amortization expense	59,244	33,942	6,737	-	-	99,923
Decrease	(98,865)	(2,744)	-	-	-	(101,609)
Effect of exchange rate differences	1	(320)	-	-	-	(319)
Balance at December 31	484,734	337,281	72,353	-	2,460	896,828
Accumulated deficit						
Balance at January 1	17,013	-	-	-	-	17,013
Addition	94,123	-	-	-	-	94,123
Balance at December 31	111,136	-	-	-	-	111,136
Carrying amounts at December 31, 2016	$ 84,941	$ 36,068	$ 41,876	$ 30,596	$ -	$ 193,481

	Year Ended December 31, 2016					
	Technology License Fees	Software	Patents	Goodwill	Technological Know-how	Total
Cost						
Balance at January 1	$ 680,811	$ 373,349	$ 114,229	$ 30,596	$ 2,460	$1,201,445
Additions	68,339	47,878	-	-	-	116,217
Decrease	(32,379)	(25,377)	-	-	-	(57,756)
Effect of exchange rate differences	(30)	(2,394)	-	-	-	(2,424)
Balance at December 31	$ 716,741	$ 393,456	$ 114,229	$ 30,596	$ 2,460	$1,257,482
Accumulated amortization						
Balance at January 1	$ 484,734	$ 337,281	$ 72,353	$ -	$ 2,460	$ 896,828
Amortization expense	75,155	35,567	6,738	-	-	117,460
Decrease	(32,379)	(25,069)	-	-	-	(57,448)
Effect of exchange rate differences	(4)	(1,514)	-	-	-	(1,518)
Balance at December 31	$ 527,506	$ 346,265	$ 79,091	$ -	$ 2,460	$ 955,322
Accumulated deficit						
Balance at January 1						
Addition	$ 111,136	$ -	$ -	$ -	$ -	$ 111,136
Balance at December 31	$ 111,136	$ -	$ -	$ -	$ -	$ 111,136
Carrying amounts at December 31, 2015	$ 78,099	$ 47,191	$ 35,138	$ 30,596	$ -	$ 191,024

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 ended December 31, 2016 and 2015 was $0 and $94,123 thousand.

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

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

19. OTHER ASSETS

	December 31	
	2016	**2015**
Pledged time deposits (Note 37)	$ 160,695	$ 259,876
Finance lease payables	114,025	126,438
Other financial assets	73,872	79,920
Prepayment for technical authorization	35,683	-
Refundable deposits (Note 33)	8,204	5,495
Other	115,693	114,384
	$ 508,172	$ 586,113
Current	$ 289,755	$ 431,971
Noncurrent	218,417	154,142
	$ 508,172	$ 586,113

The amounts of the Group's finance lease payables for land grants in China as of December 31, 2016 and 2015 were $114,025 thousand and $126,438 thousand, respectively.

20. LOANS

Short-term borrowings

	December 31	
	2016	**2015**
Unsecured borrowings		
Bank loans	$ 550,203	$ 646,093

The weighted average effective interest rates for bank loans from January 1, 2015 to December 31, 2015 and from January 1, 2016 to December 31, 2015 were 1.10%-2.40% and 1.14%-2.20% per annum, respectively.

Long-term borrowings

The borrowings of the Group were as follows:

	Maturity Date	Significant Covenant	December 31 2016	December 31 2015
Floating rate borrowings				
Unsecured bank borrowings	2018.2.10	Repayable quarterly from August 2015	$ 437,500	$ 500,000
Unsecured bank borrowings	2019.11.10	Repayable semiannually from November 2016	200,000	-
Secured bank borrowings	2017.1.10	Repayable in January 2017	160,141	194,613
Secured bank borrowings	2017.12.18	Repayable in December 2017	160,141	162,178
Secured bank borrowings	2017.7.14	Repayable in July 2017	160,140	162,178
Unsecured bank borrowings	2018.1.27	Repayable quarterly from July 2015	155,556	200,000
Secured bank borrowings	2017.3.16	Repayable semiannually from March 2012	77,776	233,332
Unsecured bank borrowings	2019.2.14	Repayable quarterly from February 2014	75,000	243,750
			$ 1,426,254	$ 1,876,051
Current			$ 897,087	$ 619,678
Noncurrent			529,167	1,256,373
			$ 1,426,254	$ 1,876,051

The effective borrowing rates as of December 31, 2016 and 2015 were 1.546%-2.8039% and 1.705%-2.8562%.

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 and 2015, the Group was in compliance with these financial ratio requirements.

21. TRADE PAYABLES

	December 31 2016	December 31 2015
Accounts payable		
Payable - operating	$ 732,964	$ 665,304

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

22. PROVISIONS

	December 31 2016	December 31 2015
Customer returns and rebates	$ 12,334	$ 15,339

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.

23. OTHER LIABILITIES

	December 31	
	2016	2015
Other payables		
Salaries or bonuses	$ 338,785	$ 371,315
Compensation due to directors and supervisors	100,673	109,637
Receipt in advance	71,683	22,891
Payable for royalties	54,790	37,065
Labor/health insurance	27,208	27,961
Payables for purchases of equipment	20,316	49,809
Commissions payable	19,944	12,815
Others	176,439	108,375
	$ 809,838	$ 739,868
Deferred revenue		
Arising from government grants (Note 31)	$ 68,946	$ 76,410
Current		
－Other liabilities	$ 808,949	$ 738,529
－Deferred revenue	1,682	1,819
	$ 810,631	$ 740,348
Noncurrent		
－Other current liabilities	$ 889	$ 1,339
－Deferred revenue	67,264	74,591
	$ 68,153	$ 75,930

24. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

b. Defined benefit plans

Before the promulgation of the LPA, Sunplus, Generalplus, Sunext, Sunplus Innovation, Sunplus mMedia, Jumples 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 actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out by qualifying actuaries. The principal assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2016	**2015**
Present value of funded defined benefit obligation	$ 278,239	$ 277,337
Fair value of plan assets	(185,639)	(182,819)
Net liability arising from defined benefit obligation	$ 92,600	$ 94,518

Movements in net defined benefit liability were as follows:

	Present Value of Funded Defined Benefit Obligation	**Fair Value of Plan Assets**	**Net Defined Benefit Liability (Asset)**
Balance at January 1, 2015	$ 279,700	$ 176,652	$ 103,048
Service cost			
Current service cost	1,544	-	1,544
Disposal gain	(11,649)	-	(11,649)
Net interest expense (income)	5,579	3,585	1,994
Recognized gain and loss	(4,526)	3,585	(8,111)
Remeasurement			
Return on plan assets	-	1,133	(1,133)
Actuarial (gain) loss-experience adjustment	1,863	-	1,863
Actuarial (gain) loss-changes in demographic assumptions	158	-	158
Actuarial loss-changes in financial assumptions	3,782	-	3,782
Recognized in other comprehensive income	5,803	1,133	4,670
Contributions from employer	-	5,089	(5,089)
Benefit paid	(3,640)	(3,640)	-
Balance at December 31, 2015	$ 277,337	$ 182,819	$ 94,518

(Continued)

	Present Value of Funded Defined Benefit Obligation	Fair Value of Plan Assets	Net Defined Benefit Liability (Asset)
Balance at January 1, 2016	$ 277,337	$ 182,819	$ 94,518
Service cost			
Current service cost	1,018	-	1,018
Net interest expense (income)	4,739	3,224	1,515
Recognized gain and loss	5,757	3,224	2,533
Remeasurement			
Return on plan assets	-	(1,550)	1,550
Actuarial (gain) loss-experience adjustment	(384)	-	(384)
Actuarial (gain) loss-changes in demographic assumptions	182	-	182
Actuarial loss-changes in financial assumptions	4,775	-	4,775
Recognized in other comprehensive income	4,573	(1,550)	6,123
Contributions from employer	-	4,724	(4,724)
Benefit paid	(9,428)	(3,578)	(5,850)
Balance at December 31, 2016	$ 278,239	$ 185,639	$ 92,600

(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	$ 272	$ 509
Selling and marketing expenses	306	416
General and administrative expenses	447	761
Research and development expenses	1,650	(9,918)
Net liability arising from defined benefit obligation	$ 2,675	$ (8,232)

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:

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

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

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

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

	December 31	
	2016	**2015**
Discount rate(s)	1.38%-1.90%	1.60%-1.90%
Expected rate(s) of salary increase	3.50%-6.25%	3.50%-6.25%
Resignation rate	0%~29%	0%-29%

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

	December 31, 2016	**December 31, 2015**
Discount rate(s)		
0.25% increase	$ (9,930)	$ (10,215)
0.25% decrease	$ 10,385	$ 10,705
Expected rate(s) of salary increase		
1% increase	$ 42,338	$ 44,351
1% decrease	$ (36,083)	$ (37,661)

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	$ 4,687	$ 5,037
The average duration of the defined benefit obligation	13-18 years	14-22 years

25. EQUITY

a. Share capital

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

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

b. Capital surplus

For each class of capital surplus, a reconciliation of the carrying amounts at the beginning and at the end of December 31, 2016 and 2015 was as follows:

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

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

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 27-6.

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

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

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 2016 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:

	For the Year 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:

	For the Year Ended December 31	
	2016	2015
Balance at January 1	$ 233,983	$ 181,674
Unrealized gain arising on revaluation of available-for-sale financial assets	190,894	(681,379)
Cumulative (gain)/loss reclassified to profit or loss on sale of available-for-sale financial assets	(191,293)	(88,395)
Cumulative loss reclassified to profit or loss on impairment of available-for-sale financial assets	72,921	824,007
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 available-for-sale financial assets of associates accounted for using the equity method	(43)	(1,883)
Balance at December 31	$ 306,462	$ 233,983

Noncontrolling interests

	For the Year Ended December 31	
	2016	2015
Balance at January 1	$ 1,695,228	$ 1,598,388
Attributable to no controlling interests:		
Share of profit for the year	152,319	238,932
Exchange difference arising on translation of foreign entities	(17,248)	1,288
Unrealized gains on available-for-sale financial assets	(765)	(819)
Actuarial gains on defined benefit plans	(1,933)	(2,042)
Cash dividends distributed by subsidiaries	(191,451)	(146,133)
Partial disposal of interests in subsidiaries	8,082	-
Equity instruments hold by the employees of subsidiaries	7,198	4,325
Non-controlling interest arising from acquisition of subsidiaries	690	190
Others	11,803	1,289
Balance at December 31	$ 1,663,923	$ 1,695,228

Treasury shares

Purpose of Buyback	Shares Transferred to Employees (In Thousands of Shares)	Shares Held by Its Subsidiaries (In Thousands of Shares)	Total (In Thousands of Shares)
Number of shares as of January 1, 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 Group's shares held by its subsidiaries at the end of the reporting periods were as follows:

Purpose of Buyback	Shares Transferred to Employees (in Thousands of Shares)	Shares Held by Its Subsidiaries (in Thousands of Shares)	Total (in Thousands of Shares)
December 31, 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 should 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.

26. REVENUE

	For the Year Ended December 31	
	2016	2015
Revenue from IC	$ 7,067,015	$ 7,950,773
Rental income from property	198,761	147,725
Other	290,269	367,335
	$ 7,556,045	$ 8,465,833

27. NET PROFIT

Net profit included the following items:

Other income

	For the Year Ended December 31	
	2016	2015
Interest income	$ 25,230	$ 37,908
Dividend income	33,909	32,026
Others	51,897	55,971
	$ 111,036	$ 125,905

Other gains and losses

	For the Year Ended December 31	
	2016	2015
Gain on disposal of investment	$ 184,568	$ 995,854
Net loss on financial assets designated as at FVTPL	400	(191)
Net foreign exchange gains	(61,434)	(1,795)
Impairment loss on available-for-sale financial assets	(110,703)	(986,550)
Others	9,784	21,494
	$ 22,615	$ 28,812

Finance costs

	For the Year Ended December 31	
	2016	2015
Interest on bank loans	$ 38,366	$ 36,885
Other finance costs	1,426	744
	$ 39,792	$ 37,629

Information on capitalized interest is as follows:

	For the Year Ended December 31	
	2016	2015
Capitalized interest	$ 4,127	$ 10,688
Capitalization rate	2.69%	2.86%

Depreciation and amortization

	For the Year Ended December 31	
	2016	2015
Property, plant and equipment	$ 218,885	$ 243,820
Investment property	48,258	21,277
Intangible assets	117,460	99,923
	$ 384,603	$ 365,020
An analysis of depreciation by function		
Operating costs	$ 56,779	$ 31,275
Operating expenses	210,364	233,822
	$ 267,143	$ 265,097
An analysis of amortization by function		
Operating costs	$ 911	$ 1,002
Selling expenses	98	204
Administrative expenses	16,085	22,430
Research and development expenses	100,366	76,287
	$ 117,460	$ 99,923

Operating expenses directly related to investment properties

	For the Year Ended December 31	
	2016	2015
Direct operating expenses from investment property that generated rental income	$ 54,979	$ 22,510
Direct operating expenses from investment property that did not generate rental income	256,869	92,768
	$ 311,848	$ 115,278

Employee benefit expense

	For the Year Ended December 31	
	2016	2015
Short-term benefits	$ 1,923,960	$ 2,079,942
Post-employment benefits		
Defined contribution plans	55,405	54,387
Defined benefit plans	2,675	(8,232)
Other employee benefits	26,433	28,500
Total employee benefit expense	$ 2,008,473	$ 2,154,597
An analysis of employee benefit expense by function		
Operating costs	$ 137,985	$ 159,390
Operating expenses	1,870,488	1,995,207
	$ 2,008,473	$ 2,154,597

a. 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 to directors at rates no less than 1% and no higher than 1.5%, respectively, of net profit before income tax, employees’ compensation, and remuneration to directors. The employees’ compensation and remuneration of directors and supervisors for the years ended December 31, 2016 and 2015 which have been 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 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.

b. Bonus to employees and remuneration of directors and supervisors for 2014

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

	For the Year Ended December 31, 2015	
	Cash Dividends	**Share Dividends**
Bonus to employees	$ 191	$ -
Remuneration of directors and supervisors	287	-

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

	For the Year Ended December 31, 2015	
	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 in 2015 is available on the Market Observation Post System website of the Taiwan Stock Exchange.

Gain or loss on exchange rate changes

	For the Year Ended December 31	
	2016	**2015**
Exchange rate gains	$ 146,196	$ 212,926
Exchange rate losses	(207,630)	(214,721)
	$ (61,434)	$ (1,795)

28. INCOME TAXES

Income tax recognized in profit or loss

The major components of tax expense were as follows:

	For the Year Ended December 31	
	2016	**2015**
Current tax		
In respect of the current year	$ 81,254	$ 83,464
Adjustments for prior periods	1,937	(4,008)
Others	-	(215)
	83,191	79,241
Deferred tax		
In respect of the current year	10,470	2,548
Others	-	93
Income tax expense recognized in profit or loss	$ 93,661	$ 81,882

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

	Years Ended December 31	
	2016	**2015**
Profit before tax	$ 366,167	$ 910,162
Income tax expense at the 17% statutory rate	$ 62,248	$ 154,727
Different statutory rate in other jurisdictions	4,115	393
Tax effect of adjusting items:		
Nondeductible expenses in determining taxable income	(286)	(233,250)
Temporary differences	(16,002)	254,168
Tax-exempt income	(16)	(51)
Additional income tax on unappropriated earnings	866	1,339
Unrecognized temporary differences	1,280	(70)
Additional income tax under the Alternative Minimum Tax Act	298	2,396
Effects of consolidated income tax filing	(67)	-
Current income tax expense	52,436	179,652
Deferred income tax expense		
Temporary differences	10,470	(9,425)
Loss carryforwards	-	12,066
Unrecognized loss carryforwards	27,929	(98,796)
Adjustments for prior years' tax	1,937	(4,008)
Foreign income tax expense	889	2,393
Income tax expense recognized in profit or loss	$ 93,661	$ 81,882

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

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

Current tax assets and liabilities

	December 31	
	2016	2015
Current tax assets		
Tax refund receivable	$ 3,372	$ 3,974
Current tax liabilities		
Income tax payable	$ 42,184	$ 54,096

Deferred tax assets and liabilities

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

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

For the year ended December 31, 2016

Deferred Tax Assets	Opening Balance	Recognized in Profit or Loss	Exchange Differences	Closing Balance
Temporary differences				
Unrealized loss on inventories	$ 22,867	($ 4,198)	$ -	$ 18,669
Fixed assets	4,407	(1,415)	-	2,992
Unrealized sales	378	244	-	622
Exchange losses (gains)	1,651	(2,977)	-	(1,326)
Other	10,182	(2,124)	-	8,058
	$ 39,485	$ (10,470)	$ -	$ 29,015

For the year ended December 31, 2015

Deferred Tax Assets	Opening Balance	Recognized in Profit or Loss	Exchange Differences	Closing Balance
Temporary differences				
Unrealized loss on inventories	$ 16,290	$ 6,577	$ -	$ 22,867
Fixed assets	5,796	(1,389)	-	4,407
Intangible assets	(2,499)	2,499	-	-
Unrealized sales	309	69	-	378
Exchange (gains) losses	(2,026)	3,677	-	1,651
Deferred credits	187	(187)	-	-
Other	12,003	(1,912)	91	10,182
	30,060	9,334	91	39,485
Loss carryforwards	12,066	(11,760)	(306)	-
	$ 42,126	$ (2,426)	$ (215)	$ 39,485

Unrecognized deferred tax assets

Loss Carryforwards	**December 31**	
	2016	**2015**
Expiry in 2016	$ -	$ 214,649
Expiry in 2017	750,814	760,232
Expiry in 2018	200,391	174,294
Expiry in 2019	434,804	53,474
Expiry in 2020	477,930	225,295
Expiry in 2021	850,390	861,189
Expiry in 2022	659,713	654,850
Expiry in 2023	1,553,756	1,451,074
Expiry in 2024	150,023	169,458
Expiry in 2025	194,911	51,037
Expiry in 2026	212,720	-
	$ 5,485,452	$ 4,615,552
Deductible temporary differences	$ 404,516	$ 405,185

Unused loss carryforwards and tax-exemptions

Loss carryforwards as of December 31, 2016 pertaining to Sunplus:

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	

Loss carryforwards as of December 31, 2016 pertaining to Sunplus Venture:

Unused Amount	**Expiry Year**
$ 48,960	2017
57,004	2018
30,907	2019
17,891	2020
4,863	2022
92,197	2023
$ 251,822	

Loss carryforwards as of December 31, 2016 pertaining to Lin Shin:

Unused Amount	Expiry Year
$ 40,505	2017
33,437	2018
9,864	2019
39,908	2023
$ 123,714	

Loss carryforwards as of December 31, 2016 pertaining to Sunext:

Unused Amount	Expiry Year
$ 661,349	2017
18,351	2018
120,088	2021
100,760	2022
159,490	2023
31,147	2024
975	2025
$ 1,092,160	

Loss carryforwards as of December 31, 2016 pertaining to iCatch:

Unused Amount	Expiry Year
$ 82,053	2026

Loss carryforwards as of December 31, 2016 pertaining to Sunplus mMedia:

Unused Amount	Expiry Year
$ 91,599	2018
25,719	2019
22,352	2020
109,040	2021
35,847	2022
30,658	2023
29,360	2024
27,164	2025
11,753	2026
$ 383,492	

Loss carryforwards as of December 31, 2016 pertaining to Jumplux:

Unused Amount	Expiry Year
$ 4,692	2024
21,350	2025
44,616	2026
$ 70,658	

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
Generalplus	
Fifth expansion	January 1, 2013 to December 31, 2017
Sunplus Innovation	
Second expansion	January 1, 2013 to December 31, 2017

Integrated income tax

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

	For the Year Ended December 31	
	2016 (Expected)	2015
Creditable ratio for distribution of earnings	21.19%	20.91%

Income tax assessments

The income tax returns of Sunplus, Sunplus mMobile, Generaplus, through 2012 and Sunplus Innovation, Sunplus mMedia, Sunplus management Consulting, Wei-Yough, Lin Shih, Sunplus Venture, Sunext and iCatch through 2013 had been assessed by the tax authorities.

29. EARNINGS (LOSS) PER SHARE

Unit: NT$ Per Share

	For the Year Ended December 31	
	2016	2015
Basic gain (loss) 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 (loss) per share		
From continuing operations	$ 0.20	$ 1.05
From discontinued operations	-	(0.05)
Total diluted earnings (loss) 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 (loss) for the Year

	For the Year Ended December 31	
	2016	**2015**
Profit for the year attributable to owners of the Company	$ 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)
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

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

	For the Year 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:		
Bonus issue to employees	215	528
Weighted average number of common shares used in the computation of diluted earnings per share	588,650	588,963

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

30. SHARE-BASED PAYMENT ARRANGEMENTS

Employee share option plan

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

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

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

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

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

b. 50% of the shareholding ratio after the third anniversary from the grant date. The restrictions under the ESOP are as follows:

The restrictions under the ESOP are as follows:

a. During the duration of the restricted ESOP, the employee may not vend, discount, transfer, grant, enact, or any other methods.

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

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

Information about the Sunplus Innovation's restricted stock plan for the year ended December 31, 2016 and 2015 was as follows:

	Number of Restricted Stock (In Thousands)	
	2016	**2015**
Balance at January 1	844	2,315
Vest	(575)	(353)
Retirement	(35)	(1,118)
Balance at December 31	234	844

iCatch Technology Inc.

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

Information about the iCatch's outstanding options for the year ended December 31, 2016 and 2015 was as follows:

	2016		2015	
	Number of Options (In Thousands)	Weighted-average Exercise Price (NT$)	Number of Options (In Thousands)	Weighted-average Exercise Price (NT$)
Balance at January 1	6,199	$	7,500	$ 10
Retirement	(387)		(1,282)	10
Options granted	(69)		(19)	10
Balance at December 31	5,743		6,199	10
Options exercisable, end of period	5,743		6,199	10

As of December 31, 2016, information about iCatch's 2013 option plan outstanding and exercisable options was as follows:

	Outstanding Options			Options Exercisable	
Exercise Price (NT$)	Number Outstanding (Thousands)	Remaining Contractual Life (In Years)	Exercise Price (NT$/Per Share)	Number Exercisable (Thousand)	Exercise Price (NT$/Per Share)
$10	4,172	2.7	$10	2,324	$ -

As of December 31, 2016, information about iCatch's 2013 option plan outstanding and exercisable options was as follows:

	Outstanding Options			Options Exercisable	
Exercise Price (NT$)	Number Outstanding (Thousands)	Remaining Contractual Life (In Years)	Exercise Price (NT$/Per Share)	Number Exercisable (Thousand)	Exercise Price (NT$/Per Share)
$10	1,571	3.6	$10	-	$ -

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

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

31. GOVERNMENT GRANTS

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

The total revenue recognized as profit for the years ended December 31, 2016 and 2015 was 1,766 and 1,833 thousand respectively.

The Company signed the contract of [The development program of the sensor IC of Electrocardiogram with low power consumption and Noise, the SDK system of Electrocardiogram, and the project of Hardware development] with Institute for Information Industry, III for short, on June, 2014. The program started from November 7, 2013 to May 6, 2015. As of December 31, 2015, the government grants received was amounted to 6,199 thousand dollars, and was classified to Non-operating income and gains.

The compans 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. The government grants received was amounted to 2,468 thousand dollars, and was classified to Non-operating income and gains.

32. DISPOSAL OF SUBSIDIARIES

As stated in Note 13, 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	$ 333,000
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 13).

33. OPERATING LEASE ARRANGEMENTS

The Group as lessee

Operating leases relate to leases of land with lease terms between 2 and 8 years. The Group does not have a bargain purchase option to acquire the leased land at the expiry of the lease periods.

Sunplus

The Company leases lands from Science-Based Industrial Park Administration (SBIPA) under renewable agreements expiring in December 2020, December 2021 and December 2034. The SBIPA has the right to adjust the annual lease amount. The amount was $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

Sunplus Innovation

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

The future lease payables are as follows:

	December 31	
	2016	2015
Up to 1 year	$ 5,489	$ 5,459
Over 1 year to 5 years	5,489	10,919
	$ 10,978	$ 16,378
Refundable deposits	$ 910	$ 1,660

Generalplus

Generalplus leases land from Science-Based Industrial Park Administration under renewable agreements expiring in December 2020. The SBIPA has the right to adjust the annual lease amount of $1,458 thousand. Generalplus deposited $3,000 thousand (classified as restricted 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	$ 1,458	$ 1,474
Over 1 year to 5 year	4,374	5,896
	$ 5,832	$ 7,370

iCatch Technology, Inc. (“iCatch”)

iCatch lease offices from Siming Inc. and Siha Inc. under renewable agreements expiring in February 2017; the lease payments in 2016 were $2,093 thousand and $1,390 thousand, respectively.

The future lease payments are as follows:

	December 31	
	2016	2015
Up to 1 year	$ 3,483	$ 538
Over 1 year to 5 years	581	-
	$ 4,064	$ 538
Refundable deposits	$ 521	$ 521

The Group as lessor

Sunplus Technology (Shanghai)

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

As of December 31, 2016 and 2015, deposits received under operating leases amounted to $34,752 thousand and $35,410 thousand, respectively.

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

	December 31	
	2016	2015
Up to 1 year	$ 119,361	$ 117,457
Over 1 year to 5 years	62,163	109,985
	$ 181,524	$ 227,442

SunMedia Technology

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

As of December 31, 2016, deposits received under operating leases amounted to $6,926 thousand, respectively.

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

	December 31, 2016
Up to 1 year	$ 89,934
Over 1 to 5 years	346,718
Over 5 years	875,572
	$ 1,307,224

34. CAPITAL MANAGEMENT

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

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

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

35. FINANCIAL INSTRUMENTS

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

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		2015	
	Carrying Amount	**Fair Value**	**Carrying Amount**	**Fair Value**
Financial assets				
Financial assets carried at cost	$ 689,261	$ -	$ 528,590	$ -
Debt investment with no active market	-	-	15,389	-

b. Fair value of 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**
Financial assets at FVTPL				
Securities listed in ROC	$ 106,573	$ -	$ -	$ 106,573
Available-for-sale financial assets				
Mutual funds	$ 1,329,829	$ -	$ -	$ 1,329,829
Securities listed in ROC	943,100	-	-	943,100
	$ 2,272,929	$ -	$ -	$ 2,272,929

December 31, 2015

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Securities listed in ROC	$ 24,200	$ -	$ -	$ 24,200
Available-for-sale financial assets				
Mutual funds	$ 874,799	$ -	$ -	$ 874,799
Securities listed in ROC	1,605,745	-	-	1,605,745
	$ 2,480,544	$ -	$ -	$ 2,480,544

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	2015
Financial assets		
Fair value through profit or loss (FVTPL)		
Held for trading	$ 106,573	$ 24,200
Loans and receivables (i)	6,247,008	6,147,805
Available-for-sale financial assets (ii)	2,962,190	3,009,134
Financial liabilities		
Measured at amortized cost (iii)	2,909,277	3,389,629

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

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

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

d. Financial risk management objectives and policies

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

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

1) Market risk

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

a) Foreign currency risk

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

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

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

Sensitivity analysis

The Group was mainly exposed to the USD and RMB.

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

	USD impact	
	Years Ended December 31	
	2016	**2015**
Profit or loss	$ 5,164	$ (2,199)

	RMB impact	
	Years Ended December 31	
	2016	**2015**
Profit or loss	$ (1,281)	$ (55,486)

b) Interest rate risk

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

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

	December 31	
	2016	**2015**
Fair value interest rate risk		
Financial assets	$ 3,149,092	$ 3,110,718
Financial liabilities	176,756	170,588
Cash flow interest rate risk		
Financial assets	1,808,818	1,587,426
Financial liabilities	1,799,701	2,351,556

Sensitivity analysis

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

Had interest rates increased/decreased by 0.125% basis point and all other variables held constant, the Group's post-tax profit for the years ended December 31, 2016 would increase/decrease by $11 thousandand and December 31, 2015 increase/decrease by $955 thousand.

c) Other price risk

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

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

Had equity prices been 1% higher/lower, post-tax profit for the years ended December 31, 2016 and 2015 would have increased/decreased by $22,729 thousand and $24,805 thousand.

2) Credit risk

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

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

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

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

The Group's concentration of credit risk of 62% and 54% in total trade receivables as of December 31, 2016, December 31, 2015, respectively, was related to the five largest customers within the property construction business segment.

3) Liquidity risk

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

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

a) Liquidity and interest risk rate tables

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

December 31, 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
Nonderivative Financial liabilities						
Noninterest bearing	-	$ 309,511	$ 538,459	$ 552,687	$ 32,001	$ -
Variable interest rate liabilities	1.545~2.8039	117,232	96,528	720,743	915,954	-
Fixed interest rate liabilities	0.9~2.4	-	406	79,074	101,114	142,694
		$ 426,743	$ 635,393	$ 1,352,504	$ 1,049,069	$ 142,694

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
Nonderivative Financial liabilities						
Noninterest bearing		$ 311,829	$ 539,694	$ 597,928	$ 34,621	$ -
Variable interest rate liabilities	1.705-2.8562	117,232	96,528	750,198	917,294	-
Fixed interest rate liabilities	0.8-2.2	-	440	85,548	108,806	142,694
		$ 429,061	$ 636,662	$ 1,433,674	$ 1,060,721	$ 142,694

b) Financing facilities

	December 31	
	2016	2015
Unsecured bank overdraft facility		
Amount used	$ 1,865,538	$ 2,582,603
Amount unused	4,463,984	3,770,817
	$ 6,329,522	$ 6,353,420

36. TRANSACTIONS WITH RELATED PARTIES

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

a. Sales of goods

		For the Year Ended December 31	
Line Items	**Related Party Categories**	**2016**	**2015**
Sales	Associates	$ 371	$ -
	Joint ventures	219	84,420
		$ 590	$ 84,420

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)

		December 31	
Account Item	**Related Party**	**2016**	**2015**
Trade receivables	Associates	$ 187	$ -
	Joint ventures	-	10,049
		$ 187	$ 10,049
Other receivable	Joint ventures	$ -	$ 1,262

There were no guarantees on outstanding receivables from related parties.

c. Other transactions with related parties

Account Item	Related Parties Types	December 31 2016	December 31 2015
Operating expenses	Joint ventures	$ -	$ 13,931
Nonoperating income and expenses	Joint ventures	$ 1,808	$ 24,166

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.

d. Compensation of key management personnel:

	For the Years Ended December 31 2016	For the Years Ended December 31 2015
Short-term employee benefits	$ 81,414	$ 60,407
Post-employment benefits	1,340	1,235
	$ 82,754	$ 61,642

37. 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	December 31 2015
Buildings, net	$ 653,940	$ 673,342
Pledged time deposits (classified as other assets, including current and noncurrent)	160,695	259,876
Subsidiary's holding of Sunplus' stock	38,413	39,429
	$ 853,048	$ 972,647

38. 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	$ 50,750	32.250	$ 1,636,688
HKD	13,836	4.158	57,530
CNY	4,045	4.617	18,676
JPY	768	0.265	204
GBP	3	39.610	119
EUR	2	33.900	68
Nonmonetary items			
USD	1,000	32.250	32,250
USD	637	30.249	19,272
EUR	510	30.179	15,391
Financial liabilities			
Monetary items			
USD	55,914	32.250	1,803,227
CNY	2,764	4.617	12,761
EUR	22	33.90	746

December 31, 2015

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
CNY	$ 57,606	4.995	$ 287,742
USD	57,883	32.825	1,900,009
JPY	359	0.273	98
HKD	93	4.235	394
GBP	3	48.670	146
EUR	2	35.880	72
Nonmonetary items			
USD	997	32.825	32,727
EUR	510	35.880	18,299
Financial liabilities			
Monetary items			
USD	55,684	32.825	1,827,827
CNY	2,120	4.995	10,589

The foreign currency exchange loss and gain (realized and unrealized) were amounted to $61,434 thousand and $1,795 thousand for the ended December 31, 2016 and 2015, respectively. Due to the diversity of the functional currencies of the Group, it is unable to disclose foreign currency with significant influence.

39. ADDITIONAL DISCLOSURES

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

    1) Financings provided: Table 1 (attached)

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

    3) Marketable securities held: Table 3 (attached)

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

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

    6) Information on investee: Table 6 (attached)

b. Information on investments in mainland China

    1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 7)

    2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: (Table 8)

        a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.

        b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.

        c) The amount of property transactions and the amount of the resultant gains or losses.

        d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.

        e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.

        f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services.

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

40. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on types of goods provided. Since all products have similar economic characteristics and product selling is centralized, the Group reports information as referring to one segment. Thus, the information of the operating segment is the same as that presented in the accompanying financial statements. That is, the revenue by sub segment and operating results for the years ended December 31, 2016 and 2015 are shown in the accompanying consolidated income statements, and the assets by segment as of December 31, 2016 and 2015 are shown in the accompanying consolidated balance sheets.

The segment information reported on the following pages does not include any amounts for these discontinued operations, which are described in more detail in Note 13.

a. Segment revenues and results

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

	Segment Revenue	
	For the Year Ended December 31	
	2016	2015
IC design	$ 7,067,015	$ 7,950,773
Income from lease of property, plant, and equipment	198,761	147,725
Other income	290,269	367,335
	$ 7,556,045	$ 8,465,833

b. Geographical information

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

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

	Revenue from External Customers		Non-current Assets	
	For the Year Ended December 31		For the Year Ended December 31	
	2016	2015	2016	2015
Asia	$ 5,200,032	$ 5,650,767	$ 2,256,136	$ 2,516,438
Taiwan	2,216,397	2,538,834	1,419,702	1,497,208
Others	139,616	276,232	-	-
	$ 7,556,045	$ 8,465,833	$ 3,675,838	$ 4,013,646

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

c. Information about major customers

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

	For the Year Ended December 31	
	2016	**2015**
Customer A	$ 1,163,359	$ 1,947,996
Customer B	516,627	680,691

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

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).

(Continued)

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

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)

TABLE 2

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

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	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
(Note1)		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 AND SUBSIDIARIES

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	December 31, 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	December 31, 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 Global 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	December 31, 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)

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

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	Shares	Amount	Carrying Amount	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.

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Counterparty	Flow of Transactions (Note 5)	Intercompany Transactions			
			Financial Statements Account Item	Amount	Terms	Percentage of Consolidated Total Gross Sales or Total Assets
Sunplus Technology Co., Ltd. (“parent company”)	Generalplus Technology Corp.	1	Sales	$ 4,601	Note 1	0.06%
			Nonoperating income and gains	78	Note 2	-
			Notes and accounts receivable	518	Note 1	-
			Other receivables	6	Note 3	-
	Sunext Technology Co., Ltd.	1	Sales	1,002	Note 1	0.01%
			Nonoperating income and gains	10,839	Notes 2 and 4	0.14%
			Notes and accounts receivable	198	Note 1	-
			Other receivables	1,845	Note 3	0.01%
	Sunplus Innovation Technology Inc.	1	Sales	590	Note 1	0.01%
			Nonoperating income and gains	3,792	Notes 2 and 4	0.05%
			Notes and accounts receivable	245	Note 1	-
			Other receivables	623	Note 3	-
	iCatch Technology, Inc.	1	Sales	12,891	Note 1	0.17%
			Nonoperating income and gains	15,085	Notes 2 and 4	0.21%
			Notes and accounts receivable	800	Note 1	0.01%
			Other receivables	2,627	Note 3	0.02%
	Sunplus Technology (H.K.) Co., Ltd.	1	Marketing expense	1,549	Note 2	0.02%
	Jumplux Technology Co., Ltd.	1	Sales	3,096	Note 1	0.04%
			Nonoperating income and gains	7,891	Note 2	0.10%
			Notes and accounts receivable	553	Note 1	-
			Other receivables	1,782	Note 3	0.01%
	Sunplus mMedia Inc.	1	Sales	2,039	Note 1	0.03%
			Nonoperating income and gains	2,089	Notes 2 and 4	0.03%
			Marketing expenses	(311)	Note 2	-
			Administrative expenses	94	Note 2	-
Sunplus Innovation Technology Inc.	Sun Media Technology Co., Ltd.	2	Marketing expenses	2,824	Note 2	0.04%
			Other accrued expense	736	Note 3	0.01%
	Sunplus Prof-tek (Shenzhen) Co., Ltd.	2	Other accrued expense	7,933	Note 3	0.05%
			Marketing expenses	26,600	Note 2	0.35%
Generalplus Technology Corp.	Generapllus Technology (H.K.) Corp.	2	Marketing expense	17,774	Note 2	0.24%
			Other accrued expense	4,478	Note 3	0.03%
	Generalplus Technology (Shenzhen) corp.	2	Research and development	89,569	Note 2	1.19%
			Other accrued expense	34,966	Note 3	0.24%

(Continued)

Company Name	Counter-Party	Flow of Transactions (Note 5)	Intercompany Transactions			
			Financial Statements Account Item	Amount	Terms	Percentage of Consolidated Total Gross Sales or Total Assets
iCatch Technology, Inc.	Sunplus Prof-tek (Shenzhen) Co., Ltd.	2	Marketing expenses	$ 26,341	Note 2	0.35%
			Accrued expenses	7,088	Note 3	0.05%
	SunMedia Technology Co., Ltd.	2	Marketing expenses	29,832	Note 2	0.39%
			Accrued expenses	7,317	Note 3	0.05%
	Sunplus Technology (Beijing)	2	Research and development	518	Note 2	0.01%
			Accrued expenses	231	Note 3	-
Sunext Technology Co., Ltd.	Sunplus App Technology	2	Research and development expense	12	Note 2	-
	Sunplus Technology (Beijing)	2	Accrued expenses	608	Note 3	-
			Research and development expense	749	Note 2	0.01%
Sunplus Technology (Shanghai) Co., Ltd.	SunMedia Technology Co., Ltd.	2	Other receivables	96,957	Note 3	0.66%
			Nonoperating income and gains	1,619	Note 2	0.02%
			Research and development expense	8,686	Note 2	0.11%
	Sunplus Prof-tek (Shenzhen) Co., Ltd.	2	Other receivables	13,851	Note 3	0.09%
			Nonoperating income and gains	15	Note 2	-
	Sunplus App Technology	2	Other receivables	13,851	Note 3	0.09%
			Nonoperating income and gains	239	Note 2	-
			Research and development expense	24	Note 2	-
	Sunplus Technology (Beijing)	2	Other receivables	13,851	Note 3	0.09%
			Accrued expenses	2,019	Note 3	0.01%
			Research and development expense	7,046	Note 2	0.09%
	1culture Communication Co., Ltd	2	Nonoperating income and gains	30	Note 2	-
Sunplus mMedia Inc.	Sunplus Technology (Beijing)	2	Research and development	547	Note 2	0.01%
Jumplux Technology Co., Ltd.	Sunplus Technology (Beijing)	2	Other accrued expense	834	Note 3	0.01%
			Research and development expense	3,641	Note 2	0.05%
VENTUREPLUS CAYMAN INC.	Sunplus Prof-tek (Shenzhen) Co., Ltd.	2	Nonoperating income and gains	1,836	Note 2	0.02%
	Ytrip Technology Co., Ltd.	2	Nonoperating income and gains	734	Note 2	0.01%
	SunMedia Technology Co., Ltd.	2	Other receivables	74,706	Note 3	0.51%
			Nonoperating income and gains	1,333	Note 2	0.02%
Sunplus APP Technology Co., Ltd.	Sunplus Technology (Beijing)	2	Sales	194	Note 1	-
			Research and development expense	179	Note 2	-

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

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

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

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

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

(Concluded)

TABLE 6

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCES
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	32,319	32,319	3,232	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	1,509,186	(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	1,456,798	(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.	Generalplus 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)

TABLE 7

SUNPLUS TECHNOLOGY COMPANY LIMITEDAND SUBSIDIARIES

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		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
					Outflow	Inflow						
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.

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

SIGNIFICANT TRANSACTIONS WITH INVESTEE COMPANIES IN MAINLAND CHINA, EITHER DIRECTLY OR INDIRECTLY THROUGH A THIRD PARTY, AND THEIR PRICES, PAYMENT TERMS, AND UNREALIZED GAINS OR LOSSES
FOR THE YEAR ENDED DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Transaction Type	Research and Development Expense		Price	Transaction Details		Notes/Accounts Receivable (Payable)		Unrealized (Gain) Loss	Note
		Amount	%		Payment Term	Comparison with Market Transactions	Ending Balance	%		
Generalplus Technology (Shenzhen) Corp.	Development and processing services	$ 89,569	17%	Based on contract	Based on contract	Not comparable with market transactions	$ 34,966	87%	$ -	NA