



2010

ANNUAL REPORT

凌陽科技股份有限公司九十九年年報

PLEASE READ FOLLOWING NOTICE BEFORE USING THIS REPORT

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

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

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

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

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<http://www.londonstockexchange.com>

SUNPLUS WEBSITE

<http://www.sunplus.com>

TABLE OF CONTENT

I.	LETTER TO SHAREHOLDERS	1
II.	COMPANY PROFILE	3
	2.1 Foundation of Sunplus	3
	2.2 Milestones.....	3
III.	CORPORATE GOVERNANCE	5
	3.1 Organization	5
	3.2 Directors, Supervisors, and Management	7
	3.3 Corporate Governance Implementation	15
	3.4 Audit Fees.....	22
	3.5 Replacement of Auditors	22
	3.6 Chairman, Presidents, and Managers in Charge of Finance and Accounting Who Held a Position in Sunplus’ Independent Audit Firm or Its Affiliates during the Recent Year.....	22
	3.7 Net Change in Shareholding and Net Changes in Shares Pledged by Directors, Supervisors, Management, and Shareholders with 10% Shareholding or More	22
	3.8 Top 10 Shareholders & Related Parties	23
	3.9 Long-term Investment Ownership	24
IV.	CAPITAL & SHARES.....	25
	4.1 Capitalization.....	25
	4.2 Issuance of Corporate Bonds	28
	4.3 Preferred Shares	29
	4.4 Issuance of GDR.....	29
	4.5 Employee Stock Options Plan	29
	4.6 Mergers and Acquisitions	30
V.	FINANCIAL PLAN & IMPLEMENTATION	30
VI.	BUSINESS HIGHLIGHT	31
	6.1 Business Activities.....	31
	6.2 Market Status.....	32
	6.3 Personnel Structure.....	37
	6.4 Environmental Protection & Expenditures	37
	6.5 Employees.....	38
	6.6 Important Contracts	38
VII.	FINANCIAL STATEMENTS	39
	7.1 Condensed Financial Statement and Auditors’ Opinions	39
	7.2 Financial Analysis.....	41
	7.3 Supervisor’s Report	44
	7.4 Financial Statements	45
	7.5 Consolidated Financial Statements	99
	7.6 Financial Difficulties	164
VIII.	FINANCIAL ANALYSIS	165
	8.1 Financial Status.....	165
	8.2 Operational Results.....	165
	8.3 Cash Flow	166
	8.4 Major Capital Expenditure.....	166
	8.5 Long-Term Investment	166
	8.6 Risk Management	166
	8.7 Other Remarks	168
IX.	SPECIAL NOTES.....	169
	9.1 Affiliates	169
	9.2 Private Placement Securities.....	177
	9.3 Status of Sunplus Common Shares/GDRs Acquired, Disposed of, or Held by Subsidiaries.....	177
	9.4 Special Notes	178
	9.5 Any Events Impact to Shareholders’ Equity and Share Price	178

I. LETTER TO SHAREHOLDERS

2010 Business Report

Financial Results

Sunplus revenue in 2010 totaled NT\$6,130 million with 17% year-on-year decline. The gross profits in 2009 were NT\$2,255 million with gross margin 36.8%. While the R&D expense totaled NT\$1,453 million and the SG&A expenses were NT\$465 million, the operating net profits summed up NT\$336 million in 2010.

Including disposal gain of NT\$565 million, administrative and support service revenue of NT\$45 million, rental revenue of NT\$17 million, long-term investment gain of NT\$150 million by equity-method; Exchange loss of N\$4 million, interest expense of NT\$19 million and so on, the non-operating net profits totaled NT\$810 million.

The income before tax were NT\$1,146 million, and the net income after tax were NT\$774 million which the earning per share for 2010 was NT\$1.30.

Products and Technologies

Sunplus delivers IC solutions for multimedia home applications including DVD player, STB, LCD TV and digital TV. The R&D expense were 24% of total revenue in 2010, and meantime we will go on developing cutting-edge technologies and offering highly value-added SoC solutions including HD STB, HDTV and BD player IC for high definition applications.

Organization

Sunplus is mainly supported by the Home Entertainment Business Unit which includes the IC design center and system development center. The IC design engineers and system application engineers have been working closely to deliver the ICs with system solutions.

At the end of 2010, there were 634 employees in Sunplus, including 465 R&D staff, which accounts for 73% of the total workforce. We will recruit the talents to sustain product R&D and market promotion by leveraging the available resources in the future.

Core Competing Advantage

Sunplus, with its R&D expertise and plentiful reusable IPs, has a good opportunity to win the market by differentiating product designs and optimizing cost structure. After reorganization, Sunplus and its IC design subsidiaries have been focusing on different IC applications for better flexibility and efficiency, meanwhile, Sunplus and its affiliates can be pulled together to grip the new customers and expand market shares because of the group synergies.

We also raise the entry barrier by the cutting-edge SoC design, since the complicated SoC designs benefit the capable companies with economic scale like Sunplus. Furthermore, we have been working hard to deliver the total solutions with better cost-performance to our customers so they can save time and money to launch more end product applications. That also favors Sunplus to build up stronger relationship with our customers as well as to expand our market shares.

Competition, Relevant Regulations, and Global Economics

Today, Sunplus is quite successful and leading on home entertainment IC technologies, on the other hand, we have to face the competition from other top-tiers. In order to standing out, Sunplus has been accumulating abundant intellectual properties related to home entertainment technologies and developing the sales channels and strategic partnership with customers aggressively. In the meantime, the demands from home entertainment applications and emerging countries are growing enormously, that could benefit Sunplus for we have launched the wide-range home entertainment IC products.

The New Taiwan Dollars appreciation will impact the company sales and gross margin since the selling products are quoted in US dollars and some of the IC packaging and testing are quoted in New Taiwan Dollars. The company will improve the gross margin by cost down and new product launch while utilizing mainly forward currency and option contracts to hedge its foreign exchange exposure in order to minimize the impact from floating exchange rate.

Even though the demands have not picked up yet after the European economic crisis, we are still optimistic in high definition digital home entertainment applications such as BD players, HDTV and HD STB, which could be the next growth drivers for Sunplus.

Outlook

Looking forward into 2011, we will keep on evaluating the business opportunities cautiously, allocating the available resources preciously, doing cost down aggressively, reviewing the long-term investments and focusing on our core technologies in the gloom. Besides, we will launch new home entertainment IC products and offer the highly value-added IC with system solutions for HDTV, HD set-top-box, BD player for high definition resolution applications in order to expand our worldwide market shares, in the end, make the better return of equities to valued shareholders.

We would like to thank you for your support with our sincere wishes.

All the best,
Chairman & CEO

A handwritten signature in black ink, reading "Chou-Chye Huang". The signature is written in a cursive, flowing style with a large, sweeping loop at the end of the name.

II. COMPANY PROFILE

2.1 Foundation of Sunplus

Sunplus was founded in August 3rd 1990 in Hsinchu, Taiwan.

2.2 Milestones

Please refer to page 25 Section 4.1 for capitalization.

Please refer to page 169 Section 9.1 for Sunplus' affiliates.

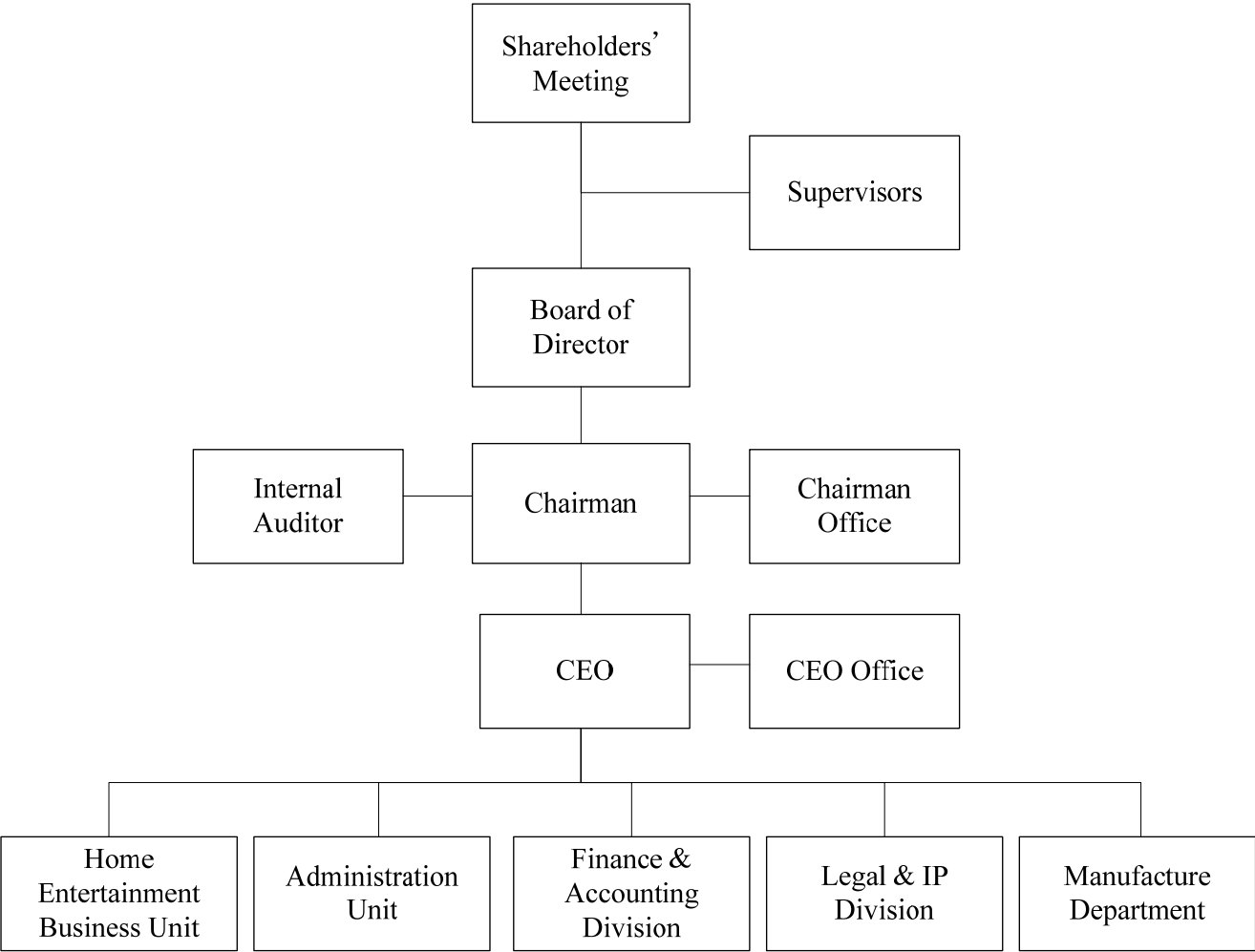
August 1990	Sunplus Technology was founded.
May 1993	Obtained approval from the SIPA to move into Hsinchu Science Park.
October 1993	Moved into Hsinchu Science Park.
September 1994	Company started in-house wafer circuit probe testing.
December 1995	Groundbreaking for the construction of Sunplus' office building, located in 19, Innovation First Road, Hsinchu Science Park.
April 1996	Evaluated as "The most productive IC design company" by Hsinchu SIPA.
January 1997	Grand opening of Sunplus' office building.
September 1997	Sunplus Technology was IPO on the Over-The-Counter stock market.
January 2000	Sunplus was listed on the main board of the Taiwan Stock Exchange (TSE).
Jun 2000	Received certificate of ISO 9001 Quality Assessment by RWTUV.
September 2000	Reorganized into three new business unit, Consumer center, Multimedia center, and production center; and the BOD appointed Mr. Yarn-Chen Chen as the president.
December 2000	Received the "Distinguished Achieved Award" from Hsinchu SIPA.
March 2001	Launched Global Depositary Receipts on the London Stock Exchange.
December 2001	Completed the Grandtech merger and announced the company's reorganization.
January 2002	Established a subsidiary in Shanghai, China to provide better service to customers in Mainland.
February 2002	Implemented ERP system successfully to enhance company's operating efficiency and competence.
Jun 2002	Purchased a new office building (B-building) at Science Park.
July 2002	Sponsored the new Innovation Park and Parking Lot at Science Park, Hsinchu.
February 2003	Licensed 32-bit core IP from MIPS Technology for next-generation consumer electronic products.
April 2003	Completed acquisition of Oak Optical Storage Business and spin-off a new venture, Sunext Technology to focus on next generation Blue Ray ODD controller.
May 2003	Licensed MPEG-4 video compression technology from DivX Networks to create DivX certified IC solution for consumer electronic products.
Jun 2003	Announced reorganization by altering the Product Business Unit Systems to Functional Business Unit Systems.
July 2003	Licensed PanelLink DVI core IP from Silicon Image to develop dual-mode LCD controller solutions.
August 2003	Aligned to joint-develop System-on-the-chips (SoC) solutions and deliver broad portfolio of digital media solutions with Silicon Image.
August 2003	Established a new milestone for monthly sales over NT\$1 billion.
December 2003	Won "Innovation Product Award 2003" and "R&D Performance Award 2003" from Hsinchu SIPA.
December 2003	The net sales for 2003 reached NT\$11.1 billion as landmark.
September 2004	Received certificate of ISO 14000 Quality Assessment.
December 2004	MFP SoC with 4800dpi image quality won "Innovation Product Award 2004" from Hsinchu SIPA.
December 2004	Won "R&D Performance Award 2004" from Hsinchu SIPA.
Jun 2005	Announced the first 32-bit processor core S+core® with Sunplus-owned instruction set architecture
Jun 2005	Launched USB2.0-to-Serial ATA bridge solution.
August 2005	Announced the joint-development of the next-generation of optical mouse solution with Agilent Technology.
August 2005	Applied MPEG-4 image controlling technology to the first IP cam with resolution up to 1M pixel in the worldwide.
August 2005	Completed the merger with the 3G team of information & communication research lab ITRI and started the development of 3G cellular communication ICs.

September 2005	Established a new milestone of monthly sales up to NT\$1.899 billion as record high.
October 2005	Mass-produced the PHS mobile baseband processor.
November 2005	Announced the worldwide first DVD ICs certificated by DivX Ultra.
December 2005	Announced reorganization by altering the Functional Business Unit System to Product Business Unit System and the resolved to spin off the LCD IC business. Mr. Chou-Chye Huang was appointed to CEO of Sunplus.
March 2006	Completed the spin-off of the LCD IC business into Orise Technology Co., Ltd.
December 2006	Completed the spin-off of Controller & Peripheral Business Unit into Sunplus Innovation Technology Inc.
December 2006	Completed the spin-off of the Personal Entertainment Business Unit and Advanced Business Unit into Sunplus mMobile Inc.
December 2006	Approved return of capital NT\$5.11 billion by shareholders' extraordinary general meeting.
December 2006	Established a new record high with 2006 profit after tax, NT\$2.97 billion.
February 2007	Licensed digital TV SoC IP to Silicon Image, Inc. with US\$40 million for license fee.
March 2007	Completed the return of capital with outstanding shares afterward 512,953,665 shares
April 2007	Sunplus mMobile, the subsidiary of Sunplus, spun-off its multimedia center into Sunplus mMedia Inc.
October 2007	Established a new subsidiary, Sunplus Core Technology, with Sunplus S+core® team and ITRI PAC DSP team.
December 2007	Highly integrated SoC SPG290 with interactive game and education function won the "Innovation Product Award 2007" from Hsinchu SIPA.
December 2007	Received certificate of IECQ 080000 for hazardous substance process management.
December 2007	Established a new subsidiary, Sunplus Prof-tek Technology, in Shenzhen
January 2008	Established a new subsidiary, Sunmedia Technology, in Chengdu.
March 2008	Licensed hyper-sensitization GPS technology from CORE Corporation.
March 2008	Sunext licensed optical storage technology to Broadcom Corporation with license income up to US\$38 million.
March 2008	Launched first DTMB demodulator for China digital broadcasting TV system among Taiwanese IC design companies.
April 2008	Established new subsidiary Sunplus APP Technology in Beijing, to follow up Sunplus University Program in China
November 2008	Finished to buy-back Sunplus mMedia Inc. of 7,450 million shares
January 2009	Presented Sunplus wide range of DTV IC solutions from entry-level to high-end at International CES 2009
March 2009	Sunplus mMobile Inc. spun-off its Communication Center to HT mMobile Inc.
March 2009	Joint-promoted with DTS next generation DVD SoC delivering the ultimate audio entertainment experience
May 2009	Elected the 8th Board of Directors and Supervisors in AGM2009, the BOD re-elected Unanimously Mr. Chou-Chye Huang as Chairman
October 2009	Transferred the buy-back 6,629,000 shares to employees
October 2009	Spun off Sunplus mMedia's product lines: PC-Cam to Sunplus Innovation Technology Inc.; PMP/MP3/DPF to Generalplus Technology Inc.; DSC to new star-up.
October 2009	Reached NT\$898 million from its multimedia product monthly revenue, as a record high after re-grouping in 2006.
December 2009	Started up iCatch Technology Inc. to take over the DSC business from Sunplus mMedia Inc.
August 2010	Celebrated Sunplus' 20th Anniversary and Kept Going for "Technology for Easy Living"
December 2010	Awarded by the Council of Labor Affairs for Excellent Company of Employee Welfare

III. Corporate Governance

3.1 Organization

3.1.1 Organization Chart



3.1.2 Major Corporate Functions

March 31, 2011

Department	Job Description
Chairman Office	<ol style="list-style-type: none"> (1) Engaging the strategic alliances (2) Planning and executing investment plans (3) Arranging Board of Directors Meetings
CEO Office	<ol style="list-style-type: none"> (1) Establishing company's operational strategies, and goals (2) Auditing and improving the operating performances (3) Communicating with investors, public and media (4) Executing and managing the strategic alliances (5) Managing strategic investments
Internal Auditor	<ol style="list-style-type: none"> (1) Executing internal auditing plan as routine (2) Auditing subsidiaries regularly (3) Auditing special cases (4) Re-certification auditing of self-examination (5) Establishing the internal control system
Manufacture Department	Maintaining testing software and facility
Home Entertainment Business Unit	<ol style="list-style-type: none"> (1) Developing world-class audio and video solutions (2) Managing sales channels and distributors and providing customer services (3) Marketing and expanding business worldwide (4) Conducting production, material control, International trading affairs (5) Developing and handling quality assurance system (6) Planning new products and engaging cutting-edge technologies
Administration Center	<ol style="list-style-type: none"> (1) Conducting general administration (2) Managing human resources and personnel (3) Establishing corporate information service to upgrade the productivity (4) Automating of business process to be more competitive (5) Consulting for management to making business decisions
Finance & Accounting Division	<ol style="list-style-type: none"> (1) Managing finance & accounting affairs (2) Arranging annual shareholders' meeting
Legal & IP Division	<ol style="list-style-type: none"> (1) Coordinating the legal and IP affairs (2) Controlling the project procedures and design documents (3) Conserving company confidential documents (4) Purchasing, maintaining librarianship (5) Conducting contracts & IP management

3.2 Directors, Supervisors, and Management

3.2.1 Directors & Supervisors

April 12, 2011 / Unit: shares

Title	Name	Date Elected	Initial Date Elected	Term of Office	Share holding When Elected		Current Shareholding		Spouse & Minor Shareholding		Educational Background	Positions Currently held in Other Companies (Note 2)
					Amount	%	Amount	%	Amount	%		
Chairman & CEO	Chou-Chye Huang	2009.04.30	1990.07.09	3 years	92,737,817	15.54	92,737,817	15.54	1,370,993	0.23	M.S., Electrical Engineering, National Tsing Hua University, Taiwan	<p>Chairman: Russell Holdings Co., Ltd., Global Techplus Capital Inc., Techplus Capital (Samoa) Inc., Ventureplus Group Inc., Ventureplus Mauritius Inc., Ventureplus Cayman Inc., Shanghai Sunplus Technology, Sunplus Technology (HK), Sunplus Venture Capital, Lin Shih Investment, Weying Investment, Sunplus Management Consulting, Giantplus Holding, Giantplus (Samoa) Holding, Kunshan Giantplus, Giantplus International (Samoa), Sunplus Innovation Technology, Sunplus mMobile, Generalplus (Mauritius), Generalplus (Shenzhen), Sunext, Sunext Optoelectronics (Shanghai), Great Sun, Sunext (Mauritius), Orise, Sunplus mMedia, Shin-heng Investment, Sunplus Prof-tek, Sunmedia, Generalplus, Sunplus APP, Sunplus mMobile SAS, Sunplus mMobile Holding, Bright Sunplus mMobile, Great Prosperous Corp., Magie Sky Limited, Ytrip Technology Co., Ltd.</p> <p>Director: Jet Focus, Avl Technology, Spring Foundation of NCTU, Li-Shin Hospital Research Foundation, Pan Wen Yuan Foundation, Sinocon Foundation, SIPP Technology, Shenzhen Giantplus Optoelec Display, Kunshan Giantplus Optronics Display Technology</p> <p>Chairman & President: Sunplus Core, iCatch</p> <p>Chairman: Fine Ace Asset Management</p> <p>Director: Giantplus, Nanjing Yunhat Special Metals, Ability, iCatch, Ko Ja Co., Ltd., Sunext</p> <p>Supervisor: Sintronic Technology Inc., Epileds Technologies, Inc.</p> <p>Independent Supervisor: Mildex Optical Inc.</p> <p>Chairman: Global View (H.K.) Co., Ltd., View Electronic Technology (Kun Shan), Radiant Innovation Inc.</p> <p>Director: Beijing Golden Global View Computer Technology Co., Ltd., Global View Holdings (Samoa), Global View (Cayman), Ling Hong Zhi Ye Technology</p> <p>Supervisor: Giantplus, Waveplus</p> <p>Chairman: Just Power Technology, Higher Way Software Design (Shenzhen)</p> <p>Director: Millennium Communication.</p>
Director	Wen-Shiung Jan	2009.04.30	2009.04.30	3 years	0	0.00	0	0.00	0	0.00	MBA, International Business, National Taiwan University, Taiwan	
Director	Chu-Chien Feng (Global View Co., Ltd., Representative of Legal Entity)	2009.04.30	1990.07.09	3 years	10,038,049	1.68	10,038,049	1.68	0	0.00	B.S., Electronics Engineering, National Chiao-Tung University, Taiwan	
Director	Kun-Fang Huang (Higherway Electronic Co., Ltd., Representative of Legal Entity)	2009.04.30	2009.04.30	3 years	69,906	0.01	69,906	0.01	0	0.00	M.S., Electrical Engineering in Industry Research, National Changhua University, Taiwan	
Independent Director	Po-Young Chu	2009.04.30	2006.06.09	3 years	1,736	0.00	1,736	0.00	2,895	0.00	Ph.D., Purdue University, USA	None
Independent Director	Che-Ho Wei	2009.04.30	2009.04.30	3 years	0	0.00	0	0.00	0	0.00	Ph.D., Electronic Engineering, University of Washington, Seattle, USA	<p>Independent Director: Genesis Photonics Inc., Zentel Electronics Corp.</p> <p>Director: Unizyx Holding Corporation</p> <p>Supervisor: Arcadyan Technology Corporation</p> <p>Supervisor: Generalplus Technology Inc.</p>
Supervisor	De-Zhong Liu	2009.04.30	2009.04.30	3 years	13,045,795	2.19	13,045,795	2.19	2,006,943	0.34	M.S., Communication Engineering, National Chiao-Tung University, Taiwan	
Supervisor	Pei-Yu Lee	2009.04.30	2009.04.30	3 years	0	0.00	0	0.00	0	0.00	EMBA, National Chiao-Tung University, Taiwan	None
Supervisor	Wei-Min Lin	2009.04.30	2009.04.30	3 years	0	0.00	0	0.00	0	0.00	M.S., Accountancy, Jnan University, China	<p>Supervisor: Generalplus Technology Inc.</p>

Note 1: Please refer to the list of affiliate companies for the full names of other companies.

Note 2: None of the Company's directors and supervisors holds shares under others' names.

Note 3: None of the Company's directors and supervisors is within second-degree of consanguinity, such as a spouse or relative, to each other.

3.2.2 Directors and Supervisors' Qualifications and Independence Analysis

April 12, 2011

Criteria	With over 5 years of working experience and one of the following professional requirements			Independent Status (Note 2)										Numbers of other public companies concurrently serving as an independent director
	An instructor of higher position in a department of commerce, law, finance, accounting, or other departments related to the Company's business in a public or private college or university	A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the Company's business	With an experience in commerce, law, finance, accounting or other specialties necessary to the Company's business	1	2	3	4	5	6	7	8	9	10	
Name (Note 1)														
Chou-Chye Huang			✓				✓	✓		✓	✓	✓	✓	
Wen-Shiung Jan			✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	
Chu-Chien Feng (Global View Co., Ltd., Representative of Legal Entity)			✓				✓		✓	✓	✓	✓		
Kun-Fang Huang (Higherway Electronic Co., Ltd., Representative of Legal Entity)			✓			✓	✓	✓	✓	✓	✓	✓		
Po-Young Chu	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Che-Ho Wei	✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
De-Zhong Liu			✓	✓			✓	✓	✓	✓	✓	✓	✓	
Wei-Min Lin		✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	
Pei-Yu Lee		✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	

Note 1: The amount of columns depends on the actual circumstance.

Note 2: "✓" indicates the directors and supervisors meeting any of the following criteria during the term of office and two years before being elected.

- (1) Not an employee of the company or its affiliates.
- (2) Not a director or supervisor of the company or its affiliates. (This does not apply, however, in case where the position is an independent director of the company, its parent company, or a subsidiary in which the company holds, directly or indirectly, more than 50% of shares.)
- (3) Not the shareholder (with its relatives or under others' names) who holds more than 1% shareholding of the total issued shares or ranked as the Top 10 shareholders.
- (4) Not a spouse, relative within the second-degree of consanguinity, or the lineal relative within the fifth-degree of consanguinity of any of the persons in the preceding three paragraphs.
- (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of the company's issued shares or that holds shares ranked as Top 5 in holdings.
- (6) Not a director, supervisor, officer, or shareholder holding 5% or more of the shares, of a specified company or institution, which has financial or business relationship with the Company.
- (7) Not a professional individual, owner, partner, director, supervisor, or officer (and a spouse thereof) of a sole proprietorship, partnership, company, or institution which provides commercial, legal, financial, accounting, and so on, services or consultation to the company or to its affiliates.
- (8) Not a spouse or a relative within the second-degree of consanguinity to other directors of the company.
- (9) Not been a person of any condition as defined in Article 30 of the Company Law.
- (10) Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

3.2.3 Major Shareholders of Sunplus' Shareholders as Legal Entities

a) Global View's Top 10 Shareholders

April 12, 2011

Shareholder	Holding
Sunplus Technology	12.74%
Meng-Huei Lin	8.77%
HSBC as trustee for ING AG	8.21%
Jhieh-Yuan Chou	6.34%
Ai-Chen Chou	4.87%
HSBC as trustee for HSBC AG	4.21%
Citi bank as trustee for First Securities (HK)	3.21%
Kun-Ting Huang	2.90%
Sin-Lin Liao	2.05%
Yun-Long Hunag	2.04%

b) Higher Way's Top 10 Shareholders

April 12, 2011

Shareholder	Holding
Ci-Jie You	6.82%
Kun-Fang Huang	6.49%
Ji-Sheng Investment Ltd.	4.87%
Yu-Zhun Investment Ltd.	4.55%
Yu-Yan Chen	3.86%
nV-Na Huang	2.10%
Mong-Chi Chung	1.63%
YaSiKe Investment Ltd.	1.58%
Guo-Yaun Lee	1.10%
King-Yuan Lu	1.01%

(1) Ji-Sheng Investment Ltd.

April 12, 2011

Shareholder	Holding
Kun-Fang Huang	62.5%
Fei-Yan Lee	37.5%

(2) Yu-Zhun Investment Ltd.

April 12, 2011

Shareholder	Holding
Kun-Fang Huang	87.5%
Fei-Yan Lee	12.5%

(3) YaSiKe Investment Ltd.

April 12, 2011

Shareholder	Holding
Ci-Jie You	62.5%
Yu-Yan Chen	37.5%

3.2.4 Management Team

April 11, 2011/Unit: shares

Title	Name	Effective Date	Current Shareholding		Spouse's & Minor's Shareholding		Educational Background	Positions Currently held in Other Companies (Note 2)
			Amount	%	Amount	%		
Chairman & CEO	Chou-Chyue Huang	1990.07.09	92,737,817	15.54	1,370,993	0.23	M.S., Electrical Engineering, National Tsing Hua University, Taiwan	Chairman: Russell Holdings Co., Ltd., Global Techplus Capital Inc., Techplus Capital (Samoa) Inc., Global Techplus Group Inc., Ventureplus Mauritius Inc., Ventureplus Cayman Inc., Shanghai Sunplus Technology, Sunplus Technology (HK), Sunplus Venture Capital, Lin Shih Investment, Weiyang Investment, Sunplus Management Consulting, Giantplus Holding, Giantplus (Samoa) Holding, Kunshan Giantplus, Giantplus, Generalplus International (Samoa), Sunplus Innovation Technology, Sunplus mMobile, Generalplus (Mauritius), Generalplus (Shenzhen), Sunext, Sunext Optoelectronics (Shanghai), Great Sun, Sunext (Mauritius), Orise, Sunplus mMedia, Shin-heng Investment, Sunplus Prof-tek, Sunmedia, Generalplus, Sunplus APP, Sunplus mMobile SAS, Sunplus mMobile Holding, Bright Sunplus mMobile, Great Prosperous Corp., Magic Sky Limited, Y Trip Technology Co., Ltd. Director: Jet Focus, Avl Technology, Spring Foundation of NCTU, Li-Shin Hospital Research Foundation, Pan Wen Yuan Foundation, Sinocon Foundation, SIPP Technology, Shenzhen Giantplus Optoelec Display, Kunshan Giantplus Optronics Display Technology Chairman & President: Sunplus Core, iCatch
Vice President	Steven Huang	2004.05.07	542,810	0.09	9,240	0.00	EMBA, Technology & Innovation Management (TIM), National Chengchi University, Taiwan	None
Vice President	Wayne Shen	2005.12.01	1,068,458	0.18	49,067	0.01	EMBA, Technology Management, National Chiao-Tung University, Taiwan	Director: Sunplus Venture Capital, Sunplus mMobile, Sunext, LinShih Investment, Weiyang Investment, Sunplus Management Consulting, Synerechip Co., Ltd., Sunplus Innovation Technology
Vice President	Wei-Heng Sheng	2004.05.07	107,232	0.01	0	0.00	Bachelor, Law, Fu Jen Catholic University, Taiwan	Director: Synerechip Co., Ltd., Synerechip Technology Co., Ltd.
Vice President	Shiou-Leong Yu (Note 1)	2005.11.07	0	0.00	0	0.00	Ph.D., Electrical Engineering, University of Pennsylvania, Philadelphia, USA	None
Director of Finance & Accounting Division	Piper Hung	2007.11.05	50,000	0.01	0	0.00	Bachelor, Accounting, Tamkang University, Taiwan	None

Note 1: Shiou-Leong Yu has resigned on 2011.04.11

Note 2: Please refer to investment list for the full name of other companies.

Note 3: None of the management holds the company shares under others' account.

Note 4: None of management team, board of directors and supervisors is second-degree of consanguinity relatives of above management

3.2.5 Remuneration to Directors, Supervisors, Presidents, and Vice Presidents

a) Remuneration to Directors

Units: NT\$, shares

Title	Name (Note 1)	Remuneration to Directors				Remuneration to Directors who hold a Concurrent Post in the Company				(A)+(B)+(C)+(D) + (E)+(F)+(G) of Net Income (Note 11)	Consolidated Subsidiaries (Note 8)	Sunplus	Consolidated Subsidiaries (Note 8)	Sunplus	(A)+(B)+(C)+(D) + (E)+(F)+(G) of Net Income (Note 11)	Remuneration from Long-term Investments Except Subsidiaries (Note 12)				
		Salary (A) (Note 2)		Bonus from Profit Distribution (C) (Note 3)		Penion (B) (Note 4)		Allowance (D) (Note 4)									Employee Bonus from Profit Distribution (G) (Note 6)		Stock Option (H) (Note 7)	
		Sunplus	Consolidated Subsidiaries (Note 8)	Sunplus	Consolidated Subsidiaries (Note 8)	Sunplus	Consolidated Subsidiaries (Note 8)	Sunplus	Consolidated Subsidiaries (Note 8)								Cash Bonus	Stock Bonus	Sunplus	Consolidated Subsidiaries (Note 8)
Chairman	Chou-Chyue Huang	120,000	120,000	0	0	771,567	771,567	0	39,000	0.12%	0.10%	6,866,348	6,866,348	0	0	0	0	1.00%	0.85%	
	Higherway Electronic Kun-Fung Huang Representative of Legal Entity	120,000	120,000	0	0	110,224	110,224	0	0	0.03%	0.02%	0	0	0	0	0	0	0.03%	0.02%	
Director	Wen-Shiung Jan	0	0	0	0	0	0	0	0	0.00%	0.00%	0	0	0	0	0	0	0.00%	0.00%	
	Global View Chu-Chien Feng Representative of Legal Entity	0	0	0	0	0	0	0	0	0.00%	0.00%	0	0	0	0	0	0	0.00%	0.00%	
Director	Po-Young Chu	960,000	960,000	0	0	772,016	810,536	0	5,000	0.22%	0.19%	0	0	0	0	0	0	0.22%	0.19%	
	Representative of Legal Entity	960,000	960,000	0	0	772,016	810,536	0	5,000	0.22%	0.19%	0	0	0	0	0	0	0.22%	0.19%	
Independent Director	Che-Ho Wei																			
Independent Director																				

Remuneration to Directors	Names of Directors	
	(A)+(B)+(C)+(D) Sunplus (Note 9)	(A)+(B)+(C)+(D)+(E)+(F)+(G) Consolidated Subsidiaries (Note 10)
Under NT\$2,000,000	Chou-Chyue Huang, Wen-Shiung Jan, Higherway Electronic, Kun-Fang Huang, Global View, Chu-Chien Feng, Po-Young Chu, Che-Ho Wei,	Wen-Shiung Jan, Higherway Electronic, Kun-Fang Huang, Global View, Chu-Chien Feng, Po-Young Chu, Che-Ho Wei,
NT\$2,000,000~NT\$5,000,000		Chou-Chyue Huang
NT\$5,000,000~NT\$10,000,000		Chou-Chyue Huang

Note 1: Names of directors shall be disclosed separately (name of juridical-person shareholders and their representatives shall be disclosed separately), and the remuneration shall be disclosed in total amount. If a director concurrently serves as a president or vice president, his/her remuneration shall be disclosed accordingly in this table and table c) Remuneration to Management Team.

Note 2: It indicates the remuneration to directors (including salary, allowance, pension, bonus, rewards, and etc.) in the most recent fiscal year.

Note 3: It indicates the remuneration to directors from profit distribution in the most recent fiscal year according to the proposal submitted by BOD to shareholders' meeting for approval.

Note 4: It indicates the expenses generated from directors' business (including transportation fees, allowances, dormitories, company cars, and etc.) in the most recent fiscal year. If the Company provides a house, car/other transportation, or other allowances to directors, the relevant payments, calculated at actual cost or fair value, shall be disclosed. The remuneration paid to the company drivers shall be disclosed but not included in the remuneration to directors.

Note 5: It indicates the salaries, allowances, pensions, severance pay, bonuses, rewards, transportation fees, social activity fees, dormitories, cars, and etc., to directors who hold concurrently posts in the Company (including presidents, vice presidents, managers, or other employees). If the Company provides a house, car/other transportation, or other allowances to directors, the relevant payments, calculated at actual cost or fair value, shall be disclosed. The remuneration paid to the company drivers shall be disclosed but not included in the remuneration to directors.

Note 6: It indicates the employee bonuses (including cash and stock) paid to directors who hold concurrently posts in the Company (including presidents, vice presidents, managers, or other employees). The amount of employee bonus submitted by BOD to shareholders' meeting for approval in the most recent fiscal year shall be disclosed. If there is no such proposal yet, the stock bonus may be calculated according to the stock bonus last year. The amount of stock bonus for public companies shall be calculated at fair value, which means the closing price on the balance sheet date. For private companies, the amount of stock bonus shall be calculated based on the net value on the last day in the fiscal year when the profit distributed.

Note 7: It indicates the employee stock options (excluding those has been executed) offered to the directors who concurrently hold posts in the Company (including presidents, vice presidents, managers, or other employees). The relevant information shall be disclosed in this table and table 4.5.2.

Note 8: The total amount remuneration paid to the Company's directors by all the companies in the consolidated financial statements (including Sunplus) shall be disclosed.

Note 9: It indicates the numbers of directors classified by the amount of their remuneration paid by all the companies in the consolidated financial statements (including Sunplus). If the Company is willing to disclose the names of directors in each classification, the title of column shall be changed to "Names of Directors".

Note 10: It indicates the numbers of directors classified by the amount of their remuneration paid by all the companies in the consolidated financial statements (including Sunplus). If the Company is willing to disclose the names of directors in each classification, the title of column shall be changed to "Names of Directors".

Note 11: It indicates the net income in the most recent fiscal year.

Note 12: a. Whether the Company's directors receive remuneration from other long-term investments except subsidiaries shall be disclosed as "Yes" or "No".
b. If "Yes", the amount of remuneration may be disclosed voluntarily and be included into column J and J. Also, the title of the column shall be change to "All the Long-term Investments".
c. The remuneration indicated here means the salaries, allowances, bonuses, and other relevant rewards paid by from other long-term investments except subsidiaries.

※: The remuneration disclosed here shall not be applied for taxation purpose because those are calculated on a different basis.

b) Remuneration to Supervisors

Unit: NT\$, shares

Title	Name (Note 1)	Remuneration to Supervisors						(A)+(B)+(C)+(D) of Net Income (Note 8)		Remuneration from Long-term Investments Except Subsidiaries (Note 9)			
		Salary (A) (Note 2)		Pension (B)		Bonus from Profit Distribution (C) (Note 3)		Allowance (D) (Note 4)					
		Supnplus	Consolidated Subsidiaries (Note 5)	Supnplus	Consolidated Subsidiaries (Note 5)	Supnplus	Consolidated Subsidiaries (Note 5)	Supnplus	Consolidated Subsidiaries (Note 5)				
Supervisor	De-Zhong Liu	840,000	840,000	0	0	330,672	554,790	0	18,000	0.15%	0.15%	0	
Supervisor	Wei-Min Lin												
Supervisor	Pei-Yu Lee												

Remuneration to Supervisors	Names of Supervisors (A)+(B)+(C)+(D)	
	Supnplus (Note 6)	Consolidated Subsidiaries of Supnplus (E) (Note 7)
Under NT\$2,000,000	De-Zhong Liu, Pei-Yu Lee, Wei-Min Lin,	De-Zhong Liu, Pei-Yu Lee, Wei-Min Lin,

Note 1: Names of supervisors, juridical-person shareholders and their representatives shall be disclosed separately, and the remuneration shall be disclosed in total amount

Note 2: It indicates the remuneration to supervisors, including salary, allowance, pension, bonus, rewards, and etc., in the most recent fiscal year.

Note 3: It indicates the remuneration from profit distribution in the most recent fiscal year according to the proposal submitted by BOD to shareholders' meeting for approval.

Note 4: It indicates the expenses generated from supervisors' business (including transportation fees, social activity fees, allowances, dormitories, company cars, and etc.) in the most recent fiscal year. If the Company provides a house, car/other transportation, or other allowances to supervisors, the relevant payments, calculated at actual cost or fair value, shall be disclosed. The remuneration paid to the company drivers shall be disclosed but not included in the remuneration to directors.

Note 5: The total amount remuneration paid to the Company's supervisors by all the companies in the consolidated financial statements (including Supnplus) shall be disclosed.

Note 6: It indicates the numbers of supervisors classified by the amount of their remuneration paid by Supnplus. If the Company is willing to disclose the names of supervisors in each classification, the title of column shall be changed to "Names of Supervisors".

Note 7: It indicates the numbers of supervisors classified by the amount of their remuneration paid by all the companies in the consolidated financial statements (including Supnplus). If the Company is willing to disclose the names of supervisors in each classification, the title of column shall be changed to "Names of Supervisors".

Note 8: It indicates the net income in the most recent fiscal year.

Note 9: a. Whether the Company's supervisors receive remuneration from other long-term investments except subsidiaries shall be disclosed as "Yes" or "No".

b. If "Yes", the amount of remuneration may be disclosed voluntarily and be included into column E; also, the title of the column shall be change to "All the Long-term Investments".

c. The remuneration indicated here means the salaries, allowances, bonuses, and other relevant rewards paid by from other long-term investments except subsidiaries.

※: The remuneration disclosed here shall not be applied for taxation purpose because those are calculated on a different basis.

c) Remuneration to Management Team

Unit: NT\$, shares

Title	Name (Note 1)	Salary (A) (Note 2)		Pension (B)		Reward, Allowance, etc. (C) (Note 3)		Bonus from Profit Distribution (D) (Note 4)				(A)+(B)+(C)+(D) on Net Income (Note 9)		Employee Stock Option (Note 5)		Remuneration from Long-term Investments Except Subsidiaries (Note 10)	
		Supplu s	Consolidated Subsidiaries (Note 6)	Supplu s	Consolidated Subsidiaries (Note 6)	Supplu s	Consolidated Subsidiaries (Note 6)	Cash Bonus	Stock Bonus	Cash Bonus	Stock Bonus	Supplu s	Consolidated Subsidiaries (Note 6)	Supplu s	Consolidated Subsidiaries (Note 6)		
																	Consolidated Subsidiaries (Note 5)
CEO	Chou-Chye Huang	5,550,600	5,550,600	0	0	1,315,748	1,354,748	0	0	0	0	0.89%	0	0	0	Yes	
Vice President	Steven Huang																
Vice President	Wayne Shen																
Vice President	Wei-Heng Sheng	16,714,716	16,714,716	453,600	453,600	268,216	283,216	0	0	1,717,000	0	2.48%	0	0	0	No	
Vice President	Siu-Leong Yu (Note)																
Vice President	Yin-Chi Yang (Note)																

Note: Yin-Chi Yang discharged on January 8th, 2010. Siu-Leong Yu resigned on April 11th, 2010.

Remuneration to Management		Names of Presidents and Vice Presidents	
		Supplu s (Note 7)	
Under NT\$2,000,000		Yin-Chi Yang	
NT\$2,000,000-NT\$5,000,000		Steven Huang, Wayne Shen, Wei-Heng Sheng, Siu-Leong Yu	
NT\$5,000,000-NT\$10,000,000		Chou-Chye Huang	

Note 1: Names of presidents and vice presidents shall be disclosed separately, and the remuneration shall be disclosed in total amount. If a director concurrently serves as a president or vice president, his/her remuneration shall be disclosed accordingly in this table and table a) Remuneration to Directors.

Note 2: It indicates the remuneration to presidents and vice presidents, including salary, allowance, pension, and severance pay) in the most recent fiscal year.

Note 3: It indicates the bonuses, rewards, transportation fees, social activity fees, dormitories, cars, and etc., to presidents and vice presidents. If the Company provides a house, car/other transportation, or other allowances to presidents and vice presidents, the relevant payments, calculated at actual cost or fair value, shall be disclosed. The remuneration paid to the company drivers shall be disclosed but not included in the remuneration to directors.

Note 4: It indicates the employee bonuses (including cash and stock) paid to presidents and vice presidents according to the proposal of profit distribution submitted by BOD to shareholders' meeting for approval in the most recent fiscal year. If there is no such proposal yet, the stock bonus may be calculated according to the stock bonus last year. The amount of stock bonus for public companies shall be calculated at fair value, which means the closing price on the balance sheet date. For private companies, the amount of stock bonus shall be calculated based on the net value on the last day in the fiscal year when the profit distributed. The term "Net Income" indicates the net income in the most recent fiscal year.

Note 5: It indicates the employee stock options (excluding those has been executed) offered to the presidents and vice presidents. The relevant information shall be disclosed in this table and table 4.5.2.

Note 6: The total amount remuneration paid to the Company's presidents and vice presidents by all the companies in the consolidated financial statements (including Supplu
s) shall be disclosed.

Note 7: It indicates the numbers of presidents and vice presidents classified by the amount of their remuneration paid by Supplu
s. If the Company is willing to disclose the names of presidents and vice presidents in each classification, the title of column shall be changed to "Names of Presidents and Vice Presidents".

Note 8: It indicates the numbers of presidents and vice presidents classified by the amount of their remuneration paid by all the companies in the consolidated financial statements (including Supplu
s). If the Company is willing to disclose the names of presidents and vice presidents in each classification, the title of column shall be changed to "Names of Presidents and Vice Presidents".

Note 9: It indicates the net income in the most recent fiscal year.

Note 10: a. Whether the Company's presidents and vice presidents receive remuneration from other long-term investments except subsidiaries shall be disclosed as "Yes" or "No".
b. If "Yes", the amount of remuneration paid by other long-term investments except subsidiaries may be disclosed voluntarily and included into column E, also, the title of the column shall be changed to "All the Long-term Investments".

c. The remuneration indicated here means the salaries, allowances, bonuses, and other relevant rewards paid to presidents and vice presidents who concurrently hold posts in other long-term investments except subsidiaries.

d) Employee Bonus Granted to Management Team

December 31, 2010/Unit: NT\$K

Title (Note 1)	Name (Note 1)	Stock Bonus from Profit Distribution	Cash Bonus from Profit Distribution	Total	Total on Net Income (%) (Note2)
CEO	Chou-Chye Huang				
Vice President	Steven Huang				
Vice President	Wayne Shen				
Vice President	Siu-Leong Yu (Note 5)	0	1,717,000	1,717,000	0.22
Vice President	Wei-Heng Sheng				
Vice President	Yin-Chi Yang (Note 5)				
Director of Finance & Accounting Division	Piper Hung				

Note 1: Names shall be disclosed separately, and the remuneration shall be disclosed in total amount.

Note 2: The net income of the recent fiscal year.

Note 3: Management include

(1) President

(2) Vice Presidents

(3) Directors

(4) Head of Finance

(5) Head of Accounting

(6) Other authorized with managing and signing

Note 4: If there are employee bonuses distributed, the company shall state details in this form.

Note 5: Yin-Chi Yang discharged on January 8th, 2010; Siu-Leong Yu resigned on April 11th, 2011.

3.2.6 Analysis for remuneration paid by all the companies in the consolidated financial statements (including Surplus) to directors, supervisors, presidents and vice presidents as % net income in the most recent two years. Also, the relevant policy, standards and procedures, and the relation between remuneration and performance shall be stated.

The remuneration paid to board of directors, supervisors, presidents and vice presidents are based on the operation performance of company and individuals.

3.3 Corporate Governance Implementation

3.3.1 BOD Meeting Status

10 meetings were held in 2010 and the attendance of directors is as follow:

Title	Name	Attendance in Person	By Proxy	Attendance Rate (%)	Remarks
Chairman	Chou-Chye Huang	10	0	100.00	
Director	Wen-Shiung Jan	10	0	100.00	
Director	Feng, Chu-Chien (Global View Co., Ltd., Representative of Legal Entity)	10	0	100.00	
Director	Kun-Fang Huang (Higherway Electronic Co., Ltd., Representative of Legal Entity)	10	0	100.00	
Independent Director	Po-Young Chu	10	0	100.00	
Independent Director	Che-Ho Wei	9	1	90.00	
Other information required to be disclosed: None					

Note 1: The name of a legal entity shareholder and its representative shall be disclosed.

Note 2: (a) If a director or supervisor being relieved of office before year end, it shall be notified as a remark. The actual rate of attendance shall be calculated according to the meetings held when he/she is at the post.

(b) If there is a re-election before year-end, the new directors and supervisors along with the original ones shall be disclosed, and the date of directors and supervisors being elected shall be stated. The actual rate of attendance shall be calculated according to the meetings held when they are at posts.

3.3.2 Supervisors Participation in BOD

10 meetings were held in 2010 and the attendance of supervisors is as follow:

Title	Name	Attendance in Person	Attendance Rate (%)	Remarks
Supervisor	De-Zhong Liu	9	90.00	
Supervisor	Wei-Min Lin	10	100.00	
Supervisor	Pei-Yu Lee	9	90.00	
Other information required to be disclosed:				
1. Composition and Responsibilities of Supervisors				
1) Supervisors have attended internal management meetings often and audit the company operations and present the professional opinions independently.				
2) Supervisors talk the company's internal auditors and CPAs directly and often.				
2. The supervisors participated the listed board meeting without dissent to the resolutions by BOD.				

Note 1: (a) If a supervisor being relieved of office before year end, it shall be notified as a remark. The actual rate of attendance shall be calculated according to the meetings held when he/she is at the post.

(b) If there is a re-election before year-end, the new supervisors along with the original ones shall be disclosed, and the date of supervisors being elected shall be stated. The actual rate of attendance shall be calculated according to the meetings held when he/she is at the post.

3.3.3 Corporate Governance Implementation as Required by Taiwan Financial Supervisory Commission

Item	Implementation Status	Reason of Non- Implementation
<p>1. Shareholding Structure and Shareholders' Rights</p> <p>(1) The way handling shareholders' suggestions or disputes</p> <p>(2) The Company's possession of major shareholders list and the list of ultimate owners of these major shareholders</p> <p>(3) Risk management mechanism and fire wall between the Company and its affiliates</p>	<p>(1) Sunplus has designated specialists to handle shareholders' suggestions or disputes.</p> <p>(2) The information regarding major shareholders, directors, supervisors, and other important matters which might cause changes in holding, is disclosed periodically so that the Company could know well about major shareholders and the ultimate owners of them.</p> <p>(3) Sunplus has set relevant guidelines to manage risks concerning dealings and contact with affiliates.</p>	Not Applicable
<p>2. Composition and Responsibilities of the BOD</p> <p>(1) Independent directors</p> <p>(2) Regular evaluation of external auditors' independency</p>	<p>(1) Sunplus has two independent directors.</p> <p>(2) Auditors' independence is evaluated at the end of every year and the engagement of auditors would be submitted to BOD for approval.</p>	Not Applicable
<p>3. Communication channel with Stakeholders</p>	<p>Sunplus maintains good relations with banks, suppliers, and other relevant parties. Sunplus, with a principle of honesty, provides sufficient information about the Company's operations and defends the Company's lawful rights and interests.</p>	Not Applicable
<p>4. Information Disclosure</p> <p>(1) Establishment of corporate website to disclose information regarding the Company's financials, business, and corporate governance status</p> <p>(2) Other information disclosure channels (ex. English website, appointing responsible people to handle information collection and disclosure, appointing spokesman, webcasting investors conference)</p>	<p>Sunplus has established corporate website, managed by relevant departments, to disclose and collect information.</p> <p>Also, Sunplus announces financial results and corporate governance status, and releases company news after investor conferences quarterly.</p>	Not Applicable
<p>5. Operations of the Company's Nomination Committee, Compensation Committee, or Other Committees of BOD</p>	Not established yet	For the internal system is clear and BOD are professionals, plus independent directors, it's not necessary to set up those committees.
<p>6. If the Company has established corporate governance policies based on TSE "Corporate Governance Best Practice Principles", please describe discrepancy between the policies and their implementation.</p>	<p>Sunplus does not establish other principles of corporate governance; all of our rules and procedures are based on laws and regulations stipulated by authorities in charge, and amended every year in response to inner/outer changes.</p>	
<p>7. Other important information to facilitate better understanding of the Company's corporate governance (such as human rights, employee rights, employee wellness, community participation, social contribution, community service, investor relations, supplier relations, shareholders' rights, customer relations, the implementation of risk management policies and risk evaluation measures, the implementation of consumers/customers protection policies, and</p>		

	purchasing insurance for directors and supervisors.):
(1)	Employee rights: The company has made and followed the internal management procedures regarding employee rights under the regulations of the Labor Standards Act and Gender Equality in Employment Act.
(2)	Employee wellness: Please refer to the section of 6.5 Employees on this annual report.
(3)	Investor relations: The company has set a investor relations professionals and disclose the operations and financials on the company website.
(4)	Pursuing record of directors and supervisors: Please refer to Market Observation Post System http://mops.twse.com.tw
(5)	Implementation of risk management policies and risk evaluation measures: Please refer to the section of 8.6 Risk Management
(6)	Purchasing insurance for directors and supervisors: Yes.
8.	If the Company has a self corporate governance evaluation or has authorized any other professional organization to conduct such evaluation, the evaluation results, major deficiency or suggestion, and improvement are stated as follows None

3.3.4 Disclosure of Operations of the Company's Nomination Committee, Compensation Committee, or Other Committees of BOD

Not Applicable

3.3.5 Social Responsibilities Implementation Status (such as environment protection, community participation, contribution to community, social service, charity, consumer rights, human rights and other social responsibilities):

Item	Implementation Status	Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reasons
<p>1. Exercising Corporate Governance</p> <p>(1) The company declares its corporate social responsibility policy and examines the results of the implementation.</p> <p>(2) The company establishes exclusively (or concurrently) dedicated units to be in charge of proposing and enforcing the corporate social responsibility policies.</p> <p>(3) The company organizes regular training on business ethics and promotion of matters prescribed in the preceding Article for directors, supervisors and employees, and should incorporate the foregoing into its employee performance appraisal system to establish a clear and effective reward and discipline system.</p>	<p>The Company has set position for excess good corporate social responsibilities to follow the internal procedures and code of conduct, to disclose the related information, and to respect rights of the relevant parties, to run the business with fair competition with clear and definite system of rewards and penalties.</p>	<p>Sumplus has not established corporate social responsibility principles based on "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies". But Sumplus has made internal rules regarding sustainability, environment protection, Labor Welfare, social service, charity, consumer rights, human rights and other social responsibilities</p>
<p>2. Fostering a Sustainable Environment</p> <p>(1) The company endeavors to utilize all resources more efficiently and uses renewable materials which have a low impact on the environment.</p> <p>(2) The company establishes proper environmental management systems based on the characteristics of their industries.</p> <p>(3) The company establishes dedicated units or assigns dedicated personnel for environment management to maintain the environment.</p> <p>(4) The company monitors the impact of climate change on its operations and should establish company strategies for energy conservation and carbon and greenhouse gas reduction.</p>	<p>Sumplus has established the environment protection system for fulfilling policies, social responsibilities and obligations.</p> <p>The Company keeps protecting environment and preventing pollution based on the related regulations of government and customers, and the Company establishes positions and environmental management system to verify and examine the validity of operation. The company also set up the priority to choose suppliers with environmentally responsible and processing rules of disposals to reduce the environmental impact. Meanwhile, Sumplus supplies customers with hazardous substances free (HSF) and satisfying products.</p>	<p>There is no clear policy for carbon reduction because the major business operations of the company are research and development.</p>
<p>3. Preserving Public Welfare</p> <p>(1) The company complies with relevant labor laws and regulations, protects the legal rights and interests of employees, and has in place appropriate management methods and procedures.</p> <p>(2) The company provides safe and healthy work environments for its employees, and organizes training on safety and health for its employees on a regular basis.</p> <p>(3) The company establishes and discloses policies on consumer rights and interests and provides a clear and effective procedure for accepting consumer complaints.</p> <p>(4) The company cooperates with its suppliers to jointly foster a stronger sense of corporate social responsibility.</p> <p>(5) The company, through commercial activities, non-cash property endowments, volunteer service or other free professional services, participates in community development and charities events.</p>	<p>(1) The company complies with relevant labor laws and regulations, protects the legal rights and interests of employees, and provides the latest information to employees.</p> <p>(2) The company provides safe and healthy work environments by allocating sole-duty organization and employees to execute the matters concern to environment security and sanitation management according to Laws, to examine the working environment regularly to maintain the security of environment and equipments, to review the working environment and set up related devices with a standard higher than regulation, to hold the physical examination for new employees and the regular health examination for employees on the job with higher perception than laws. The company provides well training environment with alternative courses internally or externally. The company also disclose it operating results on it website and establish the communication channels with employees which they can access the results and express their opinions easily.</p> <p>(3) The company establishes and discloses policies on consumer rights and interests and provides a clear and effective procedure for accepting consumer complaints.</p> <p>(4) The company has priority to choose suppliers with environmentally responsible.</p> <p>(5) The company encourages the employees to participate social community and charity activities. Meanwhile, the company holds the academic competing events for students in colleges in order to promote IC design programs and breed the talents.</p>	<p>Not Applicable</p>
<p>4. Enhancing Information Disclosure</p> <p>(1) The measures of disclosing relevant and reliable information relating to their corporate social responsibility.</p> <p>(2) The company produces corporate social responsibility reports disclosing the status of their implementation of the corporate social responsibility policy.</p> <p>5. If the Company has established corporate social responsibility principles based on "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies".</p> <p>Sumplus has not established corporate social responsibility principles based on "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies".</p> <p>Other important information to facilitate better understanding of the Company's corporate social responsibilities and interests, human rights, safety and health, other corporate social responsibilities and activities, and the status of implementation.):</p> <p>None</p>	<p>The Company has disclosed information regarding environment protection, Labor Welfare, social service, charity, consumer rights, and corporate governance other social responsibilities on the company's website.</p>	<p>Sumplus has not established corporate social responsibility principles based on "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies". Sumplus has made internal rules regarding sustainability, environment protection, Labor Welfare, social service, charity, consumer rights, human rights and other social responsibilities</p>
<p>7. If the products or corporate social responsibility reports have received assurance from external institutions, they should state so below:</p> <p>IECQ QC080000, ISO9001 and ISO14001 Certified</p>		

3.3.6 The status and measures to perform the company’s reputation

Sunplus discloses financial reports according to the regulations of the government.

In order to enhance transparency and protect shareholders’ rights and interests, Sunplus regularly announces financial results and business information on TSE and Sunplus’ websites.

3.3.7 Other Corporate Governance Policies:

Sunplus has not established corporate governance principles, but the company has made internal rules regarding sustainability, environment protection, Labor Welfare, social service, charity, consumer rights, human rights and other social responsibilities

3.3.8 Other Matters Needed to Improve the Company’s Implementation of Corporate Governance

None

3.3.9 Internal Control System Execution Status and Information

a) Statement of Internal Control System

Sunplus Technology Co., Ltd. Statement of Internal Control System

Date: March 16th, 2011

Based on the findings of a self-assessment, Sunplus states the following with regard to our internal control system during January 1st – December 31st, 2010:

1. Sunplus is fully aware that establishing, operating, and maintaining an internal control system are the responsibility of Board of Directors and management team. Sunplus has established such a system aimed at providing reasonable assurance regarding achievement of objectives in the following categories: (a) effectiveness and efficiency of operations (including profitability, performance, and protection of assets), (b) reliability of financial reporting, and (c) compliance with applicable laws and regulations.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can only reasonable assurance of accomplishment for the three objectives mentioned above. Moreover, the effectiveness of an internal control system may be subject to changes of environment and circumstances. Nevertheless, Sunplus' internal control system contains self-monitoring mechanisms, and Sunplus takes corrective actions whenever a deficiency is identified.
3. Sunplus evaluates the design and operating effectiveness of our internal control system based on "Regulations Governing the Establishment of Internal Control Systems by Public Companies" (herein below, the "Regulations"). The criteria adopted by the Regulations identify five components of internal control based on the process of management control: (a) control environment, (b) risk assessment, (c) control activities, (d) information and communication, and (e) monitoring. Each component further contains several items. Please refer to the Regulations for details.
4. Sunplus has evaluated the design and operating effectiveness of our internal control system according to the aforesaid criteria.
5. Based on the findings of the evaluation mentioned in the preceding paragraph, Sunplus believe that, during the year 2010, our internal control system (including the supervision and management of subsidiaries), as well as our internal control to monitor the achievement of our objectives concerning operational effectiveness and efficiency, reliability of financial reporting, and compliance with applicable laws and regulations, were effective in design and operation, and reasonably assured the achievement of the above-stated objectives.
6. This statement is an integral part of Sunplus' annual report for the year 2010 and prospectus, and would be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Article 20, 32, 281, and 174 of the "Securities and Exchange Law".
7. This statement has been passed by the Board of Directors Meeting held on March 16th, 2011, with all six attending directors expressing dissenting opinions, and the remainder all affirming the content of this statement.

Sunplus Technology Co., Ltd.



Chou-Chye Huang
Chairman & CEO

b) The Company's Internal Control System Audit Report by External Auditors: Not applicable

3.3.10 Regulatory Authorities' Legal Penalties to the Company, and the Company's Resulting Punishment on Its Employees: None

3.3.11 Major Resolutions by the Shareholders' Meetings and the Board of Directors Meetings

Date	Decision Maker	Case	Result
2010.04.28	Board Meeting	Approval of 1Q'2010 financial statements Approval of 1Q'2010 consolidated financial statements Discussion of 2010 shareholders' meeting Investment in Mainland China	Approved as proposed without dissent.
2010.06.14	Shareholder's Meeting	Approval of 2009 business report and financial statements Approval of 2009 profits distribution	Approved as proposed without dissent.
2010.07.07	Board Meeting	Investment of Sunplus Core	Approved as proposed without dissent.
2010.07.28	Board Meeting	Approval of 1H'2010 financial statements	Approved as proposed without dissent.
2010.08.25	Board Meeting	Approval of 1H'2010 consolidated financial statements	Approved as proposed without dissent.
2010.10.26	Board Meeting	Approval of 3Q'2010 financial statements Approval of 3Q'2010 consolidated financial statements	Approved as proposed without dissent.
2011.02.16	Board Meeting	Approval of 2010 financial statements Lifting ban on directors against joining competitors Lifting ban on management against joining competitors Discussion of 2011 shareholders' meeting	Approved as proposed without dissent.
2011.03.01	Board Meeting	Discussion of 4th buy-back program	Approved as proposed without dissent.
2011.03.16	Board Meeting	Approval of 2010 consolidated financial statements	Approved as proposed without dissent.

3.3.12 Content of Directors' or Shareholders' Dissent View on Record or in Writing Regarding Resolutions approved by BOD Meeting

None

3.3.13 Information Regarding the Relief and Resignation of Personnel Responsible for Preparing Financial Reports

None

3.4 Audit Fees

Audit Firm	Name of Auditor		Duration of auditing	Remarks
Deloitte & Touche	Tung-Hui Yeh	Hung-Wen Huang	2010.01.01~2010.12.31	

Amount		Item	Audit fee	Non-audit fee	Total
1.	Under NT\$2,000			✓	
2.	NT\$2,000 ~ NT\$4,000				
3.	NT\$4,000 ~ NT\$6,000		✓		✓
4.	NT\$6,000 ~ NT\$8,000				
5.	NT\$8,000 ~ NT\$10,000				
6.	Over NT\$10,000				

3.5 Replacement of Auditors

None

3.6 Chairman, Presidents, and Managers in Charge of Finance and Accounting Who Held a Position in Sunplus' Independent Audit Firm or Its Affiliates during the Recent Year

None

3.7 Net Change in Shareholding and Net Changes in Shares Pledged by Directors, Supervisors, Management, and Shareholders with 10% Shareholding or More

3.7.1 Net Change in Shareholding and Net Changes in Shares Pledged by Directors, Supervisors, Management, and Shareholders with 10% Shareholding or More

Unit: Shares

Title	Name	2010		Ended of April 12th, 2011	
		Shareholding Increased (decreased)	Shares Pledged (Released)	Shareholding Increased (decreased)	Shares Pledged (Released)
Chairman	Chou-Chye Huang	0	0	0	0
Director	Wen-Shiung Jan	0	0	0	0
Director	Global View Co., Ltd.	0	0	0	0
Director	Higherway Electronic Co., Ltd.	0	0	0	0
Independent Director	Po-Young Chu	0	0	0	0
Director	Che-Ho Wei	0	0	0	0
Supervisor	De-Zhong Liu	0	0	0	0
Supervisor	Pei-Yu Lee	0	0	0	0
Supervisor	Wei-Min Lin	0	0	0	0
VP	Steven Huang	(70,000)	0	(30,000)	0
VP	Wayne Shen	(40,000)	0	0	0
VP	Wei-Heng Sheng	75,000	0	0	0
VP	Shiou-Leong Yu (2011/04/11 resigned)	0	0	0	0
Finance & Accounting Director	Piper Hung	0	0	0	0
CTO	Yin-Chi Yang (2010/01/08 discharged)	0	0	0	0

3.7.2 Stock Trade

Name (Note 1)	Transfer Reason	Transaction Date	Name of Counter Party	Nature of Relationship	Amount of Shares	Transaction Price
-	-	-	-	-	-	-

3.7.3 Shares Pledge with Related Parties

Name (Note 1)	Reason of Pledge (Note 2)	Date of Change	Name of Counter Party	Nature of Relationship	Amount of Shares	Percentage of Shareholding	Percentage of Shares Pledge	Transaction Price
-	-	-	-	-	-	-	-	-

Note 1: Including Directors, supervisors, managers and shareholders holding more than 10%

Note 2: Reasons for shares pledged or released

3.8 Top 10 Shareholders & Related Parties

Name	Current Shareholding		Shareholding under Spouse & Minor		Shareholding under Others' Name		Relationship with related-parties	
	Amount of Shares	Holding %	Amount of Shares	Holding %	Amount of Shares	Holding %	Name	Relationship
Chou-Chye Huang	92,737,817	15.54%	1,370,993	0.23%	-	-	-	-
De-Zhong Liu	13,045,795	2.19%	2,006,943	0.34%	-	-	-	-
Yarn-Chen Chen	17,140,245	2.87%	1,582,160	0.27%	-	-	-	-
Global View Co., Ltd.	10,038,049	1.68%	-	-	-	-	Bin-Huang Shih	Global View's Board Director
Chih-Hao King	9,389,160	1.57%	771,433	0.12%	-	-	-	-
Wen-Qin Lee	7,232,756	1.21%	1,647,542	0.28%	-	-	-	-
Fidelity Puritan Trust: Fidelity Low-Priced Stock Fund	7,000,000	1.17%	-	-	-	-	-	-
Bing Huang Shih	6,315,505	1.06%	1,696,085	0.28%	-	-	Global View	Board Director
China Trust Bank in custody for Sunplus employee shareholding trust	5,748,999	0.96%	-	-	-	-	-	-
Citibank in custody for emerging market investment	5,292,620	0.89%	-	-	-	-	-	-

3.9 Long-term Investment Ownership

March 31, 2011/Unit: thousand shares, %

Long-term Investments (Note)	Sunplus Investment		Shareholding of Director, Supervisor, Management or Subsidiary		Synthetic Shareholding	
	Amount of Shares	Holding %	Amount of Shares	Holding%	Amount of Shares	Holding %
Giantplus Technology	84,652	19	10,439	2	95,091	21
Waveplus Technology	1,302	41	1,743	54	3,045	95
Generalplus Technology	38,731	40	20,117	21	58,848	61
Sunext Technology	38,836	61	8,251	13	47,087	74
Orise Technology	51,290	37	865	1	52,155	38
Sunplus Core Technology	11,206	70	4,112	26	15,318	96
Sunplus mMobile Inc.	20,090	99	8	-	20,098	99
HT mMobile Inc.	37,261	32	14,715	8	51,976	40
Sunplus Innovation Technology	30,986	64	3,299	7	34,285	71
Sunplus mMeida Inc.	12,441	83	2,488	16	14,929	99
iCatch Technology Inc.	20,735	38	4,147	8	24,882	46
Ritek Corp.	5,000	-	1,667	-	6,667	-
Global View Co., Ltd.	13,568	13	59	-	13,627	13

Note: Except companies listed above, all other long-term investments are held by the parent company.

IV. Capital & Shares
4.1 Capitalization

April 12, 2011

Month/Year	Authorized capital		Issued capital		Amount (NT\$K)	Funding (NT\$K)	Funding Except Cash	Note
	Shares (thousand shares)	Amount (NT\$K)	Shares (thousand shares)	Amount (NT\$K)				
08/1990	2,300	23,000	620	6,200	Cash Offering 6,200	None	Not IPO yet	
08/1990	2,300	23,000	1,150	11,500	Cash Offering 5,300	None	Not IPO yet	
03/1992	2,300	23,000	2,300	23,000	Cash Offering 11,500	None	Not IPO yet	
12/1993	6,000	60,000	6,000	60,000	Cash Offering 20,900 Capitalization of Profits 16,100	None	Not IPO yet	
09/1994	19,800	198,000	19,800	198,000	Cash Offering 60,000 Capitalization of Profits 78,000	None	Not IPO yet	
06/1995	39,600	396,000	39,600	396,000	Capitalization of Profits 198,000	None	06/28/1995 SFC No. 37335	
06/1996	64,360	643,600	64,360	643,600	Capitalization of Profits 247,600	None	06/26/1996 SFC No. 40155	
06/1997	105,500	1,055,000	105,500	1,055,000	Capitalization of Profits 411,400	None	06/10/1997 SFC No.46641	
06/1998	184,000	1,840,000	184,000	1,840,000	Capitalization of Profits 785,000	None	06/08/1998 SFC No.49408	
06/1999	269,120	2,691,200	269,120	2,691,200	Capitalization of Profits 851,200	None	06/23/1999 SFC No.57760	
06/2000	600,000	6,000,000	370,000	3,700,000	Capitalization of Profits 1,008,800	None	06/03/2000 SFC No.48003	
09/2000	600,000	6,000,000	390,000	3,900,000	Cash Offering for GDR 200,000	None	09/18/2000 SFC No.72620	
06/2001	700,000	7,000,000	534,000	5,340,000	Capitalization of Profits 1,440,000	None	06/27/2001 SFC No.140791	
12/2001	700,000	7,000,000	544,742	5,447,424	Merger from Grandtech 10,742	None	12/12/2001 SFC No.173137	
06/2002	1,000,000	10,000,000	694,950	6,949,500	Capitalization of Profits 957,334 And Capital Surplus 544,742	None	05/30/2002 SFC No.129546	
07/2003	1,000,000	10,000,000	777,504	7,775,040	Capitalization of Profits 130,590 And Capital Surplus 694,950	None	05/22/2003 SFC No.09270122560	
06/2004	1,000,000	10,000,000	875,254	8,752,544	Capitalization of Profits 355,500 And Capital Surplus 622,004	None	06/15/2004 SFC No.0930126644	
07/2005	1,050,000	10,500,000	945,570	9,455,700	Capitalization of Profits 487,576 And Capital Surplus 175,051	None	07/11/2005 FSC No. 09400288741	
11/2005	1,050,000	10,500,000	948,147	9,481,472	Employee Stock Option 40,529	None	TSE No.09400340711	
03/2006	1,050,000	10,500,000	948,730	9,487,297	Employee Stock Option 5,825	None	TSE No.09500052761	
06/2006	1,050,000	10,500,000	949,784	9,497,844	Employee Stock Option 10,547	None	TSE No.09500116511	
06/2006	1,200,000	12,000,000	1,021,358	10,213,578	Capitalization of Profits 508,844 And Capital Surplus 189,230	None	FSC No.0950126238	
11/2006	1,200,000	12,000,000	1,022,777	10,227,773	Employee Stock Option 17,660	None	TSE No.0950030505	
01/2007	1,200,000	12,000,000	512,212	5,122,119	Capital Reduction 5,114,358 Employee Stock Option 8,703	None	FSC No.0950159014	
03/2007	1,200,000	12,000,000	512,954	5,129,537	Employee Stock Option 7,418	None	TSE No.0960005441	
09/2007	1,200,000	12,000,000	554,240	5,542,399	Capitalization of Profits 288,622 And Capital Surplus 102,415	None	FSC No.0960038299	
11/2007	1,200,000	12,000,000	556,051	5,560,514	Employee Stock Option 21,825	None	TSE No.0960037136	
03/2008	1,200,000	12,000,000	556,750	5,567,504	Employee Stock Option 18,115	None	TSE No.09700075761	
05/2008	1,200,000	12,000,000	556,893	5,568,931	Employee Stock Option 6,990	None	TSE No.09700142371	
09/2008	1,200,000	12,000,000	598,203	5,982,028	Capitalization of Profits 301,637 And Capital Surplus 111,092	None	FSC No.0970036239	
02/2009	1,200,000	12,000,000	596,910	5,969,099	Employee Stock Option 368 Treasury Stock write-off 12,929	None	TSE No.0980003591	

April 12, 2011/Unit: shares

Type	Authorized Capital				Remark
	Issued Shares	Treasury Stock Shares	Un-issued Shares	Total	
Common Share	591,994,919	4,915,000	603,090,081	1,200,000,000	

SHELF REGISTRATION

Type	Shares Expected to Issue		Issued Shares		Objective and Expected Benefit of Issued Shares	Expected time of Un-issued Shares	Remark
	Total Shares	Amount	Amount	Price			
-	-	-	-	-	-	-	-

4.1.1 Composition of Shareholders

April 12, 2011/Unit: shares, %

Shareholder Amount	Government	Financial Institutions	Others Juridical Person	Foreign Institutions and natural Person	Domestic Retail investors	Treasury Stock	Total
Persons	3	8	118	124	57,493	1	57,747
Shares	181	81,508	34,929,109	34,777,169	522,206,952	4,915,000	596,909,919
Shareholding	0.00%	0.01%	5.85%	5.83%	87.49%	0.82%	100.00%

4.1.2 Distribution Profile of Shareholder Ownership – Common Share

April 12, 2011/Par value per share: NT\$10

Shareholding Ownership	Number of Shareholders (persons)	Shares Owned (shares)	Holding (%)
1~999	18,274	3,983,111	0.67%
1,000~5,000	26,752	59,659,785	9.99%
5,001~10,000	6,297	48,029,677	8.05%
10,001~15,000	2,109	25,593,776	4.29%
15,001~20,000	1,263	23,291,028	3.90%
20,001~30,000	1,077	27,036,174	4.53%
30,001~40,000	505	17,819,067	2.99%
30,001~50,000	381	17,721,216	2.97%
50,001~100,000	624	44,265,996	7.42%
100,001~200,000	248	34,963,948	5.86%
200,001~400,000	119	31,474,596	5.27%
400,001~600,000	32	16,370,957	2.74%
600,001~800,000	11	7,740,215	1.30%
800,001~1,000,000	14	12,656,779	2.12%
Over 1,000,001	41	226,303,594	37.90%
Total	57,747	596,909,919	100.00%

4.1.3 Distribution Profile of Shareholder Ownership – Preferred Shares

Not Applicable

4.1.4 Major Shareholders

April 12, 2011

Name	Shareholding	Shares Owned	Holding %
Chou-Chye Huang		92,737,817	15.54%
De-Zhong Liu		13,045,795	2.19%
Yarn-Chen Chen		17,140,245	2.16%
Global View Co., Ltd.		10,038,049	1.68%
Chih-Hao King		9,389,160	1.57%
Wen-Qin Lee		7,232,756	1.21%
Fidelity Puritan Trust: Fidelity Low-Priced Stock Fund		7,000,000	1.17%
Bing Huang Shih		6,315,505	1.06%
China Trust Bank in custody for Sunplus employee shareholding trust		5,748,999	0.96%
Citibank in custody for emerging market investment		5,292,620	0.89%

4.1.5 Net Worth, Earnings, Dividends, and Market Price per Share

Item	Year	2009	2010	Ended of March 31st, 2011	
Market Price	Highest	35.2	35.2	23.90	
	Lowest	11.95	20.4	17.45	
	Average	20.18	25.07	20.50	
Net Worth	Before Distribution	20.62	21.38	20.72	
	After Distribution	20.62	(Note 1)	(Note 1)	
Earnings Per Share	Weighted Average Shares	591,750,150	593,349,923	592,441,034	
	EPS (Note 2)	Before Adjustment	0.64	1.30	(0.26)
		After Adjustment	0.64	(Note 1)	-
Dividends Per Share	Cash Dividends	-	(Note 1)	-	
	Stock Dividends	From Retained Earnings	-	(Note 1)	-
		From Capital Surplus	-	(Note 1)	-
	Accumulated Undistributed Dividends	-	(Note 1)	-	
Return on Investment	Price/Earnings Ratio (Note 3)	31.53	19.28	-	
	Price/Dividend Ratio (Note 4)	-	(Note 1)	-	
	Cash Dividends Yield Rate (Note 5)	-	(Note 1)	-	

Note 1: Pending shareholders' approval

Note 2: Retroactively adjusted for stock dividends and stock bonus to employees

Note 3: Price/Earnings ratio=average market price/earnings per share

Note 4: Price/dividends ratio=Average market price/cash dividends per share

Note 5: Cash dividends yield rate=cash dividend per share/average market price per share

4.1.6 Dividend Policy

a) Dividend policy in the "Article of Incorporation"

Our dividend policy is made according to regulations set forth in the "Company Act" and the "Article of Incorporation". The dividends can be in the form of cash or stock, which depends on the status of company's capital, financial structure, operational needs, retained earnings and industrial environment.

The dividend policy for this year will follow the aforementioned rules and maintain the policy of cash dividend with stock dividend, while cash part shall not be less than 10% of the total dividend.

b) Stock dividends

The BOD meeting proposed to distribute a cash dividend of NT\$0.8 per share from the profits of 2010.

c) Expected Variation: None

4.1.7 Impact to Profits and EPS Resulting from Dividend Distribution

Due to no official financial guidance for 2010, there is no related information to disclose.

4.1.8 Profits Distributed as Employee Bonus and Directors and Supervisors' Compensation

a) Regulations Concerning Bonus to Employees, Directors, and Supervisors in the "Article of Incorporation"

When allocating the net profits of each fiscal year, the Company should pay the taxes and make up the losses in previous years; and then shall set aside 10% of the rest after paying tax and making up loss as a legal capital reserve until the accumulated legal capital reserve has equaled the total capital of the Company; and then set aside the special capital reserve in accordance with relevant regulations by the competent authorities. After legal and special capital reservations, the remaining earnings available for distributing will be allocated as the following sequence, however, the Company can adjust the actual ratio of cash dividend and profit allocation because of profitability and cash flow, which should be determined and approved by the shareholders' meeting:

- (1) Up to 6% of the outstanding capital stock will first be paid as dividends.
- (2) Besides 1.5 % of the balance profits after item (1) shall be allocated as bonus to the Directors and Supervisors; at least 1% of the balance profits after item (1) shall be allocated as bonus to employees of the Company. The Company may issue stock bonuses to employees of the affiliated companies meeting the conditions set by the Board Meeting.
- (3) The leftovers after item (1) & (2) may be distributed as additional dividends. The cash dividends shall be at least 10% among the additional dividends paid/distributed, but the Company shall give up distributing cash dividend if the cash dividend is less than NT\$0.5 per share.

If there is any deduction from shareholder equity accumulated in prior year, or the net profit is not enough to offset the deduction from shareholder equity occurred in the same fiscal year, the Company should set aside the equivalent special reserve from the un-appropriated prior years' earnings to make up the deduction before distributing the profit.

b) BOD Proposal to Distribute Profits as Bonus to Employees, Directors, and Supervisors

- (1) The BOD meeting proposed to distribute the profits of 2010 as follows:

	Amount in NT\$
Employees bonuses- in cash	\$96,578,671
Bonuses to Directors and supervisors – in Cash	2,204,479
Total	\$98,783,150

- (2) After expensing the bonus to employees, directors and supervisors, the net earnings per share after tax in 2010 was NT\$1.30.

c) 2009 Bonus to Employees, Directors, and Supervisors

Approval by shareholders' meeting on June 14th, 2010, the company decided not to distribute the profits of 2009. The distribution is the same as the proposal submitted by BOD meeting on March 17, 2010.

4.1.9 Buyback of Common Shares

March 31, 2011

Fourth Buyback Program	
Purpose of shares repurchase	To transfer to employees
Scheduled period for the repurchase	2011/03/01~2011/04/30
Repurchase price range	NT\$16~NT\$22
Number of shares repurchased	4,915,000 shares
Total monetary amount of shares repurchased	NT\$91,835,671
Number of shares transferred or write-off	0
Cumulative number of own shares held	4,915,000 shares
Ratio of cumulative number of own shares held during the repurchase period to the total number of the Company's issued shares	0.82%

4.2 Issuance of Corporate Bonds

None

4.3 Preferred Shares

None

4.4 Issuance of GDR

March 31, 2011

Item		Issuing Date		March 16, 2001	
Issuing Date				March 16, 2001	
Issuance & Listing				London Stock Exchange Listed	
Total Amount				US\$191,400,000	
Offering Price per Unit				US\$9.57	
Issued Units				14,737,222.5	
Underlying Securities				Offering 20,000,000 new shares of common stock of par value NT\$10	
Common Shares Represented				29,474,455 Common Shares	
Rights and Obligations of GDR holders				Same as common share holders	
Trustee				N/A	
Depository Bank				The Bank of New York	
Custodian Bank				International Commercial Bank of China	
GDRs Outstanding				274,934 units	
Apportionment of the expenses for the issuance and maintenance				All fees and expenses related to issuance of GDRs were borne to the selling shareholders and Sunplus, while the maintenance expenses such as annual listing fees, information disclosure fees and other expenses were borne by Sunplus	
Terms and Conditions in the Deposit Agreement and Custody Agreement				-	
Closing price per GDRs	2010	Highest	US\$2.16		
		Lowest	US\$1.36		
		Average	US\$1.57		
	Ended of March 31st, 2011	Highest	US\$1.62		
		Lowest	US\$1.19		
		Average	US\$1.41		

4.5 Employee Stock Options Plan

4.5.1 Issuance of Employee Stock Options and Its Impact to Shareholders Equity

March 31, 2011

Employee Stock Option	Year 2007	
	1st Grant	2nd Grant
Approval Date by the Securities & Future Commission	September 11, 2007	
Issue (Grant) Date	November 13, 2007	December 28, 2007
Number of Shares Issued	19,908,840	6,299,902
Percentage of Issued Shares to Outstanding Common Shares	3.34%	1.06%
Option Duration	2009/11/13~2113/11/12	2009/12/28~2113/12/28
Source of Option Shares	New common shares	
Vesting Schedule	After 2 years, 100%	
Shares Exercised	0	0
Value of Shares Exercised (Note 1)	N/A	N/A
Shares Unexercised	14,611,368	6,299,902
Grant Price per Unexercised Shares	NT\$40.40	NT\$40.90
Percentage of Unexercised Shares to Outstanding Common Shares	2.45%	1.06%
Impact to Shareholders' Equity	Limited dilution to shareholders' equity	

Note 1: The rights and obligations of employee stock options are the same as common shares.

4.5.2 Stock Option to Management Team and Top 10 Individual over NT\$30 million

a) Stock option 1st Grant in 2007

March 31, 2011

Title	Name	Amount of Options Granted (shares)	Percentage of Shares Exercisable to Outstanding Common Shares	Shares Unexercised			Percentage of Shares Unexercised to Outstanding Common Shares
				Amount (shares)	Grant Price (NT\$)	Value of Shares Unexercised (NT\$K)	
VP	Steve Huang	599,936	0.10%	599,936	40.40	24,237,414	0.10%
VP	Wayne Shen						
Director of Finance and Accounting Division	Piper Hung						

*Note: There isn't any execution of stock options by manager mentioned above.

b) Stock option 2nd Grant in 2007

March 31, 2011

Title	Name	Amount of Options Granted (shares)	Percentage of Shares Exercisable to Outstanding Common Shares	Shares Unexercised			Percentage of Shares Unexercised to Outstanding Common Shares
				Amount (shares)	Grant Price (NT\$)	Value of Shares Unexercised (NT\$K)	
VP	Steve Huang	269,971	0.05%	269,971	40.90	11,041,822	0.05%
VP	Wayne Shen						
Director of Finance and Accounting Division	Piper Hung						

*Note: There isn't any execution of stock options by manager mentioned above.

4.6 Mergers and Acquisitions

Not Applicable

V. Financial Plan & Implementation

Not Applicable

VI. Business Highlight

6.1 Business Activities

6.1.1 Business Scope

a) Major Business

CC01080 Manufacturing of electronic component
I501010 Product Designing
F401010 International Trading
I301010 Software Design Services
I301020 Data Processing Services
R&D, Manufacturing, Testing, Selling of ICs
R&D, Manufacturing, Testing, Selling of ICs module
R&D, Selling of Application software
R&D, Selling of IPs
Trading and Agency Business of ICs

b) Product Segments and Sales Amount

Unit: NT\$K, %

Product Categories	2010	
	Amount	Percentage
Multimedia ICs	6,028,010	98.34%
Other ICs	101,574	1.66%
Total	6,129,584	100.00%

c) Product Lines

- (1) Multimedia ICs: IC solutions for multimedia home applications, such as DVD player, LCD TV, digital TV, pocket TV, and set-top-box.
- (2) Other ICs: Including ASICs and intellectual properties.

d) New Products

- (1) Blue-ray Disc player IC
- (2) Portable and Car DVD IC
- (3) HDMI DVD player IC
- (4) Highly-integrated digital TV solution
- (5) DVB-T STB IC
- (6) DVB-S STB IC
- (7) HD STB IC
- (8) HDTV LCD TV Controller
- (9) IPTV IC
- (10) 3D TV IC

6.1.2 Industry Overview

a) Supply Chain

In the product development flow, Sunplus focuses on IC design, system design, wafer testing and sales services but out-sources most of the manufacturing including mask making, wafer fabrication, wafer sawing, packaging and final testing. The infrastructure of semiconductor industry in Taiwan is very efficient; we have foundries like TSMC, UMC, etc., and backend assembly and testing houses such ASE, SPIL and KYEC. Since those factories are located in Hsinchu Science Park or nearby, the "Cluster" effect could enable high production efficiency.

Our products are shipped to end customers through distributors, so the major customers of Sunplus are distributors. The end customers' manufactories are located in Taiwan, HK and Mainland China, and the end products after assembly are sold to North America and Europe, or other emerging countries per different applications.

b) Market Trend and Competition

- (1) Multimedia IC: Our multimedia ICs are based on DSP and RISC hardware technologies. By collocating with different image processing and voice processing algorithm, these technologies can process complicated mathematic operations, which can be applied to applications like BD, DVD, set-top-box,

LCD TV, digital TV, and etc. At present, our main competitors are Mediatek, Zoran, Morning-Star, ALi and Novatek.

(2) Other ICs: Sunplus also provides ASICs and IP products.

6.1.3 Technology and Development

a) R&D expenditure in 2010 and 2011

Unit: NT\$K, %

Item	Year	2010	Ended March 31st, 2011
	Expense		1,453,022
Percentage to Revenue		24%	29%

b) R&D Accomplishment

- (1) DTMB set-up-box IC for set-top-box, DTV and pocket TV
- (2) DVB-Terrestrial technology for set-top-box, DTV and pocket TV
- (3) DVB-Satellite 1 technology for set-top-box, DTV and pocket TV
- (4) H.264/MPEG2 decoding technology for set-top-box, DTV and pocket TV
- (5) MPEG2 decoding and servo control technology for DVD player SoC
- (6) MPEG4 decoding technology for DVD player
- (7) HDMI DVD player IC
- (8) JPEG decoding for Digital photo frame, DVD player, set-top-box, DTV and pocket TV
- (9) Video decoding technology for video player, TV game consoles, LCD TV, and DTV

6.1.4 Business Plan

Sunplus has been focusing on consumer IC design since start-up. After the re-grouping in 2006, our product lines are IC solutions and IPs mainly for multimedia home applications for the home entertainment IC market will be very potential and highly growing while the concept of “digital home” is getting an ideal and desired life style. The coming analog switch-off to digital broadcasting will boost the demand for IC solutions of digital TV, LCD TV, and set-top-box, which could be the next cash cows to Sunplus in the following years. As the long-term strategy, Sunplus will be working on the home entertainment IC market, developing multimedia SoCs and IPs. We will carry on providing total IC solutions to the customers with best cost performance to expand our worldwide market shares of DVD, STB, and TV. Besides, we will launch new home entertainment IC products for HDTV, HD set-top-box, BD player for high definition resolutions soon for those HD products of digital home applications could be the growth drivers to Sunplus in future. In the end, Sunplus targets to be the world’s leading multimedia SoC provider.

6.2 Market Status

6.2.1 Market Analysis

a) Market Analysis by Region

Unit: NT\$K, %

Area	2010	
	Amount (NT\$K)	Percentage (%)
Hong Kong	5,613,812	91.59
Taiwan	301,766	4.92
Others	214,006	3.49
Total	6,129,584	100.00

b) Market Share

According to the statistics provided by TRI, the revenue of Taiwan IC design companies could reach NT\$454.8 billion, and Sunplus took around 1.3% market share with 2010 revenue of NT\$6.13 billion.

c) Demand and Growth

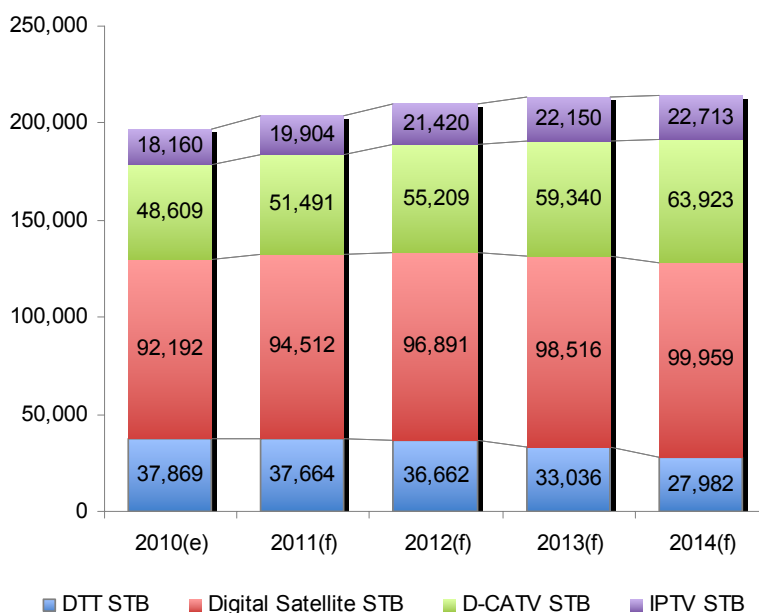
Because the analog broadcasting has been switched off to digital broadcasting and the plentiful and interesting contents can be shared via internet easily, the consumers could enjoy better image quality and wonderful experience of home entertainment. Therefore, the demands of home entertainment applications boost in recent years. The market research institute MIC forecasts the worldwide shipment of STB with more than 200 million sets; the LCD TV with 16% YoY growth; and the BD players with 50% YoY growth in 2011, and also indicates

the controller chips of those home entertainment applications very potential markets. Sunplus will carry on providing total IC solutions such as DVD, STB, TV, HDTV, HD set-top-box, and BD player for high definition resolutions to targeting those potential markets, which shall be next growth drivers of the Company.

Worldwide Digital TV STB Shipment Volume by Product Mix, 2009

Unit: K	2010(e)	2011(f)	2012(f)	2013(f)	2014(f)
DTT STB	37,869	37,664	36,662	33,036	27,982
Digital Satellite STB	92,192	94,512	96,891	98,516	99,959
D-CATV STB	48,609	51,491	55,209	59,340	63,923
IPTV STB	18,160	19,904	21,420	22,150	22,713
Total	197,722	203,080	209,473	208,818	205,770

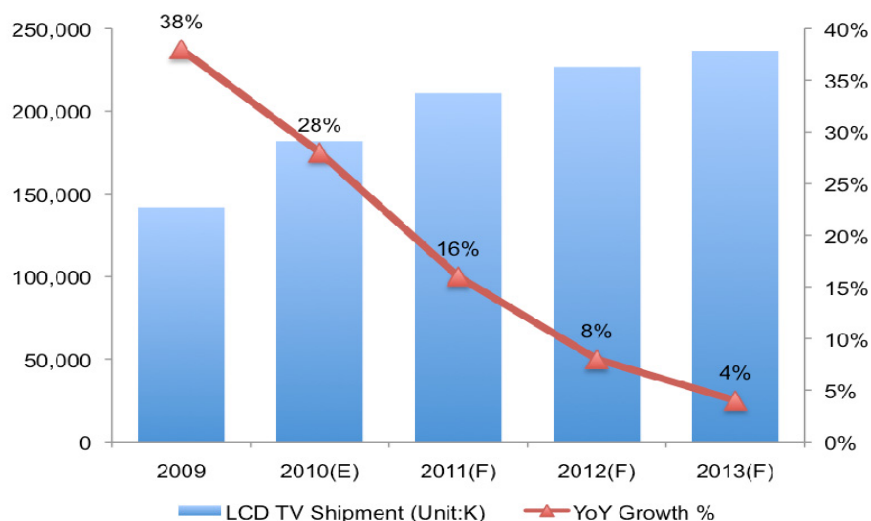
Source: MIC, 2010/11



2009~2013 LCD TV Global Market Forecast

	2009	2010(E)	2011(F)	2012(F)	2013(F)
Worldwide Shipment (Unit: K)	141,931	181,773	210,941	226,817	236,471
YoY Growth %	38%	28%	16%	8%	4%

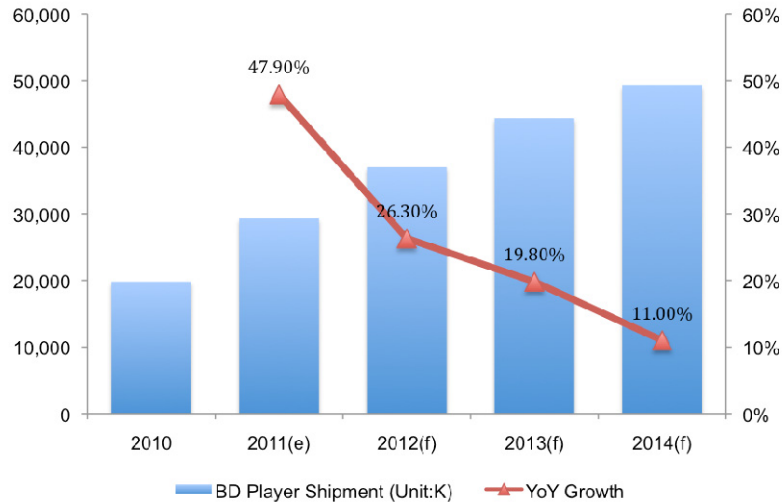
Source: Topology Research Institute 2010/11



2010~2014 BD Player Global Market Forecast

	2010	2011(e)	2012(f)	2013(f)	2014(f)
BD Player Shipment (Unit: K)	19,817	29,300	37,007	44,350	49,250
YoY Growth		47.90%	26.30%	19.80%	11.00%

Source: MIC, February 2011



d) Competition and Business Strategy

(1) Competition Analysis

(a) Accumulation and impartation of the experience of the R&D team

Eight engineers established Sunplus in 1990. They are the center of Sunplus management team. Each of them has accumulated almost twenty years of experience in new product development, technology management, and marketing. The invaluable experience has been deliberately passed on to the next generation of engineers. This continuity in the conveyance of experience has resulted in fewer complaints from customers and more rapid professional growth in our new employees. Consequently, the labor turn over rate remains relatively low compared to other IC design houses. End of February 2011, Sunplus has totaled 380 patents in Taiwan, 341 patents in P.R.C., 240 patents in U.S.A.

(b) Focus on high-level consumer IC market, enlarge the distance from competitors

Since the IC market is extremely competitive and stagnation is an ever-present trap, we keep on bringing in a large number of R&D resources to develop new high-level consumer products and widening the distance between us and other competitors. Meanwhile, Sunplus' numerous product lines give us a tremendous advantage over our competitors. We are the kind of customer that prized by most wafer foundries because our wafer demand does not fluctuate when a few products are eliminated. Due to our steady stream orders to our wafer suppliers, we enjoy more consistent wafer supply during peak seasons over our competitors. This also allows us to keep our wafer costs at a competitive rate.

(c) Strategic cooperation with upper stream and down stream factories

In recent years, Sunplus has increased cooperation between our upper stream and down stream factories. We believe that this new strategic and more dynamic cooperation relationship will bring positive contributions to our production and marketing in the long term.

(d) Maintain long-term and stable cooperative relationship with customers

Consumer electronic products rely on IC to raise their added-on value; consequently the manufacturers and brand-names choose their IC suppliers with extreme caution by evaluating their product specification, features, delivery term, yield rate, and sales service. IC design houses have to work in coordination with customers to build up long-term relationship and facilitate the cooperation.

Sunplus is always devoted itself to cutting-edge technology development and have accumulated IC design expertise. We also adopted distributors as expanding sales channels to reach more customers with strongly support and best service. Till today, we have sustained a strong relationship with a lot of end-product manufacturers worldwide.

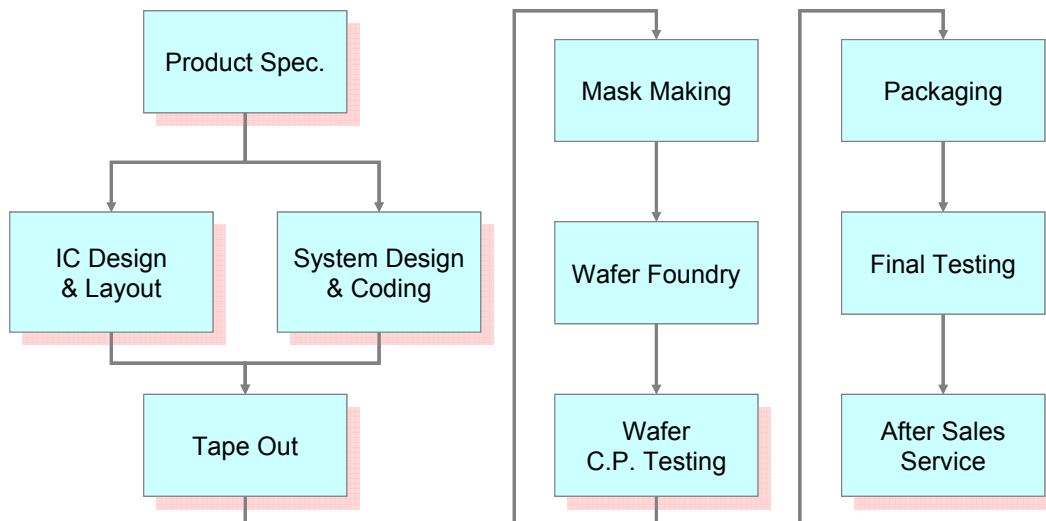
- (2) Advantages
 - (a) Sunplus offers high value-added products to enable customer to win the market.
 - (b) The growing demand for SoC complicates IC product development and raises the entry barrier, which benefits IC design companies with rich resources like Sunplus.
 - (c) Sunplus has strong IC design capability to meet customers' requirements for time to market and costs reduction.
 - (d) Sunplus has built up long-term relationship with wafer foundries due to our steady demand for wafers, and therefore we can get stable supply and lower prices from wafer foundries.
- (3) Disadvantages
 - (a) The competition is getting fiercer since IC design industry enjoys high profits.
 - (b) Product life cycles are becoming shorter and shorter.
 - (c) SoC design and integration of features and functions, which developing products costs are a lot more than before, has become the trend of IC design.
 - (d) The floating exchange rate, especially NTD appreciation, will hurt gross margins
- (4) Business Strategy
 - (a) Developing new and high value-added products.
 - (b) Process migration to make per wafer productivity higher and drive cost down.
 - (c) Expanding strategic partnership with clients to create win-win situation.
 - (d) Collaboration with partners to broaden IP licensing sources.

6.2.2 Product Applications and Development Flow

a) Product Applications

- (1) Multimedia ICs: IC solutions for DVD player, LCD TV, digital TV, set-top-box, and other multimedia home applications.
- (2) Other ICs: ASICs and IP products.

b) IC Development Flow



In the product development flow, Sunplus focuses on IC design, system design, wafer testing and sales services but out-sources most aspects of the manufacturing including mask making, wafer fabrication, wafer sawing, packaging, and final testing.

6.2.3 Major Suppliers

The major materials are wafers. Sunplus' main foundry contractors are local or overseas wafer manufacturers, such as TSMC. Wafer supplements are sufficient and stable.

6.2.4 Major Customers and Suppliers in the Recent Two Years

a) Major Customers

Customer	2009				2010				End of March, 31, 2011			
	Sales Amount	% of Total Sales	Relation with Sunplus	Customer	Sales Amount	% of Total Sales	Relation with Sunplus	Customer	Sales Amount	% of Total Sales	Relation with Sunplus	Customer
A	2,269,016	30.87	No	A	2,158,720	35.22	No	A	374,931	36.27	No	
B	1,845,278	25.11	No	B	1,598,192	26.07	No	B	310,067	30.00	No	
C	621,925	8.46	No	C	727,211	11.86	No	C	112,996	10.93	No	
D	755,900	10.29	No	D	607,624	9.91	No	D	86,511	8.37	No	
Others	1,857,481	25.27		Others	1,037,827	16.94		Others	149,214	14.43		
Net sales	7,349,600	100.00		Net sales	6,129,584	100.00		Net sales	1,033,719	100.00		

Unit: NT\$K

b) Major Supplier

Supplier	2009				2010				End of March 31, 2011			
	Purchasing Value	% of Total Purchasing	Relation with Sunplus	Supplier	Purchasing Value	% of Total Purchasing	Relation with Sunplus	Supplier	Purchasing Value	% of Total Purchasing	Relation with Sunplus	Supplier
A	2,159,137	64.99	No	A	2,381,902	75.33	No	A	251,646	69.97	No	
B	1,134,775	34.14	No	B	750,291	23.73	No	B	106,784	29.69	No	
Others	28,344	0.87		Others	29,906	0.94		Others	1,219	0.34		
Net purchase	3,322,256	100.00		Net purchase	3,162,099	100.00		Net purchase	359,649	100.00		

Unit: NT\$K

6.2.5 Production

Unit: thousand pcs, NT\$K

Year \ Product	2009			2010		
	Capacity	Output	Value	Capacity	Output	Value
Multimedia ICs	-	127,351	5,129,079	-	123,613	4,077,175
Other ICs	-	857	27,815	-	43	2,115
Total	-	128,208	5,156,894	-	123,656	4,079,290

Note: Sunplus out-sourced production to wafer foundries, so there is no capacity limitation.

6.2.6 Sales

Unit: thousand pcs, NT\$K

Year \ Product	2009				2010			
	Local		Export		Local		Export	
	Quantity	Sales	Quantity	Sales	Quantity	Sales	Quantity	Sales
Multimedia IC	6,261	810,421	111,524	6,317,142	2,782	201,707	115,479	5,826,303
Other ICs	112	133,574	746	88,463	43	100,059	0	1,515
Total	6,373	943,995	112,270	6,405,605	2,825	301,766	115,479	5,827,918

6.3 Personnel Structure

Year		2009	2010	End of March 31, 2011
Workforce Structure by Job Function	R&D	419	465	448
	Production	71	71	68
	Administration	99	98	97
	Total	589	634	613
Average Age		33.7	34.1	32.6
Average Years Served		4.9	3.4	3.8
Workforce Structure by Education Degree	Ph.D.	2.9%	2.8%	2.8%
	Master	65.0%	68.0%	67.6%
	Bachelor	20.0%	20.7%	21.0%
	Other Higher Education	7.3%	5.7%	6.0%
	High School	4.8%	2.8%	2.6%
	Total	100.0%	100.00%	100.0%

6.4 Environmental Protection & Expenditures

6.4.1 Environmental Protection

Sunplus does not violate any EPA regulation regarding pollutants and environmental protection.

To adhere to the conception of Earth Vision, Sunplus has established the environment protection system for fulfilling policies, social responsibilities and obligations, and been ISO-14001 certified.

To reduce the environmental impact of E-Waste, Sunplus supplies customers with hazardous substances free (HSF) and satisfying products, and has been IECQ QC080000 certified.

6.4.2 Working Environment

a) **To allocate sole-duty organization and employees to execute the matters concern to environment security and sanitation management according to Laws.**

(1) To examine the working environment regularly to maintain the security of environment and equipments.

(2) To review the working environment and set up related devices with a standard higher than regulation.

(3) To hold the physical examination for new employees and the regular health examination for employees on the job with higher perception than laws.

6.5 Employees

6.5.1 Employee Welfare

We strive to provide a clean and supportive environment for our employees. We established an Employee Welfare Committee to operate welfare activities including emergency aid, educational grants, book purchase subsidies, social club activities and overseas trips. We also comply with the Labor Standards Law to conduct labor insurance and retirement system programs, and participation with the National Health Insurance plan according to the National Health Insurance Act. Moreover, we also handle group insurance and insurance for family dependants to ensure security for our employees.

6.5.2 Pension Plan

Sunplus has a pension plan for all regular employees, which provides benefits according to the Labor Standard Law. The Company makes monthly contributions, equal to 2% of salaries, to the pension fund, which is administered by a pension fund monitoring committee. The contributions are deposited in the committee's name in the Central Trust of China. Since July 1, 2005, employees who choose Labor Pension Act Implementation Rules of the Labor Pension, the Company makes monthly contributions, equal to 6% of salaries to the personal pension fund of Bureau of Labor Insurance.

6.5.3 Other Affairs

Sunplus have smooth commutation channels with employees. Employees could address their opinions to management team directly. All operations are base on the Labor Standard Law. Sunplus' labor relations are outstanding. We are proud to say that there has not been a single loss resulting from a labor dispute since the establishment of the company.

6.5.4 Training

The Company provides 230 person-times of external professional training courses & 77coures for internal training in 2010. (Skipped the list of course)

6.5.5 Loss from Controversy between Labor and Management

None

6.6 Important Contracts

Contract	Counter Party	Term	Content	Restriction
Lease of Land	Hsinchu Science Park Administration	1995/8/01-2021/12/31	Lease of Land	Self-use

VII. Financial Statements

7.1 Condensed Financial Statement and Auditors' Opinions

7.1.1 Condensed Balance Sheet

Unit: NT\$K

Item	Year	Recent 5 Years (Note 1)					End of March 31, 2011 (Note 3)
		2006	2007	2008	2009	2010	
Current Assets		10,317,882	4,315,996	2,837,092	6,227,432	5,609,370	4,887,377
Long-term Investment		7,044,292	8,189,460	7,445,768	8,161,338	8,544,972	8,665,686
Fixed Assets		1,307,777	940,134	836,326	843,627	784,822	774,146
Intangible Assets		1,004,058	841,899	551,787	318,756	216,747	243,299
Other Assets		751,258	1,380,877	1,260,233	849,309	443,536	443,080
Total Assets		20,425,267	15,668,366	12,931,206	16,400,462	15,599,447	15,013,588
Current Liabilities	Before Distribution	2,587,433	2,472,048	1,731,341	2,592,439	2,547,924	2,436,045
	After Distribution	4,690,418	3,898,782	1,731,341	2,592,439	(Note 2)	(Note 2)
Long-term Liabilities		0	0	0	1,257,500	75,500	0
Other Liabilities		453,761	313,195	249,443	239,953	212,099	209,787
Total Liabilities	Before Distribution	3,041,194	2,785,243	1,980,784	4,089,892	2,835,523	2,645,832
	After Distribution	5,144,179	4,211,977	1,980,784	4,089,892	(Note 2)	(Note 2)
Capital Stock		10,236,476	5,567,505	5,982,028	5,969,099	5,969,099	5,969,099
Capital Surplus		1,366,696	1,553,917	1,587,558	1,871,301	1,969,595	1,851,291
Retain Earnings	Before Distribution	5,974,727	5,644,622	3,924,634	4,306,149	5,079,860	4,927,325
	After Distribution	3,583,120	3,916,251	3,924,634	4,306,149	(Note 2)	(Note 2)
Unrealized Gain (Loss) on Financial Merchandise		(34,466)	185,415	(561,966)	116,449	(172,567)	(226,508)
Cumulative translation adjustments		17,206	63,135	149,639	110,973	(18,662)	1,785
Unrealized Net Loss on the Costs of Pensions		0	0	0	0	0	0
Total Equity	Before Distribution	17,384,073	12,883,123	10,950,422	12,310,570	12,763,924	12,367,756
	After Distribution	15,281,088	11,456,389	10,950,422	12,310,570	(Note 2)	(Note 2)

Note 1: Figures are audited for the past-5 years

Note 2: Profits have not been distributed yet

Note 3: Figures of 1Q'2011 are audited

7.1.2 Condensed Income Statement

Unit: NT\$K

Item	Year	Recent 5 Years (Note 1)					End of March 31, 2011 (Note 2)
		2006	2007	2008	2009	2010	
Net Sales		17,076,426	9,214,059	6,093,179	7,349,600	6,129,584	1,033,719
Gross Profit		5,727,373	3,912,226	2,357,964	2,434,607	2,255,319	296,014
Income from Operation		2,175,746	1,606,196	516,709	586,440	336,416	(96,261)
Non-operating Income (Gain)		1,216,492	1,108,159	727,781	665,689	849,816	26,018
Non-operating Expense (Loss)		272,655	417,873	1,084,466	554,466	40,159	85,845
Income From Operations of Continued Segments-Before Tax		3,119,583	2,296,482	160,024	697,663	1,146,073	(156,088)
Income From Operations of Continued Segments-After Tax		3,005,304	2,061,502	8,383	381,515	773,711	(152,535)
Income From Operations of Discontinued Segments		0	0	0	0	0	0
Extraordinary Gain (Loss)		0	0	0	0	0	0
Cumulative Effect of Changes in Accounting Principles		(32,609)	0	0	0	0	0
Net Income		2,972,695	2,061,502	8,383	381,515	773,711	(152,535)
EPS		2.94	3.53	0.01	0.64	1.30	(0.26)
Adjusted EPS		2.92	3.52	0.01	0.64	1.29	(0.26)

Note 1: Figures are audited for the past-5 years

Note 2: Figures of 1Q'2011 are audited

7.1.3 Auditors' Opinions

Year	CPA	Audit Opinion
2006	Hung-Wen Huang, Shu-Chieh Huang	An unqualified opinion with expletory
2007	Hung-Wen Huang, Shu-Chieh Huang	An unqualified opinion
2008	Hung-Peng Lin, Shu-Chieh Huang	An unqualified opinion with expletory
2009	Tung-Hui Yeh, Hung-Wen Huang	An unqualified opinion with expletory
2010	Tung-Hui Yeh, Hung-Wen Huang	An unqualified opinion

7.2 Financial Analysis

7.2.1 Financial Analysis (Standalone)

Analysis Item		Year	Recent 5 years					End of March 31, 2011
		2006	2007	2008	2009	2010		
Capital Structure	Debts ratio (%)	14.89	17.78	15.32	24.94	18.18	17.62	
	Long-term fund to fixed assets (%)	1,329.28	1,370.35	1,309.35	1,608.3	1,635.97	1,597.6	
Liquidity	Current ratio (%)	398.77	174.59	163.87	240.22	220.15	200.63	
	Quick ratio (%)	327.00	121.29	100.11	205.98	162.22	146.35	
	Times interest earned (times)	191.28	140.63	8.20	21.45	61.34	0	
Operating Performance	Average collection turnover (times)	6.81	6.17	6.12	7.42	5.14	5.11	
	Average collection days	54	59	60	49	71	72	
	Average inventory turnover (times)	5.02	4.05	3.69	5.89	3.64	2.33	
	Average payment turnover (times)	5.25	5.36	5.85	8.38	5.51	6.69	
	Average inventory turnover days	73	90	99	62	100	157	
	Fixed assets turnover (times)	13.06	9.8	7.29	8.71	7.81	5.34	
	Total assets turnover (times)	0.92	0.84	0.59	0.47	0.39	0.28	
Profitability	Return on total assets (%)	14.63	11.49	0.18	2.78	4.93	(0.98)	
	Return on stockholders' equity (%)	17.81	13.62	0.07	3.28	6.17	(1.21)	
	Operating income to paid-in capital (%)	21.25	28.85	8.64	9.82	5.64	(1.61)	
	Profit before tax to paid-in capital (%)	30.48	41.25	2.68	11.69	19.20	(2.61)	
	Profit after tax to net sales (%)	17.41	22.37	0.14	5.19	12.62	(14.76)	
	Earnings per share (NT\$)	2.94	3.53	0.01	0.64	1.30	(0.26)	
	EPS after dilution	2.92	3.52	0.01	0.64	1.29	(0.26)	
Cash Flow	Cash flow ratio (%)	161.20	103.20	120.99	35.9	33.08	0	
	Cash flow adequacy ratio (%)	111.58	110.94	129.07	167.84	158.44	146.74	
	Cash flow reinvestment ratio (%)	11.87	3.58	5.81	6.27	6.00	0	
Leverage	Operating leverage	2.06	2.05	4.05	3.73	5.37	0	
	Financial leverage	1.00	1.00	1.04	1.06	1.06	0	

Variation Analysis 2010 vs. 2009

- (1) Debts ratio declined due to less long-term loans in 2010.
- (2) Quick ratio declined due to a decrease in available-for-sale financial assets and account receivables in 2010.
- (3) Times interest earned increased due to an increase in net income before tax in 2010.
- (4) Average collection turnover declined due to a decrease in net sales and an increase in average receivables in 2010.
- (5) Average inventory turnover declined due to a decrease in operating cost and an increase in average inventory in 2010.
- (6) Average payment turnover declined due to a decrease in operating cost in 2010.
- (7) Return on total assets and Return on stockholders' equity increased due to an increase in net income in 2010.
- (8) Operating income to paid-in capital increased due to a decrease in operating income in 2010.
- (9) Profit after tax to net sales and Profits before tax to paid-in capital increased due to less non-operating loss in 2010.
- (10) EPS and EPS after dilution increased due to an increase in net income in 2010.
- (11) Operating leverage increased due to a decrease in operating income in 2010.

1. Capital Structure Analysis

- (1) Debts ratio = Total Liabilities/Total Assets
- (2) Long term fund to fixed assets = (Shareholders Equity + Long-term Liabilities)/Net Properties

2. Liquidity Analysis

- (1) Current Ratio = Current Assets/Current Liabilities
- (2) Quick Ratio = (Current Assets – Inventories – Prepaid Expenses)/Current Liabilities
- (3) Times Interest Earned = Earnings before Interest and Taxes/Interest Expenses

3. Operating Performance Analysis

- (1) Average Collection Turnover = Net Sales/Average Trade Receivables
- (2) Average Collection Days = 365/Receivables Turnover Rate
- (3) Average Inventory Turnover = Cost of Sales/Average Inventory
- (4) Average Payment Turnover = Cost of Sales/Average Trade Payables
- (5) Average Inventory Turnover Days = 365/Average Inventory Turnover
- (6) Fixed Assets Turnover = Net Sales/Net Fixed Assets

- (7) Total Assets Turnover = Net Sales/Total Assets
4. Profitability Analysis
- (1) Return on Total Assets = $\{\text{Net Income} + \text{Interest Expense} \times (1 - \text{Effective tax rate})\} / \text{Average Total Assets}$
 - (2) Return Ratio on Stockholders' Equity = Net Income/Average Stockholders' Equity
 - (3) Profit after Tax to Net Sales = Net Income/Net Sales
 - (4) Earnings Per Shares = $(\text{Net Income} - \text{Preferred Stock Dividend}) / \text{Weighted Average Number of Shares Outstanding}$
5. Cash Flow
- (1) Cash Flow Rate = Net Cash Provided by Operating Activities/Current Liabilities
 - (2) Cash Flow Adequacy Ratio = $\text{Five-Year Cash from Sum of Operations} / (\text{Five-Year Capital Expenditure} + \text{Inventory Increase} + \text{Cash Dividend})$
 - (3) Cash flow reinvestment ratio = $(\text{Net Cash Provided by Operating Activities} - \text{Cash Dividend}) / (\text{Fixed Assets} + \text{Long-term Investment} + \text{Other Assets} + \text{Working Capital})$
6. Leverage
- (1) Operating Leverage = $(\text{Net Sales} - \text{Operating Expenses \& Cost}) / \text{Operating Income}$
 - (2) Financial Leverage = $\text{Operating Income} / (\text{Operating Income} - \text{Interest Expenses})$

7.2.2 Financial Analysis (Consolidated)

Analysis Item		Year	Recent 5 years			
		2007	2008	2009	2010	End of March 31, 2011
Capital Structure	Debts ratio (%)	33.05	28.72	31.76	22.88	20.93
	Long-term fund to fixed assets (%)	751.52	777.78	1,185.03	1,227.50	1,205.03
Liquidity	Current ratio (%)	194.68	217.01	255.15	306.08	313.68
	Quick ratio (%)	142.86	142.5	216.20	245.51	248.88
	Times interest earned (times)	29.58	2.49	12.89	31.25	(Note 3)
Operating Performance	Average collection turnover (times)	5.07	5.21	7.68	6.12	5.16
	Average collection days	72	70.06	47.52	59.64	70.70
	Average inventory turnover (times)	3.86	3.9	5.90	4.62	3.28
	Average payment turnover (times)	5.14	7.34	11.92	6.91	6.78
	Average inventory turnover days	95	93.59	61.86	79.06	111.34
	Fixed assets turnover (times)	10.76	10.03	14.56	10.88	7.93
	Total assets turnover (times)	0.96	0.92	0.93	0.69	0.52
Profitability	Return on total assets (%)	9.09	0.76	3.04	5.08	-3.38
	Return on stockholders' equity (%)	12.58	0.58	3.88	6.75	-4.50
	Operating income to paid-in capital (%)	26.62	-10.77	8.58	12.56	-2.58
	Profit before tax to paid-in capital (%)	4.12	2.28	15.31	22.67	-2.63
	Profit after tax to net sales (%)	10.03	0.48	2.78	7.22	-6.94
	Earnings per share (NT\$)	3.28	0.01	0.64	1.30	-0.26
	EPS after dilution (NT\$)	3.27	0.01	0.64	1.29	-0.26
Cash Flow	Cash flow ratio (%)	48.90	18.07	46.25	34.01	38.80
	Cash flow adequacy ratio (%)	133	125.3	124.87	97.31	97.31
	Cash flow reinvestment ratio (%)	6.64	(Note 1)	11.29	7.55	7.78
Leverage	Operating leverage	3.39	(Note 2)	8.73	5.55	(Note 2)
	Financial leverage	1	(Note 2)	1	1	(Note 2)
Variation Analysis 2010 vs. 2009						
(1) Debts ratio declined due to less long-term loans in 2010.						
(2) Return on total assets, Return on stockholders' equity, Operating income to paid-in capital, Profit after tax to net sales, Earnings per share and EPS after dilution increased due to an increase in net income before tax in 2010.						
(3) Times interest earned increased due to an increase in net income before tax and a decrease in interest expenses.						
(4) Average collection turnover, Average collection days, Fixed assets turnover, Total assets turnover and Operating leverage changed due to a decrease in net sales.						
(5) Average inventory turnover and Average payment turnover declined due to less cost of sales.						
(6) Cash flow ratio, Cash flow adequacy ratio, and Cash flow reinvestment ratio declined due to less cash flow from operating.						

Note 1: Figures not listed because cash flow in from operating activities is less than cash dividends.

Note 2: Figures not listed due to operating loss.

Note 3: Figures not listed due to net loss before tax.

7.3 Supervisor's Report

Sunplus Technology Co., Ltd. Supervisor's Report

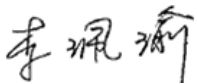
Sunplus' Board has submitted the 2010 business report, financial statements, and the proposal for allocation 2010 profits. The Deloitte & Touche CPA firm has audited the financial statements, and issued an audit report. I, Sunplus' supervisor, have reviewed the 2010 business report, financial statements, and the proposal for allocation 2010 profits, and verify that they comply with the Company Law and relevant regulations. According to Article 219 of the Company Law, I hereby submit this report.

To Sunplus 2011 Annual General Shareholders' Meeting

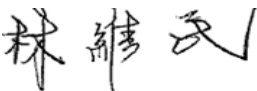
Sunplus Technology Co., Ltd.
Supervisor,



Liu, De-Zhong



Lee, Pei-Yu



Lin, Wei-Min

April 27, 2011

7.4 Financial Statements

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Sunplus Technology Company Limited

We have audited the accompanying balance sheets of Sunplus Technology Company Limited as of December 31, 2010 and 2009, and the related statements of income, changes in shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sunplus Technology Company Limited as of December 31, 2010 and 2009, and the results of its operations and its cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, requirements of the Business Accounting Law and Guidelines Governing Business Accounting relevant to financial accounting standards, and accounting principles generally accepted in the Republic of China.

As disclosed in Note 3 to the accompanying financial statements, the Company adopted the newly revised Statement of Financial Accounting Standards (SFAS) No. 10 - "Inventories" beginning January 1, 2009.

We have also audited the consolidated financial statements of Sunplus Technology Company Limited and subsidiaries as of and for the years ended December 31, 2010 and 2009 and have issued an unqualified opinion and an unqualified opinion thereon with an explanatory paragraph, respectively, in our reports dated January 31, 2011 and February 9, 2010, respectively.

January 31, 2011

Notice to Readers

The accompanying financial statements are intended only to present the financial position, results of operations 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 financial statements are those generally accepted and applied in the Republic of China.

For the convenience of readers, the auditors' report and the accompanying 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 auditors' report and financial statements shall prevail.

SUNPLUS TECHNOLOGY COMPANY LIMITED

BALANCE SHEETS

DECEMBER 31, 2010 AND 2009

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

ASSETS	2010		2009		2010		2009	
	Amount	%	Amount	%	Amount	%	Amount	%
CURRENT ASSETS								
Cash (Note 4)	\$ 2,097,829	13	\$ 1,579,825	10	\$ 174,780	1	\$ -	-
Available-for-sale financial assets - current (Notes 2 and 6)	757,094	5	2,015,063	12	541,346	3	867,748	5
Accounts receivable, net (Notes 2, 7 and 23)	880,611	6	1,503,781	9	262,708	2	244,497	2
Other receivables (Note 23)	397,819	3	241,265	2	545,000	4	552,500	3
Inventories (Notes 2, 3 and 8)	1,355,359	9	776,845	5	11,772	-	11,956	-
Deferred income tax assets (Notes 2 and 20)	80,880	-	73,107	-	356,052	2	268,057	2
Other current assets	39,778	-	37,546	-	656,266	4	667,681	4
Total current assets	5,609,370	36	6,227,432	38	2,547,924	16	2,592,439	16
LONG-TERM INVESTMENTS								
Equity-method investments (Notes 2 and 9)	6,572,644	42	7,844,428	48	75,500	1	1,257,500	8
Available-for-sale financial assets (Notes 2, 6 and 9)	1,951,217	13	281,354	2	-	-	-	-
Financial assets carried at cost (Notes 2 and 10)	21,111	-	35,556	-	-	-	31,832	-
Total long-term investments	8,544,972	55	8,161,338	50	20,060	-	57,201	-
Accrued pension liability (Notes 2 and 16)	-	-	-	-	137,620	1	150,920	1
Guarantee deposits	-	-	-	-	-	-	-	-
Other current liabilities	-	-	-	-	212,099	1	239,953	1
Total other liabilities	-	-	-	-	2,835,523	18	4,089,892	25
LONG-TERM BANK LOANS, NET OF CURRENT PORTION (Notes 15 and 24)								
LONG-TERM INVESTMENTS								
Equity-method investments (Notes 2 and 9)	6,572,644	42	7,844,428	48	75,500	1	1,257,500	8
Available-for-sale financial assets (Notes 2, 6 and 9)	1,951,217	13	281,354	2	-	-	-	-
Financial assets carried at cost (Notes 2 and 10)	21,111	-	35,556	-	-	-	31,832	-
Total long-term investments	8,544,972	55	8,161,338	50	20,060	-	57,201	-
Accrued pension liability (Notes 2 and 16)	-	-	-	-	137,620	1	150,920	1
Guarantee deposits	-	-	-	-	-	-	-	-
Other current liabilities	-	-	-	-	212,099	1	239,953	1
Total other liabilities	-	-	-	-	2,835,523	18	4,089,892	25
PROPERTY (Notes 2, 11 and 24)								
Cost								
Buildings	795,683	5	795,683	5	-	-	-	-
Auxiliary equipment	190,696	1	186,364	1	-	-	-	-
Machinery and equipment	381,524	2	430,326	3	-	-	-	-
Testing equipment	338,129	2	368,458	2	-	-	-	-
Transportation equipment	1,209	-	2,463	-	-	-	-	-
Furniture and fixtures	80,811	1	99,928	-	-	-	-	-
Leasehold improvements	89	-	89	-	-	-	-	-
Total cost	1,788,141	11	1,883,311	11	1,883,311	11	1,883,311	11
Less: Accumulated depreciation	1,003,319	6	1,039,684	6	1,039,684	6	1,039,684	6
Net properties	784,822	5	843,627	5	843,627	5	843,627	5
INTANGIBLE ASSETS, NET (Notes 2 and 12)								
Net properties	216,747	1	318,756	2	318,756	2	318,756	2
OTHER ASSETS								
Rental assets, net (Notes 2, 23 and 24)	150,483	1	154,010	1	154,010	1	154,010	1
Deferred charges and others (Notes 2 and 13)	102,781	1	161,315	1	161,315	1	161,315	1
Deferred income tax assets (Notes 2 and 20)	190,272	1	533,984	3	533,984	3	533,984	3
Total other assets	443,536	3	849,309	5	849,309	5	849,309	5
Total shareholders' equity								
Total	15,599,447	100	16,400,462	100	12,310,570	82	12,310,570	75
TOTAL	\$ 15,599,447	100	\$ 16,400,462	100	\$ 12,310,570	100	\$ 16,400,462	100

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

(With Deloitte & Touche audit report dated January 31, 2011)

SUNPLUS TECHNOLOGY COMPANY LIMITED

STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2010 AND 2009

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2010		2009	
	Amount	%	Amount	%
GROSS SALES	\$ 6,269,635		\$ 7,560,980	
SALES RETURNS AND ALLOWANCES	<u>140,051</u>		<u>211,380</u>	
NET SALES (Notes 2, 12 and 23)	6,129,584	100	7,349,600	100
COST OF SALES (Notes 2, 3, 8 and 19)	3,884,048	63	4,925,424	67
REALIZED INTERCOMPANY GAIN, NET (Note 2)	<u>9,783</u>	-	<u>10,431</u>	-
GROSS PROFIT	<u>2,255,319</u>	<u>37</u>	<u>2,434,607</u>	<u>33</u>
OPERATING EXPENSES (Notes 19 and 23)				
Marketing	203,883	3	218,185	3
General and administrative	261,998	4	266,887	4
Research and development	<u>1,453,022</u>	<u>24</u>	<u>1,363,095</u>	<u>18</u>
Total operating expenses	<u>1,918,903</u>	<u>31</u>	<u>1,848,167</u>	<u>25</u>
OPERATING INCOME	<u>336,416</u>	<u>6</u>	<u>586,440</u>	<u>8</u>
NONOPERATING INCOME AND GAINS				
Gain on disposal of investments, net (Note 2)	564,868	9	490,560	7
Investment gain recognized by the equity-method, net (Notes 2 and 9)	149,813	3	-	-
Administrative and support service revenue (Note 23)	45,287	1	94,287	1
Rental revenue (Note 23)	17,078	-	25,109	-
Interest income	10,563	-	5,968	-
Gain on disposal of fixed assets (Note 2)	8,403	-	930	-
Dividend income (Note 2)	5,073	-	8,886	-
Valuation gain on financial assets, net (Notes 2 and 5)	-	-	6,528	-
Others (Notes 23)	<u>48,731</u>	<u>1</u>	<u>33,421</u>	<u>1</u>
Total nonoperating income and gains	<u>849,816</u>	<u>14</u>	<u>665,689</u>	<u>9</u>
NONOPERATING EXPENSES AND LOSSES				
Interest expense	18,994	1	34,112	1
Impairment loss (Notes 2 and 10)	12,452	-	-	-
Foreign exchange loss, net (Note 2)	3,557	-	52,155	1
Loss on disposal of fixed assets (Note 2)	1,630	-	1,257	-

(Continued)

SUNPLUS TECHNOLOGY COMPANY LIMITED

STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2010 AND 2009

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2010		2009	
	Amount	%	Amount	%
Investment loss recognized by the equity-method, net (Notes 2 and 9)	\$ -	-	\$ 459,383	6
Others (Note 2)	<u>3,526</u>	-	<u>7,559</u>	-
Total nonoperating expenses and losses	<u>40,159</u>	<u>1</u>	<u>554,466</u>	<u>8</u>
INCOME BEFORE INCOME TAX	1,146,073	19	697,663	9
INCOME TAX EXPENSE (Notes 2 and 20)	<u>372,362</u>	<u>6</u>	<u>316,148</u>	<u>4</u>
NET INCOME	<u>\$ 773,711</u>	<u>13</u>	<u>\$ 381,515</u>	<u>5</u>
	2010		2009	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
EARNINGS PER SHARE IN NEW TAIWAN DOLLARS (Note 21)				
Basic	<u>\$ 1.93</u>	<u>\$ 1.30</u>	<u>\$ 1.18</u>	<u>\$ 0.64</u>
Diluted	<u>\$ 1.92</u>	<u>\$ 1.29</u>	<u>\$ 1.18</u>	<u>\$ 0.64</u>

The pro forma net income and earnings per share (EPS) on the assumption that the stock of a parent company held by its subsidiary is treated as an available-for-sale financial asset and not as treasury stock are as follows (Note 18):

	2010		2009	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
NET INCOME	<u>\$1,146,073</u>	<u>\$ 773,711</u>	<u>\$ 697,663</u>	<u>\$ 381,515</u>
BASIC EPS				
Based on weighted-average shares Outstanding - 596,910 thousand shares in 2010 and 595,310 thousand shares in 2009	<u>\$1.92</u>	<u>\$1.30</u>	<u>\$1.17</u>	<u>\$0.64</u>
DILUTED EPS				
Based on weighted-average shares Outstanding - 601,466 thousand shares in 2010 and 595,310 thousand shares in 2009	<u>\$1.91</u>	<u>\$1.29</u>	<u>\$1.17</u>	<u>\$0.64</u>

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

(With Deloitte & Touche audit report dated January 31, 2011)

(Concluded)

SUNPLUS TECHNOLOGY COMPANY LIMITED

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2010 AND 2009
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

	Capital Stock Issued and Outstanding (Note 17)		Capital Surplus (Notes 2, 17 and 18)				Retained Earnings (Note 17)			Others (Notes 2, 17 and 18)			Total Shareholders' Equity		
	Shares (Thousands)	Amount	Additional Paid-in Capital in Excess of Par	Treasury Stock	Long-term Investments	Merger	Total	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Cumulative Translation Adjustments		Unrealized Valuation (Loss) Gain on Financial Assets	Treasury Stock
BALANCE, JANUARY 1, 2009	598,203 (1,293)	\$ 5,982,028 (12,929)	\$ 710,751 (1,536)	\$ 68,645 (53,605)	\$ 650,739	\$ 157,423	\$ 1,387,558 (65,141)	\$ 2,333,642	\$ -	\$ 1,590,992	\$ 3,924,634	\$ 149,639	\$ (561,966)	\$ (131,471)	\$ 10,950,422
Retirement of treasury stock	-	-	-	-	-	-	-	-	-	-	-	-	-	68,070	-
Acquisition of treasury stock	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury stock assigned to employees	-	-	-	53,317	-	-	53,317	-	-	-	-	-	-	(114,385)	(114,385)
Appropriation of prior year's earnings:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	-	-	-	838	-	-	(838)	-	-	-	-	-
Special reserve	-	-	-	-	-	-	-	428,914	(428,914)	-	-	-	-	114,385	167,702
Adjustment arising from changes in percentage of ownership of investees	-	-	-	-	313,909	-	313,909	-	-	-	-	-	-	-	313,909
Adjustment of capital surplus - others	-	-	-	-	(28,342)	-	(28,342)	-	-	-	-	-	-	-	(28,342)
Net income in 2009	-	-	-	-	-	-	-	-	-	381,515	381,515	-	-	-	381,515
Translation adjustments on long-term investments	-	-	-	-	-	-	-	-	-	-	-	(38,666)	-	-	(38,666)
Adjustment for changes in equity in equity-method investees	-	-	-	-	-	-	-	-	-	-	-	-	552,910	-	552,910
Valuation gain on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	-	-	125,505	-	125,505
BALANCE, DECEMBER 31, 2009	596,910	\$ 5,969,099	709,215	68,357	936,306	157,423	1,871,301	2,334,480	428,914	1,542,755	4,306,149	110,973	116,449	(63,401)	12,310,570
Appropriation of prior year's earnings:	-	-	-	-	-	-	-	-	-	(38,151)	-	-	-	-	-
Legal reserve	-	-	-	-	-	-	38,151	-	-	428,914	-	-	-	-	-
Special reserve	-	-	-	-	-	-	-	(428,914)	(428,914)	-	-	-	-	-	-
Adjustment arising from changes in percentage of ownership of investees	-	-	-	-	88,965	-	88,965	-	-	-	-	-	-	-	88,965
Adjustment of capital surplus - others	-	-	-	-	9,329	-	9,329	-	-	-	-	-	-	-	9,329
Net income in 2010	-	-	-	-	-	-	-	-	-	773,711	773,711	-	-	-	773,711
Translation adjustments on long-term investments	-	-	-	-	-	-	-	-	-	-	-	(129,635)	-	-	(129,635)
Adjustment for changes in equity in equity-method investees	-	-	-	-	-	-	-	-	-	-	-	-	(161,875)	-	(161,875)
Valuation loss on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	-	-	(127,141)	-	(127,141)
BALANCE, DECEMBER 31, 2010	596,910	\$ 5,969,099	709,215	68,357	1,034,600	157,423	1,966,595	2,372,631	-	2,707,229	5,079,860	(18,662)	(175,562)	(63,401)	\$ 12,763,924

The accompanying notes are an integral part of the financial statements.
(With Deloitte & Touche audit report dated January 31, 2011)

SUNPLUS TECHNOLOGY COMPANY LIMITED

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2010 AND 2009 (In Thousands of New Taiwan Dollars)

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 773,711	\$ 381,515
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	416,446	564,527
Gain on disposal of investments, net	(564,868)	(490,560)
Impairment loss	12,452	-
Investment gain (loss) recognized by the equity-method, net	(149,813)	459,383
Loss (gain) on disposal of properties	(5,632)	250
Loss on disposal of intangible assets and deferred charges	528	77
Valuation gain on financial assets	-	(6,528)
Unrealized (realized) royalty income	(2,173)	4,066
Cash dividends received from equity-method investees	203,777	149,997
Realized intercompany gain, net	(9,783)	(10,431)
Deferred income tax	335,939	315,975
Cost of assigning treasury stock to employees	-	53,317
Accrued pension liability	(2,782)	(3,194)
Net changes in operating assets and liabilities		
Accounts receivable	623,170	(1,027,494)
Other receivables	15,351	720
Inventories	(578,514)	119,904
Other current assets	(2,232)	3,310
Accounts payable	(326,402)	560,538
Income tax payable	18,211	(120,957)
Accrued expenses	87,995	35,832
Other current liabilities	(2,517)	536
Net cash provided by operating activities	<u>842,864</u>	<u>990,783</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of:		
Financial assets at fair value through profit or loss	-	168,650
Equity-method investments	830,966	646,141
Available-for-sale financial assets	1,688,888	553,830
Return of capital by financial assets carried at cost	1,993	-
Properties and intangible assets	14,630	2,274
Return of capital return by investee	-	8,511
Acquisition of:		
Equity-method investments	(1,026,326)	(245,605)
Available-for-sale financial assets	(425,133)	(2,374,000)
Properties	(39,722)	(50,134)
Increase in deferred charges and others	(104,787)	(96,006)
Increase in intangible assets	(55,349)	(20,943)
Other receivable-related parties	(202,000)	(60,000)
Net cash provided by (used in) investing activities	<u>683,160</u>	<u>(1,467,282)</u>

(Continued)

SUNPLUS TECHNOLOGY COMPANY LIMITED

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2010 AND 2009 (In Thousands of New Taiwan Dollars)

	2010	2009
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term loans	\$ 174,780	\$ (647,600)
Decrease in guarantee deposits	(13,300)	(133)
Proceeds from long-term bank loans	-	2,050,000
Repayments of long-term bank loans	(1,169,500)	(260,000)
Cash paid for acquisition of treasury stock	-	(114,385)
Cost of assigning treasury stock to employees	-	114,385
	<u>(1,008,020)</u>	<u>1,142,267</u>
Net cash provided by (used in) financing activities		
NET INCREASE IN CASH	518,004	665,768
CASH, BEGINNING OF YEAR	<u>1,579,825</u>	<u>914,057</u>
CASH, END OF YEAR	<u>\$ 2,097,829</u>	<u>\$ 1,579,825</u>
SUPPLEMENTAL CASH FLOW INFORMATION:		
Income tax paid	<u>\$ 18,211</u>	<u>\$ 121,130</u>
Interest paid	<u>\$ 20,728</u>	<u>\$ 35,376</u>
NONCASH INVESTING AND FINANCING ACTIVITIES:		
Reclassifications of long-term investment into available-for-sale financial asset	<u>\$ 1,797,346</u>	<u>\$ -</u>
Reclassification of credit balance on carrying value of long-term investments into other current liabilities	<u>\$ (12,137)</u>	<u>\$ 514,137</u>
Reclassification of rental assets into properties	<u>\$ -</u>	<u>\$ 97,108</u>
Current portion of long-term bank loans	<u>\$ 545,000</u>	<u>\$ 532,500</u>
PARTIAL CASH INVESTING AND FINANCING ACTIVITIES:		
Acquisition of properties	\$ (42,961)	\$ (36,448)
Increase (decrease) in payables to contractors and equipment suppliers	<u>3,239</u>	<u>(13,686)</u>
Cash paid	<u>\$ (39,722)</u>	<u>\$ (50,134)</u>
Disposal of equity-method investments	\$ 800,871	\$ 676,236
(Increase) decrease in receivables from disposal of equity-method investments	<u>30,095</u>	<u>(30,095)</u>
	<u>\$ 830,966</u>	<u>\$ 646,141</u>

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

(With Deloitte & Touche audit report dated January 31, 2011)

(Concluded)

SUNPLUS TECHNOLOGY COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2010 AND 2009

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

1. ORGANIZATION AND OPERATIONS

Sunplus Technology Company Limited (the “Company”) was established in August 1990 and moved into the Hsinchu Science-Based Industrial Park in October 1993. It researches, develops, designs, tests, and sells high-quality, high value-added consumer integrated circuits (ICs). Its products are based on core technology in such areas as multimedia audio/video, single-chip microcontroller and digital signal processor. These technologies are used to develop hundreds of products including various ICs: liquid crystal display, microcontroller, multimedia and application specific.

The Company’s shares have been listed on the Taiwan Stock Exchange since January 2000. Some of the Company’s shares have been issued in the form of Global Depository Receipts (GDRs), which have been listed on the London Stock Exchange since March 2001 (refer to Note 17).

As of December 31, 2010 and 2009, the Company had 634 and 589 employees, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, the Business Accounting Law, Guidelines Governing Business Accounting and accounting principles generally accepted in the Republic of China (ROC). Under these guidelines, law and principles, the Company is required to make certain estimates and assumptions that could affect the amounts of allowance for doubtful accounts, allowance for sales returns and discounts, allowance for inventory devaluation, property depreciation, amortization of intangible assets and deferred charges, impairment loss on assets, pension expenses and the bonuses to employees, directors and supervisors. Actual results could differ from these estimates.

For the convenience of readers, the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If inconsistencies arise between the English version and the original Chinese version or if differences arise in the interpretation between the two versions, the Chinese version of financial statements shall prevail.

Significant accounting policies are summarized as follows:

Current/Noncurrent Assets and Liabilities

Current assets are cash (unrestricted) and other assets primarily held for trading purposes or to be realized, consumed or sold within one year from the balance sheet date. All other assets such as properties and intangible assets are classified as noncurrent. Current liabilities are obligations incurred for trading purposes or to be settled within one year from the balance sheet date. All other liabilities are classified as noncurrent.

Financial Assets/Liabilities at Fair Value Through Profit or Loss

Financial instruments classified as financial assets or financial liabilities at fair value through profit or loss (FVTPL) include financial assets or financial liabilities held for trading and those designated as at FVTPL on initial recognition. The Company recognizes a financial asset or a financial liability on its balance sheet when the Company becomes a party to the contractual provisions of the financial instrument. A financial asset is derecognized when the Company has lost control of its contractual rights over the financial asset. A financial liability is derecognized when the obligation specified in the relevant contract is discharged, cancelled or expired.

Financial instruments at FVTPL are initially measured at fair value. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss. At each balance sheet date subsequent to initial recognition, financial assets or financial liabilities at FVTPL are remeasured at fair value, with changes in fair value recognized directly as gain or loss in the year in which they arise. On derecognition of a financial asset or a financial liability, the difference between its carrying amount and the sum of the consideration received and receivable or consideration paid and payable is recognized as gain or loss. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

Derivatives that do not meet the criteria for hedge accounting are treated as financial assets or financial liabilities held for trading. When the fair value is positive, the derivative is recognized as a financial asset; otherwise, the derivative is treated as a financial liability.

The fair values of those instruments without quoted market prices in an active market are based on valuation techniques incorporating estimates and assumptions that are consistent with prevailing market conditions.

Hybrid instruments are designated at fair value through profit or loss.

Available-for-sale Financial Assets

Investments designated as available-for-sale financial assets include open-end mutual funds and listed stocks. Investments classified as available-for-sale financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition.

At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are remeasured at fair value, with changes in fair value recognized in equity until the financial assets are disposed of, at which time, the cumulative gain or loss previously recognized in equity is included in profit or loss for the year. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

The recognition, derecognition and the fair value bases of available-for-sale financial assets are similar to those of financial assets at FVTPL.

Cash dividends are recognized on the ex-dividend date, except for dividends distributed from the pre-acquisition profit, which are treated as a reduction of investment cost. Stock dividends are not recognized as investment income but are recorded as an increase in the number of shares. The total number of shares subsequent to the increase is used for recalculation of cost per share. The difference between the initial cost of a debt instrument and its maturity amount is amortized using the effective interest method, with the amortized interest recognized as gain or loss.

The fair values of open-end mutual funds are based on their net asset value at the balance sheet date, and those for listed stocks are the closing prices as of the balance sheet date.

An impairment loss is recognized when there is objective evidence that the financial asset is impaired. Any subsequent decrease in impairment loss for an equity instrument classified as available-for-sale is recognized directly in equity.

Revenue Recognition

Revenue from sales of goods is recognized when the Company has transferred to the buyer the significant risks and rewards of ownership of the goods, primarily upon shipment, because the earnings process has been completed and the economic benefits associated with the transaction have been realized or are realizable. The Company does not recognize sales revenue on materials delivered to subcontractors because this delivery does not involve a transfer of risks and rewards of materials ownership.

Revenue is measured at the fair value of the consideration received or receivable and represents amounts agreed between the Company and the customers for goods sold in the normal course of business, net of sales discounts and volume rebates. For trade receivables due within one year from the balance sheet date, as the nominal value of the consideration to be received approximates its fair value and transactions are frequent, fair value of the consideration is not determined by discounting all future receipts using an imputed rate of interest.

Royalties are recognized when:

- a. It is probable that the economic benefits of a transaction will flow to the Company; and
- b. The revenue can be measured reliably.

Royalties are recognized on an accrual basis in accordance with the substance of the contract.

If a contract meets all of the following recognition criteria for sales of goods and the following conditions, royalties are recognized at the time of sale:

- a. The amount of the royalties is fixed or the royalties are nonrefundable.
- b. The contract is noncancelable.
- c. The contract permits the licensee to exploit the assigned rights freely.
- d. The licensor has no remaining obligations to perform.

Allowance for Doubtful Accounts and Allowance for Sales Returns and Discounts

An allowance for doubtful accounts is provided on the basis of a review of the collectibility of accounts receivable. The Company assesses the probability of collections of accounts receivable by examining the aging analysis of the outstanding receivables and assessing the value of the collateral provided by customers.

An allowance is provided for any sales returns and discounts, which are estimated on the basis of historical experience and any known factors that would affect the allowance. Such provisions are deducted from sales in the year the products are sold, and related costs are deducted from cost of sales.

Inventories

Inventories consist of raw materials, work-in-process, finished goods and merchandise. Effective January 1, 2009, inventories are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at standard costs and adjusted to approximate weighted-average cost on the balance sheet date.

Financial Assets Carried at Cost

Investments in equity instrument with no quoted prices in an active market and with fair values that cannot be reliably measured, such as non-publicly traded stocks, are measured at their original cost. The accounting treatment for dividends on financial assets carried at cost is the same as that for dividends on available-for-sale financial assets.

An impairment loss is recognized when there is objective evidence that an asset is impaired. A reversal of this impairment loss is disallowed.

Equity-method Investments

Investments in which the Company holds 20% or more of the investees voting shares or exercises significant influence over the operating and financial policy decisions are accounted for by the equity method. Pursuant to the revised Statement of Financial Accounting Standards, the cost of an investment shall be analyzed and the cost of investment in excess of the fair value of identifiable net assets acquired, representing goodwill, shall not be amortized and instead shall be tested for impairment annually.

When the Company's share in losses of an investee over which the Company has control exceeds its investment in the investee, unless the other shareholders of the investee have assumed legal or constructive obligations and have demonstrated the ability to make payments on behalf of the investee, the Company has to bear all of the losses in excess of the capital contributed by shareholders of the investee. If the investee subsequently reports profits, such profits are first attributed to the Company to the extent of the excess losses previously borne by the Company. If the recoverable amount is estimated to be less than its carrying amount, an impairment loss is charged to earnings.

On the balance sheet date, the Company evaluates investments for any impairment. An impairment loss is recognized and charged to current income if the investment carrying amount as of the balance sheet date exceeds the expected recoverable amount. For those investees over which the Company has significant influence, the assessment of impairment is based on carrying value. For those investees over which the Company holds a controlling interest, the assessment of impairment is based on an estimation of the value in use of the cash-generating units of the consolidated investees.

Cash dividends are recognized on the ex-dividend date, which are treated as a reduction of investment cost. Stock dividends are not recognized as an increase in investment but are recorded as an increase in the number of shares.

If an investee issues additional shares and the Company subscribes for these shares at a percentage different from its current equity, the resulting increase is credited to capital surplus. If a decrease results, the decrease is debited to capital surplus. But if capital surplus is not enough for debiting purposes, the decrease is debited to unappropriated retained earnings.

Profits from downstream transactions with an equity-method investee are eliminated in proportion to the Company's percentage of ownership in the investee; however, if the Company has control over the investee, all the profits are eliminated. Profits from upstream transactions with an equity-method investee are eliminated in proportion to the Company's percentage of weighted-average ownership in the investee. For those investees over which the Company holds a controlling interest, gains or losses on sales between equity method investees are deferred in proportion to the Company's percentage of weighted-average ownership in the investee. For those investees over which the Company does not hold a controlling interest, gains or losses on sales between equity method investees are deferred in proportion of the Company's percentage of multiplication of weighted-average ownership in the investees. All of these deferred gains and losses are realized upon resale of products to third parties.

Properties and Rental Assets

Properties and rental assets are stated at cost less accumulated depreciation. Major additions and improvements are capitalized, while maintenance and repairs are expensed currently.

On the balance sheet date, the Company evaluates properties and rental assets for any impairment. If impairment is identified, the Company will determine the recoverable amount of the assets. The carrying amount in excess of the expected recoverable amount is recognized as impairment loss and charged to current income. If the recoverable amount increases, the subsequent reversal of impairment loss will be recognized as gain. However, the increased carrying amount of an asset due to a reversal of impairment loss should not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognized for the assets in prior years.

Depreciation is provided on a straight-line basis over estimated useful lives as follows: buildings - 7 to 55 years; auxiliary equipment - 3 to 10 years; machinery and equipment - 4 to 5 years; testing equipment - 2 to 4 years; transportation equipment - 4 to 6 years; furniture and fixtures - 2 to 11 years; leasehold improvements - 3 years; and rental assets - 7 to 55 years. Properties and rental assets still in use beyond their initially estimated useful lives are further depreciated over their newly estimated useful lives.

The related cost and accumulated depreciation of properties and rental assets are derecognized from the balance sheet upon its disposal. Any gain or loss on disposal of the assets is included in nonoperating gains or losses in the period of disposal.

Intangible Assets

Intangible assets consist of technology license fees and patents, which are initially recorded at cost and are amortized on a straight-line basis over 1 to 15 years and 5 to 18 years, respectively.

Expenditures arising from research activities and those related to development activities that do not meet the criteria for capitalization are charged to expense when incurred.

If the recoverable amount of an intangible asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. If an impairment loss subsequently reverses, the carrying amount of the asset is increased accordingly, but the increased carrying amount of an asset due to a reversal of impairment loss should not exceed the carrying amount that would have been determined (net of amortization) had no impairment loss been recognized for the asset in prior years.

Deferred Charges

Deferred charges are mainly costs of software and system design, which are booked at the installation or acquisition cost. The amounts are amortized over 1 to 5 years, using the straight-line method.

Please refer to the preceding accounting policy on intangible assets for the accounting for impairment of deferred charges.

Pension Costs

Pension cost under a defined benefit plan is determined by actuarial valuations. Contributions made under a defined contribution plan are recognized as pension cost during the year in which employees render services.

Stock-based Compensation

Employee stock options granted between January 1, 2004 and December 31, 2007 were accounted for under the interpretations issued by the Accounting Research and Development Foundation. The Company adopted the intrinsic value method, under which compensation cost was recognized on a straight-line basis over the vesting period.

Treasury Stock

Treasury stock is stated at cost and shown as a deduction in shareholders' equity. The Company accounts for its stock held by its subsidiaries as treasury stock. The recorded cost of these treasury stocks is based on the carrying value of the investments as shown in the subsidiaries' book. The resulting gain on investment from cash dividends appropriated to subsidiaries is credited to capital surplus treasury - stock transactions.

When the treasury shares are retired, the capital stock and paid-in capital based on the existing equity are debited. If the treasury shares are retired at a price lower than its par value and the Company paid-in capital, the deficiency is credited to paid-in capital from treasury stock. If the treasury shares are retired at a price in excess of its par value and paid-in capital, the excess is debited to paid-in capital from treasury stock. If the balance in paid-in capital from treasury stock is insufficient to absorb the deficiency, the remainder is recorded as a reduction of retained earnings.

Income Tax

The Company applies the inter-period tax allocation method. Under this method, deferred income taxes are recognized for the tax effects of deductible temporary differences, loss carryforwards and unused tax credits. Valuation allowances are provided to the extent, if any, that it is more likely than not that deferred income tax assets will not be realized. A deferred income tax asset or liability is classified as current or noncurrent in accordance with the classification of related asset or liability for financial reporting. However, if a deferred income tax asset or liability does not relate to an asset or liability in the financial statements, then it is classified as either current or noncurrent based on the expected length of time before it is realized or settled.

If the Company can control the timing of the reversal of a temporary difference arising from the difference between the book value and the tax basis of a long-term equity investment in a foreign subsidiary or joint venture and if the temporary difference is not expected to reverse in the foreseeable future and will, in effect, exist indefinitely, then a deferred tax liability or asset is not recognized.

Tax credits for purchases of machinery, equipment and technology, research and development expenditures and personnel training expenditures are recognized in the current period.

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

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

The Company and Sunplus mMobile Inc. (SMml) use consolidated income tax filing. The income taxes payable arising from the differences between the consolidated current and deferred taxes and the sum of SMml's current and deferred taxes are adjusted in the Company's account receivable or account payable.

Foreign-currency Transactions

Nonderivative foreign-currency transactions are recorded in New Taiwan dollars at the rates of exchange in effect when the transactions occur. Exchange differences arising from the settlement of foreign-currency assets and liabilities are recognized in profit or loss.

At the balance sheet date, foreign-currency monetary assets and liabilities are revalued using prevailing exchange rates and the exchange differences are recognized in profit or loss.

At the balance sheet date, foreign-currency nonmonetary assets (such as equity instruments) and liabilities that are measured at fair value are revalued using prevailing exchange rates, with the exchange differences treated as follows:

- a. Recognized in shareholders' equity if the changes in fair value are recognized in shareholders' equity;
- b. Recognized in profit and loss if the changes in fair value is recognized in profit or loss.

Foreign-currency nonmonetary assets and liabilities that are carried at cost continue to be stated at exchange rates at trade dates.

If the functional currency of an equity-method investee is a foreign currency, translation adjustments will result from the translation of the investee's financial statements into the reporting currency of the Company. Such adjustments are accumulated and reported as a separate component of shareholders' equity.

Reclassifications

Certain accounts in the financial statements as of and for the year ended December 31, 2009 have been reclassified to conform to the presentation of financial statements as of and for the year ended December 31, 2010.

3. ACCOUNTING CHANGE

Accounting for Inventories

On January 1, 2009, the Company adopted the newly revised Statement of Financial Accounting Standards No. 10 - "Inventories." The main revisions are (1) inventories are stated at the lower of cost or net realizable value, and inventories are written down to net realizable value by item, except when the grouping of similar or related items is appropriate; (2) unallocated overheads are recognized as cost of sales in the period in which they are incurred; and (3) abnormal cost, write-downs of inventories and any reversal of write-downs are recorded as cost of sales for the period. This accounting change resulted in increases of \$36,425 thousand in net loss and NT\$0.06 in net loss per share for the year ended December 31, 2009.

4. CASH

	December 31	
	2010	2009
Savings accounts	\$ 195,184	\$ 265,047
Time deposits	1,900,954	1,312,850
Checking accounts	889	910
Cash on hand	<u>802</u>	<u>1,018</u>
	<u>\$ 2,097,829</u>	<u>\$ 1,579,825</u>

5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Company entered into derivative contracts in 2010 and 2009 to hedge against any adverse effect of exchange rate fluctuations on net foreign currency-denominated assets and liabilities. The strategy is to hedge against most of the market price risks to which the Company is exposed.

Net gain on financial assets designated at fair value through profit was \$6,528 thousand for the year ended December 31, 2009.

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	<u>December 31</u>	
	<u>2010</u>	<u>2009</u>
Open-end funds	\$ 757,094	\$ 2,015,063
Domestic quoted stocks	<u>1,951,217</u>	<u>281,354</u>
	2,708,311	2,296,417
Deduct: Current portion	<u>757,094</u>	<u>2,015,063</u>
	<u>\$ 1,951,217</u>	<u>\$ 281,354</u>

Some of the overseas listed shares held by the Company are private-placement shares, on which there is a legally enforceable restriction that prevents their trading for a specified period. The effects of restriction could be reliably measured and were consistent with those of other market participants, so those shares previously as financial assets carried at cost were transferred to available-for-sale financial assets, resulting in an unrealized loss of \$28,855 thousand for the year ended December 31, 2010.

7. NOTES AND ACCOUNTS RECEIVABLE

	<u>December 31</u>	
	<u>2010</u>	<u>2009</u>
Accounts receivable - other	\$ 947,779	\$ 1,574,023
Accounts receivable - related parties	<u>14,744</u>	<u>11,670</u>
	962,523	1,585,693
Deduct: Allowance for doubtful accounts	56,912	56,912
Allowance for sales returns and discounts	<u>25,000</u>	<u>25,000</u>
	<u>\$ 880,611</u>	<u>\$ 1,503,781</u>

Movements of the allowance for doubtful receivables were as follows:

	<u>Years Ended December 31</u>	
	<u>2010</u>	<u>2009</u>
Balance, beginning and end of year	<u>\$ 56,912</u>	<u>\$ 56,912</u>

Movements of the allowance for sales returns and discounts were as follows:

	Years Ended December 31	
	2010	2009
Balance, beginning of year	\$ 25,000	\$ 35,000
Deduct: Reversal of allowance for sales returns and discounts	<u> -</u>	<u>10,000</u>
Balance, end of year	<u>\$ 25,000</u>	<u>\$ 25,000</u>

8. INVENTORIES

	December 31	
	2010	2009
Finished goods and merchandise	\$ 319,344	\$ 302,285
Work-in-process	388,069	353,593
Raw materials	<u>647,946</u>	<u>120,967</u>
	<u>\$ 1,355,359</u>	<u>\$ 776,845</u>

As of December 31, 2010 and 2009, the allowances for losses were \$162,549 thousand and \$151,088 thousand, respectively.

As of December 31, 2010 and 2009, the costs of inventories recognized as cost of goods sold were \$3,884,048 thousand and \$4,925,424 thousand, respectively. For the years ended December 31, 2010 and 2009, these inventory costs included the following:

	Years Ended December 31	
	2010	2009
Inventory write-downs	\$ 90,033	\$ 160,000
Compensation income		(15,196)
Income from scrap sales	<u>(20,602)</u>	<u>(9,384)</u>
	<u>\$ 69,431</u>	<u>\$ 135,420</u>

9. EQUITY-METHOD INVESTMENTS

	December 31			
	2010		2009	
	Amount	% of Owner- ship	Amount	% of Owner- ship
Orise Technology Co., Ltd.	\$ 1,034,446	38	\$ 1,119,384	45
Ventureplus Group Inc.	1,000,643	100	501,021	100
Sunplus Venture Capital Co., Ltd.	917,265	100	870,703	100
Lin Shih Investment Co., Ltd.	899,619	100	944,771	100
Generalplus Technology Inc.	712,981	40	680,779	45
Sunplus Innovation Technology Inc.	594,687	66	505,171	81
Sunext Technology Co., Ltd.	540,772	61	557,098	64

(Continued)

	December 31			
	2010		2009	
	Amount	% of Owner- ship	Amount	% of Owner- ship
Russell Holdings Limited	\$ 392,649	100	\$ 420,632	100
iCatch Technology, Inc.	222,071	38	209,447	83
Magic Sky Limited	174,780	100	-	-
HT mMobile Inc.	29,790	25	214,182	30
Sunplus mMedia Inc.	17,139	83	-	-
Waveplus Technology Co., Ltd.	12,393	41	20,911	41
Wei-Young Investment Inc.	8,601	100	10,047	100
Global Techplus Capital Inc.	6,698	100	7,382	100
Sunplus Management Consulting Inc.	4,112	100	4,145	100
Sunplus Technology (H.K.) Co., Ltd.	3,998	100	4,626	100
Giantplus Technology Co., Ltd.	-	-	<u>1,774,129</u>	21
	<u>\$ 6,572,644</u>		<u>\$ 7,844,428</u>	
Credit balances on carrying values of long-term investments (recorded as other current liabilities)				
Sunplus mMobile Inc.	\$ 591,839	99	\$ 581,110	91
Sunplus Core technology Co., Ltd.	51,272	70	66,748	57
Sunplus mMedia Inc.	-	-	<u>7,390</u>	83
	<u>\$ 643,111</u>		<u>\$ 655,248</u>	

(Concluded)

Movements of the difference between the cost of investment and the Company's share in investees' net assets allocated to goodwill for the year ended December 31, 2010 and 2009 were as follows:

	December 31, 2010		
	Balance, Beginning of Year	Decrease	Balance, End of Year
Goodwill	<u>\$ 168,162</u>	<u>\$ 6,905</u>	<u>\$ 161,257</u>
	December 31, 2009		
	Balance, Beginning of Year	Increase	Balance, End of Year
Goodwill	<u>\$ 155,506</u>	<u>\$ 12,656</u>	<u>\$ 168,162</u>

In October 2010, the Company established Magic Sky Limited in Samoa.

In November 2010, Waveplus Technology Co., Ltd. began its liquidation process.

As of September 16, 2010, the Company had lost its significant influence on Giantplus. Thus, the Company reclassified this equity-method investment to available-for-sale financial asset.

In their meeting on March 10, 2009, the shareholders of Sunplus mMobile Inc.(SmM) approved the spin-off of its communication business unit (BU) by decreasing SmM’s capital to establish HT mMobile Inc. (“HT mMobile”). The carrying value of this BU was \$189,867 thousand. SmM’s shareholders of Sunplus mMobile will own HT mMobile in the same proportion of their ownership of SmM. Thus, the Company obtained 91% of HT mMobile. As of December 31, 2010, the Company owned 25% of HT mMobile.

In their meeting on November 4, 2009, the shareholders of Sunplus mMedia Inc (“mMedia”) approved the spin-off of its PC Cam product line with a carrying value of \$135,352 thousand and product lines of MP3, PMP and DPF with a carrying value of \$218,442 thousand to Sunplus Innovation Technology Inc. and Generalplus Technology Inc., respectively. In addition, mMedia spun off its DCS product line with a carrying value of \$250,000 thousand and also decreased its capital to establish a company, iCatch Technology, Inc. (“iCatch”).

Also on November 4, 2009, the shareholder’s of mMedia approved a capital reduction, and these the shareholders received the shares of Sunplus Innovation Technology Inc. and Generalplus Technology Inc. at the percentage the same as those of their respective percentage of ownership of Sunplus mMedia.

The consolidated financial statements as of and for the years ended December 31, 2010 and 2009 had included all subsidiaries.

The financial statements used as basis for calculating the carrying values of equity-method investments and related investment income and losses in 2010 and 2009 had all been audited, except those of Global Techplus Inc. and Sunplus Management Consulting Inc.. The Company’s management believed that had the financial statements of these two investees been audited, there would have been no material effect on the Company’s financial statements. The investment incomes (losses) of investees were as follows:

	Years Ended December 31	
	2010	2009
Orise Technology Co., Ltd.	\$ 199,879	\$ 154,599
Ventureplus Group Inc.	15,727	79,184
Sunplus Venture Capital Co., Ltd.	111,404	3,126
Lin Shih Investment Co., Ltd.	(31,654)	69,689
Generalplus Technology Inc.	137,713	89,550
Sunplus Innovation Technology Inc.	86,922	18,805
Sunext Technology Co., Ltd.	12,311	214,210
Russell Holdings Limited	22,618	(29,275)
iCatch Technology, Inc.	(8,266)	2,102
Magic Sky Limited	-	-
HT mMobile Inc.	(243,802)	(365,299)
Sunplus mMedia Inc.	24,529	(270,042)
Waveplus Technology Co., Ltd.	(5,913)	4,015
Wei-Young Investment Inc.	566	187
Global Techplus Capital Inc.	(26)	(285)
Sunplus Management Consulting Inc.	(33)	(49)
Sunplus Technology (H.K.) Co., Ltd.	(221)	(75)
Giantplus Technology Co., Ltd.	7,764	(80,621)
Sunplus mMobile Inc.	(129,597)	(264,911)
Sunplus Core Technology Co., Ltd.	(50,108)	(84,605)
Goldkey Technology Corp.	-	312
	<u>\$ 149,813</u>	<u>\$ (459,383)</u>

The fair values of listed equity-method investments calculated at their closing prices as of December 31, 2010 and 2009 were as follows:

	<u>December 31</u>	
	<u>2010</u>	<u>2009</u>
Orise Technology Co., Ltd.	\$ 3,256,914	\$ 4,822,866
Giantplus Technology Co., Ltd.	<u>-</u>	<u>1,790,387</u>
	<u>\$ 3,256,914</u>	<u>\$ 6,613,253</u>

10. FINANCIAL ASSETS CARRIED AT COST

	<u>December 31</u>	
	<u>2010</u>	<u>2009</u>
Domestic unquoted stocks	<u>\$ 21,111</u>	<u>\$ 35,556</u>

The Company recognized an impairment loss of \$12,452 thousand on its investment in Technology Partners Venture Capital Corp. and recorded this loss under nonoperating expenses and losses - impairment losses.

This above investment, which had no quoted price in an active market and had a fair value that could not be reliably measured, was carried at cost.

11. PROPERTIES

	<u>Year Ended December 31, 2010</u>							
	<u>Buildings</u>	<u>Auxiliary Equipment</u>	<u>Machinery and Equipment</u>	<u>Testing Equipment</u>	<u>Transportation Equipment</u>	<u>Furniture and Fixtures</u>	<u>Leasehold Improvements</u>	<u>Total</u>
<u>Cost</u>								
Balance, beginning of year	\$ 795,683	\$ 186,364	\$ 430,326	\$ 368,458	\$ 2,463	\$ 99,928	\$ 89	\$ 1,883,311
Increase	-	7,970	9,383	22,066	-	3,542	-	42,961
Decrease	<u>-</u>	<u>3,638</u>	<u>58,185</u>	<u>52,395</u>	<u>1,254</u>	<u>22,659</u>	<u>-</u>	<u>138,131</u>
Balance, end of year	<u>795,683</u>	<u>190,696</u>	<u>381,524</u>	<u>338,129</u>	<u>1,209</u>	<u>80,811</u>	<u>89</u>	<u>1,788,141</u>
<u>Accumulated depreciation</u>								
Balance, beginning of year	143,201	149,037	350,203	307,553	2,324	87,278	88	1,039,684
Depreciation	16,634	7,821	34,439	27,770	69	6,035	-	92,768
Decrease	<u>-</u>	<u>2,533</u>	<u>55,382</u>	<u>47,907</u>	<u>1,254</u>	<u>22,057</u>	<u>-</u>	<u>129,133</u>
Balance, end of year	<u>159,835</u>	<u>154,325</u>	<u>329,260</u>	<u>287,416</u>	<u>1,139</u>	<u>71,256</u>	<u>88</u>	<u>1,003,319</u>
Balance, end of year, net	<u>\$ 635,848</u>	<u>\$ 36,371</u>	<u>\$ 52,264</u>	<u>\$ 50,713</u>	<u>\$ 70</u>	<u>\$ 9,555</u>	<u>\$ 1</u>	<u>\$ 784,822</u>

	<u>Year Ended December 31, 2009</u>							
	<u>Buildings</u>	<u>Auxiliary Equipment</u>	<u>Machinery and Equipment</u>	<u>Testing Equipment</u>	<u>Transportation Equipment</u>	<u>Furniture and Fixtures</u>	<u>Leasehold Improvements</u>	<u>Total</u>
<u>Cost</u>								
Balance, beginning of year	\$ 688,983	\$ 184,963	\$ 414,508	\$ 373,482	\$ 2,463	\$ 123,058	\$ 459	\$ 1,787,916
Increase	-	2,884	25,491	7,015	-	1,058	-	36,448
Decrease	<u>-</u>	<u>1,483</u>	<u>9,673</u>	<u>12,039</u>	<u>-</u>	<u>24,188</u>	<u>370</u>	<u>47,753</u>
Reclassification	<u>106,700</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>106,700</u>
Balance, end of year	<u>795,683</u>	<u>186,364</u>	<u>430,326</u>	<u>368,458</u>	<u>2,463</u>	<u>99,928</u>	<u>89</u>	<u>1,883,311</u>
<u>Accumulated depreciation</u>								
Balance, beginning of year	113,447	141,393	316,522	276,980	2,186	100,636	426	951,590
Depreciation	15,246	9,053	43,065	41,104	138	10,202	7	118,815
Decrease	<u>-</u>	<u>1,409</u>	<u>9,384</u>	<u>10,531</u>	<u>-</u>	<u>23,560</u>	<u>345</u>	<u>45,229</u>
Reclassification	<u>14,508</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,508</u>
Balance, end of year	<u>143,201</u>	<u>149,037</u>	<u>350,203</u>	<u>307,553</u>	<u>2,324</u>	<u>87,278</u>	<u>88</u>	<u>1,039,684</u>
Balance, end of year, net	<u>\$ 652,482</u>	<u>\$ 37,327</u>	<u>\$ 80,123</u>	<u>\$ 60,905</u>	<u>\$ 139</u>	<u>\$ 12,560</u>	<u>\$ 1</u>	<u>\$ 843,627</u>

Note: For the assets mortgaged or pledged, please refer to Note 24.

12. INTANGIBLE ASSETS

	Year Ended December 31, 2010		
	Technology License Fee	Patents	Total
<u>Cost</u>			
Balance, beginning of year	\$ 2,648,034	\$ 97,849	\$ 2,745,883
Increase	55,349	-	55,379
Decrease	<u>7,079</u>	<u>-</u>	<u>7,079</u>
Balance, end of year	<u>2,696,304</u>	<u>97,849</u>	<u>2,794,153</u>
<u>Accumulated amortization</u>			
Balance, beginning of year	2,389,966	37,161	2,427,127
Amortization expense	151,436	5,394	156,830
Decrease	<u>6,551</u>	<u>-</u>	<u>6,551</u>
Balance, end of year	<u>2,534,851</u>	<u>42,555</u>	<u>2,577,406</u>
	<u>\$ 161,453</u>	<u>\$ 55,294</u>	<u>\$ 216,747</u>
	Year Ended December 31, 2009		
	Technology License Fee	Patents	Total
<u>Cost</u>			
Balance, beginning of year	\$ 2,629,091	\$ 97,849	\$ 2,726,940
Increase	20,943	-	20,943
Decrease	<u>2,000</u>	<u>-</u>	<u>2,000</u>
Balance, end of year	<u>2,648,034</u>	<u>97,849</u>	<u>2,745,883</u>
<u>Accumulated amortization</u>			
Balance, beginning of year	2,143,411	31,742	2,175,153
Amortization expense	248,555	5,419	253,974
Decrease	<u>2,000</u>	<u>-</u>	<u>2,000</u>
Balance, end of year	<u>2,389,966</u>	<u>37,161</u>	<u>2,427,127</u>
	<u>\$ 258,068</u>	<u>\$ 60,688</u>	<u>\$ 318,756</u>

Intangible assets consisted of fees paid to Oak Technology (“Oak”) for the Company to use Oak’s technology on light storage solutions to develop SOC DVD/VCD (system on a chip digital compact disk/video compact disk) players and to buy the rights on video processing technology to develop DTV products.

The Company also authorized Sunext Technology Co., Ltd. (equity-method investee) to research, design and manufacture products using Oak’s technology in exchange for royalty income (shown under “gross sales” in the income statements and as “deferred royalty income” on the balance sheets).

13. DEFERRED CHARGES AND OTHERS

	<u>December 31</u>	
	2010	2009
Software and system design, net	\$ 94,452	\$ 152,352
Certificate of golf club membership	7,800	7,800
Refundable deposits	<u>529</u>	<u>1,163</u>
	<u>\$ 102,781</u>	<u>\$ 161,315</u>

14. SHORT-TERM LOANS

	<u>December 31</u>	
	2010	2009
Working capital loans - US\$6,000 thousand; annual interest rate from 0.94%-0.99%	<u>\$ 174,780</u>	<u>\$ -</u>

15. LONG-TERM DEBTS

	<u>December 31,</u>	
	2010	2009
Medium - to long-term credit bank loans:		
Repayable quarterly from February 2010 to February 2012 in installments; annual floating-rate interest - 1.5225% in 2010 and 1.4232% in 2009	\$ 330,000	\$ 820,000
Repayable semiannually from February 2009 to February 2012 in installments; annual floating-rate interest - 1.94% in 2010 and 2.21% in 2009	60,000	120,000
Repayable quarterly from April 2010 to April 2012 in installments, were repaid in February 2010; annual floating-rate interest 1.4232% in 2009	-	30,000
Medium - to long-term secured loans:		
Repayable semiannually from March 2010 to March 2014 in installments; annual floating-rate interest - 1.9% in 2010 and 1.805% in 2009	230,500	700,000
Repayable semiannually from February 2009 to February 2012 in installments, were repaid in July 2010; annual floating-rate interest - 2.21% in 2009	<u>-</u>	<u>120,000</u>
	620,500	1,790,000
Deduct: Current portion	<u>545,000</u>	<u>532,500</u>
	<u>\$ 75,500</u>	<u>\$ 1,257,500</u>

Under on the loan contracts, the Company provided buildings and shares of Giantplus Technology Co., Ltd. and Orise Technology Co., Ltd. as collaterals for the above loans (Note 24). The loan contracts contain financial covenants which require the Company to maintain certain financial ratios (debt ratio, current ratio, times interest-earned ratio and financing provided) on the basis of semiannual and annual consolidated financial statements. However, noncompliance with the ratio requirements is not deemed to be a violation of the contracts. The financial ratios of consolidated financial statements for the years ended December 31, 2010 and 2009 had met the requirement of loan contracts.

16. PENSION PLAN

The pension plan under the Labor Pension Act (LPA) is a defined contribution plan. Under the LPA, the Company makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages. Related costs were \$32,148 thousand and \$29,401 thousand for the years ended December 31, 2010 and 2009, respectively.

Before the promulgation of the Act, the Company has 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 plan provides benefits based on the length of service and the average basic salary of the employee's final year of service. In addition, the Company makes monthly contributions, equal to 2% of salaries, to a pension fund, which is administered by a fund monitoring committee. The fund is deposited in the committee's name in the Bank of Taiwan as the survivor entity. The Company recognized pension costs of \$2,291 thousand and \$2,257 thousand for the years ended December 31, 2010 and 2009, respectively.

Defined benefit pension fund balances were \$118,408 thousand and \$111,551 thousand as of December 31, 2010 and 2009, respectively.

Other information on the defined benefit pension plan is as follows:

a. Components of net pension costs

	Years Ended December 31	
	2010	2009
Service costs	\$ 1,806	\$ 2,284
Interest costs	2,879	3,295
Projected return on plan assets	(2,296)	(2,728)
Amortization	<u>(98)</u>	<u>(594)</u>
Net pension costs	<u>\$ 2,291</u>	<u>\$ 2,257</u>

b. Reconciliation of the fund status of the plan and accrued pension costs

	December 31	
	2010	2009
Benefit obligation		
Vested benefit obligation	\$ -	\$ -
Non-vested benefit obligation	<u>63,336</u>	<u>54,932</u>
Accumulated benefit obligation	63,336	54,932
Additional benefits based on future salaries	<u>94,565</u>	<u>89,033</u>
Projected benefit obligation	157,901	143,965
Fair value of plan assets	<u>(119,182)</u>	<u>(112,270)</u>
Funded status	38,719	31,695
Unrecognized net transition obligation	(1,365)	(1,856)
Unrecognized net gain	<u>17,065</u>	<u>27,362</u>
Accrued pension liability	<u>\$ 54,419</u>	<u>\$ 57,201</u>
Vested benefit	<u>\$ -</u>	<u>\$ -</u>

c. Actuarial assumptions

	Years Ended December 31	
	2010	2009
Discount rate used in determining present values	2.00%	2.00%
Future salary increase rate	5.50%	5.50%
Expected rate of return on plan assets	2.00%	2.00%

	Years Ended December 31	
	2010	2009
d. Contributions to the fund	<u>\$ 5,073</u>	<u>\$ 5,451</u>
e. Payments from the fund	<u>\$ -</u>	<u>\$ -</u>

17. SHAREHOLDERS' EQUITY

a. Employee stock option plan

On March 6, 2003 ("2003 option plan") and September 11, 2007 ("2007 option plan"), the Securities and Futures Bureau approved the Company's employee stock option plans. The plans provide for the grant of 30,000 thousand options in 2003 and 25,000 thousand options in 2007, with each unit representing one common share. The option rights are granted to qualified employees of the Company and subsidiaries. A total of 55,000 thousand common shares have been reserved for issuance. The options are valid for six years and exercisable at certain percentages after the second anniversary of the grant date. Stock option rights are granted at an exercise price equal to the closing price of the Company's common shares listed on the Taiwan Stock Exchange on the grant date. If the Company's paid-in-capital changes, the exercise price is adjusted accordingly. All options had been granted or canceled as of December 31, 2010.

Outstanding option rights were as follows:

	2003 Option Plan			
	2010		2009	
	Unit (In Thousands)	Weighted- average Price (NT\$)	Unit (In Thousands)	Weighted- average Price (NT\$)
Beginning outstanding balance	-	\$ -	5,082	\$ 40.31
Options canceled	<u>-</u>	-	<u>(5,082)</u>	-
Ending outstanding balance	<u>-</u>		<u>-</u>	

	2007 Option Plan			
	2010		2009	
	Unit (In Thousands)	Weighted- average Price (NT\$)	Unit (In Thousands)	Weighted- average Price (NT\$)
Beginning outstanding balance	22,858	\$ 40.52	24,646	\$ 40.52
Options canceled	<u>(1,425)</u>	-	<u>(1,788)</u>	-
Ending outstanding balance	<u>21,433</u>		<u>22,858</u>	

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

As of December 31, 2010, the outstanding and exercisable options were as follows:

	2007 Option Plan				
	Options Outstanding			Options Exercisable	
	Exercise Price (NT\$)	Number of Options (In Thousands)	Weighted- average Remaining Contractual Life (Years)	Weighted- average Exercise Price (NT\$)	Number of Options (In Thousands)
\$ 40.40	15,133	2.87	\$ 40.40	15,133	\$ 40.40
40.90	6,300	2.99	40.90	6,300	40.90

The pro forma information for the years ended December 31, 2010 and 2009 assuming employee stock options granted before December 31, 2007 were accounted for under Statement of Financial Accounting Standards No. 39 - "Share-based Payment" is as follows:

	Years Ended December 31	
	2010	2009
Net income (loss)		
Net income as reported	<u>\$ 773,711</u>	<u>\$ 381,515</u>
Pro forma net income	<u>\$ 773,711</u>	<u>\$ 192,295</u>
Earnings (loss) per share (E/LPS; in New Taiwan dollars)		
Basic EPS as reported	<u>\$ 1.30</u>	<u>\$ 0.64</u>
Pro forma basic E/LPS	<u>\$ 1.30</u>	<u>\$ 0.32</u>
Diluted EPS as reported	<u>\$ 1.29</u>	<u>\$ 0.64</u>
Pro forma diluted E/LPS	<u>\$ 1.29</u>	<u>\$ 0.32</u>

b. Global Depositary Receipts (GDRs)

In March 2001, the Company issued 20,000 thousand units of Global Depositary Receipts (GDRs), representing 40,000 thousand common shares consisting 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, 2010, the outstanding 275 thousand units of GDRs represented 550 thousand common shares.

c. Capital surplus

Under ROC regulations, capital surplus can only be used to offset deficit. However, the capital surplus from shares issued in excess of par (including the stock issued for new capital and mergers and surplus arising from treasury stocks transactions) may be appropriated as stock dividends, which are limited to a certain percentage of the Company's paid-in-capital. Also, the capital surplus from long-term investments may not be used for any purpose.

d. Appropriation of earnings and dividends

The Company's Articles of Incorporation provide that the following should be appropriated from annual net income less any accumulated deficit: (a) 10% as legal reserve; and (b) special reserve equivalent to the debit balance of any accounts shown in the shareholders' equity section of the balance sheet, other than deficit. The distribution of any remaining earnings will be as follows: (i) up to 6% of paid-in capital as dividends; and (ii) 1.5% as remuneration to directors and supervisors and at least 1% as bonus to employees. The employees may include, with the approval of the Company's board of directors, those of the Company's subsidiaries.

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

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

For the year ended December 31, 2010, the Company's accrued bonus to employees as a charge to earnings of a certain percentage of net income \$96,579 thousand, and remuneration to directors and supervisors, \$2,204 thousand, which was 1.5% of net income less the legal reserve, special reserve and dividends. However, the Company had a net loss for the year ended December 31, 2009. Thus, the Company did not accrue any bonus and remuneration expenses. Material differences between earlier estimates of bonuses and remuneration and the amounts subsequently proposed by the Board of Directors are adjusted for in the current year. If the actual amounts approved by the shareholders differ from the board of directors' proposed amounts, the differences are recorded in the year of shareholders' resolution as a change in accounting estimate.

If bonus shares are resolved to be distributed to employees, the number of shares is determined by dividing the amount of bonus by the closing price (after considering the effect of cash and stock dividends) of the shares of the day preceding the shareholders' meeting.

Under the ROC Company Law, legal reserve should be appropriated until the reserve equals the Company's paid-in capital. This reserve may be used to offset a deficit. In addition, when the reserve exceeds 50% of the Company's paid-in capital, the excess portion that is over 25% of the excess may be distributed as stock dividend and bonus if the Company has no deficit.

Under the Integrated Income Tax System, which took effect on January 1, 1998, ROC resident shareholders are allowed to have tax credits for the income tax paid by the Company on earnings generated since January 1, 1998. An imputation credit account (ICA) is maintained by the Company for such income tax and the tax credit allocated to each resident shareholder. The maximum credit available for allocation to each resident shareholder cannot exceed the ICA balance on the dividend distribution date.

The appropriations of the 2009 and 2008 earnings were approved at the shareholders' meetings on June 14, 2010 and April 30, 2009, respectively. The appropriations, including dividends, were as follows:

	For Fiscal Year 2009		For Fiscal Year 2008	
	Appropriation of Earnings	Dividends Per Share (NT\$)	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 38,151	\$ -	\$ 838	\$ -
Special reserve	<u>(428,914)</u>	-	<u>428,914</u>	-
	<u>\$ (390,763)</u>		<u>\$ 429,752</u>	

The information on the appropriation of bonuses to employees, directors and supervisors is available on the Market Observation Post System website of Taiwan Stock Exchange.

Unrealized gain or loss on financial instruments

For the years ended December 31, 2010 and 2009, the movements of unrealized gain or loss on financial instruments were as follows:

	Available-for-sale Financial Assets	Equity-method Investments	Total
<u>Year ended December 31, 2010</u>			
Balance, beginning of year	\$ (313,072)	\$ 429,521	\$ 116,449
Recognized in shareholders' equity	<u>(127,141)</u>	<u>(161,875)</u>	<u>(289,016)</u>
Balance, end of year	<u>\$ (440,213)</u>	<u>\$ 267,646</u>	<u>\$ (172,567)</u>
<u>Year ended December 31, 2009</u>			
Balance, beginning of year	\$ (438,577)	\$ (123,389)	\$ (561,966)
Recognized in shareholders' equity	<u>125,505</u>	<u>552,910</u>	<u>678,415</u>
Balance, end of year	<u>\$ (313,072)</u>	<u>\$ 429,521</u>	<u>\$ 116,449</u>

18. TREASURY STOCK (COMMON STOCK)

(Units: Shares in Thousands)

Purpose of Purchase	Beginning Shares	Increase	Decrease	Ending Shares
<u>2010</u>				
Company stocks held by subsidiaries	<u>3,560</u>	<u>-</u>	<u>-</u>	<u>3,560</u>
				(Continued)

Purpose of Purchase	Beginning Shares	Increase	Decrease	Ending Shares
<u>2009</u>				
Company stocks held by subsidiaries	3,560	-	-	3,560
To maintain the Company's credibility and shareholders' interest	1,293	-	(1,293)	-
For subsequent transfer to employees	<u>-</u>	<u>6,629</u>	<u>(6,629)</u>	<u>-</u>
	<u>4,853</u>	<u>6,629</u>	<u>(7,922)</u>	<u>3,560</u>
				(Concluded)

Starting from January 2002, the Company has accounted for its issued shares amounting to \$95,605 thousand held by a subsidiary, Lin Shih Investment Co., Ltd. as treasury stock. As of December 31, 2010, the book values and market value of these stocks were \$63,401 thousand and \$75,472 thousand respectively. As of December 31, 2009, the book values and the market values of these stocks were \$63,401 thousand and \$124,422 thousand, respectively.

Under the Securities and Exchange Act, the Company should neither pledge treasury stock nor exercise shareholders' rights on these shares, such as rights to dividends and to vote. The Company had retired all the treasury stock on February 19, 2009 and had completed the related registration of the change in the number of its issued shares. On June 25, 2009, the Board of Directors approved a share buyback plan to repurchase the Company's common shares up to 20,000 thousand shares between June 26, 2009 and August 25, 2009, with the buyback price ranging from NT\$11.50 to NT\$17.50. As of December 31, 2009, the Company had bought back 6,629 thousand shares for \$114,385 thousand. On October 6, 2009, the Board of Directors approved to assign the 6,629 thousand shares of treasury stock to employees. However, the subsidiaries holding treasury shares retain shareholders' rights, except the rights to participate in any share issuance for cash and to vote.

19. PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

	Years Ended December 31					
	2010			2009		
	Classified as Cost of Sales	Classified as Operating Expense	Total	Classified as Cost of Sales	Classified as Operating Expense	Total
Labor cost						
Salary	\$ 83,382	\$ 824,785	\$ 908,167	\$ 72,285	\$ 765,093	\$ 837,378
Labor/health insurance	4,905	40,995	45,900	4,430	34,364	38,794
Pension	3,498	30,941	34,439	3,328	28,330	31,658
Welfare benefit	2,211	15,435	17,646	1,977	13,112	15,089
Meal	<u>1,627</u>	<u>11,290</u>	<u>12,917</u>	<u>1,595</u>	<u>10,165</u>	<u>11,760</u>
	<u>\$ 95,623</u>	<u>\$ 923,446</u>	<u>\$1,019,069</u>	<u>\$ 83,615</u>	<u>\$ 851,064</u>	<u>\$ 934,679</u>
Depreciation	<u>\$ 37,839</u>	<u>\$ 54,929</u>	<u>\$ 92,768</u>	<u>\$ 46,717</u>	<u>\$ 72,098</u>	<u>\$ 118,815</u>
Amortization	<u>\$ 1,020</u>	<u>\$ 319,131</u>	<u>\$ 320,151</u>	<u>\$ 1,943</u>	<u>\$ 438,853</u>	<u>\$ 440,796</u>

20. INCOME TAX

- a. A reconciliation of income tax expense on income before income tax at statutory rate (17% in 2010 and 25% in 2009) and current income tax expense before tax credits is shown below:

	2010	2009
Income before income tax at statutory rate	\$ 194,832	\$ 174,406
Tax effects of adjustments:		
Permanent differences	(290,706)	(321,359)
Temporary differences	(2,352)	6,261
Tax effects of consolidation income tax filing	<u>(23,315)</u>	<u>(68,235)</u>
Income tax expense before tax credits	<u>\$ (121,541)</u>	<u>\$ (208,927)</u>

- b. Income tax expense consisted of the following:

	2010	2009
Income tax expense before tax credits	\$ -	\$ -
Additional tax at 10% on unappropriated earnings	77,228	-
Investment tax credits	(77,228)	-
Net change in deferred income tax assets	335,939	315,975
Adjustment of prior years' income tax expense	<u>36,423</u>	<u>173</u>
	<u>\$ 372,362</u>	<u>\$ 316,148</u>

- c. Deferred income tax assets were as follows:

	December 31	
	2010	2009
Current:		
Investment tax credits	\$ 258,817	\$ 414,927
Loss carryforwards	67,149	-
Temporary differences	(1,452)	1,528
Deduct: Valuation allowance	<u>243,634</u>	<u>343,348</u>
	<u>\$ 80,880</u>	<u>\$ 73,107</u>
Noncurrent:		
Investment tax credits	\$ 522,345	\$ 726,969
Loss carryforwards	196,455	167,134
Temporary differences	16,847	9,636
Deduct: Valuation allowance	<u>545,375</u>	<u>369,755</u>
	<u>\$ 190,272</u>	<u>\$ 533,984</u>

In 2010 and 2009, the Legislative Yuan passed the following amendments to tax laws:

- 1) January 2009 - the amendment of Article 39 of the Income Tax Law, which extends the operating loss carryforward period from 5 years to 10 years;

- 2) May 2009 - the amendment of Article 5 of the Income Tax Law, which reduced a profit-seeking enterprise's income tax rate from 25% to 20%, effective January 1, 2010.
- 3) April 2010 - Article 10 of the Statute for Industrial Innovation (SII), which states that, effective January 1, 2010 to December 31, 2019, a profit-seeking enterprise may deduct up to 15% of its research and development expenditures from its income tax payable for the fiscal year in which these expenditures are incurred, but this deduction should not exceed 30% of the income tax payable for that fiscal year;
- 4) May 2010 - Article 5 of the Income Tax Law, which reduced a profit-seeking enterprise's income tax rate from 20% to 17%, effective January 1, 2010.

As of December 31, 2010, loss carryforwards and investment tax credits (recorded as deferred tax assets) were as follows:

Regulatory Basis of Tax Credits	Items	Total Creditable Amounts	Remaining Creditable Amounts	Expiry Year
Statute for Upgrading Industries	Purchase of machinery and equipment	\$ 1,005	\$ 1,005	2011
		<u>1,035</u>	<u>1,035</u>	2012
		<u>\$ 2,040</u>	<u>\$ 2,040</u>	
Statute for Upgrading Industries	Research and development expenditures	\$ 257,812	\$ 257,812	2011
		264,282	264,282	2012
		<u>241,935</u>	<u>241,935</u>	2013
		<u>\$ 764,029</u>	<u>\$ 764,029</u>	
Statute for Upgrading Industries	Investment in important Technology-based enterprise	<u>\$ 15,093</u>	<u>\$ 15,093</u>	2013
Income Tax Law	Loss carryforwards	\$ 142,063	\$ 142,063	2019
		<u>121,541</u>	<u>121,541</u>	2020
		<u>\$ 263,604</u>	<u>\$ 263,604</u>	

- d. The profits generated from the following expansion and construction projects are exempt from income tax:

Project	Tax Exemption Period
Eighth expansion	January 1, 2010 to December 31, 2014
Ninth expansion	January 3, 2007 to January 2, 2012
Tenth expansion	August 31, 2006 to August 30, 2011
Eleventh expansion	January 1, 2008 to December 31, 2012
Twelfth expansion	January 1, 2009 to December 31, 2013
Thirteenth expansion	January 1, 2010 to December 31, 2014

The tax returns through 2005 have been assessed by the tax authorities. The Company disagreed with the tax authorities' assessment of its 2003, 2004 and 2005 tax returns and thus applied for an administrative remedy on these returns. Nevertheless, the Company has made a provision for the income tax assessed by the tax authorities for conservatism purposes.

e. Integrated income tax information is as follows:

	<u>December 31</u>	
	<u>2010</u>	<u>2009</u>
Shareholders' imputation credit account (ICA)	<u>\$ 254,802</u>	<u>\$ 189,896</u>
Unappropriated earnings until 1997	<u>\$ 452,310</u>	<u>\$ 452,310</u>

The expected and actual creditable tax ratios for the 2010 and 2009 earnings were 11.30% and 14.59%, respectively

The ratio for the imputation credits allocated to shareholders of the Company is based on the balance of the ICA as of the date of dividend distribution. The expected creditable ratio for the 2010 earnings may be adjusted, depending on the ICA balance on the date of dividend distribution.

21. EARNINGS PER SHARE

The numerators and denominators used in computing earnings per share (EPS) were as follows:

	<u>Amounts (Numerator)</u>		<u>Share (Denominator) (In Thousands)</u>	<u>EPS (Dollars)</u>	
	<u>Before Income Tax</u>	<u>After Income Tax</u>		<u>Before Income Tax</u>	<u>After Income Tax</u>
<u>2010</u>					
Net income	<u>\$ 1,146,073</u>	<u>\$ 773,711</u>			
Basic EPS					
Income of common shareholders	\$ 1,146,073	\$ 773,711	593,350	<u>\$ 1.93</u>	<u>\$ 1.30</u>
Effect of dilutive securities					
Stock options	-	-	<u>4,556</u>		
Diluted EPS					
Income of common and potential common shareholders	<u>\$ 1,146,073</u>	<u>\$ 773,711</u>	<u>597,906</u>	<u>\$ 1.92</u>	<u>\$ 1.29</u>
<u>2009</u>					
Net income	<u>\$ 697,663</u>	<u>\$ 381,515</u>			
Basic and diluted EPS					
Income of common shareholders	<u>\$ 697,663</u>	<u>\$ 381,515</u>	<u>591,750</u>	<u>\$ 1.18</u>	<u>\$ 0.64</u>

The employee stock option stated in Note 17 represents potential common stock. Thus, the Company tested the effects of employee stock options by the treasury method in accordance with Statement of Financial Accounting Standards No. 24 - "Earnings Per Share." The test showed the stock options were anti-dilutive for the year ended December 31, 2010. As a result, the potential common shares were excluded from the calculation of diluted EPS.

The Accounting Research and Development Foundation issued Interpretation 2007-052, which requires companies to recognize bonuses paid to employees, directors and supervisors as compensation expenses beginning January 1, 2008. These bonuses were previously recorded as appropriations from earnings. If the Company decides to settle the bonus to employees by cash or shares, the Company should presume that the entire amount of the bonus will be settled in shares and, if the resulting potential shares have a dilutive effect, these shares should be included in the weighted average number of shares outstanding used in the calculation of diluted EPS. The number of shares is estimated by dividing the entire amount of the bonus by the closing price of the shares at the balance sheet date. The dilutive effect of the potential shares should be included in the calculation of diluted EPS until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

22. FINANCIAL INSTRUMENTS

a. Fair values of financial instruments were as follows:

	December 31			
	2010		2009	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<u>Nonderivative instruments</u>				
Assets				
Available-for-sale financial assets (current and noncurrent)	\$ 2,708,311	\$ 2,708,311	\$ 2,296,417	\$ 2,296,417
Financial assets carried at cost	21,111	-	35,556	-
Liability				
Long-term bank loans (including current portion)	620,500	620,500	1,790,000	1,790,000

b. Methods and assumptions used in determining fair values of financial assets and liabilities, based on quoted market prices or valuation techniques, were as follows:

- 1) For cash, accounts receivable, other receivables, short-term loans, and accounts payable, the carrying amounts reported in the balance sheets approximate their fair values because of their short maturities.
- 2) Fair values of financial assets at fair value through profit or loss and available-for-sale financial assets are based on their quoted prices in active markets. For those instruments not traded in active markets, their fair values are determined using valuation techniques incorporating estimates and assumptions that are consistent with prevailing market conditions. For those derivatives with no quoted market prices, their fair values are determined using valuation techniques incorporating estimates and assumptions consistent with those generally used by other market participants to price financial instruments.
- 3) Financial assets carried at cost are investments in unquoted shares, which have no quoted prices in an active market and entail an unreasonably high cost to obtain verifiable fair values. Therefore, no fair value is presented.
- 4) Fair value of long-term bank loan is estimated using the present value of future cash flows discounted by the interest rates, the Company may obtain for similar loans (e.g., similar maturities). The fair values of long-term bank loan with floating interest rates are equivalent to their carrying values.

- c. The Company entered into derivative contracts in 2010 and 2009 to hedge against any adverse effect of exchange rate fluctuations on net foreign currency-denominated assets and liabilities. The strategy is to hedge against most of the market price risks to which the Company is exposed.
- d. Gains recognized for the changes in fair value of financial instruments using valuation techniques were \$0 and \$6,528 thousand for the years ended December 31, 2010 and 2009, respectively.
- e. As of December 31, 2010 and 2009, financial assets exposed to cash flow interest rate risk were \$195,184 thousand and \$265,047 thousand, respectively; financial assets exposed to fair value interest rate risk were \$1,900,954 thousand and \$1,312,850 thousand, respectively; and financial liabilities exposed to fair value interest rate risk were \$174,780 thousand and \$0, respectively; financial liabilities exposed to cash flow interest rate risk were \$620,500 thousand and \$1,790,000 thousand, respectively.
- f. On financial assets other than the financial assets at fair value through profit or loss, in 2010 and 2009, interest incomes were \$7,101 thousand and \$3,216 thousand, respectively, and interest expenses were \$18,994 thousand and \$34,112 thousand, respectively.
- g. Financial risks
 - 1) Market risk. The financial instruments held by the Company are exposed to interest rate, foreign exchange rate and price risks. Fair values of available-for-sale security investments are affected by fluctuations of quoted prices.
 - 2) Credit risk. The Company will incur a loss if the counter-parties or third-parties breach financial instrument contracts. Contracts with positive fair values on the balance sheet date are evaluated for credit risk. The counter-parties or third-parties to the foregoing contracts are reputable financial institutions and business organizations. Management believes that the Company's exposure to default by those parties is low.
 - 3) Liquidity risk. Available-for-sale security investments are expected to be settled readily at amounts approximating their fair values in active markets. However, the Company also has some equity-method investments with no quoted market prices in an active market, which are expected to have material liquidity risk.
 - 4) Interest rate risk. As of December 31, 2010 and December 31, 2009, the interest rates for long-term debts were floating, i.e., these rates fluctuated as market interest rate changed.

23. RELATED-PARTY TRANSACTIONS

The Company's related parties were as follows:

- a. Waveplus Technology Co., Ltd. ("Waveplus") - equity-method investee
- b. Sunext Technology Co., Ltd. ("Sunext") - 61% subsidiary
- c. Sunplus Core Technology Co., Ltd. ("Sunplus Core") - 70% subsidiary
- d. Generalplus Technology Inc. ("Generalplus") - 40% subsidiary
- e. Synerchip Technology Co., Ltd. ("Synerchip Technology") - represented a financial asset carried at cost of Russell Holding Ltd. (Note)
- f. Sunplus Innovation Technology Inc. ("Sunplus Innovation") - 66% subsidiary

- g. Sunplus mMobile Inc. (“Sunplus mMobile”) - 99% subsidiary
- h. HT mMobile Inc. (“HT mMobile”) - equity-method investee
- i. Sunplus Technology (H.K.) Co., Ltd. (“Sunplus H.K.”) - 100% subsidiary
- j. Orise Technology Co., Ltd. (“Orise”) - equity-method investee
- k. Sunplus mMedia Inc. (“Sunplus mMedia”) - 83% subsidiary
- l. iCatch Technology, Inc. (“iCatch”) - 38% subsidiary
- m. Sunplus Technology (Shanghai) Co., Ltd. (“Sunplus Shanghai”) - 99% indirect subsidiary
- n. Sunplus Prof-tek (Shenzhen) Co., Ltd. (“Sunplus Prof-tek”) - 100% indirect subsidiary
- o. SunMedia Technology Co., Ltd. (“SunMedia”) - 100% indirect subsidiary
- p. Golbal View Co., Ltd.- the Company’s director and Waveplus’s supervisor
- q. Giantplus Technology Co., Ltd. (“Giantplus”) - The same chairman of the board
- r. Others - please refer to Note 28 for related parties that did not have business transactions with the Company in the current period.

Note: Russell Holding Limited (“Russell”) decreased its equity interest in Synerchip Technology in October 2009; thus, Russell treated this investment as a financial asset carried at cost.

The transactions with the foregoing parties in addition to those disclosed in other notes are summarized as follows:

	Years Ended December 31			
	2010		2009	
	Amount	%	Amount	%
Sales				
Orise	\$ 35,121	1	\$ 34,922	1
Generalplus	24,074	1	15,410	-
iCatch	12,932	-	769	-
Sunplus Core	10,161	-	12,525	-
Sunplus Innovation	8,112	-	7,527	-
HT mMobile	5,225	-	12,308	-
Sunext	1,626	-	4,076	-
Sunplus mMedia	-	-	42,384	1
Waveplus	-	-	6,090	-
Sunplus mMobile	-	-	3,327	-
Synerchip Technology	-	-	430	-
	<u>\$ 97,251</u>	<u>2</u>	<u>\$ 139,768</u>	<u>2</u>

The selling prices and collection terms for products sold to related parties were similar to those for products sold to third parties.

	Years Ended December 31			
	2010		2009	
	Amount	%	Amount	%
Operating expense				
Sunplus Core	\$ 15,228	1	\$ 6,333	-
Sunplus H.K.	2,164	-	2,298	-
Sunplus Prof-tek	-	-	29,063	1
SunMedia	-	-	15,593	1
Sunplus Shanghai	-	-	9,755	1
Others	<u>451</u>	<u>-</u>	<u>244</u>	<u>-</u>
	<u>\$ 17,843</u>	<u>1</u>	<u>\$ 63,286</u>	<u>3</u>

The support transaction prices were negotiated and thus not comparable with those in the market.

	Years Ended December 31			
	2010		2009	
	Amount	%	Amount	%
Nonoperating income and gains				
HT mMobile	\$ 28,977	3	\$ 39,551	6
iCatch	15,021	2	1,667	-
Sunplus Core	8,354	1	10,093	2
Generalplus	8,176	1	5,066	1
Sunplus mMobile	7,159	1	13,554	2
Sunplus Innovation	4,969	1	4,798	1
Global View	4,102	1	-	-
Orise	2,399	-	2,613	-
Sunext	1,348	-	1,346	-
Giantplus	168	-	-	-
Sunplus mMedia	127	-	49,296	7
Waveplus	118	-	11	-
Synerchip Technology	<u>-</u>	<u>-</u>	<u>108</u>	<u>-</u>
	<u>\$ 80,918</u>	<u>10</u>	<u>\$ 128,103</u>	<u>19</u>

Nonoperating income and gains included rental income and support transaction prices that were negotiated and thus not comparable with those in the market. The Company leased sections of its building to Sunplus mMobile, Sunplus mMedia, Sunplus Core, HT mMobile and iCatch and transferred the book value of these leased sections to assets leased to others; this book value was based on the ratio of the area of the leased sections to the total area of the building.

	December 31			
	2010		2009	
	Amount	%	Amount	%
Accounts receivable:				
Orise	\$ 6,484	1	\$ 4,770	-
Generalplus	3,871	1	1,682	-
iCatch	2,593	-	807	-
Sunplus Innovation	856	-	579	-
HT mMobile	836	-	2,411	-
Sunext	54	-	360	-
Sunplus Core	50	-	59	-
Sunplus mMedia	<u>-</u>	<u>-</u>	<u>1,002</u>	<u>-</u>
	<u>\$ 14,744</u>	<u>2</u>	<u>\$ 11,670</u>	<u>-</u>
Other receivables				
Sunplus mMobile	\$ 262,857	66	\$ 60,000	25
HT mMobile	4,046	1	13,992	6
iCatch	1,054	1	1,667	1
Sunplus Core	643	-	615	-
Sunplus Innovation	612	-	361	-
Sunext	543	-	251	-
Generalplus	533	-	419	-
Giantplus	174	-	-	-
Sunplus mMedia	29	-	12	-
Orise	25	-	161	-
Waveplus	<u>-</u>	<u>-</u>	<u>1</u>	<u>-</u>
	<u>\$ 270,516</u>	<u>68</u>	<u>\$ 77,479</u>	<u>32</u>

For the year ended December 31, 2010 and 2009, the Company provided financing to Sunplus mMobile, as follows:

	Year Ended December 31, 2010			
	Maximum Balance	Ending Balance	Interest Rate	Interest Income
Sunplus mMobile	<u>\$399,000</u>	<u>\$262,000</u>	The highest short-term loan interest rate borrowing from financial institution (0.9% to 1.6% in 2010)	<u>\$ 3,431</u>
	Year Ended December 31, 2009			
	Maximum Balance	Ending Balance	Interest Rate	Interest Income
Sunplus mMobile	<u>\$ 60,000</u>	<u>\$ 60,000</u>	The highest short-term loan interest rate borrowing from financial institution (1.2% in 2009)	<u>\$ 13</u>

	December 31			
	2010		2009	
	Amount	%	Amount	%
Accrued expenses				
Sunplus mMedia	\$ -	-	\$ 544	-
Sunplus Core	<u>-</u>	<u>-</u>	<u>414</u>	<u>-</u>
	<u>\$ -</u>	<u>-</u>	<u>\$ 958</u>	<u>-</u>
Deferred royalty income (current and noncurrent)				
Sunplus Core	\$ 28,000	88	\$ 37,600	86
Generalplus	3,621	11	5,793	13
Orise	<u>-</u>	<u>-</u>	<u>183</u>	<u>-</u>
	<u>\$ 31,621</u>	<u>99</u>	<u>\$ 43,576</u>	<u>99</u>

	December 31	
	2010	2009
	Endorsement/guarantee provided	
Sunplus mMobile	\$ 820,000	\$ 940,000
Sunplus Core	290,000	293,192
Sunplus Shanghai	224,280	231,800
Sunext	32,230	134,459
HT mMobile	30,000	30,000
Generalplus	10,938	15,614
Sunplus Innovation	5,985	9,562
Orise	5,096	10,193
iCatch	5,007	-
Sunplus mMedia	-	24,082
Waveplus	<u>-</u>	<u>20,000</u>
	<u>\$ 1,423,536</u>	<u>\$ 1,708,902</u>

	Years Ended December 31			
	2010		2009	
	Amount	%	Amount	%
Properties and intangible assets				
Proceeds of the disposal of properties:				
Orise	\$ 8,500	58	\$ 17	-
HT mMobile	3,643	25	1,070	48
iCatch	1,344	9	-	-
Sunplus mMobile	-	-	61	3
Sunplus mMedia	-	-	21	1
Sunplus Core	<u>-</u>	<u>-</u>	<u>6</u>	<u>-</u>
	<u>\$ 13,487</u>	<u>92</u>	<u>\$ 1,175</u>	<u>52</u>
Acquisition of fixed assets:				
Sunplus shanghai	<u>\$ 679</u>	<u>2</u>	<u>\$ -</u>	<u>-</u>

Compensation of directors, supervisors and management personnel:

	Years Ended December 31	
	2010	2009
Salaries and incentives	\$ 28,455	\$ 23,312
Special compensation	<u> </u>	<u> 327</u>
	<u><u>\$ 28,455</u></u>	<u><u>\$ 23,639</u></u>

24. MORTGAGED OR PLEDGED ASSETS

The Company's assets pledged as collateral for long-term loans were as follows:

	December 31	
	2010	2009
Buildings, net (including assets leased to others)	\$ 772,336	\$ 792,156
Orise stocks	-	276,779
Giantplus stocks	<u> </u>	<u> 838,318</u>
	<u><u>\$ 772,336</u></u>	<u><u>\$ 1,907,253</u></u>

The medium-to long-term bank loans were repaid in July 2010. Thus, the pledged shares of Giantplus were retrieved. In addition, the amount of the loans is lower than requisition. Thus, the pledged shares of Orise were retrieved.

25. SIGNIFICANT LONG-TERM OPERATING LEASES

The Company leases land from the Science-Based Industrial Park Administration under renewable agreements expiring in July 2015, December 2020 and December 2021, with annual rentals aggregating \$7,862 thousand.

Future annual minimum rentals under the leases are as follows:

Year	Amount
2011	\$ 7,862
2012	7,862
2013	7,862
2014	7,862
2015	6,539
2016 and thereafter	<u> 26,154</u>
	<u><u>\$ 64,141</u></u>

26. SIGNIFICANT COMMITMENT AND CONTINGENCY

As of December 31, 2010, the Company had signed a standby letter of credit amounting to US\$2,000 thousand as guarantee for the use of a certain technology license.

27. OTHER

	2010		2009	
	Foreign Currencies	Exchange Rate	Foreign Currencies	Exchange Rate
<u>Financial assets</u>				
Monetary items				
USD	\$ 41,580	29.13	\$ 59,338	31.99
EUR	6	38.92	6	46.10
JPY	295	0.3582	804	0.3472
RMB	46	4.441	21	4.642
GBP	45	45.19	45	51.6
HKD	23	3.748	40	4.126
Equity-method investee				
USD	54,060	29.13	29,041	31.99
HKD	1,067	3.748	1,121	4.126
<u>Financial liabilities</u>				
Monetary items				
USD	26,231	29.13	24,742	31.99
RMB	381	4.441	383	4.642
JPY	-	-	16,585	0.3472

28. ADDITIONAL DISCLOSURES

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

- a. Endorsement/guarantee provided: Table 1 (attached)
- b. Financings provided: Table 2 (attached)
- c. Marketable securities held: Table 3 (attached)
- d. Marketable securities acquired and disposed of at costs or prices of at least NT\$100 million or 20% of the paid-in capital: Table 4 (attached)
- e. Acquisition of long-term investments at costs of at least NT\$100 million or 20% of the paid-in capital: Table 5 (attached)
- f. Disposal of long-term investments at costs of at least NT\$100 million or 20% of the paid-in capital: Table 6 (attached)
- g. Names, locations, and related information of investees on which the Company exercises significant influences: Table 7 (attached)
- h. Forward exchange contracts of investee company: Table 8 (attached)
- i. Information on investment in Mainland China: Table 9 (attached)

29. SEGMENT INFORMATION

- a. Industry: The Company only manufactures and sells value-added consumer integrated circuits (ICs).
- b. Geographic information: Not applicable.
- c. Export sales:

Area	Years Ended December 31	
	2010	2009
Southeast Asia	\$ 5,845,964	\$ 6,541,273
Others	<u>120,072</u>	<u>64,862</u>
	<u>\$ 5,966,036</u>	<u>\$ 6,606,135</u>

- d. Sales to customer representing at least 10% of net sales:

Customer	Years Ended December 31			
	2010		2009	
	Amount	%	Amount	%
A	\$ 2,158,720	35	\$ 2,269,016	31
B	1,598,192	26	1,845,278	25
C	727,221	12	621,925	8
D	607,624	10	755,900	10

SUNPLUS TECHNOLOGY COMPANY LIMITED

ENDORSEMENT/GUARANTEE PROVIDED
YEAR ENDED DECEMBER 31, 2010

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

No.	Endorsement/Guarantee Provider	Counter-party		Limits on Each Counter-party's Endorsement/ Guarantee Amounts	Maximum Balance for the Period	Ending Balance	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
		Name	Nature of Relationship						
0	Sunplus Technology Company Limited	Sunplus mMobile Inc.	99% subsidiary	\$ 1,276,392 (Note 1)	\$ 940,000	\$ 820,000	\$ -	6.42%	\$ 2,552,785 (Note 2)
		Sunplus Core Technology Co., Ltd.	70% subsidiary	1,276,392 (Note 1)	293,192	290,000	-	2.27%	2,552,785 (Note 2)
		Sunplus Technology (Shanghai) Co., Ltd.	99% indirect subsidiary	1,276,392 (Note 1)	231,800	224,280	-	1.76%	2,552,785 (Note 2)
		Sunext Technology Co., Ltd.	61% subsidiary	1,276,392 (Note 1)	134,459	32,230	-	0.25%	2,552,785 (Note 2)
		Waveplus Technology Co., Ltd.	Equity-method investee	1,276,392 (Note 1)	20,000	-	-	-	2,552,785 (Note 2)
		HT mMobile Inc.	Equity-method investee	1,276,392 (Note 1)	30,000	30,000	-	0.24%	2,552,785 (Note 2)
		Sunplus mMedia Inc.	83% subsidiary	1,276,392 (Note 1)	24,082	-	-	-	2,552,785 (Note 2)
		Sunplus Innovation Technology Inc.	66% subsidiary	1,276,392 (Note 1)	11,971	5,985	-	0.05%	2,552,785 (Note 2)
		Generalplus Technology Inc.	40% subsidiary	1,276,392 (Note 1)	21,875	10,938	-	0.09%	2,552,785 (Note 2)
		iCatch Technology Inc.	38% subsidiary	1,276,392 (Note 1)	10,014	5,007	-	0.04%	2,552,785 (Note 2)
		Orise Technology Co., Ltd.	Equity-method investee	1,276,392 (Note 1)	10,193	5,096	-	0.04%	2,552,785 (Note 2)

Note 1: For each transaction entity, the amount should not exceed 10% of the endorsement/guarantee provider's net equity as of the latest financial statements.

Note 2: The amount should not exceed 20% of the endorsement/guarantee provider's net equity based on the latest financial statements.

SUNPLUS TECHNOLOGY COMPANY LIMITED

**FINANCINGS PROVIDED
YEAR ENDED DECEMBER 31, 2010**

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

No.	Financing Company	Counter-party	Financial Statement Account	Maximum Balance for the Year	Ending Balance	Interest Rate	Type of Financing	Transaction Amount	Reason for Short-term Financing	Allowance for Doubtful Accounts	Collateral		Financing Limit for Each Borrowing Company	Financing Company's Financing Amount Limit
											Item	Value		
0	Sunplus Technology Company Limited	Sunplus mMobile Inc.	Other receivables	\$ 399,000	\$ 262,000	Note 3	Note 1	\$ -	Note 2	\$ -	-	-	\$ 638,196 (Note 4)	\$ 1,276,392 (Note 5)

Note 1: Short-term financing.

Note 2: Sunplus Technology Company Limited provided cash for the operation of Sunplus mMobile Inc.

Note 3: The rate range of highest short-term loan interest rate for borrowing from financial institutions (0.9%-1.6% in 2010).

Note 4: For each transaction entity, the amount should not exceed 5% of the Company's net equity as shown in latest financial statements.

Note 5: The amount should not exceed 10% of the Company's net equity based on the latest financial statements.

Holding Company Name	Type and Name of Marketable Security	Relationship with the Holding Company	Financial Statement Account	Shares or Units (Thousands)	December 31, 2010			Note
					Carrying Value	Percentage of Ownership (%)	Market Value or Net Asset Value	
Lin Shih Investment Co., Ltd.	Waveplus Technology Co., Ltd.	Equity-method investee	Equity-method investments	1,342	\$ 10,178	42	\$ 12,770	Note 1
	Sunext Technology Co., Ltd.	Equity-method investee	Equity-method investments	3,360	35,213	5	35,213	Note 1
	Generalplus Technology Inc.	Equity-method investee	Equity-method investments	14,892	273,266	15	272,852	Note 1
	Sumplus Core Technology Co., Ltd.	Equity-method investee	Equity-method investments	2,220	(2,763)	14	(5,418)	Notes 1 and 6
	Sumplus mMobile Inc.	Equity-method investee	Equity-method investments	8	52,918	-	(206)	Note 1
	Sumplus mMedia Inc.	Equity-method investee	Equity-method investments	579	10,239	4	6,154	Note 1
	Sumplus Innovation Technology Inc.	Equity-method investee	Equity-method investments	934	16,393	2	18,333	Note 1
	HFT mMobile Inc.	Equity-method investee	Equity-method investments	4,695	25,891	3	3,682	Note 1
	iCatch Technology, Inc.	Equity-method investee	Equity-method investments	965	10,331	2	10,331	Note 1
	Sumplus Technology Company Limited	Equity-method investee	Equity-method investments	3,560	75,472	1	75,472	Note 3
	Ability Enterprise Co., Ltd.	Parent company	Available-for-sale financial assets	5,274	264,228	1	264,228	Note 3
	RITEK Corp.	-	Available-for-sale financial assets	833	7,174	-	7,174	Note 3
	AIPTeK International Inc.	-	Available-for-sale financial assets	136	2,727	-	2,727	Note 3
	Radiant Innovation Inc.	-	Available-for-sale financial assets	2,378	60,281	8	60,281	Note 3
	Sanjet Technology Corp.	-	Financial assets carried at cost	25	215	-	215	Note 2
	Minton Optic Industry Co., Ltd.	-	Financial assets carried at cost	4,272	39,822	7	39,822	Note 2
	NCTU Spring Venture Capital Co., Ltd.	-	Financial assets carried at cost	2,000	-	6	-	Note 2
	GemFor Tech. Co., Ltd.	-	Financial assets carried at cost	353	4,007	6	4,007	Note 2
	MaxEmil Photonics Corp.	-	Financial assets carried at cost	426	8,273	2	8,273	Note 2
	WayTech Development Inc.	-	Financial assets carried at cost	1,500	-	5	-	Note 2
	Miracle Technology Co., Ltd.	-	Financial assets carried at cost	1,295	13,940	9	13,940	Note 2
	Socle Technology Corp.	-	Financial assets carried at cost	250	6,250	-	6,250	Note 2
	Glokite Technology Corp.	-	Financial assets carried at cost	2,300	-	14	-	Note 2
Genius Vision Digital Co., Ltd.	-	Financial assets carried at cost	600	6,000	9	6,000	Note 2	
Lingri Technology Co., Ltd.	-	Financial assets carried at cost	304	3,040	19	3,040	Note 2	
Russell Holdings Limited	Stock							
Russell Holdings Limited	Jet Focus Limited	Equity-method investee	Equity-method investments	4,794	US\$ (350) thousand	44	US\$ (350) thousand	Note 6
	Sunext Technology Co., Ltd.	Equity-method investee	Equity-method investments	442	US\$ 2,249 thousand	1	US\$ 160 thousand	Note 1
	King Yuan ECB	-	Available-for-sale financial assets	8	US\$ 904 thousand	-	US\$ 904 thousand	Note 3
	InveStar Excelsus Venture Capital (Int'l), Inc., LDC	-	Financial assets carried at cost	-	US\$ - thousand	19	US\$ - thousand	Note 2
	OZ Optics Limited.	-	Financial assets carried at cost	1,000	US\$ thousand	8	US\$ thousand	Note 2
	Aicent, Inc.	-	Financial assets carried at cost	1,000	US\$ 500 thousand	2	US\$ 500 thousand	Note 2
	Ortega Info System, Inc.	-	Financial assets carried at cost	2,557	US\$ - thousand	-	US\$ - thousand	Note 2
	Asia B2B on Line Inc.	-	Financial assets carried at cost	1,000	US\$ - thousand	3	US\$ - thousand	Note 2
	Asia Tech Taiwan Venture L.P.	-	Financial assets carried at cost	-	US\$ 1,550 thousand	5	US\$ 1,550 thousand	Note 2
	Ether Precision Inc.	-	Financial assets carried at cost	1,250	US\$ 500 thousand	1	US\$ 500 thousand	Note 2
	Innobridge Venture Fund ILLP	-	Financial assets carried at cost	-	US\$ 1,400 thousand	-	US\$ 1,400 thousand	Note 2

(Continued)

Holding Company Name	Type and Name of Marketable Security	Relationship with the Holding Company	Financial Statement Account	December 31, 2010			Note	
				Shares or Units (Thousands)	Carrying Value	Percentage of Ownership (%)		Market Value or Net Asset Value
	Imnorige International Inc.	-	Financial assets carried at cost	4,000	US\$ 800 thousand	15	US\$ 800 thousand	Note 2
	VisualOn Inc.	-	Financial assets carried at cost	377	US\$ 200 thousand	3	US\$ 200 thousand	Note 2
	Aruba Networks, Inc.	-	Financial assets carried at cost	51	US\$ 1,150 thousand	-	US\$ 1,150 thousand	Note 2
	Synerchip Co., Ltd.	-	Financial assets carried at cost	4,236	US\$ thousand	19	US\$ thousand	Note 2
Sumplus Venture Capital Co., Ltd.	Stock							
	Joining Technology Co., Ltd.	Equity-method investee	Equity-method investments	3,400	-	39	-	Note 1
	Waveplus Technology Co., Ltd.	Equity-method investee	Equity-method investments	387	3,681	12	3,681	Note 1
	Sunext Technology Co., Ltd.	Equity-method investee	Equity-method investments	4,431	46,379	7	46,379	Note 1
	Han Young Technology Co., Ltd.	Equity-method investee	Equity-method investments	420	1,780	70	1,780	Note 1
	Generalplus Technology Inc.	Equity-method investee	Equity-method investments	4,030	80,680	4	74,308	Note 1
	Orise Technology Co., Ltd.	Equity-method investee	Equity-method investments	865	16,949	1	16,949	Note 1
	Sumplus Core Technology Co., Ltd.	Equity-method investee	Equity-method investments	1,885	(4,647)	12	(4,647)	Notes 1 and 6
	Sumplus mMobile Inc.	Equity-method investee	Equity-method investments	-	2,261	-	-	Note 1
	HT mMobile Inc.	Equity-method investee	Equity-method investments	20	41	-	41	Note 1
	Sumplus mMedia Inc.	Equity-method investee	Equity-method investments	1,909	16,662	13	16,662	Note 1
	Sumplus Innovation Technology Inc.	Equity-method investee	Equity-method investments	2,176	42,996	5	42,996	Note 1
	iCatch Technology, Inc.	Equity-method investee	Equity-method investments	3,182	34,078	6	34,078	Note 1
	King Yuan Electronics Co., Ltd.	-	Available-for-sale financial assets	2,441	36,367	-	36,367	Note 3
	AIPTeK International Inc.	-	Available-for-sale financial assets	803	16,052	1	16,052	Note 3
	Ability Enterprise Co., Ltd.	-	Available-for-sale financial assets	3,784	189,578	1	189,578	Note 3
	Radiant Innovation Inc.	-	Available-for-sale financial assets	913	23,142	3	23,142	Note 3
	Sanjiet Technology Corp.	-	Financial assets carried at cost	148	1,265	1	1,265	Note 2
	VenGlobal International Fund	-	Financial assets carried at cost	1	-	3	-	Note 2
	eWave System, Inc.	-	Financial assets carried at cost	1,833	-	22	-	Note 2
	Information Technology Total Services	-	Financial assets carried at cost	51	-	-	-	Note 2
	Book4u Company Limited	-	Financial assets carried at cost	9	-	-	-	Note 2
	Simple Act Inc.	-	Financial assets carried at cost	1,900	9,500	10	9,500	Note 2
	Cyberon Corporation	-	Financial assets carried at cost	1,521	13,691	18	13,691	Note 2
	WayTech Development Inc.	-	Financial assets carried at cost	1,000	-	4	-	Note 2
	Feature Integration Technology Inc.	-	Financial assets carried at cost	1,776	20,734	4	20,734	Note 2
Chiabon Venture Capital Co., Ltd.	-	Financial assets carried at cost	3,000	4,800	5	4,800	Note 2	
Miracle Technology Co., Ltd.	-	Financial assets carried at cost	1,303	14,025	9	14,025	Note 2	
Socle Technology Corp.	-	Financial assets carried at cost	550	13,750	1	13,750	Note 2	
MaxEmil Photonics Corp.	-	Financial assets carried at cost	419	12,485	2	12,485	Note 2	
Minton Optic Industry Co., Ltd.	-	Financial assets carried at cost	5,000	37,500	8	37,500	Note 2	
Aruba Networks, Inc.	-	Financial assets carried at cost	19	12,923	-	12,923	Note 2	
Ventureplus Group Inc.	Stock	Subsidiary of Ventureplus Group Inc.	Equity-method investments	41,900	US\$ 34,358 Thousand	100	US\$ 34,358 Thousand	Note 1
Ventureplus Mauritius Inc.	Stock	Subsidiary of Ventureplus Mauritius Inc.	Equity-method investments	41,900	US\$ 34,362 thousand	100	US\$ 34,362 thousand	Note 1

(Continued)

Holding Company Name	Type and Name of Marketable Security	Relationship with the Holding Company	Financial Statement Account	Shares or Units (Thousands)	December 31, 2010			Note
					Carrying Value	Percentage of Ownership (%)	Market Value or Net Asset Value	
Ventureplus Cayman Inc.	<u>Stock</u> Sunplus Technology (Shanghai) Co., Ltd.	Subsidiary of Ventureplus Cayman Inc.	Equity-method investments	-	US\$ 12,716 Thousand	99	US\$ 12,716 Thousand	Note 1
	Sunplus Pro-tek (Shenzhen) Co., Ltd.	Subsidiary of Ventureplus Cayman Inc.	Equity-method investments	-	US\$ 2,751 Thousand	100	US\$ 2,751 Thousand	Note 1
	SunMedia Technology Co., Ltd.	Subsidiary of Ventureplus Cayman Inc.	Equity-method investments	-	US\$ 18,563 Thousand	100	US\$ 18,563 Thousand	Note 1
	Sunplus App Technology Co., Ltd.	Subsidiary of Ventureplus Cayman Inc.	Equity-method investments	-	US\$ 270 Thousand	80	US\$ 270 Thousand	Note 1
Wei-Young Investment Inc.	<u>Stock</u> UNIWILL Co., Ltd.	-	Available-for-sale financial assets	508	5,738	-	5,738	Note 3
	Sunext Technology Co., Ltd.	Equity-method investee	Equity-method investments	18	355	-	189	Note 1
	Generalplus Technology Inc.	Equity-method investee	Equity-method investments	108	1,897	-	1,978	Note 1
Generalplus Technology Inc.	<u>Stock</u> Generalplus International (Samoa) Inc.	Subsidiary of Generalplus Technology Inc.	Equity-method investments	7,590	94,099	100	94,099	Note 1
	<u>Fund</u> Mega Diamond Bond Fund	-	Available-for-sale financial assets	4,757	57,001	-	57,001	Note 5
	Capital Income Fund	-	Available-for-sale financial assets	3,880	60,001	-	60,001	Note 5
	ING Taiwan Bond Fund	-	Available-for-sale financial assets	3,516	55,001	-	55,001	Note 5
Generalplus International (Samoa) Inc.	Prudential Financial Bond Fund	-	Available-for-sale financial assets	1,976	30,000	-	30,000	Note 5
	<u>Stock</u> Generalplus (Mauritius) Inc.	Subsidiary of Generalplus International (Samoa) Inc.	Equity-method investments	7,590	US\$ 3,230 Thousand	100	US\$ 3,230 Thousand	Note 1
	<u>Stock</u> Generalplus Technology (Shenzhen) Co., Ltd.	Subsidiary of Generalplus (Mauritius) Inc.	Equity-method investments	7,200	US\$ 3,000 Thousand	100	US\$ 3,000 Thousand	Note 1
	Generalplus Technology (Hong Kong) Co., Ltd.	Subsidiary of Generalplus (Mauritius) Inc.	Equity-method investments	390	US\$ 230 Thousand	100	US\$ 230 Thousand	Note 1
Sunext Technology Co., Ltd.	<u>Stock</u> Great Sun Corp.	Subsidiary of Sunext Technology Co., Ltd.	Equity-method investments	750	10,206	100	10,206	Note 1
	Great Prosperous Corp.	Subsidiary of Sunext Technology Co., Ltd.	Equity-method investments	1,500	10,096	100	10,096	Note 1
Sunext Technology Co., Ltd.	<u>Fund</u> Cathay Taiwan Bond Fund	-	Available-for-sale financial assets	4,175	50,036	-	50,036	Note 5
	Prudential Financial Bond Fund	-	Available-for-sale financial assets	4,613	70,025	-	70,025	Note 5
	FSITC Taiwan Bond Fund	-	Available-for-sale financial assets	3,414	50,000	-	50,000	Note 5
	Yuanta Wan Tai Bond Fund	-	Available-for-sale financial assets	4,551	66,051	-	66,051	Note 5
	IBT Ta Chong Bond Fund	-	Available-for-sale financial assets	2,354	32,007	-	32,007	Note 5
	IBT 1699 Bond Fund	-	Available-for-sale financial assets	3,093	40,027	-	40,027	Note 5

(Continued)

Holding Company Name	Type and Name of Marketable Security	Relationship with the Holding Company	Financial Statement Account	Shares or Units (Thousands)	December 31, 2010			Note
					Carrying Value	Percentage of Ownership (%)	Market Value or Net Asset Value	
Great Sun Corp.	Stock Sunext (Mauritius) Inc.	Subsidiary of Great Sun Corp.	Equity-method investments	750	US\$ 107 Thousand	100	US\$ 107 Thousand	Note 1
Sunext (Mauritius) Inc.	Stock Sunext Technology (Shanghai)	Subsidiary of Sunext (Mauritius) Inc.	Equity-method investments	-	US\$ 107 Thousand	100	US\$ 107 Thousand	Note 1
Waveplus Technology Co., Ltd.	Stock Waveplus Design, Inc.	Subsidiary of Waveplus Technology Co., Ltd.	Equity-method investments	1,000	US\$ - Thousand	100	US\$ - Thousand	Notes 1 and 6
Supplus mMobile Inc.	Supplus mMobile SAS	Subsidiary of Supplus mMobile Inc.	Equity-method investments	237	33,486	100	33,486	Note 1
Supplus mMobile Holding Inc.	Supplus mMobile Holding Inc.	Subsidiary of Supplus mMobile Inc.	Equity-method investments	2,580	(3)	100	(3)	Notes 1 and 6
Supplus mMobile Holding Inc.	Bright Supplus mMobile Inc.	Subsidiary of Supplus mMobile Holding Inc.	Equity-method investments	2,580	US\$ - thousand	100	US\$ - thousand	Note 1
Supplus Innovation Technology Inc.	Fund Prudential Financial Bond Fund FSITC Taiwan Bond Fund Fuh-Hwa Bond Fund	- - -	Available-for-sale financial assets Available-for-sale financial assets Available-for-sale financial assets	4,636 6,023 2,898	70,370 88,213 40,185		70,370 88,213 40,185	Note 5 Note 5 Note 5
	Stock Advanced Silicon SA Advanced NuMicro System, Inc.	- -	Financial assets carried at cost Financial assets carried at cost	1,000 2,000	30,179 15,993	12 9	30,179 15,993	Note 2 Note 2

Note 1: The net asset value was based on audited financial data as of December 31, 2010.

Note 2: The market value is based on carrying value as of December 31, 2010.

Note 3: The market value is based on the closing price as of December 31, 2010.

Note 4: The investment carrying value excluded the carrying value of \$63,401 thousand of the shares of Supplus Technology Company Limited held by its subsidiary.

Note 5: The market value was based on the net asset value of fund as of December 31, 2010.

Note 6: The credit balance on the carrying value of the equity-method investment is reported as other current liabilities.

Note 7: Includes deferred credit \$2,585 thousand.

Note 8: Includes deferred credit \$109,318 thousand.

Note 9: Includes deferred credit \$3,839 thousand.

Note 10: As of December 31, 2010, the above marketable securities, except the holdings of Lin Shih Investment Co., Ltd. in Sunplus Technology Company Limited, with a market value \$71,750 thousand, respectively, had not been pledged or mortgaged.

Note 11: 6,817 thousand shares acquired through private subscription not allowed to be transacted freely in public market, and the fair valued are determined through valuation techniques.

(Concluded)

SUNPLUS TECHNOLOGY COMPANY LIMITED

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL YEAR ENDED DECEMBER 31, 2010
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Type and Issuer of Marketable Security	Financial Statement Account	Beginning Balance		Acquisition		Disposal		Ending Balance		
			Units (Thousands)	Amount	Units (Thousands)	Amount	Amount	Unit (Thousands)	Gain (Loss) on Disposal	Unit (Thousands)	Amount
Sunplus Technology Company Limited	Orise Technology Co. Ltd.	Equity-method Investments	60,665	\$ 1,119,384 (Note 3)	-	-	9,375	\$ 626,172	\$ 460,561 (Note 4)	51,290	\$ 1,034,446 (Note 5)
	FSITC Bond Fund	Available-for-sale financial assets	1,697	289,216 (Note 2)	1,170	200,000	1,697	289,476	476	1,170	200,000 (Note 1)
	Fuh-Hwa Bond Fund	Available-for-sale financial assets	10,514	145,259 (Note 2)	-	-	9,619	133,000	277	896	12,418 (Note 1)
	Fuh-Hwa Yuli Bond Fund	Available-for-sale financial assets	7,766	100,069 (Note 2)	-	-	7,766	100,133	133	-	- (Note 1)
	IBT 1699 Bond Fund	Available-for-sale financial assets	22,107	285,092 (Note 2)	-	-	22,107	285,477	477	-	- (Note 1)
	UPAMC James Bond Fund	Available-for-sale financial assets	3,128	50,003 (Note 2)	3,439	55,000	6,567	105,077	77	-	- (Note 1)
	Prudential Financial Bond Fund	Available-for-sale financial assets	9,476	143,426 (Note 2)	-	-	9,476	143,791	659	-	- (Note 1)
	FSITC Taiwan Bond Fund	Available-for-sale financial assets	20,509	299,440 (Note 2)	6,154	90,133	20,509	300,133	1,133	6,154	90,138 (Note 1)
	ING Taiwan Bond Fund	Available-for-sale financial assets	6,412	100,010 (Note 2)	-	-	6,412	100,239	239	-	- (Note 1)
	Venturplus Group Inc.	Equity-method Investments	24,900	501,021 (Note 3)	17,000	547,570	-	-	-	41,900	1,000,643 (Note 5)
Sunplus mMobile Inc.	Equity-method Investments	54,545	581,110 (Note 3)	20,000	200,000	-	-	-	20,091 (Note 6)	(591,839) (Note 5)	
Magic Sky Limited	Equity-method Investments	-	-	6,000	188,941	-	-	-	6,000	174,780 (Note 5)	
Generalplus Technology Inc.	IBT Ta Chong Bond Fund	Available-for-sale financial assets	14,225	192,736 (Note 2)	10,234	140,000	24,549	333,153	1,153	-	- (Note 1)
	Mega Diamond Bond Fund	Available-for-sale financial assets	12,930	154,275 (Note 2)	10,619	127,000	18,792	224,721	832	4,757	57,001 (Note 1)
	Prudential Financial Bond Fund	Available-for-sale financial assets	-	-	8,313	126,000	6,337	96,055	55	1,976	30,000 (Note 1)
	Capital Income Fund	Available-for-sale financial assets	-	-	7,769	120,000	3,889	60,140	140	3,880	60,001 (Note 1)
	ING Taiwan Bond Fund	Available-for-sale financial assets	-	-	7,033	110,000	3,517	55,026	26	3,516	55,001 (Note 1)
Sunplus Innovation Technology Inc.	FSITC Taiwan Bond Fund	Available-for-sale financial assets	12,867	187,862 (Note 2)	-	-	6,844	100,000	284	6,023	88,213 (Note 1)
iCatch Technology Inc.	Allianz Global Investors	Available-for-sale financial assets	-	-	13,336	160,000	13,336	160,237	237	-	- (Note 1)
Sunplus Venture Capital Co., Ltd.	Capital Income Fund	Available-for-sale financial assets	-	-	7,772	120,000	7,772	120,132	132	-	- (Note 1)
	Capella Microsystems, Inc.	Available-for-sale financial assets	662	9,450	34 (Note 7)	-	695	121,242	111,792	-	- (Note 1)

Note 1: The ending balance includes the valuation gains on financial assets.

Note 2: The beginning balance includes the valuation gains on financial assets.

Note 3: The carrying value of the equity-method investment as of December 31, 2009.

Note 4: Includes an investment gain classified under capital surplus.

Note 5: The carrying value of the equity-method investment as of December 31, 2010.

Note 6: Shares after the cancellation of common stock.

Note 7: Shares after the dividends of common stock.

SUNPLUS TECHNOLOGY COMPANY LIMITED

ACQUISITION OF LONG-TERM INVESTMENTS AT COSTS OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
YEAR ENDED DECEMBER 31, 2010
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Types of Property	Transaction Date	Transaction Amount	(Payment)/Sale Term	Counter-party	Nature of Relationships	Prior Transaction of Company Related Counter-party			Price Reference	Purpose of Acquisition	Other Terms
							Ownership	Relationships	Transfer Date			
Sunplus Technology Company Limited	Venture Group Inc. Sunplus mMobile Inc. Magic Sky Limited	2010.01	\$ 547,570	\$ (547,570)	-	Equity-method investee	-	-	-	Note 1	Equity-method investee	-
		2010.11	200,000	(200,000)	-	Equity-method investee	-	-	-	Note 1	Equity-method investee	-
		2010.10	188,941	(188,941)	-	Equity-method investee	-	-	-	Note 2	Equity-method investee	-

Note 1: Participation in share issuance.

Note 2: Newly established.

SUNPLUS TECHNOLOGY COMPANY LIMITED

DISPOSAL OF LONG-TERM INVESTMENTS AT COSTS OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
YEAR ENDED DECEMBER 31, 2010
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Types of Property	Transaction Date	Original Acquisition Date	Carrying Amount	Proceeds Collection Status	Gain on Disposal	Counter-party	Nature of Relationships	Purpose of Disposal	Price Reference	Other Terms
Sunplus Technology Company Limited	Orise Technology Co., Ltd.	2010.01 2010.02 2010.09 2010.10 2010.11	2005.12 2006.07 2007.06 2008.08	\$179,058	\$626,172	\$460,561	-	Equity-method investee	Financial planning	Note	-

Note: Sold on the Taiwan Stock Exchange.

SUNPLUS TECHNOLOGY COMPANY LIMITED

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCES
 DECEMBER 31, 2010
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2010		Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				December 31, 2010	December 31, 2009	Shares (Thousands)	Percentage of Ownership			
Sunplus Technology Company Limited	Orise Technology Co., Ltd.	Hsinchu, Taiwan	Design of ICs	\$ 581,661	\$ 687,979	51,290	38	\$ 485,290	\$ 199,879	Investee
	Sunplus mMedia Inc.	Hsinchu, Taiwan	Design of ICs	307,565	306,739	12,441	83	(13,945)	24,529	Subsidiary
	Sunplus Venture Capital Co., Ltd.	Hsinchu, Taiwan	Investment	999,982	999,982	100,000	100	111,404	111,404	Subsidiary
	Lin Shih Investment Co., Ltd.	Hsinchu, Taiwan	Investment	699,988	699,988	70,000	100	(31,654)	(31,654)	Subsidiary
	Generalplus Technology Inc.	Hsinchu, Taiwan	Design of ICs	305,050	316,864	38,731	40	330,646	137,713	Subsidiary
	Ventureplus Group Inc.	Belize	Investment	US\$ 41,900	US\$ 24,900	41,900	100	1,000,643	15,727	Subsidiary
	Russell Holdings Limited	Cayman Islands, British West Indies.	Investment	US\$ 14,760	US\$ 14,760	14,760	100	22,618	22,618	Subsidiary
	Sunplus Innovation Technology Inc.	Hsinchu, Taiwan	Design of ICs	414,663	thousand	30,103	66	106,434	86,922	Subsidiary
	Sunext Technology Co., Ltd.	Hsinchu, Taiwan	Design and sale of ICs	924,730	946,705	38,837	61	20,077	12,311	Subsidiary
	Sunplus Core Technology Co., Ltd.	Hsinchu, Taiwan	Design of ICs	195,285	105,470	11,026	70	(68,844)	(50,108)	Subsidiary
	Waveplus Technology Co., Ltd.	Hsinchu, Taiwan	Design and sale of ICs	35,517	35,517	1,302	41	(14,530)	(5,913)	Subsidiary
	Global Techplus Capital Inc.	Seychelles	Investment	US\$ 200	US\$ 200	200	100	(26)	(26)	Subsidiary
	Wei-Young Investment Inc.	Hsinchu, Taiwan	Investment	30,157	30,157	1,400	100	566	566	Subsidiary
	Sunplus Technology (H.K.) Co., Ltd.	Kowloon Bay, Hong Kong	International trade	HK\$ 11,075	HK\$ 11,075	11,075	100	(221)	(221)	Subsidiary
Lin Shih Investment Co., Ltd.	Sunplus Management Consulting Inc.	Hsinchu, Taiwan	Management	5,000	5,000	500	100	(33)	(33)	Subsidiary
	HT mMobile Inc.	Hsinchu, Taiwan	Design of ICs	372,608	372,608	37,261	25	(845,947)	(243,802)	Investee
	iCatch Technology, Inc.	Hsinchu, Taiwan	Design of ICs	207,345	207,345	20,735	38	(13,476)	(8,266)	Subsidiary
	Sunplus mMobile Inc.	Hsinchu, Taiwan	Design of ICs	1,707,392	1,507,392	20,090	99	(137,146)	(129,597)	Subsidiary
	Magie Sky Limited	Smooa	Investment	US\$ 6,000	-	6,000	100	-	-	Subsidiary
	Sunext Technology Co., Ltd.	Hsinchu, Taiwan	Design and sale of ICs	369,316	369,316	3,360	5	20,077	1,062	Subsidiary
	Waveplus Technology Co., Ltd.	Hsinchu, Taiwan	Design and sale of ICs	100,048	94,576	1,342	42	(14,530)	(4,411)	Subsidiary
	Sunplus Core Technology Co., Ltd.	Hsinchu, Taiwan	Design of ICs	36,800	20,073	2,220	14	(68,844)	(10,082)	Subsidiary
	Sunplus mMedia Inc.	Hsinchu, Taiwan	Design of ICs	38,450	38,376	8	-	(137,146)	(7,421)	Subsidiary
	Sunplus mMedia Inc.	Hsinchu, Taiwan	Design of ICs	19,171	19,171	579	4	(13,945)	(538)	Subsidiary
	Sunplus Innovation Technology Inc.	Hsinchu, Taiwan	Design of ICs	14,073	9,763	934	2	106,434	1,960	Subsidiary
	HT mMobile Inc.	Hsinchu, Taiwan	Design of ICs	46,948	4,394	4,695	3	(845,947)	(26,055)	Investee
	iCatch Technology, Inc.	Hsinchu, Taiwan	Design of ICs	9,645	9,645	965	2	(13,476)	(385)	Subsidiary
	Generalplus Technology Inc.	Hsinchu, Taiwan	Design of ICs	86,256	82,166	14,892	15	330,646	51,499	Subsidiary
Sunplus Venture Capital Co., Ltd.	Joing Technology Co., Ltd.	Hsinchu, Taiwan	Design of ICs	51,000	51,000	3,400	39	-	-	Investee
	Sunext Technology Co., Ltd.	Hsinchu, Taiwan	Design and sale of ICs	385,709	385,709	4,431	7	20,077	1,401	Subsidiary
	Han Young Technology Co., Ltd.	Taipei, Taiwan	Design of ICs	4,200	4,200	420	70	1,780	-	Subsidiary
	Sunplus Innovation Technology Inc.	Hsinchu, Taiwan	Design of ICs	45,597	17,227	2,176	5	42,996	3,609	Subsidiary
	HT mMobile Inc.	Hsinchu, Taiwan	Design of ICs	204	204	20	6	(845,947)	(134)	Investee
	iCatch Technology, Inc.	Hsinchu, Taiwan	Design of ICs	31,818	31,818	3,182	6	(13,476)	(1,269)	Subsidiary
	Waveplus Technology Co., Ltd.	Hsinchu, Taiwan	Design and sale of ICs	76,016	76,016	387	12	(14,530)	(1,757)	Subsidiary
	Orise Technology Co., Ltd.	Hsinchu, Taiwan	Design of ICs	10,800	10,800	865	1	485,290	3,083	Investee
	Sunplus Core Technology Co., Ltd.	Hsinchu, Taiwan	Design of ICs	33,846	20,000	1,855	12	(68,844)	(8,653)	Subsidiary
	Generalplus Technology Inc.	Hsinchu, Taiwan	Design of ICs	44,606	42,802	4,030	4	330,646	14,894	Subsidiary
	Sunplus mMobile Inc.	Hsinchu, Taiwan	Design of ICs	1,784	1,784	2261	-	(137,146)	(130)	Subsidiary
	Sunplus mMedia Inc.	Hsinchu, Taiwan	Design of ICs	44,878	44,878	1,909	13	(13,945)	(1,775)	Subsidiary

(Continued)

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2010 Shares (Thousands)	Percentage of Ownership	Carrying Value	Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				December 31, 2009	December 31, 2008						
Russell Holdings Limited	Jet Focus Limited	Cayman Islands, British West Indies	Investment	US\$ 6,050 thousand	US\$ 6,050 thousand	4,794	44	US\$ (350) thousand	US\$ - thousand	Investee	
	Sunext Technology Co., Ltd.	Hsinchu, Taiwan	Design and sale of ICs	US\$ 2,119 thousand	US\$ 2,119 thousand	442	1	US\$ 2,249 thousand	US\$ 4 thousand	Subsidiary	
Global Techplus Capital Inc.	Techplus Capital Samoa Inc.	Samoa	Investment	US\$ - thousand	US\$ - thousand	-	100	US\$ - thousand	US\$ - thousand	Subsidiary	
Wei-Young Investment Inc.	Generalplus Technology Inc.	Hsinchu, Taiwan	Design of ICs	1,800	1,800	108	-	1,897	330,646	Subsidiary	
	Sunext Technology Co., Ltd.	Hsinchu, Taiwan	Design and sale of ICs	350	-	18	-	355	20,077	Subsidiary	
Ventureplus Group Inc.	Ventureplus Mauritius Inc.	Mauritius	Investment	US\$ 41,900 thousand	US\$ 24,900 thousand	41,900	100	US\$ 34,358 thousand	US\$ 500 thousand	Subsidiary	
Ventureplus Mauritius Inc.	Ventureplus Cayman Inc.	Cayman Islands, British West Indies	Investment	US\$ 41,900 thousand	US\$ 24,900 thousand	41,900	100	US\$ 34,362 thousand	US\$ 500 thousand	Subsidiary	
Ventureplus Cayman Inc.	Sunplus Technology (Shanghai) Co., Ltd.	Shanghai, China	Manufacture and sale of ICs.	US\$ 17,000 thousand	US\$ 17,000 thousand	-	99	US\$ 12,716 thousand	US\$ 2,133 thousand	Subsidiary	
	Sunplus ProFtek (Shenzhen) Co., Ltd.	ShenZhen, China	Research, development, manufacture and sale of ICs.	US\$ 4,250 thousand	US\$ 4,250 thousand	-	100	US\$ 2,751 thousand	US\$ (445) thousand	Subsidiary	
	SunMedia Technology Co., Ltd.	Chengdu, China	Research, development, manufacture and sale of ICs.	US\$ 20,000 thousand	US\$ 3,000 thousand	-	100	US\$ 18,563 thousand	US\$ (1,160) thousand	Subsidiary	
	Sunplus App Technology Co., Ltd.	Beijing, China	Research, development, manufacture and sale of ICs.	US\$ 586 thousand	US\$ 586 thousand	-	80	US\$ 270 thousand	US\$ 7 thousand	Subsidiary	
	Great Sun Corp.	Great Sun Corp.	Samoa	Investment	US\$ 750 thousand	US\$ 750 thousand	750	100	10,206	7,008	Subsidiary
Great Sun Corp.	Great Prosperous Corp.	Mauritius	Investment	US\$ 1,500 thousand	US\$ 650 thousand	1,500	100	10,096	(19,623)	Subsidiary	
Great Sun Corp.	Sunext (Mauritius) Inc.	Mauritius	Investment	US\$ 750 thousand	US\$ 750 thousand	750	100	US\$ 107 thousand	US\$ 13 thousand	Subsidiary	
Sunext (Mauritius) Inc.	Sunext Technology (Shanghai) Co., Ltd.	Shanghai, China	Design of software	US\$ 750 thousand	US\$ 750 thousand	-	100	US\$ 107 thousand	US\$ 13 thousand	Subsidiary	
Waveplus Technology Co., Ltd.	Waveplus Design, Inc.	U.S.A.	Design of WLANs	US\$ 500 thousand	US\$ 500 thousand	1,000	100	US\$ - thousand	US\$ - thousand	Subsidiary	
Generalplus Technology Inc.	Generalplus International (Samoa) Inc.	Samoa	Investment	US\$ 7,590 thousand	US\$ 5,590 thousand	7,590	100	94,099	11,991	Subsidiary	
Generalplus International (Samoa) Inc.	Generalplus (Mauritius) Inc.	Mauritius	Investment	US\$ 7,590 thousand	US\$ 5,590 thousand	7,590	100	US\$ 3,230 thousand	US\$ 380 thousand	Subsidiary	
Generalplus (Mauritius) Inc.	Generalplus Technology (Shenzhen) Co., Ltd.	Shenzhen, China	After-sales service	US\$ 7,200 thousand	US\$ 5,200 thousand	7,200	100	US\$ 3,000 thousand	US\$ 282 thousand	Subsidiary	
	Generalplus Technology (Hong Kong) Co., Ltd.	Hong Kong	Sales	US\$ 390 thousand	US\$ 390 thousand	390	100	US\$ 230 thousand	US\$ 98 thousand	Subsidiary	
Sunplus mMobile Inc.	Sunplus mMobile SAS	France	Design of ICs	EUR 237 thousand	EUR 237 thousand	237	100	33,486	24,438	Subsidiary	
Sunplus mMobile Holding Inc.	Sunplus mMobile Holding Inc.	Samoa	Investment	US\$ 2,580 thousand	US\$ 2,580 thousand	2,580	100	(3)	US\$ - thousand	Subsidiary	
	Bright Sunplus mMobile Inc.	Mauritius	Research and development of intellectual property rights	US\$ 2,580 thousand	US\$ 2,580 thousand	2,580	100	US\$ - thousand	US\$ - thousand	Subsidiary	

(Concluded)

SUNPLUS TECHNOLOGY COMPANY LIMITED

FORWARD EXCHANGE CONTRACTS OF INVESTEE COMPANY

Generalplus Technology used derivative contracts in 2009 to hedge against any adverse effect of exchange rate fluctuations on net foreign currency but had no outstanding forward exchange contracts as of December 31, 2010 and 2009.

On financial assets designated at fair value through profit or losses, there was a net loss of \$200 thousand in 2009.

SUNPLUS TECHNOLOGY COMPANY LIMITED

INFORMATION ON INVESTMENT IN MAINLAND CHINA
YEAR ENDED DECEMBER 31, 2010

(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, 2009	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2009	% Ownership of Direct or Indirect Investment	Investment Loss	Carrying Value as of December 31, 2009	Accumulated Inward Remittance of Earnings as of December 31, 2009
					Outflow	Inflow					
Sunplus Technology (Shanghai) Co., Ltd.	Manufacturing and sale of consumer ICs	US\$ 17,200 thousand	Note 1	US\$ 17,000 thousand	US\$ - thousand	US\$ - thousand	US\$ 17,000 thousand	99%	US\$ 2,108 Thousand	US\$ 12,716 thousand	US\$ - thousand
Sunplus Prof-tek (Shenzhen) Co., Ltd.	Development and sale of computer software. Service of System Integration	US\$ 4,250 thousand	Note 1	US\$ 4,250 thousand	US\$ - thousand	US\$ - thousand	US\$ 4,250 thousand	100%	US\$ (445) Thousand	US\$ 2,751 Thousand	US\$ - thousand
SunMedia Technology Co., Ltd.	Manufacturing and sale of computer software. Service of System Integration	US\$ 20,000 thousand	Note 1	US\$ 3,000 thousand	US\$ 17,000 thousand	US\$ - thousand	US\$ 20,000 thousand	100%	US\$ (1,160) Thousand	US\$ 18,563 Thousand	US\$ - thousand
Sunplus App Technology Co., Ltd.	Manufacturing and sale of computer software. Service of System Integration and information management education	RMB 5,000 thousand	Note 1	US\$ 586 thousand	US\$ - thousand	US\$ - thousand	US\$ 586 thousand	80%	US\$ 5 thousand	US\$ 270 thousand	US\$ - thousand
Ytrip technology Co., Ltd. (tentative name)	Computer system integration services and supplying general advertising and other information service	US\$ 3,750 thousand	Note 2	Note 2	Note 2	Note 2	Note 2	Note 2	Note 2	Note 2	Note 2

Accumulated Investment in Mainland China as of December 31, 2009	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
US\$41,836 thousand	US\$56,550 thousand	\$7,658,354

Note 1: The Company invested in company located in Mainland China indirectly through the investing company in the third country.

Note 2: Approved by Investment commission, MOEA, but yet remitted.

7.5 Consolidated Financial Statements

REPRESENTATION LETTER

The entities to be included in the combined financial statements of Sunplus Technology Company Limited and subsidiaries as of and for the year ended December 31, 2010, which will be prepared in conformity with the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises, are the same as the entities included in the consolidated financial statements prepared in conformity with the revised R.O.C. Statement of Financial Accounting Standards No. 7 - "Consolidated Financial Statements." In addition, the information needed to be disclosed in the combined financial statements is included in the consolidated financial statements. Thus, Sunplus Technology Company Limited and subsidiaries did not prepare a separate set of combined financial statements.

Very truly yours,

SUNPLUS TECHNOLOGY COMPANY LIMITED

By



CHOU-CHIEH HUANG
Chairman

January 31, 2011

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Sunplus Technology Company Limited

We have audited the accompanying consolidated balance sheets of Sunplus Technology Company Limited and subsidiaries (collectively, the "Company") as of December 31, 2010 and 2009, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Sunplus Technology Company Limited and subsidiaries as of December 31, 2010 and 2009, and the results of their operations and their cash flows for the years then ended, in conformity with Guidelines Governing the Preparation of Financial Reports by Securities Issuers, and accounting principles generally accepted in the Republic of China.

As disclosed in Note 3 to the accompanying financial statements, the Company adopted the newly revised Statement of Financial Accounting Standards (SFAS) No. 10 - "Inventories" beginning January 1, 2009.

January 31, 2011

Notice to Readers

The accompanying consolidated financial statements are intended only to present the financial position, results of operations 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 accepted and applied in the Republic of China.

For the convenience of readers, the 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 auditors' report and consolidated financial statements shall prevail.

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2010 AND 2009

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

ASSETS	2010		2009	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash (Note 4)	\$ 5,669,021	31	\$ 3,421,418	18
Certificates of deposits - restricted (Notes 4 and 23)	81,505	-	500	-
Notes and accounts receivable, net (Notes 2, 6 and 22)	1,777,704	9	2,394,130	13
Available-for-sale financial assets - current (Notes 2 and 5)	1,492,345	8	3,128,073	16
Other receivables (Note 22)	193,022	1	225,676	1
Inventories (Notes 2, 3 and 7)	2,028,711	11	1,338,508	7
Deferred income tax assets (Notes 2 and 19)	124,129	1	172,209	1
Other current assets	120,145	1	141,501	1
Total current assets	<u>11,486,582</u>	<u>62</u>	<u>10,822,015</u>	<u>57</u>
LONG-TERM INVESTMENTS				
Equity-method investments (Notes 2, 8 and 23)	1,106,906	6	3,125,594	16
Prepaid long-term investments	174,780	1	30,888	-
Available-for-sale financial assets (Notes 2, 5 and 8)	2,494,990	13	1,027,248	5
Financial assets carried at cost (Notes 2, 8 and 9)	462,877	3	656,909	4
Total long-term investments	<u>4,239,553</u>	<u>23</u>	<u>4,840,639</u>	<u>25</u>
PROPERTIES (Notes 2, 10 and 23)				
Cost				
Buildings	986,182	5	1,017,855	5
Auxiliary equipment	208,184	1	204,384	1
Machinery and equipment	419,640	2	476,065	2
Testing equipment	514,012	3	530,059	3
Transportation equipment	10,865	-	9,493	-
Furniture and fixtures	265,718	2	294,889	2
Leasehold improvements	57,876	-	53,528	-
Other equipment	424	-	529	-
Total cost	<u>2,462,901</u>	<u>13</u>	<u>2,586,802</u>	<u>13</u>
Less: Accumulated depreciation	1,335,232	7	1,371,136	7
Construction in progress and prepayments for equipment	46,104	-	10,506	-
Net properties	<u>1,173,773</u>	<u>6</u>	<u>1,226,172</u>	<u>6</u>
INTANGIBLE ASSETS, NET (Notes 2 and 11)	<u>891,766</u>	<u>5</u>	<u>1,121,928</u>	<u>6</u>
OTHER ASSETS				
Rental assets, net (Notes 2 and 23)	332,601	2	342,513	2
Deferred charges and others (Notes 2 and 12)	109,640	1	174,123	1
Deferred income tax assets - noncurrent (Notes 2 and 19)	274,665	1	608,167	3
Restricted assets (Notes 4 and 23)	1,457	-	1,600	-
Total other assets	<u>718,363</u>	<u>4</u>	<u>1,126,403</u>	<u>6</u>
TOTAL	<u>\$ 18,510,037</u>	<u>100</u>	<u>\$ 19,137,157</u>	<u>100</u>
LIABILITIES AND SHAREHOLDERS' EQUITY				
CURRENT LIABILITIES				
Short-term bank loans (Note 13)	\$ 816,970	4	\$ 940,281	5
Notes and accounts payable (Note 22)	1,037,583	6	1,211,224	6
Income tax payable (Notes 2 and 19)	337,346	2	325,383	2
Accrued expenses	295,659	1	475,838	2
Bonus payable to employees and remuneration payable to directors and supervisors (Note 16)	214,109	1	73,085	-
Long-term bank loans - current portion (Notes 14 and 23)	701,000	4	689,500	4
Other current liabilities (Notes 2, 8 and 22)	350,147	2	526,135	3
Total current liabilities	<u>3,752,814</u>	<u>20</u>	<u>4,241,446</u>	<u>22</u>
LONG-TERM BANK LOANS, NET OF CURRENT PORTION (Notes 14 and 23)	<u>132,500</u>	<u>1</u>	<u>1,470,500</u>	<u>8</u>
OTHER LIABILITIES				
Deferred income	2,918	-	2,918	-
Accrued pension liability (Notes 2 and 15)	100,545	1	102,619	1
Guarantee deposits	245,706	1	259,645	1
Total other liabilities	<u>349,169</u>	<u>2</u>	<u>365,182</u>	<u>2</u>
Total liabilities	<u>4,234,483</u>	<u>23</u>	<u>6,077,128</u>	<u>32</u>
SHAREHOLDERS' EQUITY				
Capital stock - NTS 10.00 par value (parent company's equity; Notes 2, 16 and 17)	5,969,099	32	5,969,099	31
Authorized - 1,200,000 thousand shares	709,215	4	709,215	4
Issued and outstanding - 596,910 thousand shares	68,357	-	68,357	-
Capital surplus	1,192,023	7	1,093,729	6
Additional paid-in capital - share issuance in excess of par	2,372,631	13	2,334,480	12
Treasury stock transactions	-	-	428,914	2
Merger and others	2,707,229	14	1,542,755	8
Retained earnings	(18,662)	-	110,973	-
Legal reserve	(172,567)	(1)	116,449	1
Special reserve	-	-	-	-
Unappropriated earnings	(63,401)	-	(63,401)	-
Others	12,763,924	69	12,310,570	64
Cumulative translation adjustments	-	-	-	-
Unrealized gain (loss) on financial assets	-	-	-	-
Treasury stock (at cost) - 3,560 thousand shares	-	-	-	-
Total equity attributed to shareholders of the parent	<u>1,511,630</u>	<u>8</u>	<u>749,459</u>	<u>4</u>
MINORITY INTEREST (Note 2)	<u>14,275,554</u>	<u>77</u>	<u>13,060,029</u>	<u>68</u>
Total shareholders' equity	<u>\$ 18,510,037</u>	<u>100</u>	<u>\$ 19,137,157</u>	<u>100</u>
TOTAL	<u>\$ 18,510,037</u>	<u>100</u>	<u>\$ 19,137,157</u>	<u>100</u>

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

(With Deloitte & Touche audit report dated January 31, 2011)

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME YEARS ENDED DECEMBER 31, 2010 AND 2009

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2010		2009	
	Amount	%	Amount	%
GROSS SALES	\$ 12,932,302		\$ 18,222,832	
SALES RETURNS AND ALLOWANCES	<u>167,162</u>		<u>331,675</u>	
NET SALES (Notes 2 and 22)	12,765,140	100	17,891,157	100
COST OF SALES (Notes 2, 3, 7 and 18)	7,772,853	61	12,266,728	69
REALIZED GAIN (LOSS) ON INTERCOMPANY TRANSACTIONS, NET (Note 2)	<u>183</u>	<u>-</u>	<u>(332)</u>	<u>-</u>
GROSS PROFIT	<u>4,992,470</u>	<u>39</u>	<u>5,624,097</u>	<u>31</u>
OPERATING EXPENSES (Notes 18 and 22)				
Marketing	361,344	3	433,928	2
General and administrative	567,795	4	648,415	4
Research and development	<u>3,313,684</u>	<u>26</u>	<u>3,991,761</u>	<u>22</u>
Total operating expenses	<u>4,242,823</u>	<u>33</u>	<u>5,074,104</u>	<u>28</u>
OPERATING INCOME	<u>749,647</u>	<u>6</u>	<u>549,993</u>	<u>3</u>
NONOPERATING INCOME AND GAINS				
Gain on disposal of investments, net (Note 2)	783,965	6	533,798	3
Dividend income (Note 2)	55,028	-	41,753	-
Administrative and support service revenue (Note 22)	19,021	-	2,915	-
Interest income	18,619	-	16,456	-
Rental revenue (Note 22)	10,946	-	52,900	-
Gain on disposal of fixed assets (Note 2)	10,247	-	1,130	-
Valuation gain on financial assets (Note 2)	-	-	4,539	-
Guarantee deposit default	-	-	2,243	-
Others (Note 22)	<u>102,448</u>	<u>1</u>	<u>69,257</u>	<u>1</u>
Total nonoperating income and gains	<u>1,000,274</u>	<u>7</u>	<u>724,991</u>	<u>4</u>
NONOPERATING EXPENSES AND LOSSES				
Impairment loss (Note 2)	163,988	1	48,666	-
Foreign exchange loss, net (Note 2)	97,959	1	69,621	-
Investment loss recognized by the equity-method, net (Notes 2 and 8)	59,266	1	114,354	1
Interest expense	44,729	-	76,848	1
Loss on disposal of fixed asset (Note 2)	5,309	-	2,452	-

(Continued)

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME YEARS ENDED DECEMBER 31, 2010 AND 2009

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2010		2009	
	Amount	%	Amount	%
Valuation loss on financial liabilities (Notes 2)	\$ -	-	\$ 6,444	-
Others (Note 2)	<u>25,609</u>	-	<u>42,684</u>	-
Total nonoperating expenses and losses	<u>396,860</u>	<u>3</u>	<u>361,069</u>	<u>2</u>
INCOME BEFORE INCOME TAX	1,353,061	10	913,915	5
INCOME TAX (Notes 2 and 19)	<u>431,069</u>	<u>3</u>	<u>416,938</u>	<u>2</u>
CONSOLIDATED NET INCOME	<u>\$ 921,992</u>	<u>7</u>	<u>\$ 496,977</u>	<u>3</u>
ATTRIBUTABLE TO				
Shareholders of the parent	\$ 773,711	6	\$ 381,515	2
Minority interest	<u>148,281</u>	<u>1</u>	<u>115,462</u>	<u>1</u>
	<u>\$ 921,992</u>	<u>7</u>	<u>\$ 496,977</u>	<u>3</u>
	2010		2009	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
CONSOLIDATED EARNINGS PER SHARE IN NEW TAIWAN DOLLARS (Note 20)				
Basic	<u>\$ 2.03</u>	<u>\$ 1.30</u>	<u>\$ 1.35</u>	<u>\$ 0.64</u>
Diluted	<u>\$ 2.01</u>	<u>\$ 1.29</u>	<u>\$ 1.35</u>	<u>\$ 0.64</u>

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

(With Deloitte & Touche audit report dated January 31, 2011)

(Concluded)

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

YEARS ENDED DECEMBER 31, 2010 AND 2009

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

	Equity Attributable to Shareholders of the Parent										Others (Notes 2, 16 and 17)			Total Shareholders' Equity	
	Capital Stock Issued and Outstanding (Note 16)		Capital Surplus (Notes 2, 16 and 17)			Retained Earnings (Notes 2 and 16)		Cumulative Translation Adjustments		Valuation (Loss)		Treasury Stock	Total		Minority Interests (Note 2)
	Shares	Amount	Share Issuance in Excess of Par	Long-term Investments	Merger	Total	Special Reserve	Unappropriated Earnings	Total	Gain on Financial Assets	Loss on Financial Assets				
BALANCE JANUARY 1, 2009	590,203	\$ 5,982,028	\$ 710,751	\$ 68,645	\$ 157,423	\$ 1,587,558	\$ 2,333,642	\$ 1,590,992	\$ 3,924,634	\$ 149,639	\$ (561,966)	\$ (131,471)	\$ 10,950,422	\$ 1,588,877	\$ 12,539,299
Retirement of treasury stock	(1,293)	(12,929)	(1,536)	(53,605)	-	(55,141)	-	-	-	-	-	68,070	-	-	-
Acquisition of treasury stock	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury stock assigned to employees	-	-	-	53,317	-	53,317	-	-	-	-	-	(114,385)	(114,385)	-	(114,385)
Appropriation of prior year's earnings:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	-	-	-	838	(428,914)	-	-	-	-	-	-	-
Special reserve	-	-	-	-	-	-	-	(428,914)	-	-	-	-	-	-	-
Adjustment arising from changes in percentage of ownership of investees	-	-	-	-	-	313,909	-	-	-	-	-	-	313,909	(340,530)	(26,621)
Adjustment of capital surplus - others	-	-	-	-	-	(28,342)	-	-	-	-	-	-	(28,342)	-	(28,342)
Consolidated net income in 2009	-	-	-	-	-	-	-	-	381,515	-	-	-	381,515	115,462	496,977
Translation adjustments on long-term investments	-	-	-	-	-	-	-	-	-	(38,666)	-	-	(38,666)	257	(38,409)
Adjustment for changes in equity in equity-method investees	-	-	-	-	-	-	-	-	-	-	113	-	113	-	113
Adjustment on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	678,302	-	678,302	402	678,704
Subsidiaries' distribution of cash dividends to minority interest	-	-	-	-	-	-	-	-	-	-	-	-	-	(127,108)	(127,108)
Decrease in minority interest	-	-	-	-	-	-	-	-	-	-	-	-	-	(487,911)	(487,911)
BALANCE DECEMBER 31, 2009	596,910	\$ 5,969,099	709,215	68,357	938,306	1,871,301	2,334,480	428,914	4,306,149	110,973	116,449	(63,401)	12,310,570	749,459	13,060,029
Appropriation of prior year's earnings:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	-	-	-	38,151	(428,914)	-	-	-	-	-	-	-
Special reserve	-	-	-	-	-	-	-	(428,914)	-	-	-	-	-	-	-
Adjustment arising from changes in percentage of ownership of investees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Adjustment of capital surplus - others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Consolidated net income in 2010	-	-	-	-	-	-	-	-	773,711	-	-	-	773,711	148,281	921,992
Translation adjustments on long-term investments	-	-	-	-	-	-	-	-	-	(129,635)	-	-	(129,635)	(6,077)	(132,712)
Adjustment for changes in equity in equity-method investees	-	-	-	-	-	-	-	-	-	(92)	-	-	(92)	(622)	(714)
Valuation loss on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	(288,924)	-	-	(288,924)	(395)	(289,319)
Subsidiaries' distribution of cash dividends to minority interest	-	-	-	-	-	-	-	-	-	-	-	-	-	(65,183)	(65,183)
Increase in minority interest	-	-	-	-	-	-	-	-	-	-	-	-	-	683,167	683,167
BALANCE DECEMBER 31, 2010	596,910	\$ 5,969,099	709,215	68,357	1,034,600	1,969,595	2,372,631	2,707,229	5,079,860	(18,662)	(172,562)	(63,401)	12,763,924	1,511,630	14,275,554

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

(With Deloitte & Touche audit report dated January 31, 2011)

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2010 AND 2009

(In Thousands of New Taiwan Dollars)

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income attributable to shareholders of the parent	\$ 773,711	\$ 381,515
Net income attributable to the minority interest	148,281	115,462
Adjustments to reconcile the consolidated net income to net cash provided by operating activities:		
Depreciation and amortization	819,436	1,049,043
Realized (gain) loss on intercompany transactions	(183)	332
Cash dividends received from equity-method investees	109,443	-
Gain on disposal of investments, net	(783,965)	(533,235)
Impairment loss	163,988	48,666
Investment loss recognized by the equity-method, net	59,266	114,354
Valuation gain on financial instruments	-	(6,528)
Gain (loss) on disposal of properties	(4,938)	1,303
Loss on disposal of intangible assets and deferred charges, net	1,396	77
Deferred income tax	381,582	304,126
Accrued pension liability	(2,074)	(36,271)
Cost of assigning treasury stock to employees	-	53,317
Net changes in operating assets and liabilities		
Held-for-trading financial assets	-	2,189
Notes and accounts receivable	616,426	(1,449,657)
Other receivables	(16,194)	17,360
Inventories	(690,203)	567,272
Other current assets	14,171	21,242
Notes and accounts payable	(173,641)	911,763
Income tax payable	11,963	(77,476)
Accrued expenses	(182,092)	149,083
Bonus payable to employees and remuneration payable to directors and supervisors	204,765	81,505
Other current liabilities	<u>(174,802)</u>	<u>246,345</u>
Net cash provided by operating activities	<u>1,276,336</u>	<u>1,961,787</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
(Increase) decrease in certificates of deposits - restricted	(80,862)	11,547
Proceeds from disposal of :		
Financial assets designated at fair value through profit or loss	-	168,650
Equity-method investments	881,788	658,501
Available-for-sale financial assets	3,593,972	5,488,061
Financial assets carried at cost	12,563	39,132
Properties	17,639	4,794
Intangible assets	5,641	103
Capital return on available-for-sale financial assets	-	2,499
Capital return on financial assets carried at cost	69,009	33,319
Capital return by equity-method investee	-	17,843

(Continued)

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2010 AND 2009 (In Thousands of New Taiwan Dollars)

	2010	2009
Acquisition of:		
Equity-method investments	\$ (43,454)	\$ -
Prepaid long-term investments	(174,780)	-
Available-for-sale financial assets	(1,741,347)	(8,058,396)
Financial assets carried at cost	(15,993)	(58,482)
Properties	(181,560)	(129,250)
Increase in intangible assets	(186,409)	(106,828)
Increase in deferred charges and others	<u>(103,351)</u>	<u>(98,799)</u>
Net cash provided by (used in) investing activities	<u>2,052,856</u>	<u>(2,027,306)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term loans	(123,311)	(1,482,329)
Proceeds from long-term bank loans	-	2,450,000
Repayments of long-term bank loans	(1,326,500)	(290,000)
Decrease in guarantee deposits	(13,939)	(86,122)
Cash dividends paid on common stock	(65,183)	(127,108)
Increase in minority interest	<u>509,792</u>	<u>898,598</u>
Net cash provided by (used in) financing activities	<u>(1,019,141)</u>	<u>1,363,039</u>
NET INCREASE IN CASH	2,310,051	1,297,520
CASH, BEGINNING OF YEAR	3,421,418	3,476,092
EFFECT OF EXCHANGE RATE CHANGES	(62,097)	(1,729)
EFFECT OF CHANGE OF CONSOLIDATED ENTITIES	<u>(351)</u>	<u>(1,350,465)</u>
CASH, END OF YEAR	<u>\$ 5,669,021</u>	<u>\$ 3,421,418</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Income tax paid	<u>\$ 48,745</u>	<u>\$ 181,225</u>
Interest paid	<u>\$ 49,893</u>	<u>\$ 82,965</u>
NONCASH INVESTING AND FINANCING ACTIVITIES		
Reclassification of long-term investment into available-for-sale financial assets	<u>\$ 1,797,346</u>	<u>\$ -</u>
Reclassification of properties into rental assets	<u>\$ 16,893</u>	<u>\$ 99,356</u>
Reclassification of rental assets into properties	<u>\$ -</u>	<u>\$ 41,969</u>
Reclassification of properties into intangible assets	<u>\$ -</u>	<u>\$ 9</u>
Reclassification of properties into deferred charges and others	<u>\$ -</u>	<u>\$ 206</u>
Current portion of long-term bank loans	<u>\$ 701,000</u>	<u>\$ 689,500</u>
Reclassification of financial asset carried at cost into available-for-sale financial asset	<u>\$ 9,450</u>	<u>\$ -</u>

(Continued)

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2010 AND 2009

(In Thousands of New Taiwan Dollars)

	2010	2009
PARTIAL CASH INVESTING ACTIVITIES		
Acquisition of properties	\$ (183,473)	\$ (119,476)
Increase (decrease) in payables to contractors and equipment suppliers	<u>1,913</u>	<u>(9,774)</u>
Cash paid	<u>\$ (181,560)</u>	<u>\$ (129,250)</u>
Disposal of equity-method investments	\$ 851,693	\$ 688,596
(Increase) decrease in receivables from disposal of equity-method investments	<u>30,095</u>	<u>(30,095)</u>
Cash received	<u>\$ 881,788</u>	<u>\$ 658,501</u>

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

(With Deloitte & Touche audit report dated January 31, 2011)

(Concluded)

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2010 AND 2009

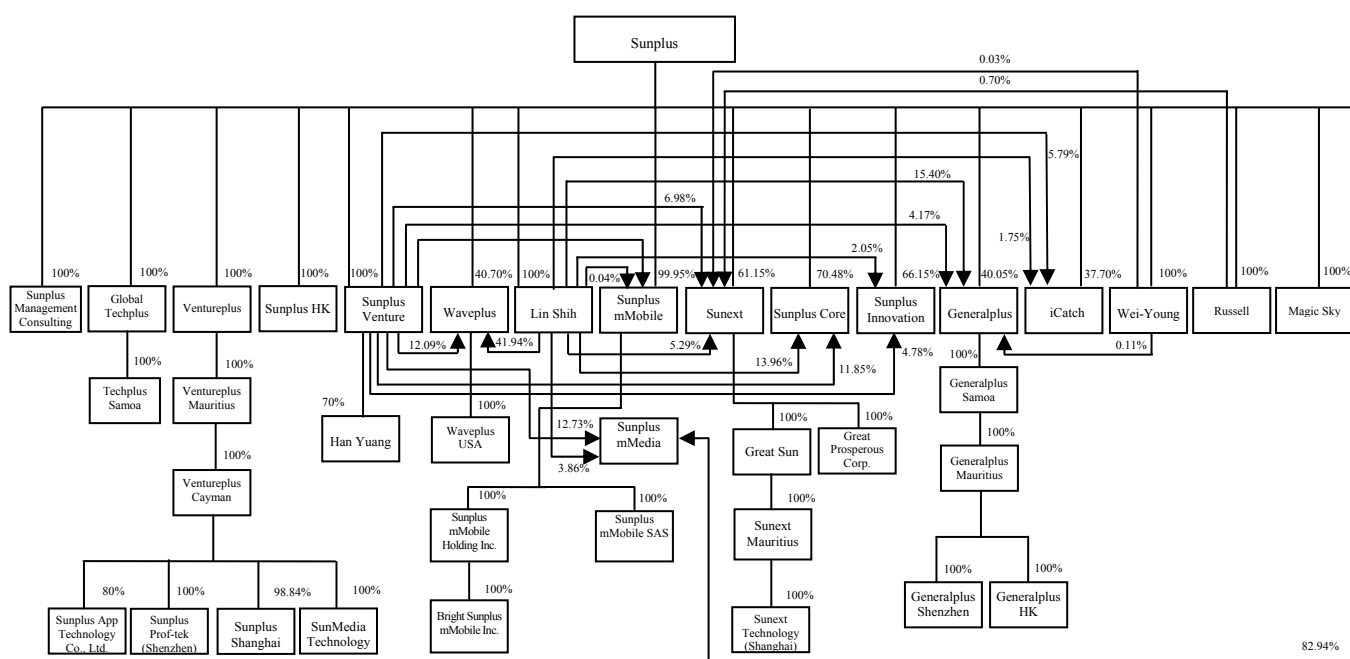
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. ORGANIZATION AND OPERATIONS

Sunplus Technology Company Limited (“Sunplus”) 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 depository receipts (GDRs), which have been listed on the London Stock Exchange since March 2001 (refer to Note 16).

Following is a diagram of the relationship and ownership percentages between Sunplus and its investees (collectively, the “Company”) as of December 31, 2010:



Sunplus mMobile, iCatch, Sunplus mMedia, Sunplus Innovation, Sunplus mMobile SAS and Sunplus mMobile Limited research, develop, design, manufacture and sell all kinds of IC modules, application software and silicon intellectual property (SIP). Sunplus Technology (Shanghai) manufactures and sells ICs. Sunplus Prof-tek (Shenzhen) researches, sells computer software and service of system integration and information management education. SunMedia Technology and Sunplus App Technology Co., Ltd. manufacture and sell ICs. Han Young mainly designs ICs. Waveplus and Waveplus-USA design and sell wireless land area network (WLAN) systems. Sunext mainly develops, and sells optical electronic and SOC (system on chip) ICs. Sunplus Core researches, develops, designs, manufactures and sells multimedia ICs. Sunext Technology (Shanghai) researches, designs, manufactures, and sells large capacity magnetic disc and software and renders related technological consulting services. Generalplus research, develop, designs, manufactures, and sells custom-made ICs. Generalplus Shenzhen and Generalplus HK do market research surveys. Sunplus HK engages in international trade. Bright Sunplus mMobile researches and develops intellectual property rights. Great prosperous Corp. engages in investing activities, collect information on foreign techniques and marketing. All other subsidiaries are engaged in investing activities.

Sunplus and its consolidated entities are hereinafter referred to collectively as the “Company.” As of December 31, 2010 and 2009, the Company had 2,217 and 2,001 employees, respectively.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China (ROC). Under these guidelines and principles, the Company is required to make certain estimates and assumptions that could affect the amounts of allowance for doubtful accounts, allowance for sales returns and discounts, allowance for inventory devaluation, property depreciation, amortization of intangible assets and deferred expenses, impairment loss on assets, income tax, pension expenses and the bonuses to employees, directors and supervisors. Actual results could differ from these estimates.

For the convenience of readers, the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the R.O.C. 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 consolidated financial statements shall prevail.

The Company’s significant accounting policies are summarized as follows:

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of all direct and indirect subsidiaries of Sunplus, and the accounts of investees in which Sunplus’ ownership percentage is less than 50% but in which Sunplus has a controlling interest. All significant intercompany balances and transactions are eliminated upon consolidation.

The consolidated entities as of December 31, 2010 and 2009 were as follows:

Investor	Investee	% of Ownership as of December 31		Remark
		2010	2009	
Sunplus	Sunplus Management Consulting	100.00	100.00	-
	Global Techplus	100.00	100.00	-
	Ventureplus	100.00	100.00	-
	Sunplus HK	100.00	100.00	-
	Sunplus Venture	100.00	100.00	-
	Waveplus	40.70	40.70	Sunplus and the subsidiaries held 94.73% ownership of Waveplus, as of November 2010, the corporation implemented liquidation procedure.
	Lin Shih	100.00	100.00	-
	Sunplus mMobile	99.95	90.91	-
	Sunext	61.15	64.30	-
	Sunplus Core	70.48	57.04	-
	Sunplus Innovation	66.15	80.66	-
	Generalplus	40.05	44.70	Sunplus and the subsidiaries held 59.73% ownership of Generalplus.
	iCatch Technology, Inc.	37.70	82.94	Newly established in December 2009. Sunplus and the subsidiaries held 45.24% ownership of iCatch Technology, Inc. and the Company had controlling interest over iCatch Technology, Inc.; thus, the investee was included in the consolidated financial statement.
	Wei-Young Russell	100.00	100.00	-
Sunplus mMedia	82.94	82.94	-	
Magic Sky Limited	100.00	-	Newly established in October 2010	
Global Techplus	Techplus Samoa	100.00	100.00	-
Ventureplus	Ventureplus Mauritius	100.00	100.00	-
Ventureplus Mauritius	Ventureplus Cayman	100.00	100.00	-
Ventureplus Cayman	Sunplus Shanghai	98.84	98.84	-
	Sunplus Prof-tek (Shenzhen)	100.00	100.00	-
	SunMedia Technology Co., Ltd.	100.00	100.00	-
	Sunplus App Technology Co., Ltd.	80.00	80.00	-
Sunplus Venture	Han Yuang	70.00	70.00	-
	Sunext	6.98	6.98	Sunplus and the subsidiaries had 74.15% equity in Sunext.
	Waveplus	12.09	12.09	Sunplus and the subsidiaries had 94.73% equity in Waveplus; as of November 2010, Waveplus was undergoing liquidation.
	Generalplus	4.17	5.32	Sunplus and the Subsidiaries had 59.73% equity in Generalplus.
	Sunplus Core	11.85	12.82	Sunplus and the subsidiaries had 96.29% equity in Sunplus Core.
	Sunplus mMobile	-	0.11	Sunplus and the subsidiaries had 99.99% equity in Sunplus mMobile
	Sunplus mMedia	12.73	12.73	Sunplus and the subsidiaries had 99.53% equity in Sunplus mMedia.
	Sunplus Innovation	4.78	2.79	Sunplus and the subsidiaries had 72.98% equity in Sunplus Innovation
	iCatch Technology, Inc.	5.79	12.73	Newly established in December 2009; Sunplus and the subsidiaries had 45.24% equity in iCatch Technology, Inc.

(Continued)

Investor	Investee	% of Ownership as of December 31		Remark
		2010	2009	
Waveplus	Waveplus USA	100.00	100.00	-
Lin Shih	Generalplus	15.40	16.29	Sunplus and the subsidiaries had 59.73% equity in Generalplus.
	Sunext	5.29	5.29	Sunplus and the Subsidiaries had 74.15% equity in Sunext.
	Waveplus	41.94	25.22	Sunplus and the Subsidiaries had 94.73% equity in Waveplus; as of November 2010, Waveplus was undergoing liquidation.
	Sunplus Core	13.96	13.19	Sunplus and the subsidiaries had 96.29% equity in Sunplus Core.
	Sunplus mMedia	3.86	3.86	Sunplus and the subsidiaries had 99.53% equity in Sunplus mMedia.
	Sunplus mMobile	0.04	2.31	Sunplus and the subsidiaries had 99.99% equity in Sunplus mMobile.
	Sunplus Innovation	2.05	1.76	Sunplus and the subsidiaries had 72.98% equity in Sunplus Innovation.
	iCatch Technology, Inc.	1.75	3.86	Newly established in December 2009; Sunplus and the Subsidiaries had 45.24% equity in iCatch Technology, Inc. and the Company had controlling interest over iCatch Technology, Inc.; thus, the investee was included in the consolidated financial statement.
Sunplus mMobile	Sunplus mMobile Holding Inc.	100.00	100.00	-
	Sunplus mMobile SAS	100.00	100.00	-
	Sunplus mMobile Limited	-	100.00	The investee completed its liquidation in September, 2010; thus, it was excluded from the consolidated financial statements.
Sunplus mMobile Holding Inc.	Bright Sunplus mMobile Inc.	100.00	100.00	-
Sunext	Great Sun	100.00	100.00	-
	Great Prosperous Corp.	100.00	100.00	Newly established in February 2009
Great Sun	Sunext Mauritius	100.00	100.00	-
Sunext Mauritius	Sunext (Shanghai)	100.00	100.00	-
Generalplus	Generalplus Samoa	100.00	100.00	-
Generalplus Samoa	Generalplus Mauritius	100.00	100.00	-
Generalplus Mauritius	Generalplus Shenzhen	100.00	100.00	-
	Generalplus HK	100.00	100.00	-
Russell	Sunext	0.70	0.70	Sunplus and the subsidiaries had 74.15% equity in Sunext
Wei-Young	Generalplus	0.11	0.12	Sunplus and the subsidiaries had 59.73% equity in Generalplus
	Sunext	0.03	-	Sunplus and the subsidiaries had 74.15% equity in Sunext

(Concluded)

Minority interest in subsidiaries is presented as a separate component of shareholders' equity.

In their meeting on March 10, 2009, the board of Sunplus mMobile (SmM) approved the spin-off of its communication business unit (BU) by decreasing SmM's capital to establish HT mMobile Inc. ("HT mMobile"). The carrying value of this BU was \$189,867 thousand as of December 31, 2008. SmM's shareholders of Sunplus mMobile will own HT mMobile in the same proportion of their ownership of SmM. So Sunplus own 93.33% shares of HT mMobile. However, the Company did not participate in the share issuance of mMobile. Since the Company owned 30.22% only of HT mMobile and had no controlling power over HT mMobile, HT mMobile was excluded from the consolidated financial statements on December 1, 2009.

After several selling of interests in Orise Technology Co., Ltd., the Company had 45.53% equity in Orise Technology, Co., Ltd. as of December 31, 2009. Thus, the Company had no controlling interest over Orise Technology Co., Ltd and the investee was excluded from the consolidated financial statements. Significant accounting policies are summarized as follows:

Current/Noncurrent Assets and Liabilities

Current assets are cash (unrestricted) and other assets primarily held for trading purposes or to be realized, consumed or sold within one year from the balance sheet date. All other assets such as properties and intangible assets are classified as noncurrent. Current liabilities are obligations incurred for trading purposes or to be settled within one year from the balance sheet date. All other liabilities are classified as noncurrent.

Financial Assets/Liabilities at Fair Value Through Profit or Loss

Financial instruments classified as financial assets or financial liabilities at fair value through profit or loss (FVTPL) include financial assets or financial liabilities held for trading and those designated as at FVTPL on initial recognition. The Company recognizes a financial asset or a financial liability on its balance sheet when the Company becomes a party to the contractual provisions of the financial instrument. A financial asset is derecognized when the Company has lost control of its contractual rights over the financial asset. A financial liability is derecognized when the obligation specified in the relevant contract is discharged, cancelled or expired.

Financial instruments at FVTPL are initially measured at fair value. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss. At each balance sheet date subsequent to initial recognition, financial assets or financial liabilities at FVTPL are remeasured at fair value, with changes in fair value recognized directly as gain or loss in the year in which they arise. On derecognition of a financial asset or a financial liability, the difference between its carrying amount and the sum of the consideration received and receivable or consideration paid and payable is recognized as gain or loss. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

Derivatives that do not meet the criteria for hedge accounting are treated as financial assets or financial liabilities held for trading. When the fair value is positive, the derivative is recognized as a financial asset; otherwise, the derivative is treated as a financial liability.

The fair values of those instruments without quoted market prices in an active market are based on valuation techniques incorporating estimates and assumptions that are consistent with prevailing market conditions.

Hybrid instruments are designated at fair value through profit or loss.

Available-for-sale Financial Assets

Investments designated as available-for-sale financial assets include open-end mutual funds and listed stocks. Investments classified as available-for-sale financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition.

At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are remeasured at fair value, with changes in fair value recognized in equity until the financial assets are disposed of, at which time, the cumulative gain or loss previously recognized in equity is included in profit or loss for the year. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

The recognition, derecognition and the fair value bases of available-for-sale financial assets are similar to those of financial assets at FVTPL.

Cash dividends are recognized on the ex-dividend date, except for dividends distributed from the pre-acquisition profit, which are treated as a reduction of investment cost. Stock dividends are not recognized as investment income but are recorded as an increase in the number of shares. The total number of shares subsequent to the increase is used for recalculation of cost per share. The difference between the initial cost of a debt instrument and its maturity amount is amortized using the effective interest method, with the amortized interest recognized as gain or loss.

The fair values of open-end mutual funds are based on their net asset value at the balance sheet date, and those of listed stocks are the closing prices as of the balance sheet date.

An impairment loss is recognized when there is objective evidence that the financial asset is impaired. Any subsequent decrease in impairment loss for an equity instrument classified as available-for-sale is recognized directly in equity.

Revenue Recognition

Revenue from sales of goods is recognized when the Company has transferred to the buyer the significant risks and rewards of ownership of the goods, primarily upon shipment, because the earnings process has been completed and the economic benefits associated with the transaction have been realized or are realizable. The Company does not recognize sales revenue on materials delivered to subcontractors because this delivery does not involve a transfer of risks and rewards of materials ownership.

Revenue is measured at the fair value of the consideration received or receivable and represents amounts agreed between the Company and the customers for goods sold in the normal course of business, net of sales discounts and volume rebates. For trade receivables due within one year from the balance sheet date, as the nominal value of the consideration to be received approximates its fair value and transactions are frequent, fair value of the consideration is not determined by discounting all future receipts using an imputed rate of interest.

Royalties are recognized when:

- a. It is probable that the economic benefits of a transaction will flow to the Company; and
- b. The revenue can be measured reliably.

Royalties are recognized on an accrual basis in accordance with the substance of the contract.

If a contract meets all of the following recognition criteria for sales of goods and the following conditions, royalties are recognized at the time of sale:

- a. The amount of the royalties is fixed or the royalties are nonrefundable.
- b. The contract is noncancelable.
- c. The contract permits the licensee to exploit the assigned rights freely.
- d. The licensor has no remaining obligations to perform.

Sunplus Shanghai rent revenue recognized according to contract.

Allowance for Doubtful Accounts and Allowance for Sales Returns and Discounts

An allowance for doubtful accounts is provided on the basis of a review of the collectibility of accounts receivable. The Company assesses the probability of collections of accounts receivable by examining the aging analysis of the outstanding receivables and assessing the value of the collateral provided by customers.

An allowance is provided for any sales returns and discounts, which are estimated on the basis of historical experience and any known factors that would affect the allowance. Such provisions are deducted from sales in the year the products are sold, and related costs are deducted from cost of sales.

Inventories

Inventories consist of raw materials, supplies, finished goods and work-in-process and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at standard cost and adjusted to approximate weighted-average cost on the balance sheet date. Sunplus, Generalplus, Sunext, Sunplus Innovation, Sunplus mMobile, iCatch and Sunplus mMedia using standard costs to calculate inventory cost and in the closing date, adjust the difference between the standard cost and weighted-average cost. The other subsidiaries apply weighted-average methods in calculating inventory cost.

Financial Assets Carried at Cost

Investments in equity instrument with no quoted prices in an active market and with fair values that cannot be reliably measured, such as non-publicly traded stocks, are measured at their original cost. The accounting treatment for dividends on financial assets carried at cost is the same as that for dividends on available-for-sale financial assets.

An impairment loss is recognized when there is objective evidence that an asset is impaired. A reversal of this impairment loss is disallowed.

Equity-method Investments

Investments in which the Company holds 20% or more of the investee's voting shares or exercises significant influence over the operating and financial policy decisions are accounted for by the equity method. Pursuant to the revised Statement of Financial Accounting Standards, the cost of an investment shall be analyzed and the cost of investment in excess of the fair value of identifiable net assets acquired, representing goodwill, shall not be amortized and instead shall be tested for impairment annually.

When the Company's share in losses of an investee over which the Company has control exceeds its investment in the investee, unless the other shareholders of the investee have assumed legal or constructive obligations and have demonstrated the ability to make payments on behalf of the investee, the Company has to bear all of the losses in excess of the capital contributed by shareholders of the investee. If the investee subsequently reports profits, such profits are first attributed to the Company to the extent of the excess losses previously borne by the Company. If the recoverable amount is estimated to be less than its carrying amount, an impairment loss is charged to earnings.

On the balance sheet date, the Company evaluates investments for any impairment. An impairment loss is recognized and charged to current income if the investment carrying amount as of the balance sheet date exceeds the expected recoverable amount. For those investees over which the Company has significant influence, the assessment of impairment is based on carrying value. For those investees over which the Company holds a controlling interest, the assessment of impairment is based on an estimation of the value in use of the cash-generating units of the consolidated investees.

Cash dividends are recognized on the ex-dividend date, which are treated as a reduction of investment cost. Stock dividends are not recognized as an increase in investment but are recorded as an increase in the number of shares.

If an investee issues additional shares and the Company subscribes for these shares at a percentage different from its current equity, the resulting increase is credited to capital surplus. If a decrease results, the decrease is debited to capital surplus. But if capital surplus is not enough for debiting purposes, the decrease is debited to unappropriated retained earnings.

Profits from downstream transactions with an equity-method investee are eliminated in proportion to the Company's percentage of ownership in the investee; however, if the Company has control over the investee, all the profits are eliminated. Profits from upstream transactions with an equity-method investee are eliminated in proportion to the Company's percentage of weighted-average ownership in the investee. For those investees over which the Company holds a controlling interest, gains or losses on sales between equity method investees are deferred in proportion to the Company's percentage of weighted-average ownership in the investee. For those investees over which the Company does not hold a controlling interest, gains or losses on sales between equity method investees are deferred in proportion of the Company's percentage of multiplication of weighted-average ownership in the investees. All of these deferred gains and losses are realized upon resale of products to third parties.

Properties and Rental Assets

Properties and rental assets are stated at cost less accumulated depreciation. Major additions and improvements are capitalized, while maintenance and repairs are expensed currently.

On the balance sheet date, the Company evaluates properties and rental assets for any impairment. If impairment is identified, the Company will determine the recoverable amount of the assets. The carrying amount in excess of the expected recoverable amount is recognized as impairment loss and charged to current income. If the recoverable amount increases, the subsequent reversal of impairment loss will be recognized as gain. However, the increased carrying amount of an asset due to a reversal of impairment loss should not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognized for the assets in prior years.

Depreciation is computed on a straight-line method over estimated lives as follows: buildings - 5 to 55 years; auxiliary equipment - 3 to 10 years; machinery and equipment - 2 to 10 years; testing equipment - 1 to 5 years; transportation equipment - 4 to 10 years; furniture and fixtures - 1 to 11 years; leasehold improvements - 1 to 5 years; other equipment - 3 to 5 years and assets leased to others - 5 to 55 years. Properties and rental assets still in use beyond their initially estimated service lives are depreciated over their newly estimated service lives.

The related cost and accumulated depreciation of properties and rental assets are derecognized from the balance sheet upon its disposal. Any gain or loss on disposal of the assets is included in nonoperating gains or losses in the period of disposal.

Intangible Assets

Intangible assets consist of technology license fees, patents, land grant, technological know-how and software which are booked at the acquisition cost and amortized using the straight-line method over 1 to 15 years, 5 to 18 years, 50 years, 5 years, and 1 to 10 years, respectively.

Effective January 1, 2006, pursuant to the revised Statement of Financial Accounting Standard No. 5 - "Long-term Investments under the Equity Method," the acquisition cost is analyzed, and the acquisition cost in excess of the Company's share of the fair value of the identifiable net assets acquired is recognized as goodwill. Goodwill is not amortized but instead is tested for impairment annually or whenever there are indications that the investments are impaired.

Expenditures arising from research activities and those related to development activities that do not meet the criteria for capitalization are charged to expense when incurred.

On the balance sheet date, the Company evaluates intangible assets for any impairment. If impairment is identified, the Company will evaluate the recoverable amount of such assets. The carrying amount in excess of the expected recoverable amount is recognized as impairment loss and charged to current income. If the recoverable amount increases in the future, the subsequent reversal of impairment loss will be recognized as a gain. However, the increased carrying amount of an asset due to a reversal of impairment loss should not exceed the carrying amount that would have been determined (net of amortization), had no impairment loss been recognized for the asset in prior years.

Deferred Charges

Deferred charges are mainly costs of software, which are booked at the installation or acquisition cost. The amounts are amortized over 1 to 5 years, using the straight-line method.

Please refer to the preceding accounting policy of intangible assets for the accounting for impairment of deferred charges.

Stock-based Compensation

Employee stock options granted on or after January 1, 2008 are accounted for under SFAS No. 39, "Accounting for Share-based Payment." Under the statement, the value of the stock options granted, which is equal to the best available estimate of the number of stock options expected to vest multiplied by the grant-date fair value, is expensed on a straight-line basis over the vesting period, with a corresponding adjustment to capital surplus - employee stock options. The estimate is revised if subsequent information indicates that the number of stock options expected to vest differs from previous estimates.

Employee stock options granted between January 1, 2004 and December 31, 2007 were accounted for under the interpretations issued by the Accounting Research and Development Foundation. The Company adopted the intrinsic value method, under which compensation cost was recognized on a straight-line basis over the vesting period.

Employee stock options granted between January 1, 2008 and December 31, 2009 were accounted for in accordance with Rule No. 0960065898 issued by the Financial Supervisory Commission (FSC) under the Executive Yuan on December 12, 2007. Thus, the stock options granted were initially measured at their intrinsic value and then adjusted at each reporting date for any change in intrinsic value until the date of final settlement.

Employee stock options granted on or after January 1, 2010 are accounted for in accordance with Rule No. 0990006370 issued by FSC on March 15, 2010, which superseded Rule No. 0960065898. Under the FSC's requirement, the value of the stock options granted, which is equal to the best available estimate of the number of stock options expected to vest multiplied by the grant-date fair value, is expensed on a straight-line basis over the vesting period, with a corresponding adjustment to capital surplus - employee stock options. The estimate is revised if subsequent information indicates that the number of stock options expected to vest differs from previous estimates.

Government Subsidies

Amounts received by the Company from the government for the sponsorship of the development of certain products are recognized as subsidy income when realized or as deferred income when unrealized.

Pension Costs

Pension cost under a defined benefit plan is determined by actuarial valuations. Contributions made under a defined contribution plan are recognized as pension cost during the year in which employees render services.

Treasury Stock

Treasury stock is stated at cost and shown as a deduction in shareholders' equity. The Company accounts for its stock held by its subsidiaries as treasury stock. The recorded cost of these treasury stocks is based on the carrying value of the investments as shown in the subsidiaries' book. The resulting gain on investment from cash dividends appropriated to subsidiaries is credited to capital surplus treasury - stock transactions.

When the treasury shares are retired, the capital stock and paid-in capital based on the existing equity are debited. If the treasury shares are retired at a price lower than its par value and the Company paid-in capital, the deficiency is credited to paid-in capital from treasury stock. If the treasury shares are retired at a price in excess of its par value and paid-in capital, the excess is debited to paid-in capital from treasury stock. If the balance in paid-in capital from treasury stock is insufficient to absorb the deficiency, the remainder is recorded as a reduction of retained earnings.

Income Tax

The Company applies the inter-period tax allocation method. Under this method, deferred income taxes are recognized for the tax effects of deductible temporary differences unused loss carryforward and unused tax credits. Valuation allowances are provided to the extent, if any, that it is more likely than not that deferred income tax assets will not be realized. A deferred tax asset or liability is classified as current or noncurrent in accordance with the classification of related asset or liability for financial reporting. However, if a deferred income tax asset or liability does not relate to an asset or liability in the financial statements, then it is classified as either current or noncurrent based on the expected length of time before it is realized or settled.

If the Company can control the timing of the reversal of a temporary difference arising from the difference between the book value and the tax basis of a long-term equity investment in a foreign subsidiary or joint venture and if the temporary difference is not expected to reverse in the foreseeable future and will, in effect, exist indefinitely, then a deferred tax liability or asset is not recognized.

Tax credits for certain purchases of machinery, equipment and technology, research and development expenditures, personnel training and investments in important technology-based enterprise are recognized in the current period.

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

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

The Company and Sunplus mMobile Inc. (SMmI) use the linked-tax system in income tax filing. The income taxes payable arising from the differences between the consolidated current and deferred taxes and the sum of SMmI's current and deferred taxes are adjusted in the Company's account receivable or account payable.

Foreign-currency Transactions

ROC Statement of Financial Accounting Standards No. 14 - "The Effects of Changes in Foreign Exchange Rates" applies to foreign subsidiaries that use their local currencies as their functional currencies: the functional currency of Sunplus Shanghai, Sunplus Prof-tek (Shenzhen), SunMedia, Sunplus App Technology, Sunext Shanghai and Generalplus Shenzhen is RMB; the functional currency of Sunplus HK and Generalplus HK is HKD; the functional currency of Sunplus mMobile SAS is EUR; the functional currency of Sunplus mMobile Limited is GBP; the functional currency of the other subsidiaries is USD. The consolidated financial statements of foreign subsidiaries are translated into New Taiwan dollars at the following exchange rates: Assets and liabilities - current exchange rate on the balance sheet date;

shareholders' equity - historical rates; and income and expenses - average rate for the year. The resulting translation adjustments are recorded as a separate component of shareholders' equity.

Nonderivative foreign-currency transactions are recorded in New Taiwan dollars at the rates of exchange in effect when the transactions occur. Exchange differences arising from the settlement of foreign-currency assets and liabilities are recognized in profit or loss.

At the balance sheet date, foreign-currency monetary assets and liabilities are revalued using prevailing exchange rates and the exchange differences are recognized in profit or loss.

At the balance sheet date, foreign-currency nonmonetary assets (such as equity instruments) and liabilities that are measured at fair value are revalued using prevailing exchange rates, with the exchange differences treated as follows:

- a. Recognized in shareholders' equity if the changes in fair value are recognized in shareholders' equity;
- b. Recognized in profit and loss if the changes in fair value is recognized in profit or loss.

Foreign-currency nonmonetary assets and liabilities that are carried at cost continue to be stated at exchange rates at trade dates.

If the functional currency of an equity-method investee is a foreign currency, translation adjustments will result from the translation of the investee's financial statements into the reporting currency of the Company. Such adjustments are accumulated and reported as a separate component of shareholders' equity.

Reclassifications

Certain accounts in the consolidated financial statements as of and for the year ended December 31, 2009 have been reclassified to conform to the presentation of consolidated financial statements as of and for the year ended December 31, 2010.

3. ACCOUNTING CHANGES

Accounting for Inventories

Effective January 1, 2009, the Company adopted the newly revised Statement of Financial Accounting Standards No. 10 - "Inventories." The main revisions are (1) inventories are stated at the lower of cost or net realizable value, and inventories are written down to net realizable value by item, except when the grouping of similar or related items is appropriate; (2) unallocated overheads are recognized as cost of sales in the period in which they are incurred; and (3) abnormal cost, write-downs of inventories and any reversal of write-downs are recorded as cost of sales for the period. This accounting change resulted in decreases of \$152,298 thousand in net income and of NT\$0.26 in net income per share for 2009.

Stock-based Compensation

Employee stock options granted on or after January 1, 2010 are accounted for in accordance with Rule No. 0990006370, which was issued by the Financial Supervisory Commission (FSC) in March 2010. Under the FSC's requirement, the value of the stock options granted, which is equal to the best available estimate of the number of stock options expected to vest multiplied by the grant-date fair value, is expensed on a straight-line basis over the vesting period, with a corresponding adjustment to capital surplus - employee stock options. The estimate is revised if subsequent information indicates that the number of stock options expected to vest differs from previous estimates. This change resulted no effect in 2010 consolidated financial report.

4. CASH

	<u>December 31</u>	
	<u>2010</u>	<u>2009</u>
Savings accounts	\$ 800,354	\$ 699,641
Time deposits	4,944,363	2,720,033
Checking accounts	1,030	1,014
Cash on hand	<u>6,236</u>	<u>2,830</u>
	5,751,983	3,423,518
Deduct: Certificate of deposits - restricted	<u>82,962</u>	<u>2,100</u>
	<u>\$ 5,669,021</u>	<u>\$ 3,421,418</u>

5. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	<u>Years Ended December 31</u>	
	<u>2010</u>	<u>2009</u>
Open-end funds	\$ 1,492,345	\$ 3,128,073
Domestic quoted stocks	<u>2,494,990</u>	<u>1,027,248</u>
	3,987,335	4,155,321
Deduct: Current portion	<u>1,492,345</u>	<u>3,128,073</u>
	<u>\$ 2,494,990</u>	<u>\$ 1,027,248</u>

Some of the overseas listed shares held by the Sunplus are private-placement shares, on which there is a legally enforceable restriction that prevents their trading for a specified period. The effects of restriction could be reliably measured and were consistent with those of other market participants, so those shares previously classified as financial assets carried at cost were transferred to available-for-sale financial assets, resulting in an unrealized loss of \$28,855 thousand for the year ended December 31, 2010.

6. NOTES AND ACCOUNTS RECEIVABLE - OTHERS

	<u>December 31</u>	
	<u>2010</u>	<u>2009</u>
Notes receivable	\$ 340	\$ 776
Accounts receivable	1,838,809	2,505,777
Accounts receivable - related parties	<u>28,728</u>	<u>10,576</u>
	1,867,877	2,517,129
Deduct: Allowance for doubtful accounts	65,173	65,744
Deduct: Allowance for sales returns and discounts	<u>25,000</u>	<u>57,255</u>
	<u>\$ 1,777,704</u>	<u>\$ 2,394,130</u>

Movements of the allowance for doubtful accounts were as follows:

	Years Ended December 31	
	2010	2009
Balance, beginning of year	\$ 65,744	\$ 59,814
Add: Allowance for doubtful accounts	-	7,249
Deduct: Amounts written off	107	-
Deduct: Reversal of allowance	464	1,126
Effects of change in consolidated entities	<u>-</u>	<u>(193)</u>
Balance, end of year	<u>\$ 65,173</u>	<u>\$ 65,744</u>

Movements of the allowance for sales returns and discounts were as follows:

	Years Ended December 31	
	2010	2009
Balance, beginning of year	\$ 57,255	\$ 35,927
Add: Allowance for sales returns and discounts	4,761	32,255
Deduct: Reversal of allowance for sales returns and discounts	<u>37,016</u>	<u>10,927</u>
Balance, end of year	<u>\$ 25,000</u>	<u>\$ 57,255</u>

7. INVENTORIES

	December 31	
	2010	2009
Finished goods and merchandise	\$ 591,874	\$ 579,156
Work in process	667,746	566,312
Raw materials	<u>769,091</u>	<u>193,040</u>
	<u>\$ 2,028,711</u>	<u>\$ 1,338,508</u>

As of December 31, 2010 and 2009, the allowances for inventory devaluation were \$424,287 thousand and \$498,341 thousand, respectively.

As of December 31, 2010 and 2009, the costs of inventories recognized as cost of goods sold were \$7,764,259 thousand and \$12,265,724 thousand, respectively. For the years ended December 31, 2010 and 2009, these inventory costs included the following:

	Years Ended December 31	
	2010	2009
Inventory write-downs	\$ 112,682	\$ 544,700
Compensation income	(5,276)	(15,196)
Income from scrap sales	<u>(26,404)</u>	<u>(16,494)</u>
	<u>\$ 81,002</u>	<u>\$ 513,010</u>

8. EQUITY-METHOD INVESTMENTS

	December 31			
	2010		2009	
	Amount	% of Owner- ship	Amount	% of Owner- ship
Equity-method investments				
Orise Technology, Co., Ltd.	\$ 1,051,184	39	\$ 1,134,638	46
HT mMobile Inc.	55,722	28	216,827	30
Giantplus Technology Co., Ltd.	<u>-</u>	-	<u>1,774,129</u>	21
	<u>\$ 1,106,906</u>		<u>\$ 3,125,594</u>	
Credit balances on carrying values of long-term investments (recorded as other current liabilities)				
Jet Focus Ltd.	<u>\$ 10,207</u>	44	<u>\$ 11,210</u>	44

In 2009, the Company's ownership in Giantplus decreased to below 20% of total ownership. Thus, the Company lost significant influence on Giantplus and thus reclassified the related equity-method investment to available-for-sale financial asset - noncurrent.

Synerchip Co., Ltd. ("Synerchip") issued additional shares in 2009. However, the Company did not participate in the share issuance; the Company's equity in Synerchip decreased to less than 20%. With this decrease as well as the absence of a controlling interest over the investee, Synerchip was accounted for as a financial asset carried at cost.

In 2009 and 2010, there was a credit balance on the carrying value of the long-term investment in Jet Focus Ltd. Since the Company had no interest to support Jet Focus Ltd, therefore, the Company did not recognize it is investment losses.

The carrying values of the investments accounted for by the equity method and the related investment income (losses) were based on the investees' audited financial statements for the same reporting years as those of the Company. The investment incomes (losses) of investees were as follows:

	Years Ended December 31	
	2010	2009
Orise Technology, Co., Ltd.	\$ 202,962	\$ 5,989
HT mMobile Inc.	(269,991)	(18,021)
Giantplus Technology Co., Ltd.	7,764	(80,621)
Goldkey Technology Corp.	-	627
Synerchip Co., Ltd.	<u>-</u>	<u>(22,328)</u>
	<u>\$ (59,266)</u>	<u>\$ (114,354)</u>

The fair values of listed equity-method investments calculated at their closing prices as of December 31, 2010 and 2009 were as follows:

	December 31	
	2010	2009
Orise Technology, Co., Ltd.	\$ 3,311,854	\$ 4,891,649
Giantplus Technology, Co., Ltd.	<u>-</u>	<u>1,790,387</u>
	<u>\$ 3,311,854</u>	<u>\$ 6,682,036</u>

9. FINANCIAL ASSETS CARRIED AT COST

	<u>December 31</u>	
	<u>2010</u>	<u>2009</u>
Domestic unlisted stocks	<u>\$ 462,877</u>	<u>\$ 656,909</u>

The above investments did not have quoted prices in an active market and their fair values could not be reliably measured. Thus, they were carried at original cost.

10. PROPERTIES

	<u>December 31</u>	
	<u>2010</u>	<u>2009</u>
Accumulated depreciation		
Buildings	\$ 192,231	\$ 180,716
Auxiliary equipment	162,898	149,215
Machinery and equipment	349,351	386,426
Testing equipment	385,709	416,022
Transportation equipment	5,785	6,094
Furniture and fixtures	200,001	197,383
Leasehold improvements	38,840	34,766
Other equipment	<u>417</u>	<u>514</u>
	<u>\$ 1,335,232</u>	<u>\$ 1,371,136</u>

11. INTANGIBLE ASSETS, NET

	<u>December 31</u>	
	<u>2010</u>	<u>2009</u>
Technology license fees	\$ 461,361	\$ 712,990
Goodwill	291,381	257,449
Patents	55,294	60,688
Software	48,253	49,911
Land grant	29,188	31,655
Technological know-how	<u>6,289</u>	<u>9,235</u>
	<u>\$ 891,766</u>	<u>\$ 1,121,928</u>

Intangible assets consisted of fees paid to Oak Technology (“Oak”) for the Company to use Oak’s technology on light storage solutions to develop SOC DVD/VCD (system on a chip digital compact disk/video compact disk) players and the fee paid to Royal Philips Electronics (“Philips”) for the Company to use Philips’s optical disc drive (ODD) semiconductor technology. Technological know-how refers to CD-RW, combo, recordable-DVD, WLAN and gate way SOC.

Movements of the difference between the cost of investment and the Company's share in investees' net assets allocated to goodwill for the years ended December 31, 2010 and 2009 were as follows:

	Year Ended December 31	
	2010	2009
<u>Cost</u>		
Balance, beginning of year	\$ 257,449	\$ 246,270
Amount recognized on business combinations	46,824	12,872
Disposals	(6,916)	-
Translation adjustments	<u>(5,976)</u>	<u>(1,693)</u>
Carrying amount	<u>\$ 291,381</u>	<u>\$ 257,449</u>

12. DEFERRED CHARGES AND OTHERS

	December 31	
	2010	2009
Software and system design, net	\$ 94,452	\$ 156,847
Refundable deposits	7,388	9,419
Certificates of golf club membership	7,800	7,800
Others	<u>-</u>	<u>57</u>
	<u>\$ 109,640</u>	<u>\$ 174,123</u>

13. SHORT-TERM LOANS

	December 31	
	2010	2009
Working capital loans - 2010: annual interest rate from 2.00% to 2.78%; 2009: Annual interest rate from 2.00%-3.00%	\$ 355,547	\$ 570,546
Working capital loans - 2010: US\$6,000 thousand, annual interest rate from 0.94%-0.99%	174,780	-
Working capital loans - 2010: US\$4,200 thousand, annual interest rate at 0.8499%; 2009: US\$1,490 thousand, annual interest rate at 1.22%	122,346	47,665
Working capital loans - 2010: annual interest rate from 1.63% to 2.50%; 2009: Annual interest rate at 1.63%-2.00%	106,700	175,000
Working capital loans - 2010: US\$1,967 thousand, annual interest rate 2.194%; 2009: US\$4,597 thousand, annual interest rate at 1.812%	<u>57,597</u>	<u>147,070</u>
	<u>\$ 816,970</u>	<u>\$ 940,281</u>

14. LONG-TERM DEBTS

	<u>December 31</u>	
	<u>2010</u>	<u>2009</u>
Medium- to long-term credit bank loans:		
Repayable quarterly from February 2010 to February 2012; annual floating-rate interest - 1.5225% in 2010 and 1.4232% in 2009	\$ 330,000	\$ 820,000
Repayable quarterly from November 2009 to February 2012; annual floating-rate interest - 2.48% to 2.72% in 2010 and 2.7% in 2009	150,000	270,000
Repayable semiannually from February 2009 to February 2012; annual floating-rate interest - 1.94% in 2010 and 2.2100% in 2009	60,000	120,000
Repayable quarterly from January 2010 to July 2012; annual floating-rate interest - 2.56% to 2.65% in 2010 and 2.56% in 2009	63,000	100,000
Repayable quarterly from April 2010 to April 2012; annual floating-rate interest 1.4232% in 2009	-	30,000
Medium- to long-term secured loans:		
Repayable semiannually from March 2010 to March 2014; annual floating-rate interest - 1.9% in 2010 and 1.8050% in 2009	230,500	700,000
Repayable semiannually from February 2009 to February 2012; annual floating-rate interest - 2.2100% in 2009	<u>-</u>	<u>120,000</u>
	833,500	2,160,000
Deduct: Current portion	<u>701,100</u>	<u>689,500</u>
	<u>\$ 132,500</u>	<u>\$ 1,470,500</u>
		(Concluded)

Based on the loan contracts, the Company provided buildings and shares of Giantplus Technology Co., Ltd. and Orise Technology Co., Ltd. as collaterals for the above loans (Note 23). The loan contracts contain financial covenants which require the Company to maintain certain financial ratios (debt ratio, current ratio, times interest-earned ratio and financing provided) on the basis of semiannual and annual consolidated financial statements. However, the Company's not being able to meet the ratio requirement is not deemed to be a violation of the contracts. The financial ratios shown in the consolidated financial statements for the year ended December 31, 2010 were in compliance with the loan contracts.

15. PENSION PLAN

The pension plan under the Labor Pension Act (LPA) is a defined contribution plan. Based on the LPA, the Company makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages. Related pension costs were \$64,004 thousand for 2010 and \$82,678 thousand for 2009.

Before the promulgation of the Act, the Company 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 plan provides benefits based on the length of service and the average basic salary of the employee's final year of service. In addition, the Company makes monthly contributions, equal to 2% of salaries, to a pension fund, which is administered by a fund monitoring committee. The fund is deposited in the committee's name in the Bank of Taiwan as the survivor entity.

The Company recognized pension costs of \$5,226 thousand and pension benefits of \$7,377 thousand for the years ended December 31, 2010 and 2009, respectively.

The service periods of employees being spun off to Orise, Sunplus Innovation, Sunplus mMobile from Sunplus; employees being spun off from Sunplus mMobile to Sunplus mMedia and HT mMobile, employees being spun off from Sunplus mMedia to Generalplus, Sunplus Innovation and iCatch. The related pension costs will be paid by the Sunplus, Sunplus mMobile and Sunplus mMedia (collectively, the “seven companies”) in proportion to the employees’ periods of service, term of retirement and related rights and obligations to the seven companies.

Other information on the defined pension plan is as follows:

a. Components of net pension costs

	Years Ended December 31	
	2010	2009
Service costs	\$ 3,185	\$ 4,707
Interest costs	4,129	5,670
Projected return on plan assets	(2,588)	(3,013)
Amortization	230	678
Curtailement gain	<u>-</u>	<u>(14,543)</u>
Net pension costs	<u>\$ 4,956</u>	<u>\$ (6,501)</u>

b. Reconciliation of the fund status of the plan and accrued pension costs

	December 31	
	2010	2009
Benefit obligation		
Vested benefit obligation	\$ -	\$ -
Non-vested benefit obligation	<u>91,047</u>	<u>79,861</u>
Accumulated benefit obligation	91,047	79,861
Additional benefits based on future salaries	<u>135,686</u>	<u>126,611</u>
Projected benefit obligation	226,733	206,472
Fair value of plan assets	<u>(137,129)</u>	<u>(123,802)</u>
Funded status	89,604	82,670
Unrecognized net transition obligation	332	(70)
Unrecognized net gain (loss)	<u>2,349</u>	<u>11,431</u>
Accrued pension liability	<u>\$ 92,285</u>	<u>\$ 94,031</u>
Vested benefit	<u>\$ -</u>	<u>\$ -</u>

	Years Ended December 31	
	2010	2009
c. Actuarial assumptions		
Discount rate used in determining present values	2.00%	2.00%
Future salary increase rate	3.25%-6.00%	3.00%-5.75%
Expected rate of return on plan assets	2.00%	2.00%

	<u>Years Ended December 31</u>	
	<u>2010</u>	<u>2009</u>
d. Contributions to the fund	\$ <u>6,777</u>	\$ <u>8,209</u>
e. Payments from the fund	\$ <u>-</u>	\$ <u>-</u>

16. PARENT'S SHAREHOLDERS' EQUITY

a. Employee stock option plan

On March 6, 2003 ("2003 option plan") and September 11, 2007 ("2007 option plan"), the Securities and Futures Bureau approved Sunplus' adoption of an employee stock option plan. The plan provides for the grant of 30,000 thousand options and 25,000 thousand options in 2003 and 2007 plan, respectively, with each unit representing one common share. The option rights are granted to qualified employees of Sunplus and subsidiaries. A total of 55,000 thousand common shares have been reserved for issuance. The options are valid for six years and exercisable at certain percentages after the second anniversary of the grant date. Stock option rights are granted at an exercise price equal to the closing price of Sunplus' common shares listed on the Taiwan Stock Exchange on the grant date. If Sunplus' paid-in-capital changes, the exercise price is adjusted accordingly. All options had been granted or canceled as of December 31, 2009.

Outstanding option rights were as follows:

	<u>2003 Option Plan</u>			
	<u>2010</u>		<u>2009</u>	
	<u>Unit (In Thousands)</u>	<u>Weighted- average Price (NT\$)</u>	<u>Unit (In Thousands)</u>	<u>Weighted- average Price (NT\$)</u>
Beginning outstanding balance	-	\$-	5,082	\$40.31
Options canceled	<u>-</u>	-	<u>(5,082)</u>	-
Ending outstanding balance	<u>-</u>		<u>-</u>	

	<u>2008 Option Plan</u>			
	<u>2010</u>		<u>2009</u>	
	<u>Unit (In Thousands)</u>	<u>Weighted- average Price (NT\$)</u>	<u>Unit (In Thousands)</u>	<u>Weighted- average Price (NT\$)</u>
Beginning outstanding balance	22,858	\$40.52	24,646	\$40.52
Options canceled	<u>(1,425)</u>	-	<u>(1,788)</u>	-
Ending outstanding balance	<u>21,433</u>		<u>22,858</u>	

The number of shares and exercise prices of outstanding option have been adjusted to reflect the appropriations of dividends, stock bonuses and issuance of capital stock specified under the Plans.

As of December 31, 2010, the outstanding and exercisable options were as follows:

Exercise Price (NT\$)	2007 Option Plan				
	Options Outstanding			Options Exercisable	
	Number of Options (In Thousands)	Weighted-average Remaining Contractual Life (Years)	Weighted-average Exercise Price (NT\$)	Number of Options (In Thousands)	Weighted-average Exercise Price (NT\$)
\$40.40	15,133	2.87	\$40.40	15,133	\$40.40
40.90	6,300	2.99	40.90	6,300	40.90

The pro forma information for the years ended December 31, 2010 and 2009 assuming employee stock options granted before December 31, 2007 were accounted for under Statement of Financial Accounting Standards No. 39 - "Share-based Payment" is as follows:

	2010	2009
Net income attributable to shareholders of the parent		
Net income as reported	<u>\$ 773,711</u>	<u>\$ 381,515</u>
Pro forma net income	<u>\$ 772,347</u>	<u>\$ 180,468</u>
Consolidated earnings per share (E/LPS; in New Taiwan dollars)		
Basic EPS as reported	<u>\$ 1.30</u>	<u>\$ 0.64</u>
Pro forma basic E/LPS	<u>\$ 1.30</u>	<u>\$ 0.30</u>
Diluted EPS as reported	<u>\$ 1.29</u>	<u>\$ 0.64</u>
Pro forma diluted E/LPS	<u>\$ 1.29</u>	<u>\$ 0.30</u>

b. Global depositary receipts (GDRs)

In March 2001, Sunplus issued 20,000 thousand units of Global Depositary Receipts (GDRs), representing 40,000 thousand common shares consisting of both originally and newly issued 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, 2010, the outstanding 275 thousand units of GDRs represented 550 thousand common shares.

c. Capital surplus

Under ROC regulations, capital surplus can only be used to offset deficit. However, the capital surplus from shares issued in excess of par (including the stock issued for new capital and mergers and surplus arising from treasury stocks transactions) may be appropriated as stock dividends, which are limited to a certain percentage of the Company's paid-in-capital. Also, the capital surplus from long-term investments may not be used for any purpose.

d. Appropriation of earnings and dividends

Sunplus' Articles of Incorporation provide that the following should be appropriated from annual net income less any accumulated deficit: (a) 10% as legal reserve; and (b) special reserve equivalent to the debit balance of any accounts shown in the shareholders' equity section of the balance sheet, other than deficit. The distribution of any remaining earnings will be as follows: (i) up to 6% of paid-in capital as dividends; and (ii) 1.5% as remuneration to directors and supervisors and at least 1% as bonus to employees. The employees may include, with the approval of Sunplus' board of directors, those of Sunplus' subsidiaries.

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

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

Sunplus should estimate the bonus to employees based on related laws and past experience, and the estimated amount was \$96,579 thousand, for 2010. The remuneration to directors and supervisors would be the 1.5% of the excess of net income after tax over legal reserve, special reserve and dividends and the estimated amount for 2010 was \$2,204 thousand. However, to retain the working capital, the bonus to employees and remuneration to directors and supervisors is zero for the year ended December 31, 2009. And for the year ended December 31, 2008, based on Sunplus' Articles of Incorporation, the bonus and remuneration should be appropriated only when there is remaining income after the appropriation of dividends. Thus, Sunplus did not accrue any bonus and remuneration expenses. Material differences between earlier estimates of bonuses and remuneration and the amounts subsequently proposed by the Board of Directors are adjusted for in the current year. If the actual amounts approved by the shareholders differ from the board of directors' proposed amounts, the differences are recorded in the year of shareholders' resolution as a change in accounting estimate.

If bonus shares are resolved to be distributed to employees, the number of shares is determined by dividing the amount of bonus by the closing price (after considering the effect of cash and stock dividends) of the shares of the day preceding the shareholders' meeting.

Under the ROC Company Law, legal reserve should be appropriated until the reserve equals Sunplus's paid-in capital. This reserve may be used to offset a deficit. In addition, when the reserve exceeds 50% of the Company's paid-in capital, the excess portion that is over 25% of the excess may be distributed as stock dividend and bonus if the Company has no deficit.

Under the Integrated Income Tax System, which took effect on January 1, 1998, ROC resident shareholders are allowed to have tax credits for the income tax paid by the Company on earnings generated since January 1, 1998. An imputation credit account (ICA) is maintained by the Company for such income tax and the tax credit allocated to each resident shareholder. The maximum credit available for allocation to each resident shareholder cannot exceed the ICA balance on the dividend distribution date.

The appropriations of the 2009 and 2008 earnings were approved at the shareholders' meetings on June 14, 2010 and April 30, 2009, respectively. The appropriations, including dividends, were as follows:

	<u>For Fiscal Year 2009</u>		<u>For Fiscal Year 2008</u>	
	<u>Appropriation of Earnings</u>	<u>Dividends Per Share (NT\$)</u>	<u>Appropriation of Earnings</u>	<u>Dividends Per Share (NT\$)</u>
Legal reserve	\$ 38,151	\$ -	\$ 838	\$ -
Special reserve	<u>(428,914)</u>	-	<u>428,914</u>	-
	<u>\$ (390,763)</u>		<u>\$ 429,752</u>	

The information on the appropriation of bonuses to employees, directors and supervisors is available on the Market Observation Post System website of the Taiwan Stock Exchange.

Information on the bonus to employees, directors and supervisors is available on the Market Observation Post System website of the Taiwan Stock Exchange.

Unrealized Gain or Loss on Financial Instruments

For the years ended December 31, 2010 and 2009 movement of unrealized gain or loss on financial instrument were as follows:

	Available- for-sale Financial Assets	Equity- method Investments	Total
<u>Year ended December 31, 2010</u>			
Balance, beginning of year	\$ 116,335	\$ 114	\$ 116,449
Recognized in shareholders' equity	<u>(288,924)</u>	<u>(92)</u>	<u>(289,016)</u>
Balance, end of year	<u>\$ (172,589)</u>	<u>\$ 22</u>	<u>\$ (172,567)</u>
<u>Year ended December 31, 2009</u>			
Balance, beginning of year	\$ (561,967)	\$ 1	\$ (561,966)
Recognized in shareholders' equity	<u>678,302</u>	<u>113</u>	<u>678,415</u>
Balance, end of year	<u>\$ 116,335</u>	<u>\$ 114</u>	<u>\$ 116,449</u>

17. TREASURY STOCK

Purpose of Purchase	Units: Shares in Thousands			
	Beginning Shares	Increase	Decrease	Ending Shares
<u>Year ended December 31, 2010</u>				
For subsequent transfer to employees	<u>3,560</u>	<u>-</u>	<u>-</u>	<u>3,560</u>
<u>Year ended December 31, 2009</u>				
Stocks of Sunplus held by subsidiaries	3,560	-	-	3,560
Repurchased for nullification	1,293	-	(1,293)	-
For subsequent transfer to employees	<u>-</u>	<u>6,629</u>	<u>(6,629)</u>	<u>-</u>
	<u>4,853</u>	<u>6,629</u>	<u>(7,922)</u>	<u>3,560</u>

Starting from January 2002, Sunplus accounted for its issued stocks amounting to \$95,605 thousand held by a subsidiary, Lin Shin Investment Co., Ltd., as treasury stocks. As of December 31, 2010 and 2009, the book values of these stocks were \$63,401 thousand and \$63,401 thousand, respectively, and the market values of these stocks were \$75,472 thousand and \$124,422 thousand, respectively.

Under the Securities and Exchange Act, Sunplus should neither pledge treasury stock nor exercise shareholders' rights on these shares, such as rights to dividends and to vote. Sunplus had retired all the treasury stock on February 19, 2009 and had completed the related registration of the change in the number of its issued shares. On June 25, 2009, the Board of Directors approved a share buyback plan to repurchase Sunplus's common shares up to 20,000 thousand shares between June 26, 2009 and August 25, 2009, with the buyback price ranging from NT\$11.50 to NT\$17.50. As of December 31, 2010, the Company had bought back 6,629 thousand shares for \$114,385 thousand. On October 6, 2009, the Board of Directors approved to assign the 6,629 thousand shares of treasury stock to employees. However, the subsidiaries holding treasury shares retain shareholders' rights, except the rights to participate in any share issuance for cash and to vote.

18. PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

	Years Ended December 31					
	2010			2009		
	Classified as Cost of Sales	Classified as Operating Expense	Total	Classified as Cost of Sales	Classified as Operating Expense	Total
Labor cost						
Salary	\$ 152,562	\$ 2,016,678	\$ 2,169,240	\$ 190,647	\$ 2,322,199	\$ 2,512,846
Labor/health insurance	9,148	141,058	150,206	10,940	153,920	164,860
Pension	6,456	62,774	69,230	8,558	66,743	75,301
Welfare benefit	3,685	37,191	40,876	4,504	35,391	39,895
Meal	2,936	27,908	30,844	3,876	35,120	38,996
Others	86	7,277	7,363	360	3,133	3,493
	<u>\$ 174,873</u>	<u>\$ 2,292,886</u>	<u>\$ 2,467,759</u>	<u>\$ 218,885</u>	<u>\$ 2,616,506</u>	<u>\$ 2,835,391</u>
Depreciation	<u>\$ 42,196</u>	<u>\$ 147,521</u>	<u>\$ 189,717</u>	<u>\$ 49,734</u>	<u>\$ 236,065</u>	<u>\$ 285,799</u>
Amortization	<u>\$ 1,219</u>	<u>\$ 614,906</u>	<u>\$ 616,125</u>	<u>\$ 1,971</u>	<u>\$ 749,728</u>	<u>\$ 751,699</u>

19. INCOME TAX

a. Income tax expense consisted of the following:

	2010	2009
Income tax expense before tax credits		
Domestic	\$ 32,359	\$ 168,001
Foreign	<u>(9,534)</u>	<u>(52)</u>
	22,825	167,949
Net change in deferred income taxes		
Domestic	423,820	317,236
Foreign	1,324	(13,110)
Adjustment in valuation allowance due to changes in tax laws	(43,562)	-
Investment tax credits used	(78,950)	(47,776)
Loss carry forwards used	-	(99,887)
Adjustment of prior years' income tax expense	16,226	16,973
Income tax (10%) on undistributed earnings	77,816	12,181
Additional income tax under the Alternative Minimum Tax Act	11,718	14,175
Tax effects of consolidation income tax filing	-	49,197
Other	<u>(148)</u>	<u>-</u>
Income tax expense	<u>\$ 431,069</u>	<u>\$ 416,938</u>

b. Deferred income tax assets consisted of the following:

	December 31	
	2010	2009
Current:		
Loss carryforwards	\$ 140,821	\$ 20,297
Investment tax credits	475,540	640,326
Temporary differences	61,014	97,127
Deduct: Valuation allowance	<u>553,246</u>	<u>585,541</u>
	<u>\$ 124,129</u>	<u>\$ 172,209</u>
Noncurrent:		
Loss carryforwards	\$ 581,552	\$ 725,831
Investment tax credits	1,194,920	1,540,667
Temporary differences	19,214	30,814
Deduct: Valuation allowance	<u>1,521,021</u>	<u>1,689,145</u>
	<u>\$ 274,665</u>	<u>\$ 608,167</u>

In 2010 and 2009, the Legislative Yuan passed the following amendments to tax laws:

- 1) January 2009 - the amendment of Article 39 of the Income Tax Law, which extends the operating loss carryforward period from 5 years to 10 years;
- 2) May 2009 - the amendment of Article 5 of the Income Tax Law, which reduced a profit-seeking enterprise's income tax rate from 25% to 20%, effective January 1, 2010;
- 3) April 2010 - Article 10 of the Statute for Industrial Innovation (SII), which states that, effective January 1, 2010 to December 31, 2019, a profit-seeking enterprise may deduct up to 15% of its research and development expenditures from its income tax payable for the fiscal year in which these expenditures are incurred, but this deduction should not exceed 30% of the income tax payable for that fiscal year;
- 4) May 2010 - Article 5 of the Income Tax Law, which reduced a profit-seeking enterprise's income tax rate from 20% to 17%, effective January 1, 2010.

As of December 31, 2010, loss carryforwards and investment tax credits (recorded as deferred tax assets) were as follows:

Regulatory Basis of Tax Credits	Items	Total Creditable Amounts	Remaining Creditable Amounts	Expiry Year
Income Tax Law	Loss carryforwards	\$ 14,882	\$ 14,882	2013
		33,702	33,702	2014
		136,626	135,255	2015
		29,952	29,952	2016
		147,181	147,181	2017
		47,846	47,846	2018
		172,744	172,744	2019
		<u>139,319</u>	<u>139,319</u>	2020
		<u>\$ 722,252</u>	<u>\$ 720,881</u>	

(Continued)

Regulatory Basis of Tax Credits	Items	Total Creditable Amounts	Remaining Creditable Amounts	Expiry Year
Statute for Upgrading Industries	Purchase of machinery and equipment	\$ 1,005	\$ 1,005	2011
		<u>1,035</u>	<u>1,035</u>	2013
		<u>\$ 2,040</u>	<u>\$ 2,040</u>	
Statute for Upgrading Industries	Research and development expenditures	\$ 621,313	\$ 621,199	2011
		599,110	599,110	2012
		<u>432,076</u>	<u>432,076</u>	2013
		<u>\$ 1,652,499</u>	<u>\$ 1,652,385</u>	
Statute for Upgrading Industries	Personnel training expenditures	\$ 342	\$ 342	2011
		475	475	2012
		<u>125</u>	<u>125</u>	2013
		<u>\$ 942</u>	<u>\$ 942</u>	
Statute for Upgrading Industries	Investments in important technology-based enterprise	<u>\$ 15,093</u>	<u>\$ 15,093</u>	2013

(Concluded)

As of December 31, 2010, Generalplus HK's information on loss carryforwards was as follows:

Items	Total Creditable Amounts	Remaining Creditable Amounts	Expiry Year
Loss carryforwards	<u>\$ 1,492</u>	<u>\$ 1,492</u>	Thereafter

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

Project	Tax Exemption Period
<u>Sunplus</u>	
Eighth expansion	January 1, 2010 to December 31, 2014
Ninth expansion	January 3, 2007 to January 2, 2012
Tenth expansion	August 31, 2006 to August 30, 2011
Eleventh expansion	January 1, 2008 to December 31, 2012
twelfth expansion	January 1, 2009 to December 31, 2013
thirteenth expansion	January 1, 2010 to December 31, 2014
<u>Generalplus</u>	
First expansion	November 1, 2005 to October 31, 2010
Second expansion	January 1, 2008 to December 31, 2012
Third expansion	January 1, 2009 to December 31, 2013
Forth expansion	January 1, 2010 to December 31, 2014

(Continued)

<u>Project</u>	<u>Tax Exemption Period</u>
<u>Sunext</u>	
Expansion	January 1, 2009 to December 31, 2013
<u>Sunplus Innovation</u>	
First expansion	January 1, 2009 to December 31, 2013 (Concluded)

The income tax returns of Sunplus through 2005; income tax returns of Sunplus mMobile and Sunplus Innovation through 2006; income tax returns of Generalplus and Sunplus mMedia through 2007; income tax returns of Sunext, Waveplus and Sunplus Management Consulting, through 2008 ; income tax returns of Wei-Young, Lin Shih Investment, Sunplus Venture and Sunplus Core through 2009 had been assessed by the tax authorities. Sunplus disagreed with the tax authorities' assessment of its 2003, 2004 and 2005 tax return and Generalplus disagreed with the tax authorities' assessment of its 2006 tax return; both companies had applied for administrative remedy. Nevertheless, for conservatism, Sunplus and Generalplus made provisions for the income tax assessed by the tax authorities.

c. The integrated income tax information of Sunplus is as follows:

	2010	2009
Shareholders' imputation credit account (ICA)	<u>\$ 254,802</u>	<u>\$ 189,896</u>
Unappropriated earnings until 1997	<u>\$ 452,310</u>	<u>\$ 452,310</u>

The expected and actual creditable tax ratios of Sunplus for 2010 and 2009, respectively, were 11.30% and 14.59%, respectively.

The imputation credits allocated to shareholders of Sunplus is based on the balance of the ICA as of the date of dividend distribution. The expected creditable ratio for the 2010 earnings may be adjusted, depending on the ICA balance on the date of dividend distribution.

20. CONSOLIDATED EARNINGS PER SHARE

	<u>Amounts (Numerator)</u>		Share (Denominator) (In Thousands)	<u>EPS (Dollars)</u>	
	Before Income Tax	After Income Tax		Before Income Tax	After Income Tax
<u>2010</u>					
Consolidated net income	<u>\$ 1,353,061</u>	<u>\$ 921,992</u>			
Basic EPS					
Income attributable to common shareholders of the parent	\$ 1,204,780	\$ 773,711	593,350	<u>\$ 2.03</u>	<u>\$ 1.30</u>
Effect of dilutive securities					
Stock options	-	-	<u>4,556</u>		
Diluted EPS					
Income attributable to common and potential common shareholders	<u>\$ 1,204,780</u>	<u>\$ 773,711</u>	<u>597,906</u>	<u>\$ 2.01</u>	<u>\$ 1.29</u>

(Continued)

	<u>Amounts (Numerator)</u>		<u>Share (Denominator) (in Thousands)</u>	<u>EPS (Dollars)</u>	
	<u>Before Income Tax</u>	<u>After Income Tax</u>		<u>Before Income Tax</u>	<u>After Income Tax</u>
<u>2009</u>					
Consolidated net income	\$ <u>913,915</u>	\$ <u>496,977</u>			
Consolidated basic and diluted EPS					
Income attributable to common shareholders of the parent	\$ <u>798,453</u>	\$ <u>381,515</u>	<u>591,750</u>	\$ <u>1.35</u>	\$ <u>0.64</u> (Concluded)

The employee stock option stated in Note 16 represents potential common stock. Thus, the Company tested the effects of employee stock options by the treasury method in accordance with Statement of Financial Accounting Standards No. 24 - "Earnings Per Share." The test showed the stock options were anti-dilutive for 2010 and 2009. As a result, the potential common shares were excluded from the calculation of diluted EPS.

The Accounting Research and Development Foundation issued Interpretation 2007-052, which requires companies to recognize bonuses paid to employees, directors and supervisors as compensation expenses beginning January 1, 2008. These bonuses were previously recorded as appropriations from earnings. If the Company decides to settle the bonus to employees by cash or shares, the Company should presume that the entire amount of the bonus will be settled in shares and, if the resulting potential shares have a dilutive effect, these shares should be included in the weighted average number of shares outstanding used in the calculation of diluted EPS. The number of shares is estimated by dividing the entire amount of the bonus by the closing price of the shares at the balance sheet date. The dilutive effect of the potential shares should be included in the calculation of diluted EPS until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

21. FINANCIAL INSTRUMENTS

a. Fair values of financial instruments were as follows:

	<u>2010</u>		<u>2009</u>	
	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Carrying Value</u>	<u>Fair Value</u>
<u>Nonderivative instruments</u>				
Assets				
Available-for-sale financial assets (current and noncurrent portion)	\$ 3,987,335	\$ 3,987,335	\$ 4,155,321	\$ 4,155,321
Financial assets carried at lost	462,877	-	656,909	-
Liabilities				
Long term bank loans (including current portion)	833,500	833,500	2,160,000	2,160,000

- b. Methods and assumptions used in determining fair values of financial assets and liabilities, based on quoted market prices or valuation techniques, were as follows:
- 1) For cash, certificate of deposit - restricted, notes and accounts receivable, other receivables, short-term loans, and notes and accounts payable, the carrying amounts reported in the balance sheets approximate their fair values because of their short maturities.
 - 2) Fair values of financial assets at fair value through profit or loss and available-for-sale financial assets are based on their quoted prices in active markets. For those instruments not traded in active markets, their fair values are determined using valuation techniques incorporating estimates and assumptions that are consistent with prevailing market conditions. For those derivatives with no quoted market prices, their fair values are determined using valuation techniques incorporating estimates and assumptions consistent with those generally used by other market participants to price financial instruments.
 - 3) Financial assets carried at cost had no quoted prices in an active market and entailed an unreasonably high cost to obtain verifiable fair values. Therefore, no fair value was presented.
 - 4) Fair value of long-term bank loans is estimated using the present value of future cash flows discounted by the interest rates, the Company may obtain for similar loans (e.g., similar maturities). The fair values of the Company's long-term bank loans with floating interest rates are equivalent to their carrying values.
- c. The Company entered into derivative contracts in 2010 and 2009 to hedge against any adverse effects of exchange rate fluctuations on net foreign currency-denominated assets and liabilities. The strategy is to hedge against most of the market price risks to which the Company is exposed. The Company did not have outstanding forward contracts as of December 31, 2009. Net losses arising from financial instruments held for trading were \$0 thousand in 2010 and \$8,433 thousand in 2009. Net gains arising from financial assets designated at fair value through profit or loss were \$0 thousand in 2010 and \$6,528 thousand in 2009.
- d. On financial instruments with fair values determined using valuation techniques, there were losses of \$0 thousand in 2010 and gains of \$1,905 thousand in 2009.
- e. As of December 31, 2010 and 2009, financial assets exposed to cash flow interest rate risk amounted to \$1,629,174 thousand and \$699,641 thousand, respectively; financial assets exposed to fair value interest rate risk amounted to \$4,115,543 thousand and \$2,720,033 thousand, respectively; financial liabilities exposed to fair value interest rate risk amounted to \$710,270 thousand and \$598,615 thousand, respectively; and financial liabilities exposed to cash flow interest rate risk amounted to \$940,200 thousand and \$2,501,666 thousand, respectively.
- f. On financial assets other than the financial assets at fair value through profit or loss, in 2010 and 2009, interest incomes were \$15,156 thousand and \$13,704 thousand, respectively, and interest expenses were \$44,729 thousand and \$76,848 thousand, respectively.
- g. Financial risks
- 1) Market risk. The financial instruments held by the Company are exposed to interest rate, foreign exchange rate and price risks.

- 2) Credit risk. The Company will incur a loss if the counter-parties or third-parties breach financial instrument contracts. Contracts with positive fair values on the balance sheet date are evaluated for credit risk. The counter-parties or third-parties to the foregoing contracts are reputable financial institutions and business organizations. Management believes that the Company's exposure to default by those parties is low.
- 3) Liquidity risk. Investments in held-for-trading and available-for-sale security investments are expected to be settled readily at amounts approximating their fair values in active markets. However, the Company also has some equity-method investments with no quoted market prices in an active market, which are expected to have material liquidity risk.
- 4) Interest rate risk. Partial short-term bank loans and long-term bank loans bear floating interest rates. Thus, the fluctuations of market interest rates will affect the Company's future cash flows.

22. RELATED-PARTY TRANSACTIONS

The Company's related parties were as follows:

- a. Global View Co., Ltd. ("Global View") - the director of Sunplus and the supervisor of Waveplus
- b. Giantplus Technology Co., Ltd. ("Giantplus") - The same chairman of the board
- c. Kunshan Giantplus Optoelectronics Technology Co., Ltd. ("Kunshan Giantplus") - 100% indirect Subsidiary of Giantplus.
- d. Synerchip Co., Ltd. ("Synerchip") – financial assets carried at cost of Russell Holding Limited (Note 1)
- e. Synerchip Technology Co., Ltd. ("Synerchip Technology") - equity-method investee of Synerchip (Note1)
- f. AU Optronics Corp. ("AUO") - the subsidiary of AUO is the director of Orise (Note2)
- g. AU Optronics (Labuan) Corporation (AUL) - the subsidiary of AUO (Note2)
- h. Orise Technology Co., Ltd ("Orise")- equity method investee of Sunplus
- i. HT Mobile Inc ("HT Mmobile") - equity method investee of Sunplus
- j. Others - please refer to Note 27 for related parties that do not have business transactions with the Company in the current period.

Note1: In 2009, Russell Holding Limited ("Russell") decreased its equity in Synerchip Co., Ltd. ("Synerchip"); thus, Russell transferred this equity-method investment to financial assets carried at cost. The transactions made with Synerchip and its equity-method investee Synerchip Technology as of and for the year ended December 31, 2009 are disclosed only for reference.

Note2: Sunplus sold part of its holding of Orise's shares in 2009. On December 1, 2009, Orise was excluded from the consolidated financial statements; thus, Orise was not accounted for as a related party. The transactions made with Orise as of and for the year ended December 31, 2009 are disclosed only for reference.

The transactions with the foregoing parties in addition to those disclosed in other notes are summarized as follows:

	Years Ended December 31			
	2010		2009	
	Amount	%	Amount	%
Sales				
Orise	\$ 49,970	1	\$ 5,568	-
HT mMobile	35,886	-	1,145	-
Giantplus	115	-	132,375	1
Kunshan Giantplus	61	-	164,424	1
AUL	-	-	805,991	5
AUO	-	-	74,551	-
LIN SHIH	-	-	430	-
	<u>\$ 86,032</u>	<u>1</u>	<u>\$ 1,184,484</u>	<u>7</u>

The collection terms for products sold to related parties were similar to those for third parties.

	Years Ended December 31			
	2010		2009	
	Amount	%	Amount	%
Operating expense				
HT mMobile	\$ 210	-	\$ 208	-
Synerchip	59	-	-	-
Giantplus	-	-	1,647	-
	<u>\$ 269</u>	<u>-</u>	<u>\$ 1,855</u>	<u>-</u>

The terms of rental payments and the collections on lease contracts with related parties were similar to those with third parties.

The following transactions between the Company and the related parties were based on normal terms.

	Years Ended December 31			
	2010		2009	
	Amount	%	Amount	%
Nonoperating income and gains				
HT mMobile	\$ 28,977	3	\$ 3,522	1
Global View	4,102	1	-	-
Orise	2,399	-	882	-
Giantplus	168	-	-	-
LIN	-	-	108	-
	<u>\$ 35,646</u>	<u>4</u>	<u>\$ 4,404</u>	<u>1</u>

The transaction prices were negotiated and were thus not comparable with those in the market.

	December 31			
	2010		2009	
	Amount	%	Amount	%
Notes and accounts receivable				
HT mMobile	\$ 18,664	1	\$ 3,302	-
Orise	9,968	1	7,256	-
Kunshan Giantplus	58	-	-	-
Giantplus	<u>38</u>	<u>-</u>	<u>18</u>	<u>-</u>
	<u>\$ 28,728</u>	<u>2</u>	<u>\$ 10,576</u>	<u>-</u>
Other receivables				
HT mMobile	\$ 4,267	2	\$ 14,168	6
Synerchip Technology	174	-	-	-
Orise	<u>25</u>	<u>-</u>	<u>161</u>	<u>-</u>
	<u>\$ 4,466</u>	<u>2</u>	<u>\$ 14,329</u>	<u>6</u>
Accounts payable				
HT mMobile	<u>\$ -</u>	<u>-</u>	<u>\$ 384</u>	<u>-</u>
Other current liabilities				
Giantplus	\$ -	-	\$ 662	-
HT mMobile	<u>-</u>	<u>-</u>	<u>93</u>	<u>-</u>
	<u>\$ -</u>	<u>-</u>	<u>\$ 755</u>	<u>-</u>
Proceeds from disposal of properties				
Orise	\$ 8,500	48	\$ -	-
HT mMobile	<u>3,659</u>	<u>21</u>	<u>-</u>	<u>-</u>
	<u>\$ 12,159</u>	<u>69</u>	<u>\$ -</u>	<u>-</u>
Consideration given on assets acquisition				
LIN	<u>\$ -</u>	<u>-</u>	<u>\$ 6,948</u>	<u>7</u>

Compensation of directors, supervisors and management personnel:

	Years Ended December 31	
	2010	2009
Salaries and Incentives	\$ 49,824	\$ 58,255
Special compensation	3,366	362
Bonus	<u>14,100</u>	<u>5,962</u>
	<u>\$ 67,290</u>	<u>\$ 64,579</u>

23. PLEDGED OR MORTGAGED ASSETS

Certain assets pledged or mortgaged as collateral for long-term bank loans, commercial paper payable, accounts payable and import duties were as follows:

	<u>December 31</u>	
	<u>2010</u>	<u>2009</u>
Buildings, net (including assets leased to others)	\$ 772,336	\$ 792,156
Pledged time deposits	82,962	2,100
Subsidiary's holding of Sunplus' stock	71,750	118,286
Giantplus stocks	-	838,318
Orise stocks	<u>-</u>	<u>276,779</u>
	<u>\$ 927,048</u>	<u>\$ 2,027,639</u>

Giantplus repaid its medium- to long-term bank loans in July 2010. Thus, Giantplus retrieved all of its pledged shares. For Orise, the 2010 balance on its loan became lower than the loan amount stated in the related contract. Thus, Orise also retrieved its pledged shares.

24. SIGNIFICANT LONG-TERM OPERATING LEASES

Sunplus

Sunplus leases land from the Science-Based Industrial Park Administration (SBIPA) under renewable agreements expiring in July 2015, December 2020 and 2021, with annual rentals aggregating \$7,862 thousand.

Future annual minimum rentals under the leases are as follows:

Year	Amount
2011	\$ 7,862
2012	7,862
2013	7,862
2014	7,862
2015	6,539
2016 and thereafter	<u>26,154</u>
	<u>\$ 64,141</u>

Sunplus Innovation

The Company leases an office premise from the SBIPA. These operating leases went into effect in December 2008 and expire in December 2013 and can be renewed upon expiration. The SBIPA has the right to adjust lease payment which was \$5,459 thousand as of December 31, 2010.

The future lease payments are as follows:

Year	Amount
2011	\$ 5,459
2012	5,459
2013	<u>5,459</u>
	<u>\$ 16,377</u>

Sunext

The Company leases an office premise from Prolific Technology Inc and Global View Co., Ltd. under operating leases expiring in October 2012 and August 2012, respectively, and can be renewed upon expiration. The lease payment each year was \$3,377 thousand and \$2,780 thousand, respectively

The future lease payments are as follows:

Year	Amount
2011	\$ 6,157
2012	<u>4,783</u>
	<u>\$ 10,940</u>

i Catch Technology , Inc.

The Company office premises from Siming Inc. and Siha Inc. The operating leases with both lessors expire in February 2013 and can be renewed upon expiration. The lease payments were \$1,611 thousand in 2010 and \$1,216 thousand in 2009.

The future lease payments are as follows:

Year	Amount
2011	\$ 2,827
2012	2,827
2013	<u>471</u>
	<u>\$ 6,125</u>

25. SIGNIFICANT COMMITMENT AND CONTINGENCY

As of December 31, 2010, the Company had signed a standby letter of credit amounting to US\$2,000 thousand as guarantee for the use of a certain technology license.

Sunext

Under a technical authorization contract entered into with Broadcom International LTD. in February 2008, the Company received royalty of US\$21, 000 thousand in advance, which would be recognized as revenue upon delivery. This advance royalty had been totally recognized as revenue as of December 31, 2010.

26. OTHERS

The foreign currency-denominated assets and liabilities that had a major impact on the financial statements were as follows:

	2010		2009	
	Foreign Currencies	Exchange Rate	Foreign Currencies	Exchange Rate
<u>Financial assets</u>				
Monetary items				
USD	\$ 108,133	29.13	\$ 106,701	31.99
EUR	971	38.92	230	46.10
JPY	462	0.3582	845	0.3472
RMB	27,649	4.441	20,324	4.642
GBP	495	45.19	61	51.60
HKD	230	3.748	164	4.126
Nonmonetary items				
USD	500	29.13	-	31.99
BEF	1,000	30.179	1,000	30.179
<u>Financial liabilities</u>				
Monetary items				
USD	51,728	29.13	44,034	31.99
EUR	471	38.92	456	46.10
JPY	-	0.3582	16,585	0.3472
RMB	22,716	4.441	16,114	4.642
GBP	-	45.19	45	51.60
HKD	566	3.748	238	4.126

27. ADDITIONAL DISCLOSURES

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

- a. Endorsement/guarantee provided: Table 1 (attached)
- b. Financings provided: Table 2 (attached)
- c. Marketable securities held: Table 3 (attached)
- d. Marketable securities acquired and disposed of at costs or prices of at least NT\$100 million or 20% of the paid-in capital: Table 4 (attached)
- e. Acquisition of long-term investments at costs of at least NT\$100 million or 20% of the paid-in capital: Table 5 (attached)
- f. Disposal of long-term investments at costs of at least NT\$100 million or 20% of the paid-in capital: Table 6 (attached)
- g. Names, locations, and related information of investees on which the Company exercises significant influences: Table 7 (attached)

- h. Information on investment in Mainland China: Table 8 (attached)
- i. Intercompany relationships and significant intercompany transactions: Table 9 (attached)

28. SEGMENT INFORMATION

- a. Industry information:

The Company only manufactures and sells value-added consumer integrated circuits.

- b. Geographic information:

In 2010 and 2009, the Company generated 90% of its revenue in Taiwan, and 90% of identifiable assets were located in Taiwan.

- c. Export sales:

Area	2010	2009
Asia	\$ 9,110,322	\$ 13,266,608
Others	<u>418,164</u>	<u>1,504,213</u>
	<u>\$ 9,528,486</u>	<u>\$ 14,770,821</u>

- d. Sales to customer representing at least 10% of net sales:

Customer	2010		2009	
	Amount	%	Amount	%
A	\$ 2,299,279	18	\$ 2,515,417	14
B	1,984,871	16	2,365,649	13
C	1,290,634	10	798,659	4

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

ENDORSEMENT/GUARANTEE PROVIDED
YEAR ENDED DECEMBER 31, 2010

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

No.	Endorsement/Guarantee Provider	Counter-party		Limits on Each Counter-party's Endorsement/ Guarantee Amounts	Maximum Balance for the Period	Ending Balance	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
		Name	Nature of Relationship						
0	Sunplus Technology Company Limited	Sunplus mMobile Inc.	99% subsidiary	\$ 1,276,392 (Note 1)	\$ 940,000	\$ 820,000	\$ -	6.42%	\$ 2,552,785 (Note 2)
		Sunplus Core Technology Co., Ltd.	70% subsidiary	1,276,392 (Note 1)	293,192	290,000	-	2.27%	2,552,785 (Note 2)
		Sunplus Technology (Shanghai) Co., Ltd.	99% indirect subsidiary	1,276,392 (Note 1)	231,800	224,280	-	1.76%	2,552,785 (Note 2)
		Sunext Technology Co., Ltd.	61% subsidiary	1,276,392 (Note 1)	134,459	32,230	-	0.25%	2,552,785 (Note 2)
		Waveplus Technology Co., Ltd.	Equity-method investee	1,276,392 (Note 1)	20,000	-	-	-	2,552,785 (Note 2)
		HT mMobile Inc.	Equity-method investee	1,276,392 (Note 1)	30,000	30,000	-	0.24%	2,552,785 (Note 2)
		Sunplus mMobile Inc.	83% subsidiary	1,276,392 (Note 1)	24,082	-	-	-	2,552,785 (Note 2)
		Sunplus Innovation Technology Inc.	66% subsidiary	1,276,392 (Note 1)	11,971	5,985	-	0.05%	2,552,785 (Note 2)
		Generalplus Technology Inc.	40% subsidiary	1,276,392 (Note 1)	21,875	10,938	-	0.09%	2,552,785 (Note 2)
		iCatch Technology Inc.	38% subsidiary	1,276,392 (Note 1)	10,014	5,007	-	0.04%	2,552,785 (Note 2)
		Orise Technology Co., Ltd.	Equity-method investee	1,276,392 (Note 1)	10,193	5,096	-	0.04%	2,552,785 (Note 2)

Note 1: For each transaction entity, the amount should not exceed 10% of the endorsement/guarantee provider's net equity as of the latest financial statements.

Note 2: The amount should not exceed 20% of the endorsement/guarantee provider's net equity based on the latest financial statements.

Note 3: In 2009, Russell Holding Limited ("Russell") decreased its equity in Synerchip Co., Ltd. ("Synerchip"); thus, Russell transferred this equity-method investment to financial assets carried at cost. The transactions made with Synerchip and its equity-method investee.

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

**FINANCINGS PROVIDED
YEAR ENDED DECEMBER 31, 2010
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

No.	Financing Company	Counter-party	Financial Statement Account	Maximum Balance for the Year	Ending Balance	Interest Rate	Type of Financing	Transaction Amount	Reason for Short-term Financing	Allowance for Doubtful Accounts	Collateral		Financing Limit for Each Borrowing Company	Financing Company's Financing Amount Limit
											Item	Value		
0	Sunplus Technology Company Limited	Sunplus mMobile Inc.	Other receivables	\$ 399,000	\$ 262,000	Note 3	Note 1	\$ -	Note 2	\$ -	-	-	\$ 638,196 (Note 4)	\$ 1,276,392 (Note 5)

Note 1: Short-term financing.

Note 2: Sunplus Technology Company Limited provided cash for the operation of Sunplus mMobile Inc.

Note 3: The rate range of highest short-term loan interest rate for borrowing from financial institutions (0.9%~1.6% in 2010).

Note 4: For each transaction entity, the amount should not exceed 5% of the financing company's net equity as shown in latest financial statements.

Note 5: The amount should not exceed 10% of the financing Company's net equity based on the latest financial statements.

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2010

(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	Shares or Units (Thousands)	December 31, 2010			Note
					Carrying Value	Percentage of Ownership (%)	Market Value or Net Asset Value	
Sunplus Technology Company Limited	Stock							
	Orise Technology Co., Ltd.	Equity-method investee	Equity-method investments	51,290	\$ 1,034,446	38	\$ 1,034,446	Note 1
	Ventureplus Group Inc.	Equity-method investee	Equity-method investments	41,900	1,000,643	100	1,000,643	Note 1
	Sunplus Venture Capital Co., Ltd.	Equity-method investee	Equity-method investments	100,000	917,265	100	917,265	Note 1
	Li in Shih Investment Co., Ltd.	Equity-method investee	Equity-method investments	70,000	899,619	100	899,619	Notes 1 and 4
	Sunplus Innovation Technology Inc.	Equity-method investee	Equity-method investments	30,103	594,687	66	597,271	Notes 1 and 7
	Sunext Technology Co., Ltd.	Equity-method investee	Equity-method investments	38,837	540,772	61	406,576	Note 1
	Russell Holdings Limited	Equity-method investee	Equity-method investments	14,760	392,649	100	396,488	Notes 1 and 9
	iCatch Technology, Inc.	Equity-method investee	Equity-method investments	20,735	222,071	38	222,071	Note 1
	Magic Sky Limited	Equity-method investee	Equity-method investments	6,000	174,780	100	174,780	Note 1
	HT mMobile Inc.	Equity-method investee	Equity-method investments	37,261	29,790	25	29,790	Note 1
	Generalplus Technology Inc	Equity-method investee	Equity-method investments	38,731	712,981	40	712,981	Note 1
	Sunplus mMedia Inc.	Equity-method investee	Equity-method investments	12,441	17,139	83	113,794	Notes 1 and 8
	Waveplus Technology Co., Ltd.	Equity-method investee	Equity-method investments	1,302	12,393	41	12,393	Note 1
	Wei-Young Investment Inc.	Equity-method investee	Equity-method investments	1,400	8,601	100	8,601	Note 1
	Global Techplus Capital Inc.	Equity-method investee	Equity-method investments	200	6,698	100	6,698	Note 1
	Sunplus Management Consulting Inc.	Equity-method investee	Equity-method investments	500	4,112	100	4,112	Note 1
	Sunplus Technology (H.K.) Co., Ltd.	Equity-method investee	Equity-method investments	11,075	3,998	100	3,998	Note 1
	Sunplus mMobile Inc.	Equity-method investee	Equity-method investments	20,090	(591,839)	99	(573,971)	Notes 1 and 6
	Sunplus Core Technology Co., Ltd.	Equity-method investee	Equity-method investments	11,206	(51,272)	70	(27,634)	Notes 1 and 6
	Giantplus Technology Co., Ltd.	The same chairman of the board	Available-for-sale financial assets	84,652	1,672,584	19	1,672,584	Note 3 and 11
	Global View Co., Ltd.	The Company's supervisor	Available-for-sale financial assets	13,568	203,514	12	203,514	Note 3
	RITEK Corp.	-	Available-for-sale financial assets	5,000	43,046	-	43,046	Note 3
	United Microelectronics Corp.	-	Available-for-sale financial assets	1,968	32,073	-	32,073	Note 3
	Fund							
	FSITC Bond Fund	-	Available-for-sale financial assets	1,170	200,000	-	200,000	Note 5
	Mega Diamond Bond Fund	-	Available-for-sale financial assets	15,096	180,888	-	180,888	Note 5
	Taishin Lucky Fund	-	Available-for-sale financial assets	12,383	132,086	-	132,086	Note 5
	FSITC Taiwan Bond Fund	-	Available-for-sale financial assets	6,154	90,138	-	90,138	Note 5
	Cathay Bond Fund	-	Available-for-sale financial assets	4,182	50,130	-	50,130	Note 5
	IBT Ta Chong Bond Fund	-	Available-for-sale financial assets	3,471	47,206	-	47,206	Note 5
	JF Taiwan Growth Fund	-	Available-for-sale financial assets	442	15,159	-	15,159	Note 5
	JF Taiwan Balanced Fund	-	Available-for-sale financial assets	712	15,021	-	15,021	Note 5
	Manulife Wan Li Bond Fund	-	Available-for-sale financial assets	1,060	14,048	-	14,048	Note 5
	Fuh-Hwa Bond Fund	-	Available-for-sale financial assets	896	12,418	-	12,418	Note 5
	Network Capital Global Fund	-	Financial assets carried at cost	1,333	13,333	7	13,333	Note 2
	Technology Partners Venture Capital Corp.	-	Financial assets carried at cost	778	7,778	11	7,778	Note 2

(Continued)

Holding Company Name	Type and Name of Marketable Security	Relationship with the Holding Company	Financial Statement Account	December 31, 2010			Market Value or Net Asset Value	Note
				Shares or Units (Thousands)	Carrying Value	Percentage of Ownership (%)		
Lin Shih Investment Co., Ltd.	Waveplus Technology Co., Ltd.	Equity-method investee	Equity-method investments	1,342	\$ 10,178	42	\$ 12,770	Note 1
	Sunext Technology Co., Ltd.	Equity-method investee	Equity-method investments	3,360	35,213	5	35,213	Note 1
	Generalplus Technology Inc.	Equity-method investee	Equity-method investments	14,892	273,266	15	272,852	Note 1
	Sumplus Core Technology Co., Ltd.	Equity-method investee	Equity-method investments	2,220	(2,763)	14	(5,418)	Notes 1 and 6
	Sumplus mMobile Inc.	Equity-method investee	Equity-method investments	8	52,918	-	(206)	Note 1
	Sumplus mMedia Inc.	Equity-method investee	Equity-method investments	579	10,239	4	6,154	Note 1
	Sumplus Innovation Technology Inc.	Equity-method investee	Equity-method investments	934	16,393	2	18,333	Note 1
	HT mMobile Inc.	Equity-method investee	Equity-method investments	4,695	25,890	3	3,682	Note 1
	iCatch Technology, Inc.	Equity-method investee	Equity-method investments	965	10,331	2	10,331	Note 1
	Sumplus Technology Company Limited	Parent company	Available-for-sale financial assets	3,560	75,472	1	75,472	Note 3
	Ability Enterprise Co., Ltd.	-	Available-for-sale financial assets	5,274	264,228	1	264,228	Note 3
	RITEK Corp.	-	Available-for-sale financial assets	833	7,174	-	7,174	Note 3
	AIPTeK International Inc.	-	Available-for-sale financial assets	136	2,727	-	2,727	Note 3
	Radiant Innovation Inc.	-	Available-for-sale financial assets	2,378	60,281	8	60,281	Note 3
	Sanjet Technology Corp.	-	Financial assets carried at cost	25	215	-	215	Note 2
	Minton Optic Industry Co., Ltd.	-	Financial assets carried at cost	4,272	39,822	7	39,822	Note 2
	NCTU Spring Venture Capital Co., Ltd.	-	Financial assets carried at cost	2,000	-	6	-	Note 2
	GemFor Tech. Co., Ltd.	-	Financial assets carried at cost	353	4,007	6	4,007	Note 2
	MaxEmil Photonics Corp.	-	Financial assets carried at cost	426	8,273	2	8,273	Note 2
	WayTech Development Inc.	-	Financial assets carried at cost	1,500	-	5	-	Note 2
	Miracle Technology Co., Ltd.	-	Financial assets carried at cost	1,295	13,940	9	13,940	Note 2
	Socle Technology Corp.	-	Financial assets carried at cost	250	6,250	-	6,250	Note 2
	Glokite Technology Corp.	-	Financial assets carried at cost	2,300	-	14	-	Note 2
Genius Vision Digital Co., Ltd.	-	Financial assets carried at cost	600	6,000	9	6,000	Note 2	
Lingri Technology Co., Ltd.	-	Financial assets carried at cost	304	3,040	19	3,040	Note 2	
Russell Holdings Limited	Stock							
Jet Focus Limited	Equity-method investee	Equity-method investments	4,794	US\$ (350) thousand	44	US\$ (350) thousand	Note 6	
Sunext Technology Co., Ltd.	Equity-method investee	Equity-method investments	442	US\$ 2,249 thousand	1	US\$ 160 thousand	Note 1	
King Yuan ECB	-	Available-for-sale financial assets	8	US\$ 904 thousand	-	US\$ 904 thousand	Note 3	
InveStar Excelsus Venture Capital (Int'l), Inc., LDC	-	Financial assets carried at cost	-	US\$ - thousand	19	US\$ - thousand	Note 2	
OZ Optics Limited.	-	Financial assets carried at cost	1,000	US\$ thousand	8	US\$ thousand	Note 2	
Aicent, Inc.	-	Financial assets carried at cost	1,000	US\$ 500 thousand	2	US\$ 500 thousand	Note 2	
Ortega Info System, Inc.	-	Financial assets carried at cost	2,557	US\$ - thousand	-	US\$ - thousand	Note 2	
Asia B2B on Line Inc.	-	Financial assets carried at cost	1,000	US\$ - thousand	3	US\$ - thousand	Note 2	
Asia Tech Taiwan Venture L.P.	-	Financial assets carried at cost	-	US\$ 1,550 thousand	5	US\$ 1,550 thousand	Note 2	
Ether Precision Inc.	-	Financial assets carried at cost	1,250	US\$ 500 thousand	1	US\$ 500 thousand	Note 2	
Innobridge Venture Fund ILLP	-	Financial assets carried at cost	-	US\$ 1,400 thousand	-	US\$ 1,400 thousand	Note 2	

(Continued)

Holding Company Name	Type and Name of Marketable Security	Relationship with the Holding Company	Financial Statement Account	December 31, 2010			Note	
				Shares or Units (Thousands)	Carrying Value	Percentage of Ownership (%)		Market Value or Net Asset Value
Sumplus Venture Capital Co., Ltd.	Innoblige International Inc.	-	Financial assets carried at cost	4,000	US\$ 800 thousand	15	US\$ 800 thousand	Note 2
	VisualOn Inc.	-	Financial assets carried at cost	377	US\$ 200 thousand	3	US\$ 200 thousand	Note 2
	Aruba Networks, Inc.	-	Financial assets carried at cost	51	US\$ 1,150 thousand	-	US\$ 1,150 thousand	Note 2
	Synerchip Co., Ltd.	-	Financial assets carried at cost	4,236	US\$ thousand	19	US\$ thousand	Note 2
	Stock							
	Joining Technology Co., Ltd.	Equity-method investee	Equity-method investments	3,400	-	39	-	Note 1
	Waveplus Technology Co., Ltd.	Equity-method investee	Equity-method investments	387	3,681	12	3,681	Note 1
	Sunext Technology Co., Ltd.	Equity-method investee	Equity-method investments	4,431	46,379	7	46,379	Note 1
	Han Young Technology Co., Ltd.	Equity-method investee	Equity-method investments	420	1,780	70	1,780	Note 1
	Generalplus Technology Inc.	Equity-method investee	Equity-method investments	4,030	80,680	4	74,308	Note 1
	Orise Technology Co., Ltd.	Equity-method investee	Equity-method investments	865	16,949	1	16,949	Note 1
	Sumplus Core Technology Co., Ltd.	Equity-method investee	Equity-method investments	1,885	(4,647)	12	(4,647)	Notes 1 and 6
	Sumplus mMobile Inc.	Equity-method investee	Equity-method investments	-	2,261	-	-	Note 1
	HT mMobile Inc.	Equity-method investee	Equity-method investments	20	41	-	41	Note 1
	Sumplus mMedia Inc.	Equity-method investee	Equity-method investments	1,909	16,662	13	16,404	Note 1
	Sumplus Innovation Technology Inc.	Equity-method investee	Equity-method investments	2,176	42,996	5	42,996	Note 1
	iCatch Technology, Inc.	Equity-method investee	Equity-method investments	3,182	34,078	6	34,078	Note 1
	King Yuan Electronics Co., Ltd.	-	Equity-method investments	2,441	36,367	-	36,367	Note 3
	AIPTeK International Inc.	-	Available-for-sale financial assets	803	16,052	1	16,052	Note 3
	Ability Enterprise Co., Ltd.	-	Available-for-sale financial assets	3,784	189,578	1	189,578	Note 3
Radiant Innovation Inc.	-	Available-for-sale financial assets	913	23,142	3	23,142	Note 3	
Sanjiet Technology Corp.	-	Financial assets carried at cost	148	1,265	1	1,265	Note 2	
VenGlobal International Fund	-	Financial assets carried at cost	1	-	3	-	Note 2	
eWave System, Inc.	-	Financial assets carried at cost	1,833	-	22	-	Note 2	
Information Technology Total Services	-	Financial assets carried at cost	51	-	-	-	Note 2	
Book4u Company Limited	-	Financial assets carried at cost	9	-	-	-	Note 2	
Simple Act Inc.	-	Financial assets carried at cost	1,900	9,500	10	9,500	Note 2	
Cyberon Corporation	-	Financial assets carried at cost	1,521	13,691	18	13,691	Note 2	
WayTech Development Inc.	-	Financial assets carried at cost	1,000	-	4	-	Note 2	
Feature Integration Technology Inc.	-	Financial assets carried at cost	1,776	20,734	4	20,734	Note 2	
Chiabon Venture Capital Co., Ltd.	-	Financial assets carried at cost	3,000	4,800	5	4,800	Note 2	
Miracle Technology Co., Ltd.	-	Financial assets carried at cost	1,303	14,025	9	14,025	Note 2	
Socle Technology Corp.	-	Financial assets carried at cost	550	13,750	1	13,750	Note 2	
MaxEmil Photonics Corp.	-	Financial assets carried at cost	419	12,485	2	12,485	Note 2	
Minton Optic Industry Co., Ltd.	-	Financial assets carried at cost	5,000	37,500	8	37,500	Note 2	
Aruba Networks, Inc.	-	Financial assets carried at cost	19	12,923	-	12,923	Note 2	
Stock								
Ventureplus Group Inc.	Stock	Subsidiary of Ventureplus Group Inc.	Equity-method investments	41,900	US\$ 34,358 thousand	100	US\$ 34,358 thousand	Note 1
Ventureplus Mauritius Inc.	Stock	Subsidiary of Ventureplus Mauritius Inc.	Equity-method investments	41,900	US\$ 34,362 thousand	100	US\$ 34,362 thousand	Note 1

(Continued)

Holding Company Name	Type and Name of Marketable Security	Relationship with the Holding Company	Financial Statement Account	December 31, 2010			Note	
				Shares or Units (Thousands)	Carrying Value	Percentage of Ownership (%)		Market Value or Net Asset Value
Ventureplus Cayman Inc.	<u>Stock</u> Sunplus Technology (Shanghai) Co., Ltd. Sunplus Pro-tek (Shenzhen) Co., Ltd. SunMedia Technology Co., Ltd. Sunplus App Technology Co., Ltd.	Subsidiary of Ventureplus Cayman Inc. Subsidiary of Ventureplus Cayman Inc. Subsidiary of Ventureplus Cayman Inc. Subsidiary of Ventureplus Cayman Inc.	Equity-method investments Equity-method investments Equity-method investments Equity-method investments	- - - -	US\$ 12,716 thousand US\$ 2,751 thousand US\$ 18,563 thousand US\$ 270 thousand	99 100 100 80	US\$ 12,716 thousand US\$ 2,751 thousand US\$ 18,563 thousand US\$ 270 thousand	Note 1 Note 1 Note 1 Note 1
Wei-Young Investment Inc.	<u>Stock</u> UNIWILL Co., Ltd. Sunext Technology Co., Ltd. Generalplus Technology Inc.	- Equity-method investee Equity-method investee	Available-for-sale financial assets Equity-method investments Equity-method investments	508 18 108	5,738 355 1,897	- - -	5,738 189 1,978	Note 3 Note 1 Note 1
Generalplus Technology Inc.	<u>Stock</u> Generalplus International (Samoa) Inc.	Subsidiary of Generalplus Technology Inc.	Equity-method investments	7,590	94,099	100	94,099	Note 1
Generalplus International (Samoa) Inc.	<u>Fund</u> Mega Diamond Bond Fund Capital Income Fund ING Taiwan Bond Fund Prudential Financial Bond Fund	- - - -	Available-for-sale financial assets Available-for-sale financial assets Available-for-sale financial assets Available-for-sale financial assets	4,757 3,880 3,516 1,976	57,001 60,001 55,001 30,000	- - - -	57,001 60,001 55,001 30,000	Note 5 Note 5 Note 5 Note 5
Generalplus International (Samoa) Inc.	<u>Stock</u> Generalplus (Mauritius) Inc.	Subsidiary of Generalplus International (Samoa) Inc.	Equity-method investments	7,590	US\$ 3,230 thousand	100	US\$ 3,230 thousand	Note 1
Generalplus (Mauritius) Inc.	<u>Stock</u> Generalplus Technology (Shenzhen) Co., Ltd. Generalplus Technology (Hong Kong) Co., Ltd.	Subsidiary of Generalplus (Mauritius) Inc. Subsidiary of Generalplus (Mauritius) Inc.	Equity-method investments Equity-method investments	7,200 390	US\$ 3,000 thousand US\$ 230 thousand	100 100	US\$ 3,000 thousand US\$ 230 thousand	Note 1 Note 1
Sunext Technology Co., Ltd.	<u>Stock</u> Great Sun Corp. Great Prosperous Corp.	Subsidiary of Sunext Technology Co., Ltd. Subsidiary of Sunext Technology Co., Ltd.	Equity-method investments Equity-method investments	750 1,500	10,206 10,096	100 100	10,206 10,096	Note 1 Note 1
	<u>Fund</u> Cathay Taiwan Bond Fund Prudential Financial Bond Fund FSITC Taiwan Bond Fund Yuanta Wan Tai Bond Fund IBT Ta Chong Bond Fund IBT 1699 Bond Fund	- - - - - -	Available-for-sale financial assets Available-for-sale financial assets Available-for-sale financial assets Available-for-sale financial assets Available-for-sale financial assets	4,175 4,613 3,414 4,551 2,354 3,093	50,036 70,025 50,000 66,051 32,007 40,027	- - - - - -	50,036 70,025 50,000 66,051 32,007 40,027	Note 5 Note 5 Note 5 Note 5 Note 5 Note 5

(Continued)

Holding Company Name	Type and Name of Marketable Security	Relationship with the Holding Company	Financial Statement Account	December 31, 2010			Note
				Shares or Units (Thousands)	Carrying Value	Percentage of Ownership (%)	
Great Sun Corp.	Stock Sunext (Mauritius) Inc.	Subsidiary of Great Sun Corp.	Equity-method investments	750	US\$ 107 thousand	100	US\$ 107 thousand Note 1
Sunext (Mauritius) Inc.	Stock Sunext Technology (Shanghai)	Subsidiary of Sunext (Mauritius) Inc.	Equity-method investments	-	US\$ 107 thousand	100	US\$ 107 thousand Note 1
Waveplus Technology Co., Ltd.	Stock Waveplus Design, Inc.	Subsidiary of Waveplus Technology Co., Ltd.	Equity-method investments	1,000	US\$ - thousand	100	US\$ - thousand Note 1
Sunplus mMobile Inc.	Sunplus mMobile SAS	Subsidiary of Sunplus mMobile Inc.	Equity-method investments	237	33,486	100	33,486 Note 1
Sunplus mMobile Holding Inc.	Sunplus mMobile Holding Inc.	Subsidiary of Sunplus mMobile Holding Inc.	Equity-method investments	2,580	(3)	100	(3) Notes 1 and 6
Sunplus Innovation Technology Inc.	Fund Prudential Financial Bond Fund FSITC Taiwan Bond Fund Fuh-Hwa Bond Fund	- - -	Available-for-sale financial assets Available-for-sale financial assets Available-for-sale financial assets	4,636 6,023 2,898	70,370 88,213 40,185		70,370 88,213 40,185 Note 5 Note 5 Note 5
	Stock Advanced Silicon SA Advanced NuMicro System, Inc.	- -	Financial assets carried at cost Financial assets carried at cost	1,000 2,000	30,179 15,993	12 9	30,179 15,993 Note 2 Note 2

Note 1: The net asset value was based on audited financial data as of December 31, 2010.

Note 2: The market value is based on carrying value as of December 31, 2010.

Note 3: The market value is based on the closing price as of December 31, 2010.

Note 4: The investment carrying value excluded the carrying value of \$63,401 thousand of the shares of Sunplus Technology Company Limited held by its subsidiary.

Note 5: The market value was based on the net asset value of fund as of December 31, 2010.

Note 6: The credit balance on the carrying value of the equity-method investment is reported as other current liabilities.

Note 7: Includes deferred credit \$2,585 thousand.

Note 8: Includes deferred credit \$109,318 thousand.

Note 9: Includes deferred credit \$3,839 thousand.

Note 10: As of December 31, 2010, the above marketable securities, except the holdings of Lin Shih Investment Co., Ltd. in Sunplus Technology Company Limited, with a market value \$71,750 thousand, respectively, had not been pledged or mortgaged.

Note 11: the fair value of 6,817 thousand shares, which acquired through a private market transaction with certain restriction on the transferability of the common stock, was according to the expertise report.

(Concluded)

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL YEAR ENDED DECEMBER 31, 2010
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Type and Issuer of Marketable Security	Financial Statement Account	Beginning Balance		Acquisition		Disposal		Ending Balance		
			Units (Thousands)	Amount	Units (Thousands)	Amount	Amount	Unit (Thousands)	Gain (Loss) on Disposal	Unit (Thousands)	Amount
Sunplus Technology Company Limited	Orise Technology Co. Ltd.	Equity-method Investments	60,665	\$ 1,119,384 (Note 3)	-	\$ -	9,375	\$ 626,172	\$ 460,561 (Note 4)	51,290	\$ 1,034,446 (Note 5)
	FSITC Bond Fund	Available-for-sale financial assets	1,697	289,216 (Note 2)	1,170	200,000	1,697	289,476	476	1,170	200,000 (Note 1)
	Fuh-Hwa Bond Fund	Available-for-sale financial assets	10,514	145,259 (Note 2)	-	-	9,619	133,000	277	896	12,418 (Note 1)
	Fuh-Hwa Yuli Bond Fund	Available-for-sale financial assets	7,766	100,069 (Note 2)	-	-	7,766	100,133	133	-	- (Note 1)
	IBT 1699 Bond Fund	Available-for-sale financial assets	22,107	285,092 (Note 2)	-	-	22,107	285,477	477	-	- (Note 1)
	UPAMC James Bond Fund	Available-for-sale financial assets	3,128	50,003 (Note 2)	3,439	55,000	6,567	105,077	77	-	- (Note 1)
	Prudential Financial Bond Fund	Available-for-sale financial assets	9,476	143,426 (Note 2)	-	-	9,476	143,791	659	-	- (Note 1)
	FSITC Taiwan Bond Fund	Available-for-sale financial assets	20,509	299,440 (Note 2)	6,154	90,133	20,509	300,133	1,133	6,154	90,138 (Note 1)
	ING Taiwan Bond Fund	Available-for-sale financial assets	6,412	100,010 (Note 2)	-	-	6,412	100,239	239	-	- (Note 1)
	Venturplus Group Inc.	Equity-method Investments	24,900	501,021 (Note 3)	17,000	547,570	-	-	-	41,900	1,000,643 (Note 5)
	Sunplus mMobile Inc.	Equity-method Investments	54,545	581,110 (Note 3)	20,000	200,000	-	-	-	20,091 (Note 6)	(591,839) (Note 5)
	Magic Sky Limited	Equity-method Investments	-	-	6,000	188,941	-	-	-	6,000	174,780 (Note 5)
	Generalplus Technology Inc.	IBT Ta Chong Bond Fund	Available-for-sale financial assets	14,225	192,736 (Note 2)	10,324	140,000	24,549	333,153	1,153	-
Mega Diamond Bond Fund		Available-for-sale financial assets	12,930	154,275 (Note 2)	10,619	127,000	18,792	224,721	832	4,757	57,001 (Note 1)
Prudential Financial Bond Fund		Available-for-sale financial assets	-	-	8,813	126,000	6,337	96,055	55	1,976	30,000 (Note 1)
Capital Income Fund		Available-for-sale financial assets	-	-	7,769	120,000	3,889	60,140	140	3,880	60,001 (Note 1)
ING Taiwan Bond Fund		Available-for-sale financial assets	-	-	7,033	110,000	3,517	55,026	26	3,516	55,001 (Note 1)
Sunplus Innovation Technology Inc.	FSITC Taiwan Bond Fund	Available-for-sale financial assets	12,867	187,862 (Note 2)	-	-	6,844	100,000	284	6,023	88,213 (Note 1)
iCatch Technology Inc.	Allianz Global Investors	Available-for-sale financial assets	-	-	13,336	160,000	13,336	160,237	237	-	- (Note 1)
Sunplus Venture Capital Co., Ltd.	Capital Income Fund	Available-for-sale financial assets	-	-	7,772	120,000	7,772	120,132	132	-	- (Note 1)
	Capella Microsystems, Inc.	Available-for-sale financial assets	662	9,450	34 (Note 7)	-	695	121,242	111,792	-	- (Note 1)

Note 1: The ending balance includes the valuation gains on financial assets.

Note 2: The beginning balance includes the valuation gains on financial assets.

Note 3: The carrying value of the equity-method investment as of December 31, 2009.

Note 4: Includes an investment gain classified under capital surplus.

Note 5: The carrying value of the equity-method investment as of December 31, 2010.

Note 6: Shares after the cancellation of common stock.

Note 7: Shares after the dividends of common stock.

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

ACQUISITION OF LONG-TERM INVESTMENTS AT COSTS OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
YEAR ENDED DECEMBER 31, 2010
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Types of Property	Transaction Date	Transaction Amount	(Payment)/Sale Term	Counter-party	Nature of Relationships	Prior Transaction of Company Related Counter-party			Price Reference	Purpose of Acquisition	Other Terms
							Ownership	Relationships	Transfer Date			
Sunplus Technology Company Limited	Venture Group Inc. Sunplus mMobile Inc. Magic Sky Limited	2010.01	\$ 547,570	\$ (547,570)	-	Equity-method investee	-	-	-	Note 1	Equity-method investee	-
		2010.11	200,000	(200,000)	-	Equity-method investee	-	-	-	Note 1	Equity-method investee	-
		2010.10	188,941	(188,941)	-	Equity-method investee	-	-	-	Note 2	Equity-method investee	-

Note 1: Participation in share issuance.

Note 2: Newly established.

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

DISPOSAL OF LONG-TERM INVESTMENTS AT COSTS OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
YEAR ENDED DECEMBER 31, 2010
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Types of Property	Transaction Date	Original Acquisition Date	Carrying Amount	Proceeds Collection Status	Gain on Disposal	Counter-party	Nature of Relationships	Purpose of Disposal	Price Reference	Other Terms
Sunplus Technology Company Limited	Orise Technology Co., Ltd.	2010.01 2010.02 2010.09 2010.10 2010.11	2005.12 2006.07 2007.06 2008.08	\$179,058	\$626,172	\$460,561	-	Equity-method investee	Financial planning	Note	-

Note: Sold on the Taiwan Stock Exchange.

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCES
 DECEMBER 31, 2010
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2011		Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				December 31, 2011	December 31, 2010	Shares (Thousands)	Percentage of Ownership			
Sunplus Technology Company Limited	Orise Technology Co., Ltd.	Hsinchu, Taiwan	Design of ICs	\$ 581,661	\$ 687,979	51,290	38	\$ 1,034,446	\$ 199,879	Investee
	Sunplus mMedia Inc.	Hsinchu, Taiwan	Design of ICs	307,365	306,739	12,441	83	17,139	24,529	Subsidiary
	Sunplus Venture Capital Co., Ltd.	Hsinchu, Taiwan	Investment	999,982	999,982	100,000	100	917,265	111,404	Subsidiary
	Lin Shih Investment Co., Ltd.	Hsinchu, Taiwan	Investment	699,988	699,988	70,000	100	899,619	(31,654)	Subsidiary
	Generalplus Technology Inc.	Hsinchu, Taiwan	Design of ICs	305,050	316,864	38,731	40	712,981	137,713	Subsidiary
	Ventureplus Group Inc.	Belize	Investment	US\$ 41,900	US\$ 24,900	41,900	100	1,000,643	15,727	Subsidiary
	Russell Holdings Limited	Cayman Islands, British West Indies.	Investment	US\$ 14,760	US\$ 14,760	14,760	100	392,649	22,618	Subsidiary
	Sunplus Innovation Technology Inc.	Hsinchu, Taiwan	Design of ICs	414,663	414,663	30,103	66	594,687	86,922	Subsidiary
	Sunext Technology Co., Ltd.	Hsinchu, Taiwan	Design and sale of ICs	924,730	946,705	38,837	61	540,772	12,311	Subsidiary
	Sunplus Core Technology Co., Ltd.	Hsinchu, Taiwan	Design of ICs	195,285	105,470	11,206	70	(51,272)	(50,108)	Subsidiary
	Waveplus Technology Co., Ltd.	Hsinchu, Taiwan	Design and sale of ICs	35,517	35,517	1,302	41	12,393	(5,913)	Subsidiary
	Global Techplus Capital Inc.	Seychelles	Investment	US\$ 200	US\$ 200	200	100	6,698	(26)	Subsidiary
	Wei-Young Investment Inc.	Hsinchu, Taiwan	Investment	HK\$ 30,157	HK\$ 30,157	1,400	100	8,601	566	Subsidiary
	Sunplus Technology (H.K.) Co., Ltd.	Kowloon Bay, Hong Kong	International trade	HK\$ 11,075	HK\$ 11,075	11,075	100	3,998	(221)	Subsidiary
	Sunplus Management Consulting Inc.	Hsinchu, Taiwan	Management	5,000	5,000	500	100	4,112	(33)	Subsidiary
	HT mMobile Inc.	Hsinchu, Taiwan	Design of ICs	372,608	372,608	37,261	25	29,790	(845,947)	Investee
	iCatch Technology, Inc.	Hsinchu, Taiwan	Design of ICs	207,345	207,345	20,735	38	222,071	(13,476)	Subsidiary
	Sunplus mMobile Inc.	Hsinchu, Taiwan	Design of ICs	1,707,392	1,507,392	20,090	99	(591,839)	(129,597)	Subsidiary
	Magic Sky Limited	Smooa	Investment	US\$ 6,000	-	6,000	100	174,780	-	Subsidiary
Lin Shih Investment Co., Ltd.	Sunext Technology Co., Ltd.	Hsinchu, Taiwan	Design and sale of ICs	369,316	369,316	3,360	5	35,213	1,062	Subsidiary
	Waveplus Technology Co., Ltd.	Hsinchu, Taiwan	Design and sale of ICs	100,048	94,576	1,342	42	10,178	(4,411)	Subsidiary
	Sunplus Core Technology Co., Ltd.	Hsinchu, Taiwan	Design of ICs	36,800	20,073	2,220	14	(2,763)	(10,082)	Subsidiary
	Sunplus mMobile Inc.	Hsinchu, Taiwan	Design of ICs	38,450	38,376	8	-	52,918	(7,421)	Subsidiary
	Sunplus mMedia Inc.	Hsinchu, Taiwan	Design of ICs	19,171	19,171	579	4	10,239	(538)	Subsidiary
	Sunplus Innovation Technology Inc.	Hsinchu, Taiwan	Design of ICs	14,073	9,763	934	2	16,393	1,960	Subsidiary
	HT mMobile Inc.	Hsinchu, Taiwan	Design of ICs	46,948	4,394	4,695	3	25,891	(26,055)	Investee
	iCatch Technology, Inc.	Hsinchu, Taiwan	Design of ICs	9,645	9,645	965	2	10,331	(385)	Subsidiary
	Generalplus Technology Inc.	Hsinchu, Taiwan	Design of ICs	86,256	82,166	14,892	15	273,266	51,499	Subsidiary
	Joing Technology Co., Ltd.	Hsinchu, Taiwan	Design of ICs	51,000	51,000	3,400	39	-	-	Investee
	Sunext Technology Co., Ltd.	Hsinchu, Taiwan	Design and sale of ICs	385,709	385,709	4,431	7	46,379	1,401	Subsidiary
	Sunplus Venture Capital Co., Ltd.	Han Young Technology Co., Ltd.	Taipei, Taiwan	Design of ICs	4,200	4,200	420	70	1,780	-
Sunplus Innovation Technology Inc.		Hsinchu, Taiwan	Design of ICs	45,597	17,227	2,176	5	42,996	3,609	Subsidiary
HT mMobile Inc.		Hsinchu, Taiwan	Design of ICs	204	204	20	-	41	(134)	Investee
iCatch Technology, Inc.		Hsinchu, Taiwan	Design of ICs	31,818	31,818	3,182	6	34,078	(1,269)	Subsidiary
Waveplus Technology Co., Ltd.		Hsinchu, Taiwan	Design and sale of ICs	76,016	76,016	387	12	3,681	(1,757)	Subsidiary
Orise Technology Co, Ltd		Hsinchu, Taiwan	Design of ICs	10,800	10,800	865	1	16,949	3,083	Investee
Sunplus Core Technology Co., Ltd.		Hsinchu, Taiwan	Design of ICs	33,846	20,000	1,855	12	(4,647)	(8,653)	Subsidiary
Generalplus Technology Inc.		Hsinchu, Taiwan	Design of ICs	44,606	42,802	4,030	4	80,680	14,894	Subsidiary
Sunplus mMobile Inc.		Hsinchu, Taiwan	Design of ICs	1,784	1,784	-	-	2,261	(130)	Subsidiary
Sunplus mMedia Inc.		Hsinchu, Taiwan	Design of ICs	44,878	44,878	1,909	13	16,662	(1,775)	Subsidiary

(Continued)

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2011 Shares (Thousands)	Percentage of Ownership	Carrying Value	Net Income (Loss) of the Investee		Investment Gain (Loss)	Note
				December 31, 2010	December 31, 2009				US\$ thousand	US\$ thousand		
Russell Holdings Limited	Jet Focus Limited	Cayman Islands, British West Indies	Investment	US\$ 6,050 thousand	US\$ 6,050 thousand	4,794	44	US\$ (350) thousand	US\$ (1,094) thousand	US\$ thousand	Investee	
	Sunext Technology Co., Ltd.	Hsinchu, Taiwan	Design and sale of ICs	US\$ 2,119 thousand	US\$ 2,119 thousand	442	1	US\$ 2,249 thousand	\$ 20,077	US\$ 4 thousand	Subsidiary	
Global Techplus Capital Inc.	Techplus Capital Samoa Inc.	Samoa	Investment	US\$ thousand	US\$ thousand	-	100	US\$ thousand	US\$ thousand	US\$ thousand	Subsidiary	
Wei-Young Investment Inc.	Generalplus Technology Inc.	Hsinchu, Taiwan	Design of ICs	1,800	1,800	108	-	1,897	330,646	375	Subsidiary	
	Sunext Technology Co., Ltd.	Hsinchu, Taiwan	Design and sale of ICs	350	-	18	-	355	20,077	5	Subsidiary	
Ventureplus Group Inc.	Ventureplus Mauritius Inc.	Mauritius	Investment	US\$ 41,900 thousand	US\$ 24,900 thousand	41,900	100	US\$ 34,358 thousand	US\$ 500 thousand	US\$ 500 thousand	Subsidiary	
Ventureplus Mauritius Inc.	Ventureplus Cayman Inc.	Cayman Islands, British West Indies	Investment	US\$ 41,900 thousand	US\$ 24,900 thousand	41,900	100	US\$ 34,362 thousand	US\$ 500 thousand	US\$ 500 thousand	Subsidiary	
Ventureplus Cayman Inc.	Sunplus Technology (Shanghai) Co., Ltd.	Shanghai, China	Manufacture and sale of ICs.	US\$ 17,000 thousand	US\$ 17,000 thousand	-	99	US\$ 12,716 thousand	US\$ 2,133 thousand	US\$ 2,108 thousand	Subsidiary	
	Sunplus ProFtek (Shenzhen) Co., Ltd.	ShenZhen, China	Research, development, manufacture and sale of ICs.	US\$ 4,250 thousand	US\$ 4,250 thousand	-	100	US\$ 2,751 thousand	US\$ (445) thousand	US\$ (445) thousand	Subsidiary	
	SunMedia Technology Co., Ltd.	Chengdu, China	Research, development, manufacture and sale of ICs.	US\$ 20,000 thousand	US\$ 3,000 thousand	-	100	US\$ 18,563 thousand	US\$ (1,160) thousand	US\$ (1,160) thousand	Subsidiary	
	Sunplus App Technology Co., Ltd.	Beijing, China	Research, development, manufacture and sale of ICs.	US\$ 586 thousand	US\$ 586 thousand	-	80	US\$ 270 thousand	US\$ 7 thousand	US\$ 5 thousand	Subsidiary	
	Great Sun Corp.	Great Sun Corp.	Samoa	Investment	US\$ 750 thousand	US\$ 750 thousand	750	100	10,206	7,008	7,008	Subsidiary
Great Sun Corp.	Great Prosperous Corp.	Mauritius	Investment	US\$ 1,500 thousand	US\$ 650 thousand	1,500	100	10,096	(19,623)	(19,623)	Subsidiary	
Great Sun Corp.	Sunext (Mauritius) Inc.	Mauritius	Investment	US\$ 750 thousand	US\$ 750 thousand	750	100	US\$ 107 thousand	US\$ 13 thousand	US\$ 13 thousand	Subsidiary	
Sunext (Mauritius) Inc.	Sunext Technology (Shanghai) Co., Ltd.	Shanghai, China	Design of software	US\$ 750 thousand	US\$ 750 thousand	-	100	US\$ 107 thousand	US\$ 13 thousand	US\$ 13 thousand	Subsidiary	
Waveplus Technology Co., Ltd.	Waveplus Design, Inc.	U.S.A.	Design of WLANs	US\$ 500 thousand	US\$ 500 thousand	1,000	100	US\$ thousand	US\$ thousand	US\$ thousand	Subsidiary	
Generalplus Technology Inc.	Generalplus International (Samoa) Inc.	Samoa	Investment	US\$ 7,590 thousand	US\$ 5,590 thousand	7,590	100	94,099	11,991	11,991	Subsidiary	
Generalplus International (Samoa) Inc.	Generalplus (Mauritius) Inc.	Mauritius	Investment	US\$ 7,590 thousand	US\$ 5,590 thousand	7,590	100	US\$ 3,230 thousand	US\$ 380 thousand	US\$ 380 thousand	Subsidiary	
Generalplus (Mauritius) Inc.	Generalplus Technology (Shenzhen) Co., Ltd.	Shenzhen, China	After-sales service	US\$ 7,200 thousand	US\$ 5,200 thousand	7,200	100	US\$ 3,000 thousand	US\$ 282 thousand	US\$ 282 thousand	Subsidiary	
	Generalplus Technology (Hong Kong) Co., Ltd.	Hong Kong	Sales	US\$ 390 thousand	US\$ 390 thousand	390	100	US\$ 230 thousand	US\$ 98 thousand	US\$ 98 thousand	Subsidiary	
Sunplus mMobile Inc.	Sunplus mMobile SAS	France	Design of ICs	EUR 237 thousand	EUR 237 thousand	237	100	33,486	24,438	24,438	Subsidiary	
Sunplus mMobile Holding Inc.	Sunplus mMobile Holding Inc.	Samoa	Investment	US\$ 2,580 thousand	US\$ 2,580 thousand	2,580	100	(3)	US\$ thousand	US\$ thousand	Subsidiary	
	Bright Sunplus mMobile Inc.	Mauritius	Research and development of intellectual property rights	US\$ 2,580 thousand	US\$ 2,580 thousand	2,580	100	US\$ thousand	US\$ thousand	US\$ thousand	Subsidiary	

(Concluded)

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

INFORMATION ON INVESTMENT IN MAINLAND CHINA
YEAR ENDED DECEMBER 31, 2010
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Sumplus (Nature of Relationship: 0)

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, 2010	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2010	% Ownership of Direct or Indirect Investment	Investment Loss	Carrying Value as of December 31, 2010	Accumulated Inward Remittance of Earnings as of December 31, 2010
					Outflow	Inflow					
Sumplus Technology (Shanghai) Co., Ltd.	Manufacturing and sale of consumer ICs	US\$ 17,200 thousand	Note 1	US\$ 17,000 thousand	US\$ - thousand	US\$ - thousand	US\$ 17,000 thousand	99%	US\$ 2,108 thousand	US\$ 12,716 thousand	US\$ - thousand
Sumplus Prof-tek (Shenzhen) Co., Ltd.	Development and sale of computer software. Service of System Integration	US\$ 4,250 thousand	Note 1	US\$ 4,250 thousand	US\$ - thousand	US\$ - thousand	US\$ 4,250 thousand	100%	US\$ (445) thousand	US\$ 2,751 thousand	US\$ - thousand
SunMedia Technology Co., Ltd.	Manufacturing and sale of computer software. Service of System Integration	US\$ 20,000 thousand	Note 1	US\$ 3,000 thousand	US\$ 17,000 thousand	US\$ - thousand	US\$ 20,000 thousand	100%	US\$ (1,160) thousand	US\$ 18,563 thousand	US\$ - thousand
Sumplus App Technology Co., Ltd.	Manufacturing and sale of computer software. Service of System Integration and information management education	RMB 5,000 thousand	Note 1	US\$ 586 thousand	US\$ - thousand	US\$ - thousand	US\$ 586 thousand	80%	US\$ 5 thousand	US\$ 270 thousand	US\$ - thousand
Ytrip technology Co., Ltd. (tentative name)	Computer system integration services and supplying general advertising and other intonation service	US\$ 3,750 thousand	Note 2	Note 2	Note 2	Note 2	Note 2	Note 2	Note 2	Note 2	Note 2

Accumulated Investment in Mainland China as of December 31, 2010	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
US\$41,836 thousand	US\$56,550 thousand	\$7,658,354

Note 1: The Company indirectly in a company located in Mainland China indirectly through a company based in a third country.

Note 2: Approved by Investment commission, MOEA, but yet remitted.

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, 2011	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2011	% Ownership of Direct or Indirect Investment	Investment Loss(Note2)	Carrying Value as of December 31, 2011	Accumulated Inward Remittance of Earnings as of December 31, 2011
					Outflow	Inflow					
Generalplus Shenzhen	Data processing service	US\$ 7,200 thousand	Note1	US\$ 5,200 thousand	US\$ 2,000 thousand	\$ -	US\$ 7,200 thousand	100	US\$ 282 thousand	US\$ 3,000 thousand	US\$ - thousand

Accumulated Investment in Mainland China as of December 31, 2011	Investment Amount Authorized by Investment Commission, MOEA	Upper Limit on Investment
US\$7,200 thousand	US\$7,200 thousand	\$1,066,688

Note1: Surplus Technology Company Limited indirectly invested in a company located in Mainland China through investing in a company located in a third country.

Note2: The investment loss was based on audited financial data as of December 31, 2009.

Note3: On significant direct or indirect transactions with the investee, its prices and terms of payment, unrealized gain or loss, and related information that is helpful in understanding the impact of investment in mainland China on financial reports: Please see Table 9 attached.

(Continued)

Sunext Technology (Nature of Relationship: 2)

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, 2011	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2011	% Ownership of Direct or Indirect Investment	Investment Loss (Note 2)	Carrying Value as of December 31, 2011	Accumulated Inward Remittance of Earnings as of December 31, 2011
					Outflow	Inflow					
Sunext Technology (Shanghai)	Design of magnetic disc and software	US\$ 750 thousand	Note 1	US\$ 750 Thousand	\$ -	\$ -	US\$ 750 thousand	100%	US\$ 13 thousand	US\$ 107 thousand	\$ -

Accumulated Investment in Mainland China as of December 31, 2011	Investment Amount Approved by the Investment Commission, MOEA	Upper Limit on Investment
US\$750 thousand	US\$750 thousand	\$398,896

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

Note 2: The investment loss was based on audited financial data as of December 31, 2009.

Note 3: Significant direct or indirect transactions with the investee, its prices and terms of payment, unrealized gain or loss, and related information that is helpful in understanding the impact of investment in mainland China on financial reports: Please see Table 9 attached.

(Concluded)

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES
INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
YEARS ENDED DECEMBER 31, 2010 and 2009
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. FOR THE YEAR ENDED DECEMBER 31, 2010

Company Name	Counter-Party	Flow of Transactions (Note 5)	Intercompany Transactions			Percentage of Consolidated Total Gross Sales or Total Assets
			Financial Statements Account Item	Amount	Terms	
Sunplus Technology Co., Ltd.	Generalplus Technology Corp.	1	Sales	\$ 24,074	Note 1	0.19%
			General and administrative	12	Note 2	-
			Nonoperating income and gains	6,616	Note 2	0.05%
			Notes and accounts receivables	3,871	Note 1	0.02%
			Other receivables	533	Note 3	-
	Deferred royalty income	3,621	-	0.03%		
	Nonoperating income and gains	45	Note 2	-		
	Waveplus Technology Co., Ltd. Sunext Technology Co., Ltd.	1	Sales	1,626	Note 1	0.01%
			Nonoperating income and gains	1,348	Note 2	0.01%
			General and administrative	9	Note 2	-
			Research and development	40	Note 2	-
	Notes and accounts receivables	54	Note 1	-		
	Other receivables	543	Note 3	-		
	Sunplus Core Technology Co., Ltd.	1	Sales	10,161	Note 1	0.08%
Marketing			1,997	Note 2	0.02%	
General and administrative			31	Note 2	-	
Research and development			13,200	Note 2	0.10%	
Nonoperating income and gains			8,354	Notes 2 and 4	0.07%	
Notes and accounts receivables			50	Note 1	-	
Other receivables			643	Note 3	-	
Deferred royalty income			28,000	-	0.15%	
Nonoperating income and gains			7,159	Note 2	0.06%	
Other receivables			262,857	Note 3	1.42%	
Sunplus mMobile Sunplus Innovation Technology Inc.	1	Sales	8,112	Note 1	0.06%	
		General and administrative	64	Note 2	-	
		Research and development	70	Note 2	-	
		Nonoperating income and gains	4,875	Note 2	0.04%	
		Notes and accounts receivables	856	Note 1	-	
Other receivables	612	Note 3	-			
Sunplus mMedia Inc.	1	General and administrative	197	Note 2	-	
		Nonoperating income and gains	127	Note 2	-	
		Other receivables	29	Note 3	-	

(Continued)

Company Name	Counter-Party	Flow of Transactions (Note 5)	Intercompany Transactions			Percentage of Consolidated Total Gross Sales or Total Assets
			Financial Statements Account Item	Amount	Terms	
Sunplus Technology Co., Ltd.	iCatch Technology, Inc.	1	Sales	\$ 12,932	Note 1	0.10%
			Nonoperating income and gains	15,021	Notes 2 and 4	0.12%
			Notes and accounts receivables	2,593	Note 1	0.01%
			Other receivables	1,054	Note 3	-
Sunext Technology Co., Ltd.	Sunplus Technology (H.K.) Co., Ltd.	1	Marketing expenses	2,164	Note 2	0.02%
			Research and development	11,436	Note 2	0.09%
			Research and development	43	Note 2	-
			Other current liabilities	7,073	Note 3	0.04%
Sunplus mMedia Inc.	Sunplus Prof-tek (Shenzhen) Co., Ltd.	3	Marketing expenses	506	Note 2	-
			Marketing expenses	1,115	Note 2	0.01%
			Accrued expenses	236	Note 3	-
Sunplus Innovation Technology Inc.	Sunplus Technology (Shanghai) Co., Ltd.	3	Sales	9,998	Note 1	0.07%
			Notes and accounts receivable	4,539	Note 1	0.02%
			Accrued expenses	441	Note 2	-
			Accrued expenses	408	Note 3	-
Sunplus Core Technology Co., Ltd.	Sunplus App Technology Co., Ltd.	3	Research and development	1	Note 2	-
			Marketing expenses	18,338	Note 2	0.14%
			Accrued expenses	4,650	Note 3	0.03%
			Accrued expenses	118,108	Note 2	0.93%
Generalplus Technology Corp.	Generalplus Technology (Shenzhen) Corp.	3	Accrued expenses	59,845	Note 3	0.33%
			Cost of goods sold	2,708	Note 1	0.02%
			Marketing expenses	1,463	Note 2	0.01%
			Research and development	192	Note 2	-
Generalplus Technology Corp.	Sunplus Innovation Technology Inc.	3	Accrued expenses	17,894	Note 3	0.10%
			Intangible assets	16,088	Note 3	0.09%
			General and administrative	39	Note 2	-
			Cost of goods sold	6,155	Note 2	0.05%
Generalplus Technology Corp.	Sunplus mMedia Inc.	3	Intangible assets	109,318	Note 2	0.59%
			Accrued expenses	13,759	Note 3	0.07%
			Marketing expenses	62,482	Note 2	0.49%
			Sales	1,556	Note 4	0.01%
Sunplus Technology (Shanghai) Co., Ltd.	Sunext Technology (Shanghai) Generalplus Technology (Shenzhen) Corp.	3	Sales	12,339	Note 1	0.10%
			Marketing expenses	13,801	Note 2	0.11%
			Accrued expenses	1,049	Note 3	0.01%
			Marketing expenses	6,834	Note 2	0.05%
iCatch Technology, Inc.	SunMedia Technology Co., Ltd.	3	Accrued expenses	486	Note 3	-

(Continued)

2. FOR THE YEAR ENDED DECEMBER 31, 2009

Company Name	Counter-Party	Flow of Transactions (Note 5)	Intercompany Transactions			Percentage of Consolidated Total Gross Sales or Total Assets
			Financial Statements Account Item	Amount	Terms	
Sumplus Technology Co., Ltd.	Orise Technology Co., Ltd.	1	Sales	\$ 32,762	Note 1	0.18%
			General and administrative	18	Note 2	-
			Nonoperating income and gains	1,731	Note 2	0.01%
	Generalplus Technology Corp.	1	Deferred royalty income	183	-	-
			Sales	15,410	Note 1	0.08%
			Cost of goods sold	17	Note 1	-
			Nonoperating income and gains	3,704	Note 2	0.02%
			Notes and accounts receivables	1,682	Note 1	0.01%
			Other receivables	419	Note 3	-
	Waveplus Technology Co., Ltd.	1	Accounts payable	18	Note 3	-
			Deferred royalty income	5,793	-	0.03%
			Sales	6,090	Note 1	0.03%
Sunext Technology Co., Ltd.	1	Nonoperating income and gains	11	Note 2	-	
		Other receivables	1	Note 3	-	
		Sales	4,076	Note 1	0.02%	
		Nonoperating income and gains	1,346	Note 2	-	
Sumplus Core Technology Co., Ltd.	1	Notes and accounts receivables	360	Note 1	-	
		Other receivables	251	Note 3	-	
		Sales	12,525	Note 1	0.07%	
		Marketing	1,407	Note 2	0.01%	
		General and administrative	22	Note 2	-	
		Research and development	4,904	Note 2	0.03%	
		Nonoperating income and gains	10,093	Notes 2 and 4	0.06%	
		Notes and accounts receivables	59	Note 1	-	
		Other receivables	615	Note 3	-	
		Other current liabilities	414	Note 3	-	
Sumplus mMobile	1	Deferred royalty income	37,600	-	0.20%	
		Sales	3,327	Note 1	0.02%	
		General and administrative	89	Note 2	-	
		Nonoperating income and gains	13,554	Notes 2 and 4	0.07%	
		Other receivables	60,000	Note 3	0.31%	
Sumplus Innovation Technology Inc.	1	Sales	7,527	Note 1	0.04%	
		General and administrative	22	Note 2	-	
		Research and development	7	Note 2	-	
		Nonoperating income and gains	4,143	Note 2	0.02%	
		Notes and accounts receivables	579	Note 1	-	
		Other receivables	361	Note 3	-	
Sumplus mMedia Inc.	1	Sales	42,384	Note 1	0.23%	
		General and administrative	108	Note 2	-	
		Nonoperating income and gains	49,296	Notes 2 and 4	0.27%	
		Notes and accounts receivables	1,002	Note 1	0.01%	
		Other receivables	12	Note 3	-	
		Other current liabilities	544	Note 3	-	
HT mMobile Inc.	1	Sales	11,209	Note 1	0.06%	
		Nonoperating income and gains	36,029	Notes 2 and 4	0.20%	

(Continued)

Company Name	Counter-Party	Flow of Transactions (Note 5)	Intercompany Transactions			Percentage of Consolidated Total Gross Sales or Total Assets
			Financial Statements Account Item	Amount	Terms	
Sunext Technology Co., Ltd.	iCatch Technology, Inc.	1	Sales	\$ 769	Note 1	-
			Nonoperating income and gains	1,667	Notes 2 and 4	0.01%
			Notes and accounts receivables	807	Note 1	-
			Other receivables	1,667	Note 3	0.01%
			Marketing Expenses	7,804	Note 2	0.04%
			Marketing expenses	12,474	Note 2	0.07%
			Marketing expenses	2,298	Note 2	0.01%
			Marketing expenses	23,250	Note 2	0.13%
			Nonoperating income and gains	488	Note 2	-
			Nonoperating income and gains	1,900	Note 4	0.01%
Orise Technology Co., Ltd.	Sunplus Prot-tek (Shenzhen) Co., Ltd.	3	Research and development	11,561	Note 2	0.06%
			Other current liabilities	1,110	Note 2	0.01%
			Marketing expenses	4,267	Note 2	0.02%
			Marketing expenses	8,253	Note 2	0.05%
			Research and development	410	Note 2	-
			General and administrative	9	Note 2	-
			Sales return and allowance	21	Note 1	-
			General and administrative	432	Note 2	-
			Nonoperating income and gains	191	Note 2	-
			General and administrative	2,235	Note 2	0.01%
Sunplus mMedia Inc.	Sunplus mMobile Inc.	3	Other Receivables	483	Note 3	-
			Sales	21,451	Note 1	0.12%
			Other Receivables	90	Note 3	-
			Marketing expenses	45,834	Note 2	0.25%
			Marketing expenses	26,433	Note 2	0.15%
			Sales	10	Note 1	-
			Marketing expenses	4,566	Note 2	0.03%
			Other current liabilities	419	Note 3	-
			Sales	2,793	Note 1	0.02%
			Notes and accounts receivable	2,222	Note 1	0.01%
Sunplus Core Technology Co., Ltd.	SunMedia Technology Co., Ltd.	3	Research and development	5,507	Note 2	0.03%
			Other current liabilities	2,424	Note 3	0.01%
			Research and development	180	Note 2	-
			General and administrative	263	Note 2	-
			Marketing expenses	15,133	Note 2	0.08%
			Other current liabilities	488	Note 3	-
			Research and development	40	Note 2	-
			Cost of good sold	99,164	Note 1	0.55%
			Intangible assets	49,657	Note 2	0.27%
			Marketing expenses	145,757	Note 2	0.76%
Generalplus Technology Corp.	Sunplus Innovation Technology Inc.	3	Notes and accounts payable	129	Note 1	-

(Continued)

Company Name	Counter-Party	Flow of Transactions (Note 5)	Intercompany Transactions			Percentage of Consolidated Total Gross Sales or Total Assets
			Financial Statements Account Item	Amount	Terms	
HT mMobile Inc.	Sunplus mMobile SAS	3	Research and development	\$ 43,587	Note 1	0.24%
	SunMedia Technology Co., Ltd.	3	Marketing Expense	502	Note 2	-
	HT mMobile Inc.	3	Cost of good sold	360	Note 2	-
		3	Marketing Expense	56	Note 2	-
	Sunplus Technology (Shanghai) Co., Ltd.	3	Other Receivables	211	Note 3	-
Sunplus mMobile SAS	Bright Sunplus mMobile Inc.	3	Sales	9,502	Note 1	0.05%
Sunplus Technology (Shanghai) Co., Ltd.	Sunext Technology (Shanghai)	3	Nonoperating income and gain	1,616	Note 4	0.01%
	Generalplus Technology (Shenzhen) Corp.	3	Sales	12,237	Note 1	0.07%
			Notes and accounts receivables	2,999	Note 1	0.02%
Great Sun	Sunext Technology (Shanghai)	3	Sales	11,561	Note 1	0.06%

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 - From parent company to indirect subsidiary.

3 - Between subsidiaries.

(Concluded)

7.6 Financial Difficulties

Impact to the Company or subsidiaries if any turnover problems: None

VIII. Financial Analysis

8.1 Financial Status

8.1.1 Financial Analysis Comparison 2009 vs. 2010

Unit: NT\$K

Item	Year	2009	2010	Variation	
				Increased (Decrease)	YoY %
Current Assets		6,227,432	5,609,370	(618,062)	-10%
Investment and Fund		8,161,338	8,544,972	383,634	5%
Property, Plant & Equipment		843,627	784,822	(58,805)	-7%
Intangible Assets		318,756	216,747	(102,009)	-32%
Other Assets		849,309	443,536	(405,773)	-48%
Total Assets		16,400,462	15,599,447	(801,015)	-5%
Current Liabilities		2,592,439	2,547,924	(44,515)	-2%
Long-term Liabilities		1,257,500	75,500	(1,182,000)	-94%
Other Liabilities		239,953	212,099	(27,854)	-12%
Total Liabilities		4,089,892	2,835,523	(1,254,369)	-31%
Capital Stock		5,969,099	5,969,099	0	0%
Capital Surplus		1,871,301	1,969,595	98,294	5%
Retained Earnings		4,306,149	5,079,860	773,711	18%
Total Shareholder's Equities		12,310,570	12,763,924	453,354	4%
Remark:					
1. Intangible Assets declined due to constant amortization in 2010.					
2. Other Assets declined due to less deferred tax assets in 2010.					
3. Long-term Liabilities declined due to repayment of bank loans in 2010.					

8.2 Operational Results

8.2.1 Operation Results Comparison 2009 vs. 2010

Unit: NT\$K

Item	Year	2009	2010	Variation	
				Increased (decrease)	YoY %
Gross Sale		7,560,980	6,269,635	(1,291,345)	-17%
Deduct: Sales Returns and Allowances		211,380	140,051	(71,329)	-34%
Net Sales		7,349,600	6,129,584	(1,220,016)	-17%
Deduct: Unrealized Gain on Inter-company Profit - Net		10,431	9,783	(648)	-6%
Cost of Sales		4,925,424	3,884,048	(1,041,376)	-21%
Gross Profit		2,434,607	2,255,319	(179,288)	-7%
Operating Expenses		1,848,167	1,918,903	70,736	4%
Income From Operating		586,440	336,416	(250,024)	-43%
Non-Operating Income		665,689	849,816	184,127	28%
Non-Operating Expense		554,466	40,159	(514,307)	-93%
Income Before Tax		697,663	1,146,073	448,410	-64%
Income Tax Benefits (Expense)		(316,148)	(372,362)	(56,214)	-18%
Cumulative Effect of Changes in Accounting Principles		0	0	0	
Net Income		381,515	773,711	392,196	103%
Remarks:					
1. Sales Returns and Allowances declined due to less complaints and returns.					
2. Cost of Sales declined due to a decrease in net sales and the difference in product mix.					
3. Non-Operating Income increased due to more proceeds of equity-method investment and disposal gains.					
4. Non-Operating Expense declined due to less loss on equity-method investment.					

8.3 Cash Flow

8.3.1 Cash Flow Analysis

a) Cash Flow Analysis 2009 vs. 2010

Item \ Year	2009	2010	YoY %
Cash flow ratio	35.90	33.08	-7.86
Cash flow adequacy ratio	167.84	158.44	-5.6
Cash flow reinvestment ratio	6.27	6.00	-4.31

b) Cash Flow Forecast

Unit: NT\$K

Cash Balance, beginning of the year (1)	Net Cash Flow from Operating Activities (2)	Net Cash in-flow (3)	Net Cash Balance (1)+(2)+(3)	Remedial Measure if cash not enough	
				Investment plan	Financial leverage plan
\$2,097,829	\$588,000	\$(1,445,838)	\$1,239,991	-	-

Analysis of Cash Flow:

1. From Operating: Cash flow in because of making profits in 2011.
2. From Investing: Cash flow in because of disposal and acquisition of equity-method investment, prepaid long-term investment and properties.
3. From Financing: Cash flow out because of the repayment of bank loans and payment of cash dividends.

8.4 Major Capital Expenditure

8.4.1 Major Capital Expenditure and Sources

Unit: NT\$K

Item	Sources of Fund	Est. Due Date	Required Capital Amount	Capital Expenditure Plan			
				2010	2011	2012	2013
Testing Facility	Own	2010~2013	\$73,883	\$9,383	\$9,000	\$9,000	\$46,500

8.4.2 Benefits from the Capital Expenditure

The company could enhance the process of product certification and lower production costs.

8.5 Long-Term Investment

Unit: NT\$K

Analysis Item	Amount (Note)	Policy	Reason of Gain or Loss	Improvement Plan	Investment Plan in a year
Ventureplus Group Inc.	\$547,570	To invest subsidiaries in China in order to provide better customer services and training.	The subsidiaries in China started to make profits by offering customer services.	None	None

Note: The investment amount over 5% of the paid-in capital.

8.6 Risk Management

8.6.1 The Impact of Inflation, Foreign Exchange and Interest Rate Fluctuation and Measures to Cope With

- (1) Interest Rate: The Company will get more interest expenses when the interest rate rises. The finance division will collect information and evaluate the variation for hedge. Vice versa, the low interest rate will impact interest income. The company will put more cash on highly- returned short-term investment.
- (2) Exchange Rate: The selling products are quoted in US dollars. Most of the costs are quoted in US dollars but still some in NT dollars. So the New Taiwan Dollars appreciation will impact the company sales and gross margin. Our major foreign-currency assets are account receivable and time deposits. The company already

utilizes mainly forward currency and option contracts to hedge its foreign exchange exposure, so the impact from floating exchange rate will be minimized.

- (3) Inflation: The material costs vary timely. The higher manufacture cost and selling pricing which would impact the consumers' budget for the high-end consumer electronic products. But Sunplus is working hard to develop new products for add-on value and cost-down, and expand the market shares in the emerging markets to relief the slow-down from developed countries.

8.6.2 Internal Policies and Procedure Exist with Respect to High Risk/High Leveraged Investment, Lending/Endorsements and Guarantees for Other Parties, Financial Derivatives Transaction

- (1) There is no high risk/high leveraged investment.
- (2) The company has made and followed "Sub-procedure of Extension of Monetary Loans to Others", and the loans will only be made to Sunplus affiliates with shareholding 20% and companies with business relations if necessary. The loans are made with risk evaluation and up limit as 10% of the Company net value. There is no loss because of well evaluation.
- (3) The company has made and followed "Procedure of Endorsement and Guarantees", and the Endorsement and Guarantees will only be made to Sunplus affiliates with shareholding 20% and companies with business relations if necessary. The Endorsement and Guarantees are made with risk evaluation and up limit as 10% of the Company net value. There is no loss because of well evaluation.
- (4) The financial transactions of a derivatives nature that Sunplus enters into are strictly for hedging purposes and not for any trading or speculative purposes and under well evaluation.

8.6.3 R&D Plan and Execution

Sunplus will keep investing in developing new products, such as IC solutions for BD player, HD STB, Portable TV, DTV, 3D TV etc.

Except developing core technology on our own, Sunplus is also looking for outside resources like purchasing or licensing IPs to speed up the mass-production schedule.

8.6.4 Political and Regulatory Environment: None

8.6.5 Advanced Technology

The wafer process technology is moving to smaller geometry. The migrated process technology could keep the chip production cost down but R&D cost up. The company tries to develop higher add-on value and mainstream multimedia products, which mainstream means to produce in huge volume and to share the research and development cost.

8.6.6 Corporate Identify and Image Change

The company takes corporate image seriously and realizes it could be destroyed in one day. Fortunately, there is no major change till now. The company will do their best to conserve it.

8.6.7 Mergers & Acquisitions

None

8.6.8 Expansion of Facilities

None

8.6.9 Suppliers & Customers

The company purchases materials from several suppliers and subcontract to backend package and testing houses. The major customers of the company are all distributors with fair due diligence and regular auditing. Besides asking guarantee, the accounting department will track the account receivable monthly.

8.6.10 Major Shareholding Change

None

8.6.11 Ownership Change

None

8.6.12 Litigation Proceedings

None

8.6.13 Other Risks

None

8.7 Other Remarks

None

9.1.2 Affiliated Companies

Unit: NT\$K, unless other specified

Company	Date of Incorporation	Place of Registration	Paid-in Capital	Business Activities
Sunplus Technology (HK) Co., Ltd.	August 31, 1993	Kowloon, HK	HK\$11,075,000 (Note)	International Trading
Lin Shih Investment Co., Ltd.	July 2, 1998	Hsinchu, Taiwan	700,000	Investment
Russell Holdings Ltd.	March 11, 1998	Cayman	US\$14,760,000 (Note)	Investment
Sunplus Venture Capital Co., Ltd.	November 20, 1999	Hsinchu, Taiwan	1,000,000	Investment
Ventureplus Group Inc.	July 27, 2001	Belize	US\$41,900,000 (Note)	Investment
Ventureplus Mauritius Inc.	August 2, 2001	Mauritius	US\$41,900,000 (Note)	Investment
Ventureplus Cayman Inc.	September 14, 2001	Cayman	US\$41,900,000 (Note)	Investment
Shanghai Sunplus Technology Co., Ltd.	December 7, 2001	Shanghai, China	US\$17,200,000 (Note)	CE Products manufacture and sales
Sunplus Prof-tek Technology (Shenzhen) Co., Ltd.	October 20, 2007	Shenzhen, China	US\$4,250,000 (Note)	Software and System Design
Sunmedia Technology Co., Ltd.	January 8, 2008	Chengdu, China	US\$20,000,000 (Note)	IC Sales and After Service, Software and System Design
Sunplus App Technology Co., Ltd.	October 6, 2008	Beijing, China	RMB\$5,000,000 (Note)	IC Sales and After Service, Software and System Design
Global Techplus Capital Inc. (The original Name: Techplus Capital Niue Inc.)	October 15, 2001	Mahe, Seychelles	US\$200,000 (Note)	Investment
Techplus Capital Samoa Inc.	October 23, 2001	Samoa	US\$0 (Note)	Investment
Magic Sky Limited	September 22, 2010	Samoa	US\$6,000,000	Investment
Sunext Technology Co., Ltd.	March 13, 2003	Hsinchu, Taiwan	635,091	IC Design
Great Sun Corporation	January 28, 2003	Samoa	US\$750,000 (Note)	Investment
Sunext (Mauritius) Inc.	August 19, 2004	Mauritius	US\$750,000 (Note)	Investment
Sunext Optoelectronics Technology (Shanghai) Co., Ltd.	December 27, 2004	Shanghai, China	US\$750,000 (Note)	Software
Great Prosperous Corporation	February 13, 2009	Mauritius	US\$1,500,000 (Note)	Investment & Marketing
Sunplus Management Consulting Inc.	October 29, 2003	Taipei, Taiwan	5,000	Consulting
WeiYing Investment Co., Ltd.	February 13, 2004	Taipei, Taiwan	14,000	Investment
Generalplus Technology Inc.	March 30, 2004	Hsinchu, Taiwan	967,093	IC Design
Generalplus International (Samoa) Inc.	November 12, 2004	Samoa	US\$7,590,000 (Note)	Investment
Generalplus (Mauritius) Inc.	November 25, 2004	Mauritius	US\$7,590,000 (Note)	Investment
Generalplus Technology (Shenzhen) Inc.	March 24, 2005	Shenzhen, China	US\$7,200,000 (Note)	Sales Service
Generalplus Technology (HK) Inc.	March 21, 2007	Hong Kong	US\$390,000 (Note)	Sales Service
Sunplus mMobile Inc.	December 20, 2006	Hsinchu, Taiwan	201,000	IC Design
Sunplus mMobile SAS	April 22, 2008	Cannes, France	EUR\$237,000 (Note)	IC Design
Sunplus mMobile Holding Inc.	April 11, 2008	Samoa	US\$2,580,000 (Note)	Investment
Bright Sunplus mMobile Inc.	April 15, 2008	Mauritius	US\$2,580,000 (Note)	IP Licensing
Sunplus Innovation Technology Inc.	December 14, 2006	Hsinchu, Taiwan	455,038	IC Design
Sunplus mMedia Inc.	April 18, 2007	Hsinchu, Taiwan	150,000	IC Design
Sunplus Core Technology Co., Ltd.	September 29, 2007	Hsinchu, Taiwan	159,000	IC Design
iCatch Technology Inc.	December 4, 2009	Hsinchu, Taiwan	550,000	IC Design

Note: End of 2010, exchange rate as ref.:

HK\$1=NT\$3.748

US\$1=NT\$29.13

RMB\$1=NT\$4.441

EU\$1=NT\$38.92

GBP\$1=NT\$45.19

9.1.3 Business Scope of Affiliated Companies

Company	Business Activities	Business Relationship
Sunplus Technology (HK) Co., Ltd.	Trading	N/A
Lin Shih Investment Co., Ltd.	Investment	N/A
Russell Holdings Ltd.	Investment	N/A
Sunplus Venture Capital Co., Ltd.	Investment	N/A
Ventureplus Group Inc.	Investment	N/A
Ventureplus Mauritius Inc.	Investment	N/A
Ventureplus Cayman Inc.	Investment	N/A
Shanghai Sunplus Technology Co., Ltd.	Manufacture and Sales Service	China branch
Sunplus Prof-tek Technology (Shenzhen) Co., Ltd.	Software and System Design	China branch
Sunmedia Technology Co., Ltd.	Manufacture and Sales Service Software and System Design	China branch
Sunplus App Technology Co., Ltd.	Manufacture and Sales Service Software and System Design	China branch
Global Techplus Capital Inc. (The original Name: Techplus Capital Niue Inc.)	Investment	N/A
Techplus Capital Samoa Inc.	Investment	N/A
Magic Sky Limited	Investment	N/A
Sunext Technology Co., Ltd.	IC Design	Subsidiary
Great Sun Corporation	Investment	N/A
Sunext (Maruitius) Inc.	Investment	N/A
Sunext Optoelectronics Technology (Shanghai) Co., Ltd.	Software	N/A
Great Prosperous Corporation	Investment & Marketing	N/A
Sunplus Management Consulting Inc.	Management Consulting	N/A
WeiYing Investment Co., Ltd.	Investment	Subsidiary
Generalplus Technology Inc.	IC Design	N/A
Generalplus International (Samoa) Inc.	Investment	N/A
Generalplus (Mauritius) Inc.	Investment	N/A
Generalplus Technology (Shenzhen) Inc.	Sales Service	N/A
Generalplus Technology (HK) Inc.	Sales Service	N/A
Sunplus mMobile Inc.	IC Design	Subsidiary
Sunplus mMobile SAS	IC Design	N/A
Sunplus mMobile Holding Inc.	Investment	N/A
Bright Sunplus mMobile Inc.	IP Licensing	N/A
Sunplus Innovation Technology Inc.	IC Design	Subsidiary
Sunplus mMedia Inc.	IC Design	Subsidiary
Sunplus Core Technology Co., Ltd.	IC Design	Subsidiary
iCatch Technology Inc.	IC Design	Subsidiary

9.1.4 Directors, Supervisors, and Presidents of Affiliated Companies

December 31, 2010

Company	Title	Name	Shareholding	
			Amount (shares)	Ratio (%)
Sunplus Technology (HK) Co., Ltd.	Chairman	Sunplus Technology Chou-Chye Huang (repr.)	*HK\$11,075,000	100%
	Director	Ming-Cheng Hsieh	-	-
Lin Shih Investment Co., Ltd.	Chairman & President	Sunplus Technology Chou-Chye Huang (repr.)	70,000,000	100%
	Director	Bing-Huang Shih	-	-
	Director	Wayne Shen	-	-
	Supervisor	Gow-Chin Su	-	-
Russell Holdings Ltd.	Director	Sunplus Technology Chou-Chye Huang (repr.)	*US\$14,760,000	100%
Sunplus Venture Capital Co., Ltd.	Chairman & President	Sunplus Technology Chou-Chye Huang (repr.)	100,000,000	100%
	Director	Wayne Shen	-	-
	Director	Bing-Huang Shih	-	-
	Supervisor	Gow-Chin Su	-	-
	Liquidator	Wei-Chou Tseng	-	-
Waveplus Design Inc.	Director	Waveplus Holding Sian-Cing Dong (repr.)	*US\$500,000	100%
Ventureplus Group Inc.	Director	Sunplus Technology Chou-Chye Huang (repr.)	*US\$41,900,000	100%
Ventureplus Mauritius Inc.	Director	Ventureplus Group Chou-Chye Huang (repr.)	*US\$41,900,000	100%
Ventureplus Cayman Inc.	Director	Ventureplus Mauritius Chou-Chye Huang (repr.)	*US\$41,900,000	100%
Shanghai Sunplus Technology Co., Ltd.	Director	Ventureplus Cayman Chou-Chye Huang (repr.)	*US\$17,000,000	98.84%
	Director	Tang-Yi Huang	-	-
Sunplus Prof-tek Technology (Shenzhen) Co., Ltd.	Director	Ventureplus Cayman Chou-Chye Huang (repr.)	*US\$4,250,000	100%
Sunmedia Technology Co., Ltd.	Director	Ventureplus Cayman Chou-Chye Huang (repr.)	*US\$20,000,000	100%
Sunplus App Technology Co., Ltd.	Director	Ventureplus Cayman Chou-Chye Huang (repr.)	*RMB\$4,000,000	80%
	Director	Jun Yuan	*RMB\$187,000	3.75%
	Director	Hsin-Hui Yeh	*RMB\$187,000	3.75%
	Director	Hong-Tao Liu	*RMB\$94,000	1.87%
	Director & President	Ya-Fei Luo	*RMB\$438,000	8.75%
	Director	Hao Wang	*RMB\$20,000	0.40%
	Director	Deng-Wei Xu	*RMB\$20,000	0.40%
	Director	Jian Li	*RMB\$27,000	0.54%
	Director	Zhao Fan	*RMB\$27,000	0.54%
Global Techplus Capital Inc. (The original name: Techplus Capital Niue Inc.)	Director	Sunplus Technology Chou-Chye Huang (repr.)	*US\$200,000	100%
	Director	Global Techplus Capital Chou-Chye Huang (repr.)	-	-
Techplus Capital Samoa Inc.	Director	Global Techplus Capital Chou-Chye Huang (repr.)	*US\$0	100%
Magic Sky Limited	Director	Sunplus Technology Chou-Chye Huang (repr.)	US\$6,00,000	100%

(Continued)

Company	Title	Name	Shareholding	
			Amount (shares)	Ratio (%)
Sunext Technology Co., Ltd.	Chairman	Sunplus Technology	38,836,391	61.15%
	Director	Chou-Chye Huang (repr.)	-	-
		Wen-Shiung Jan (repr.)	-	-
	Director	Sunplus Venture Capital	4,430,654	6.98%
		Wayne Shen (repr.)	-	-
	Director & President	Kuang-Pu Mai	335,508	0.52%
	Independent Director	Kushing Tseng	-	-
	Independent Director	Neng-Chieh Yang	-	-
	Independent Director	Yao-Ching Hsu	-	-
	Supervisor	Chao-Hsien Chen	-	-
Supervisor	Kuei-Ling Min	-	-	
	Supervisor	Wen-Hui Lu	650,000	1.02%
Great Sun Corporation	Director	Sunext Technology Chou-Chye Huang (repr.)	*US\$750,000 -	100% -
Sunext (Mauritius) Inc.	Director	Great Sun Corp. Chou-Chye Huang (repr.)	*US\$750,000 -	100% -
Sunext Optoelectronics Technology (Shanghai) Co., Ltd.	Director	Sunext (Mauritius)	*US\$750,000	100%
	Director	Chou-Chye Huang (repr.)	-	-
	Director	Shou-Shan Chen	-	-
	Director	Kuang-Pu Mai	-	-
Great Prosperous Corporation	Director	Sunext Technology Chou-Chye Huang (repr.)	*US\$1,500,000	100%
Sunplus Management Consulting Inc.	Director	Sunplus Technology	500,000	100%
	Director	Chou-Chye Huang (repr.)	-	-
	Director	Wayne Shen	-	-
	Director	Bing-Huang Shih	-	-
	Supervisor	Gow-Chin Su	-	-
WeiYing Investment Co., Ltd.	Director	Sunplus Technology	1,400,000	100%
	Director	Chou-Chye Huang (repr.)	-	-
	Director	Wayne Shen	-	-
	Director	Bing-Huang Shih	-	-
	Supervisor	Gow-Chin Su	-	-
Generalplus Technology Inc.	Chairman	Sunplus Technology	38,731,304	40.05%
	Director	Chou-Chye Huang (repr.)	-	-
		Han-Hwa Lu	799,794	0.83%
	Director	Chu-Chien Feng	-	-
	Director	Shi-Hao Liu	989,752	1.02%
	Director	Hou-Shien Chu	1,267,847	1.31%
	Director & President	Chih-I Yang	-	-
	Independent Director	Guo- Song Hsieh	-	-
	Independent Director	Chia-Ming Chai	-	-
	Independent Director	Nai-Shin Lai	1,000,000	1.03%
	Supervisor	De-Zhong Liu	-	-
	Supervisor	Wei-Min Lin	-	-
	Supervisor	Chi-Ying Chiu	-	-
Generalplus International (Samoa) Inc.	Director	Generalplus Technology Chou-Chye Huang (repr.)	*US\$7,590,000 -	100% -
Generalplus (Mauritius) Inc.	Director	Generalplus International (Samoa) Chou-Chye Huang (repr.)	*US\$7,590,000 -	100% -

(Continued)

Company	Title	Name	Shareholding	
			Amount (shares)	Ratio (%)
Generalplus Technology (Shenzhen) Inc.	Director	Generalplus International (Mauritius) Chou-Chye Huang (repr.)	*US\$7,200,000 -	100% -
Generalplus Technology (HK) Inc.	Director	Sunplus Technology Chih-I Yang (repr.)	*US\$390,000 -	100% -
Sunplus mMobile Inc.	Chairman& President Director Director Supervisor	Sunplus Technology Chou-Chye Huang (repr.) Wayne Shen Sunplus Venture Capital Lin-Shih Investment	20,090,875 - - 108 7,944	99.95% - - 0.00% 0.04%
Sunplus mMobile SAS	Director	Sunplus mMobile Technology Chou-Chye Huang (repr.)	*EUR 237,000 -	100% -
Sunplus mMobile Holding Inc.	Director	Sunplus mMobile Technology Chou-Chye Huang (repr.)	*US\$2,580,000 -	100% -
Bright Sunplus mMobile Inc.	Director	Sunplus mMobile Holding Chou-Chye Huang (repr.)	*US\$2,580,000 -	100% -
Sunplus Innovation Technology Inc.	Chairman Director Director Director & President Director Supervisor Supervisor	Sunplus Technology Chou-Chye Huang (repr.) Bing-Huang Shih Wayne Shen Chih-Hao Kung Lin-Shih Investment Chi-Ying Chiu Wen-Chin Li	30,102,328 - - - 1,068,934 933,610 500,000 -	66.15% - - - 2.35% 2.05% 1.10% -
Sunplus mMedia Inc.	Chairman Director Director Supervisor Supervisor	Sunplus mMobile Chou-Chye Huang (repr.) Wen-Shiung Jan Ho-Jung Ou Lin-Shih Investment Chi-Ying Chiu	12,440,723 - - - 578,729 -	82.94% - - - 3.86% -
Sunplus Core Technology Co., Ltd.	Chairman& President Director Director Supervisor	Sunplus Technology Chou-Chye Huang (repr.) Bing-Huang Shih Lin Shih Investment Sunplus Venture Capital	11,206,039 - - 2,219,596 1,884,615	70.48% - - 13.96% 11.85%
iCatch Technology Inc.	Chairman Director Director Director Director Supervisor Supervisor	Sunplus Technology Chou-Chye Huang (repr.) Wen-Shiung Jan Lin Shih Investment Chia Nine Investment Shuttle Inc. Li-Na Yu (repr.) Chi-Ying Chiu Sunplus Venture Capital	20,734,546 - - 964,545 900,000 2,500,000 - - 3,181,818	37.70% - - 1.75% 1.64% 4.55% - - 5.79%

*Note: the invested companies are listed the capital paid-in amount of investment

9.1.5 Common Shareholders of Sunplus and Its Subsidiaries or Its Affiliates with Actual of Deemed Control

Not Applicable

9.1.6 Operation Highlights of Sunplus Affiliates

December 31, 2010

Unit: NT\$K, except EPS (NT\$)

Company	Capital	Assets	Liabilities	Net Worth	Net Sales	Operation Income	Net Income (After Tax)	EPS (After Tax)
Sunplus Technology (HK) Co., Ltd.	41,509	4,054	56	3,998	1,740	(221)	(221)	N/A
Lin Shih Investment Co., Ltd.	700,000	1,011,103	36,012	975,091	69,555	(34,441)	(31,654)	(0.45)
Russell Holdings Ltd.	429,959	406,844	10,356	396,488	80,767	22,150	22,618	N/A
Sunplus Venture Capital Co., Ltd.	1,000,000	964,641	47,376	917,265	358,367	122,925	111,404	1.11
Waveplus Technology Co., Ltd.	32,000	30,567	110	30,457	26,631	(19,770)	(14,530)	(4.54)
Waveplus Design Inc.	14,565	0	0	0	0	0	0	N/A
Ventureplus Group Inc.	1,220,547	1,000,880	237	1,000,643	15,773	15,727	15,727	N/A
Ventureplus Mauritius Inc.	1,220,547	1,000,999	138	1,000,861	15,773	15,773	15,773	N/A
Ventureplus Cayman Inc.	1,220,547	1,001,150	173	1,000,977	16,053	15,772	15,773	N/A
Shanghai Sunplus Technology Co., Ltd.	501,036	454,935	80,160	374,775	68,256	31,620	67,234	N/A
Sunplus Prof-tek Technology (Shenzhen) Co., Ltd.	123,803	111,230	31,102	80,128	200,254	(11,466)	(14,012)	N/A
Sunmedia Technology Co., Ltd.	582,600	561,287	20,546	540,741	153,441	(22,947)	(36,555)	N/A
Sunplus App Technology Co., Ltd.	22,103	24,213	14,398	9,815	39,719	97	207	N/A
Global Techplus Capital Inc. (The original name: Techplus Capital Niue Inc.)	5,826	6,698	0	6,698	0	(27)	(26)	N/A
Techplus Capital Samoa Inc.	0	0	0	0	0	0	0	N/A
Magic Sky Limited	6,000	2,544	0	2,544	0	0	0	N/A
Sunext Technology Co., Ltd.	635,091	703,909	39,081	664,828	365,771	53,296	20,077	0.32
Great Sun Corporation	21,848	10,206	0	10,206	7,008	7,008	7,008	N/A
Sunext (Maruitius) Inc.	21,848	3,131	0	3,131	421	421	421	N/A
Sunext Optoelectronics Technology (Shanghai) Co., Ltd.	21,848	4,336	1,214	3,122	11,328	32	421	N/A
Great Prosperous Corporation	43,695	10,096	0	10,096	0	(19,625)	(19,623)	N/A
Sunplus Management Consulting Inc.	5,000	4,112	0	4,112	0	(59)	(33)	(0.07)
WeiYing Investment Co., Ltd.	14,000	8,638	37	8,601	634	582	566	0.40
Generalplus Technology Inc.	967,093	2,633,858	856,044	1,777,814	3,648,212	349,711	330,646	3.47
Generalplus International (Samoa) Inc.	221,097	94,099	0	94,099	11,991	11,991	11,991	N/A
Generalplus (Mauritius) Inc.	221,097	94,099	0	94,099	11,991	11,991	11,991	N/A
Generalplus Technology (Shenzhen) Inc.	209,736	101,091	13,720	87,371	122,590	11,461	8,906	N/A
Generalplus Technology (HK) Inc.	11,361	8,769	2,067	6,702	18,322	2,992	3,086	N/A
Sunplus mMobile Inc.	201,000	257,848	832,074	(574,226)	8,740	(149,076)	(137,146)	(6.82)
Sunplus mMobile SAS	9,224	55,722	22,236	33,486	50,208	4,316	24,438	N/A
Sunplus mMobile Holding Inc.	75,155	0	3	(3)	0	0	0	N/A
Bright Sunplus mMobile Inc.	75,155	0	3	(3)	0	0	0	N/A
Sunplus Innovation Technology Inc.	455,038	1,202,875	300,117	902,758	1,470,798	123,723	106,435	2.69
Sunplus mMedia Inc.	150,000	131,061	354	130,707	33,207	(6,167)	(13,945)	(0.93)
Sunplus Core Technology Co., Ltd.	159,000	78,416	117,627	(39,211)	15,592	(66,167)	(68,844)	(4.33)
iCatch Technology Inc.	550,000	694,677	105,619	589,058	590,033	(6,769)	(13,476)	(0.25)

9.1.7 Consolidated Financial Statement of Sunplus Affiliates

REPRESENTATION LETTER

The entities to be included in the combined financial statements of Sunplus Technology Company Limited and subsidiaries as of and for the year ended December 31, 2010, which will be prepared in conformity with the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises, are the same as the entities included in the consolidated financial statements prepared in conformity with the revised R.O.C. Statement of Financial Accounting Standards No. 7 - "Consolidated Financial Statements." In addition, the information needed to be disclosed in the combined financial statements is included in the consolidated financial statements. Thus, Sunplus Technology Company Limited and subsidiaries did not prepare a separate set of combined financial statements.

Very truly yours,

SUNPLUS TECHNOLOGY COMPANY LIMITED

By



CHOU-CHIEH HUANG
Chairman

January 31, 2011

9.2 Private Placement Securities

Not Applicable

9.3 Status of Sunplus Common Shares/GDRs Acquired, Disposed of, or Held by Subsidiaries

Unit: NT\$, shares

Company	Capital	Source of Fund	% Owned by Sunplus	Transaction Date	Amount of Acquisition	Amount of Disposal	Investment Income	Balance (by the Date of this Report Printed)	Balance of Pledged Shares	Balance of Guarantee Provided by Sunplus	Balance of Financing Provided by Sunplus
Lin Shih Investment Co., Ltd.	\$700,000	Self-owned reserves	100%	2001.12.25	3,870,196 shares & \$95,605	-	-	-	None	None	None
				2002.07.02	967,549 shares Capital increase from profits and capital surplus	-	-	-	None	None	None
				2003.07.13	483,774 shares Capital increase from profits and capital surplus	-	-	-	None	None	None
				2004.08.23	532,151 shares Capital increase from profits and capital surplus	-	-	-	None	None	None
				2005.08.23	290,614 shares Capital increase from profits and capital surplus	-	-	-	2,503,705 shares Pledged	None	None
				2006.08.05	306,132 shares Capital increase from profits and capital surplus	-	-	-	500,741 shares Pledged	None	None
				2007.03.26	-3,220,429 shares decreased for capital reduction	-	-	-	None	None	None
				2007.09.05	160,538 shares Capital increase from profits and capital surplus	-	-	-	380,000 shares Pledged	None	None
				2008.09.08	169,471 shares Capital increase from profits and capital surplus	-	-	-	None	None	None
				By the date of this report printed	-	-	-	3,559,996 shares \$63,401	3,384,446 shares Pledged	None	None

9.4 Special Notes

None

9.5 Any Events Impact to Shareholders' Equity and Share Price

None

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