

Sunplus Technology Company Limited

**Financial Statements for the
Years Ended December 31, 2010 and 2009 and
Independent Auditors' Report**

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	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash (Note 4)	\$ 2,097,829	13	\$ 1,579,825	10
Available-for-sale financial assets - current (Notes 2 and 6)	757,094	5	2,015,063	12
Accounts receivable, net (Notes 2, 7 and 23)	880,611	6	1,503,781	9
Other receivables (Note 23)	397,819	3	241,265	2
Inventories (Notes 2, 3 and 8)	1,355,359	9	776,845	5
Deferred income tax assets (Notes 2 and 20)	80,880	-	73,107	-
Other current assets	<u>39,778</u>	<u>-</u>	<u>37,546</u>	<u>-</u>
Total current assets	<u>5,609,370</u>	<u>36</u>	<u>6,227,432</u>	<u>38</u>
LONG-TERM INVESTMENTS				
Equity-method investments (Notes 2 and 9)	6,572,644	42	7,844,428	48
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)	<u>21,111</u>	<u>-</u>	<u>35,556</u>	<u>-</u>
Total long-term investments	<u>8,544,972</u>	<u>55</u>	<u>8,161,338</u>	<u>50</u>
PROPERTIES (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	<u>89</u>	<u>-</u>	<u>89</u>	<u>-</u>
Total cost	1,788,141	11	1,883,311	11
Less: Accumulated depreciation	<u>1,003,319</u>	<u>6</u>	<u>1,039,684</u>	<u>6</u>
Net properties	<u>784,822</u>	<u>5</u>	<u>843,627</u>	<u>5</u>
INTANGIBLE ASSETS, NET (Notes 2 and 12)	<u>216,747</u>	<u>1</u>	<u>318,756</u>	<u>2</u>
OTHER ASSETS				
Rental assets, net (Notes 2, 23 and 24)	150,483	1	154,010	1
Deferred charges and others (Notes 2 and 13)	102,781	1	161,315	1
Deferred income tax assets (Notes 2 and 20)	<u>190,272</u>	<u>1</u>	<u>533,984</u>	<u>3</u>
Total other assets	<u>443,536</u>	<u>3</u>	<u>849,309</u>	<u>5</u>
TOTAL	<u>\$ 15,599,447</u>	<u>100</u>	<u>\$ 16,400,462</u>	<u>100</u>

LIABILITIES AND SHAREHOLDERS' EQUITY	2010		2009	
	Amount	%	Amount	%
CURRENT LIABILITIES				
Short-term bank loans (Note 14)	\$ 174,780	1	\$ -	-
Accounts payable	541,346	3	867,748	5
Income tax payable (Notes 2 and 20)	262,708	2	244,497	2
Long-term bank loans - current portion (Notes 15 and 24)	545,000	4	532,500	3
Deferred royalty income (Notes 2, 12 and 23)	11,772	-	11,956	-
Accrued expenses (Note 23)	356,052	2	268,057	2
Other current liabilities (Notes 2 and 9)	<u>656,266</u>	<u>4</u>	<u>667,681</u>	<u>4</u>
Total current liabilities	<u>2,547,924</u>	<u>16</u>	<u>2,592,439</u>	<u>16</u>
LONG-TERM BANK LOANS, NET OF CURRENT PORTION (Notes 15 and 24)	<u>75,500</u>	<u>1</u>	<u>1,257,500</u>	<u>8</u>
OTHER LIABILITIES				
Deferred income (Notes 2, 12 and 23)	20,060	-	31,832	-
Accrued pension liability (Notes 2 and 16)	54,419	-	57,201	-
Guarantee deposits	<u>137,620</u>	<u>1</u>	<u>150,920</u>	<u>1</u>
Total other liabilities	<u>212,099</u>	<u>1</u>	<u>239,953</u>	<u>1</u>
Total liabilities	<u>2,835,523</u>	<u>18</u>	<u>4,089,892</u>	<u>25</u>
SHAREHOLDERS' EQUITY (Notes 2, 17 and 18)				
Capital stock - NT\$10.00 par value				
Authorized - 1,200,000 thousand shares				
Issued and outstanding - 596,910 thousand shares	5,969,099	38	5,969,099	36
Capital surplus				
Additional paid-in capital - share issuance in excess of par	709,215	5	709,215	4
Treasury stock transactions	68,357	-	68,357	1
Merger and others	1,192,023	8	1,093,729	7
Retained earnings				
Legal reserve	2,372,631	15	2,334,480	14
Special reserve	-	-	428,914	3
Unappropriated earnings	2,707,229	18	1,542,755	9
Other				
Cumulative translation adjustments	(18,662)	-	110,973	1
Unrealized gain (loss) on financial assets	(172,567)	(1)	116,449	1
Treasury stock (at cost) - 3,560 thousand shares	<u>(63,401)</u>	<u>(1)</u>	<u>(63,401)</u>	<u>(1)</u>
Total shareholders' equity	<u>12,763,924</u>	<u>82</u>	<u>12,310,570</u>	<u>75</u>
TOTAL	<u>\$ 15,599,447</u>	<u>100</u>	<u>\$ 16,400,462</u>	<u>100</u>

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	-

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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	\$ 5,982,028	\$ 710,751	\$ 68,645	\$ 650,739	\$ 157,423	\$ 1,587,558	\$ 2,333,642	\$ -	\$ 1,590,992	\$ 3,924,634	\$ 149,639	\$ (561,966)	\$ (131,471)	\$ 10,950,422
Retirement of treasury stock	(1,293)	(12,929)	(1,536)	(53,605)	-	-	(55,141)	-	-	-	-	-	-	68,070	-
Acquisition of treasury stock	-	-	-	-	-	-	-	-	-	-	-	-	-	(114,385)	(114,385)
Treasury stock assigned to employees	-	-	-	53,317	-	-	53,317	-	-	-	-	-	-	114,385	167,702
Appropriation of prior year's earnings:															
Legal reserve	-	-	-	-	-	-	-	838	-	(838)	-	-	-	-	-
Special reserve	-	-	-	-	-	-	-	-	428,914	(428,914)	-	-	-	-	-
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															
Legal reserve	-	-	-	-	-	-	-	38,151	-	(38,151)	-	-	-	-	-
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	\$ 1,969,595	\$ 2,372,631	\$ -	\$ 2,707,229	\$ 5,079,860	\$ (18,662)	\$ (172,567)	\$ (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>

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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
Net cash provided by (used in) financing activities	(1,008,020)	1,142,267
NET INCREASE IN CASH	518,004	665,768
CASH, BEGINNING OF YEAR	1,579,825	914,057
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	3,239	(13,686)
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	30,095	(30,095)
	<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. (SMmI) use consolidated 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

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

	December 31	
	2010	2009
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

	December 31	
	2010	2009
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:

	Years Ended December 31	
	2010	2009
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.	-	-	1,774,129	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.	-	-	7,390	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:

	December 31	
	2010	2009
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

	December 31	
	2010	2009
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

	Year Ended December 31, 2010							
	Buildings	Auxiliary Equipment	Machinery and Equipment	Testing Equipment	Transportation Equipment	Furniture and Fixtures	Leasehold Improvements	Total
<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>

	Year Ended December 31, 2009							
	Buildings	Auxiliary Equipment	Machinery and Equipment	Testing Equipment	Transportation Equipment	Furniture and Fixtures	Leasehold Improvements	Total
<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

	December 31	
	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

	December 31	
	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

	December 31,	
	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	
	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\$)
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:

	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:

	December 31	
	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 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:

	Amounts (Numerator)		Share (Denominator) (In Thousands)	EPS (Dollars)	
	Before Income Tax	After Income Tax		Before Income Tax	After Income Tax
<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>-</u>	<u>-</u>	<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	-	-	1,002	-
	<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	-	-	1	-
	<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:

Financing to Related Party	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>
Financing to Related Party	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	-	-	414	-
	<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	-	-	183	-
	<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	-	20,000
	<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	-	-	6	-
	<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>\$ 28,455</u>	<u>\$ 23,639</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>\$ 772,336</u>	<u>\$ 1,907,253</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>\$ 64,141</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

TABLE 1**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.

TABLE 2

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.

TABLE 3

SUNPLUS TECHNOLOGY COMPANY LIMITED

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	December 31, 2010				Note
				Shares or Units (Thousands)	Carrying Value	Percentage of Ownership (%)	Market Value or Net Asset Value	
Sunplus Technology Company Limited	<u>Stock</u>							
	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
	Lin 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
	<u>Fund</u>							
	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				Note
				Shares or Units (Thousands)	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
	Sunplus Core Technology Co., Ltd.	Equity-method investee	Equity-method investments	2,220	(2,763)	14	(5,418)	Notes 1 and 6
	Sunplus mMobile Inc.	Equity-method investee	Equity-method investments	8	52,918	-	(206)	Note 1
	Sunplus mMedia Inc.	Equity-method investee	Equity-method investments	579	10,239	4	6,154	Note 1
	Sunplus 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	25,891	3	3,682	Note 1
	iCatch Technology, Inc.	Equity-method investee	Equity-method investments	965	10,331	2	10,331	Note 1
	Sunplus 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
	Glokie 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	<u>Stock</u>							
	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
	Innobrige Venture Fund ILP	-	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	
Sunplus Venture Capital Co., Ltd.	Innobrige 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
	<u>Stock</u>							
	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
	Sunplus Core Technology Co., Ltd.	Equity-method investee	Equity-method investments	1,885	(4,647)	12	(4,647)	Notes 1 and 6
	Sunplus 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
	Sunplus mMedia Inc.	Equity-method investee	Equity-method investments	1,909	16,662	13	16,404	Note 1
	Sunplus 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
	Sanjet 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.	<u>Stock</u>							
	Ventureplus Mauritius Inc.	Subsidiary of Ventureplus Group Inc.	Equity-method investments	41,900	US\$ 34,358 Thousand	100	US\$ 34,358 Thousand	Note 1
Ventureplus Mauritius Inc.	<u>Stock</u>							
	Ventureplus Cayman Inc.	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.	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
	Prudential Financial Bond Fund	-	Available-for-sale financial assets	1,976	30,000	-	30,000	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.	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
	<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	December 31, 2010				Note
				Shares or Units (Thousands)	Carrying Value	Percentage of Ownership (%)	Market Value or Net Asset Value	
Great Sun Corp.	<u>Stock</u> Sunext (Mauritius) Inc.	Subsidiary of Great Sun Corp.	Equity-method investments	750	US\$ 107 Thousand	100	US\$ 107 Thousand	Note 1
Sunext (Mauritius) Inc.	<u>Stock</u> Sunext Technology (Shanghai)	Subsidiary of Sunext (Mauritius) Inc.	Equity-method investments	-	US\$ 107 Thousand	100	US\$ 107 Thousand	Note 1
Waveplus Technology Co., Ltd.	<u>Stock</u> Waveplus Design, Inc.	Subsidiary of Waveplus Technology Co., Ltd.	Equity-method investments	1,000	US\$ - Thousand	100	US\$ - Thousand	Notes 1 and 6
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.	Subsidiary of Sunplus mMobile Inc.	Equity-method investments	2,580	(3)	100	(3)	Notes 1 and 6
Sunplus mMobile Holding Inc.	Bright Sunplus mMobile Inc.	Subsidiary of Sunplus mMobile Holding Inc.	Equity-method investments	2,580	US\$ - thousand	100	US\$ - thousand	Note 1
Sunplus Innovation Technology Inc.	<u>Fund</u> Prudential Financial Bond Fund	-	Available-for-sale financial assets	4,636	70,370		70,370	Note 5
	FSITC Taiwan Bond Fund	-	Available-for-sale financial assets	6,023	88,213		88,213	Note 5
	Fuh-Hwa Bond Fund	-	Available-for-sale financial assets	2,898	40,185		40,185	Note 5
	<u>Stock</u> Advanced Silicon SA	-	Financial assets carried at cost	1,000	30,179	12	30,179	Note 2
	Advanced NuMicro System, Inc.	-	Financial assets carried at cost	2,000	15,993	9	15,993	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: 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)

TABLE 4

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	Unit (Thousands)	Amount	Carrying Value	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	\$ 179,058	\$ 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	289,000	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	132,723	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	100,000	133	-	-
	IBT 1699 Bond Fund	Available-for-sale financial assets	22,107	285,092 (Note 2)	-	-	22,107	285,477	285,000	477	-	-
	UPAMC James Bond Fund	Available-for-sale financial assets	3,128	50,003 (Note 2)	3,439	55,000	6,567	105,077	105,000	77	-	-
	Prudential Financial Bond Fund	Available-for-sale financial assets	9,476	143,426 (Note 2)	-	-	9,476	143,791	143,132	659	-	-
	FSITC Taiwan Bond Fund	Available-for-sale financial assets	20,509	299,440 (Note 2)	6,154	90,133	20,509	300,133	299,000	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	100,000	239	-	-
	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	332,000	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	223,889	832	4,757	57,001 (Note 1)
	Prudential Financial Bond Fund	Available-for-sale financial assets	-	-	8,313	126,000	6,337	96,055	96,000	55	1,976	30,000 (Note 1)
	Capital Income Fund	Available-for-sale financial assets	-	-	7,769	120,000	3,889	60,140	60,000	140	3,880	60,001 (Note 1)
	ING Taiwan Bond Fund	Available-for-sale financial assets	-	-	7,033	110,000	3,517	55,026	55,000	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	99,716	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	160,000	237	-	-
Sunplus Venture Capital Co., Ltd.	Capital Income Fund	Available-for-sale financial assets	-	-	7,772	120,000	7,772	120,132	120,000	132	-	-
	Capella Microsystems, Inc.	Available-for-sale financial assets	662	9,450	34 (Note 7)	-	695	121,242	9,450	111,792	-	-

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.

TABLE 5

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	Amount			
Sunplus Technology Company Limited	Venture Group Inc.	2010.01	\$ 547,570	\$ (547,570)	-	Equity-method investee	-	-	-	\$ -	Note 1	Equity-method investee	-
	Sunplus mMobile Inc.	2010.11	200,000	(200,000)	-	Equity-method investee	-	-	-	-	Note 1	Equity-method investee	-
	Magic Sky Limited	2010.10	188,941	(188,941)	-	Equity-method investee	-	-	-	-	Note 2	Equity-method investee	-

Note 1: Participation in share issuance.
Note 2: Newly established.

TABLE 6

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	2005.12	\$179,058	\$626,172	\$460,561	-	Equity-method investee	Financial planning	Note	-
		2010.02	2006.07								
		2010.09	2007.06								
		2010.10	2008.08								
		2010.11									

Note: Sold on the Taiwan Stock Exchange.

TABLE 7

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	Carrying Value			
Sunplus Technology Company Limited	Orise Technology Co., Ltd.	Hsinchu, Taiwan	Design of ICs	\$ 581,661	\$ 687,979	51,290	38	\$ 1,034,446	\$ 485,290	\$ 199,879	Investee
	Sunplus mMedia Inc.	Hsinchu, Taiwan	Design of ICs	307,565	306,739	12,441	83	17,139	(13,945)	24,529	Subsidiary
	Sunplus Venture Capital Co., Ltd.	Hsinchu, Taiwan	Investment	999,982	999,982	100,000	100	917,265	111,404	111,404	Subsidiary
	Lin Shih Investment Co., Ltd.	Hsinchu, Taiwan	Investment	699,988	699,988	70,000	100	899,619	(31,654)	(31,654)	Subsidiary
	Generalplus Technology Inc.	Hsinchu, Taiwan	Design of ICs	305,050	316,864	38,731	40	712,981	330,646	137,713	Subsidiary
	Ventureplus Group Inc.	Belize	Investment	US\$ 41,900	US\$ 24,900	41,900	100	1,000,643	15,727	15,727	Subsidiary
				Thousand	Thousand						
	Russell Holdings Limited	Cayman Islands, British West Indies.	Investment	US\$ 14,760	US\$ 14,760	14,760	100	392,649	22,618	22,618	Subsidiary
				thousand	thousand						
	Sunplus Innovation Technology Inc.	Hsinchu, Taiwan	Design of ICs	414,663	414,663	30,103	66	594,687	106,434	86,922	Subsidiary
	Sunext Technology Co., Ltd.	Hsinchu, Taiwan	Design and sale of ICs	924,730	946,705	38,837	61	540,772	20,077	12,311	Subsidiary
	Sunplus Core Technology Co., Ltd.	Hsinchu, Taiwan	Design of ICs	195,285	105,470	11,026	70	(51,272)	(68,844)	(50,108)	Subsidiary
	Waveplus Technology Co., Ltd.	Hsinchu, Taiwan	Design and sale of ICs	35,517	35,517	1,302	41	12,393	(14,530)	(5,913)	Subsidiary
	Global Techplus Capital Inc.	Seychelles	Investment	US\$ 200	US\$ 200	200	100	6,698	(26)	(26)	Subsidiary
				thousand	thousand						
	Wei-Young Investment Inc.	Hsinchu, Taiwan	Investment	30,157	30,157	1,400	100	8,601	566	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)	(221)	Subsidiary
				thousand	Thousand						
	Sunplus Management Consulting Inc.	Hsinchu, Taiwan	Management	5,000	5,000	500	100	4,112	(33)	(33)	Subsidiary
	HT mMobile Inc.	Hsinchu, Taiwan	Design of ICs	372,608	372,608	37,261	25	29,790	(845,947)	(243,802)	Investee
	iCatch Technology, Inc.	Hsinchu, Taiwan	Design of ICs	207,345	207,345	20,735	38	222,071	(13,476)	(8,266)	Subsidiary
	Sunplus mMobile Inc.	Hsinchu, Taiwan	Design of ICs	1,707,392	1,507,392	20,090	99	(591,839)	(137,146)	(129,597)	Subsidiary
	Magic Sky Limited	Smaoa	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	20,077	1,062	Subsidiary
	Waveplus Technology Co., Ltd.	Hsinchu, Taiwan	Design and sale of ICs	100,048	94,576	1,342	42	10,178	(14,530)	(4,411)	Subsidiary
	Sunplus Core Technology Co., Ltd.	Hsinchu, Taiwan	Design of ICs	36,800	20,073	2,220	14	(2,763)	(68,844)	(10,082)	Subsidiary
	Sunplus mMobile Inc.	Hsinchu, Taiwan	Design of ICs	38,450	38,376	8	-	52,918	(137,146)	(7,421)	Subsidiary
	Sunplus mMedia Inc.	Hsinchu, Taiwan	Design of ICs	19,171	19,171	579	4	10,239	(13,945)	(538)	Subsidiary
	Sunplus Innovation Technology Inc.	Hsinchu, Taiwan	Design of ICs	14,073	9,763	934	2	16,393	106,434	1,960	Subsidiary
	HT mMobile Inc.	Hsinchu, Taiwan	Design of ICs	46,948	4,394	4,695	3	25,891	(845,947)	(26,055)	Investee
	iCatch Technology, Inc.	Hsinchu, Taiwan	Design of ICs	9,645	9,645	965	2	10,331	(13,476)	(385)	Subsidiary
	Generalplus Technology Inc.	Hsinchu, Taiwan	Design of ICs	86,256	82,166	14,892	15	273,266	330,646	51,499	Subsidiary
Sunplus Venture Capital Co., Ltd.	Joining 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	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	106,434	3,609	Subsidiary
	HT mMobile Inc.	Hsinchu, Taiwan	Design of ICs	204	204	20	-	41	(845,947)	(134)	Investee
	iCatch Technology, Inc.	Hsinchu, Taiwan	Design of ICs	31,818	31,818	3,182	6	34,078	(13,476)	(1,269)	Subsidiary
	Waveplus Technology Co., Ltd.	Hsinchu, Taiwan	Design and sale of ICs	76,016	76,016	387	12	3,681	(14,530)	(1,757)	Subsidiary
	Orise Technology Co, Ltd.	Hsinchu, Taiwan	Design of ICs	10,800	10,800	865	1	16,949	485,290	3,083	Investee
	Sunplus Core Technology Co., Ltd.	Hsinchu, Taiwan	Design of ICs	33,846	20,000	1,855	12	(4,647)	(68,844)	(8,653)	Subsidiary
	Generalplus Technology Inc.	Hsinchu, Taiwan	Design of ICs	44,606	42,802	4,030	4	80,680	330,646	14,894	Subsidiary
	Sunplus mMobile Inc.	Hsinchu, Taiwan	Design of ICs	1,784	1,784	-	-	2,261	(137,146)	(130)	Subsidiary
	Sunplus mMedia Inc.	Hsinchu, Taiwan	Design of ICs	44,878	44,878	1,909	13	16,662	(13,945)	(1,775)	Subsidiary

(Continued)

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, 2009	December 31, 2008	Shares (Thousands)	Percentage of Ownership	Carrying Value			
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.	Smaoa	Investment	US\$ - thousand	US\$ - thousand	-	100	US\$ - thousand	US\$ - thousand	US\$ - thousand	Subsidiary
Wei-Young Investment Inc.	Generalplus Technology Inc. Sunext Technolgoy Co., Ltd.	Hsinchu, Taiwan	Design of ICs	1,800	1,800	108	-	1,897	330,646	375	Subsidiary
		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 Prof-tek (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
Sunext Technology Co., Ltd.	Great Sun Corp.	Smaoa	Investment	US\$ 750 thousand	US\$ 750 thousand	750	100	10,206	7,008	7,008	Subsidiary
	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.	Smaoa	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
	Genralplus 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.	Smaoa	Investment	US\$ 2,580 thousand	US\$ 2,580 thousand	2,580	100	(3)	US\$ - thousand	US\$ - thousand	Subsidiary
Sunplus mMobile Holding Inc.	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**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.

TABLE 9

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 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, 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.