

**Sunplus Technology Company Limited
and Subsidiaries**

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

REPRESENTATION LETTER

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

Very truly yours,

SUNPLUS TECHNOLOGY COMPANY LIMITED

By

CHOU-CHIEH HUANG
Chairman

January 31, 2011

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Sunplus Technology Company Limited

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

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

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

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

January 31, 2011

Notice to Readers

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

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

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2010 AND 2009

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

ASSETS	2010		2009	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash (Note 4)	\$ 5,669,021	31	\$ 3,421,418	18
Certificates of deposits - restricted (Notes 4 and 23)	81,505	-	500	-
Notes and accounts receivable, net (Notes 2, 6 and 22)	1,777,704	9	2,394,130	13
Available-for-sale financial assets - current (Notes 2 and 5)	1,492,345	8	3,128,073	16
Other receivables (Note 22)	193,022	1	225,676	1
Inventories (Notes 2, 3 and 7)	2,028,711	11	1,338,508	7
Deferred income tax assets (Notes 2 and 19)	124,129	1	172,209	1
Other current assets	<u>120,145</u>	<u>1</u>	<u>141,501</u>	<u>1</u>
Total current assets	<u>11,486,582</u>	<u>62</u>	<u>10,822,015</u>	<u>57</u>
LONG-TERM INVESTMENTS				
Equity-method investments (Notes 2, 8 and 23)	1,106,906	6	3,125,594	16
Prepaid long-term investments	174,780	1	30,888	-
Available-for-sale financial assets (Notes 2, 5 and 8)	2,494,990	13	1,027,248	5
Financial assets carried at cost (Notes 2, 8 and 9)	<u>462,877</u>	<u>3</u>	<u>656,909</u>	<u>4</u>
Total long-term investments	<u>4,239,553</u>	<u>23</u>	<u>4,840,639</u>	<u>25</u>
PROPERTIES (Notes 2, 10 and 23)				
Cost				
Buildings	986,182	5	1,017,855	5
Auxiliary equipment	208,184	1	204,384	1
Machinery and equipment	419,640	2	476,065	2
Testing equipment	514,012	3	530,059	3
Transportation equipment	10,865	-	9,493	-
Furniture and fixtures	265,718	2	294,889	2
Leasehold improvements	57,876	-	53,528	-
Other equipment	<u>424</u>	<u>-</u>	<u>529</u>	<u>-</u>
Total cost	2,462,901	13	2,586,802	13
Less: Accumulated depreciation	1,335,232	7	1,371,136	7
Construction in progress and prepayments for equipment	<u>46,104</u>	<u>-</u>	<u>10,506</u>	<u>-</u>
Net properties	<u>1,173,773</u>	<u>6</u>	<u>1,226,172</u>	<u>6</u>
INTANGIBLE ASSETS, NET (Notes 2 and 11)	<u>891,766</u>	<u>5</u>	<u>1,121,928</u>	<u>6</u>
OTHER ASSETS				
Rental assets, net (Notes 2 and 23)	332,601	2	342,513	2
Deferred charges and others (Notes 2 and 12)	109,640	1	174,123	1
Deferred income tax assets - noncurrent (Notes 2 and 19)	274,665	1	608,167	3
Restricted assets (Notes 4 and 23)	<u>1,457</u>	<u>-</u>	<u>1,600</u>	<u>-</u>
Total other assets	<u>718,363</u>	<u>4</u>	<u>1,126,403</u>	<u>6</u>
TOTAL	<u>\$ 18,510,037</u>	<u>100</u>	<u>\$ 19,137,157</u>	<u>100</u>

LIABILITIES AND SHAREHOLDERS' EQUITY	2010		2009	
	Amount	%	Amount	%
CURRENT LIABILITIES				
Short-term bank loans (Note 13)	\$ 816,970	4	\$ 940,281	5
Notes and accounts payable (Note 22)	1,037,583	6	1,211,224	6
Income tax payable (Notes 2 and 19)	337,346	2	325,383	2
Accrued expenses	295,659	1	475,838	2
Bonus payable to employees and remuneration payable to directors and supervisors (Note 16)	214,109	1	73,085	-
Long-term bank loans - current portion (Notes 14 and 23)	701,000	4	689,500	4
Other current liabilities (Notes 2, 8 and 22)	<u>350,147</u>	<u>2</u>	<u>526,135</u>	<u>3</u>
Total current liabilities	<u>3,752,814</u>	<u>20</u>	<u>4,241,446</u>	<u>22</u>
LONG-TERM BANK LOANS, NET OF CURRENT PORTION (Notes 14 and 23)	<u>132,500</u>	<u>1</u>	<u>1,470,500</u>	<u>8</u>
OTHER LIABILITIES				
Deferred income	2,918	-	2,918	-
Accrued pension liability (Notes 2 and 15)	100,545	1	102,619	1
Guarantee deposits	<u>245,706</u>	<u>1</u>	<u>259,645</u>	<u>1</u>
Total other liabilities	<u>349,169</u>	<u>2</u>	<u>365,182</u>	<u>2</u>
Total liabilities	<u>4,234,483</u>	<u>23</u>	<u>6,077,128</u>	<u>32</u>
SHAREHOLDERS' EQUITY				
Capital stock - NT\$10.00 par value (parent company's equity; Notes 2, 16 and 17)				
Authorized - 1,200,000 thousand shares				
Issued and outstanding - 596,910 thousand shares	5,969,099	32	5,969,099	31
Capital surplus				
Additional paid-in capital - share issuance in excess of par	709,215	4	709,215	4
Treasury stock transactions	68,357	-	68,357	-
Merger and others	1,192,023	7	1,093,729	6
Retained earnings				
Legal reserve	2,372,631	13	2,334,480	12
Special reserve	-	-	428,914	2
Unappropriated earnings	2,707,229	14	1,542,755	8
Others				
Cumulative translation adjustments	(18,662)	-	110,973	-
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>-</u>	<u>(63,401)</u>	<u>-</u>
Total equity attributed to shareholders of the parent	12,763,924	69	12,310,570	64
MINORITY INTEREST (Note 2)	<u>1,511,630</u>	<u>8</u>	<u>749,459</u>	<u>4</u>
Total shareholders' equity	<u>14,275,554</u>	<u>77</u>	<u>13,060,029</u>	<u>68</u>
TOTAL	<u>\$ 18,510,037</u>	<u>100</u>	<u>\$ 19,137,157</u>	<u>100</u>

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

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

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

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

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

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

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SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

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

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

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

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

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

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SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

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

	Equity Attributable to Shareholders of the Parent												Others (Notes 2, 16 and 17)				Minority Interests (Note 2)	Total Shareholders' Equity
	Capital Stock Issued and Outstanding (Note 16)		Capital Surplus (Notes 2, 16 and 17)					Retained Earnings (Notes 2 and 16)				Unrealized Valuation (Loss)						
												Cumulative Translation Adjustments	Gain on Financial Assets	Treasury Stock	Total			
Shares (Thousands)	Amount	Share Issuance in Excess of Par	Treasury Stock Transactions	Long-term Investments	Merger	Total	Legal Reserve	Special Reserve	Unappropriated Earnings	Total				Total				
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	\$ 1,588,877	\$ 12,539,299	
Retirement of treasury stock	(1,293)	(12,929)	(1,536)	(53,605)	-	-	(55,141)	-	-	-	-	-	-	68,070	-	-	-	
Acquisition of treasury stock	-	-	-	-	-	-	-	-	-	-	-	-	-	(114,385)	(114,385)	-	(114,385)	
Treasury stock assigned to employees	-	-	-	53,317	-	-	53,317	-	-	-	-	-	-	114,385	167,702	-	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	(340,520)	(26,611)	
Adjustment of capital surplus - others	-	-	-	-	(28,342)	-	(28,342)	-	-	-	-	-	-	-	(28,342)	-	(28,342)	
Consolidated net income in 2009	-	-	-	-	-	-	-	-	-	381,515	381,515	-	-	-	381,515	115,462	496,977	
Translation adjustments on long-term investments	-	-	-	-	-	-	-	-	-	-	-	(38,666)	-	-	(38,666)	257	(38,409)	
Adjustment for changes in equity in equity-method investees	-	-	-	-	-	-	-	-	-	-	-	-	113	-	113	-	113	
Valuation gain on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	-	-	678,302	-	678,302	402	678,704	
Subsidiaries' distribution of cash dividends to minority interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(127,108)	(127,108)	
Decrease in minority interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(487,911)	(487,911)	
BALANCE, DECEMBER 31, 2009	596,910	5,969,099	709,215	68,357	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	749,459	13,060,029	
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	-	88,965	
Adjustment of capital surplus - others	-	-	-	-	9,329	-	9,329	-	-	-	-	-	-	-	9,329	-	9,329	
Consolidated net income in 2010	-	-	-	-	-	-	-	-	-	773,711	773,711	-	-	-	773,711	148,281	921,992	
Translation adjustments on long-term investments	-	-	-	-	-	-	-	-	-	-	-	(129,635)	-	-	(129,635)	(3,077)	(132,712)	
Adjustment for changes in equity in equity-method investees	-	-	-	-	-	-	-	-	-	-	-	-	(92)	-	(92)	(622)	(714)	
Valuation loss on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	-	-	(288,924)	-	(288,924)	(395)	(289,319)	
Subsidiaries' distribution of cash dividends to minority interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(65,183)	(65,183)	
Increase in minority interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	683,167	683,167	
BALANCE, DECEMBER 31, 2010	596,910	\$ 5,969,099	\$ 709,215	\$ 68,357	\$ 1,034,600	\$ 157,423	\$ 1,969,595	\$ 2,372,631	\$ -	\$ 2,707,229	\$ 5,079,860	\$ (18,662)	\$ (172,567)	\$ (63,401)	\$ 12,763,924	\$ 1,511,630	\$ 14,275,554	

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

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

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2010 AND 2009

(In Thousands of New Taiwan Dollars)

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

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SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2010 AND 2009

(In Thousands of New Taiwan Dollars)

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

(Continued)

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2010 AND 2009

(In Thousands of New Taiwan Dollars)

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

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

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

(Concluded)

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2010 AND 2009

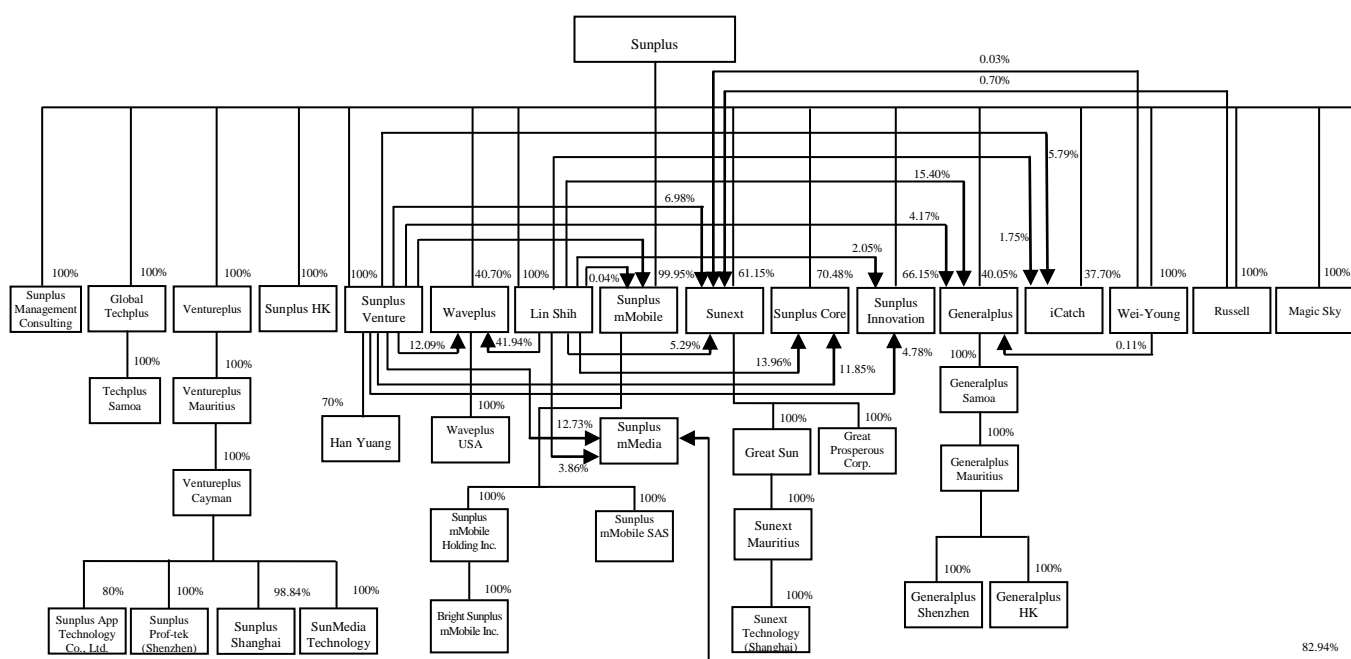
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. ORGANIZATION AND OPERATIONS

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

Sunplus’ shares have been listed on the Taiwan Stock Exchange since January 2000. Some of its shares have been issued in the form of global depository receipts (GDRs), which have been listed on the London Stock Exchange since March 2001 (refer to Note 16).

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



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

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

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

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

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

Principles of Consolidation

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

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

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

(Continued)

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

(Concluded)

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

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

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

Current/Noncurrent Assets and Liabilities

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

Financial Assets/Liabilities at Fair Value Through Profit or Loss

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

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

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

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

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

Available-for-sale Financial Assets

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

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

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

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

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

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

Revenue Recognition

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

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

Royalties are recognized when:

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

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

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

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

Sunplus Shanghai rent revenue recognized according to contract.

Allowance for Doubtful Accounts and Allowance for Sales Returns and Discounts

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

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

Inventories

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

Financial Assets Carried at Cost

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

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

Equity-method Investments

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

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

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

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

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

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

Properties and Rental Assets

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

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

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

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

Intangible Assets

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

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

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

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

Deferred Charges

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

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

Stock-based Compensation

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

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

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

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

Government Subsidies

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

Pension Costs

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

Treasury Stock

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

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

Income Tax

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

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

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

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

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

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

Foreign-currency Transactions

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

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

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

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

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

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

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

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

Reclassifications

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

3. ACCOUNTING CHANGES

Accounting for Inventories

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

Stock-based Compensation

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

4. CASH

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

5. AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

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

6. NOTES AND ACCOUNTS RECEIVABLE - OTHERS

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

Movements of the allowance for doubtful accounts were as follows:

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

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

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

7. INVENTORIES

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

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

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

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

8. EQUITY-METHOD INVESTMENTS

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

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

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

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

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

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

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

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

9. FINANCIAL ASSETS CARRIED AT COST

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

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

10. PROPERTIES

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

11. INTANGIBLE ASSETS, NET

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

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

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

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

12. DEFERRED CHARGES AND OTHERS

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

13. SHORT-TERM LOANS

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

14. LONG-TERM DEBTS

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

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

15. PENSION PLAN

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

Before the promulgation of the Act, the Company had a defined benefit pension plan under the Labor Standards Law. Under this plan, employees should receive either a series of pension payments with a defined annuity or a lump sum that is payable immediately on retirement and is equivalent to 2 base units for each of the first 15 years of service and 1 base unit for each year of service thereafter. The total retirement benefit is subject to a maximum of 45 units. The pension plan provides benefits based on the length of service and the average basic salary of the employee's final year of service. In addition, the Company makes monthly contributions, equal to 2% of salaries, to a pension fund, which is administered by a fund monitoring committee. The fund is deposited in the committee's name in the Bank of Taiwan as the survivor entity.

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

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

Other information on the defined pension plan is as follows:

a. Components of net pension costs

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

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

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

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

c. Actuarial assumptions

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

16. PARENT'S SHAREHOLDERS' EQUITY

a. Employee stock option plan

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

Outstanding option rights were as follows:

	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>	

	2008 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, stock bonuses 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					
Exercise Price (NT\$)	Options Outstanding			Options Exercisable	
	Number of Options (In Thousands)	Weighted-average Remaining Contractual Life (Years)	Weighted-average Exercise Price (NT\$)	Number of Options (In Thousands)	Weighted-average Exercise Price (NT\$)
\$40.40	15,133	2.87	\$40.40	15,133	\$40.40
40.90	6,300	2.99	40.90	6,300	40.90

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

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

b. Global depositary receipts (GDRs)

In March 2001, Sunplus issued 20,000 thousand units of Global Depositary Receipts (GDRs), representing 40,000 thousand common shares consisting of both originally and newly issued outstanding shares. The GDRs are listed on the London Stock Exchange (code: SUPD) with an issuance price of US\$9.57 per unit. As of December 31, 2010, the outstanding 275 thousand units of GDRs represented 550 thousand common shares.

c. Capital surplus

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

d. Appropriation of earnings and dividends

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

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

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

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

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

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

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

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

	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 the Taiwan Stock Exchange.

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

Unrealized Gain or Loss on Financial Instruments

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

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

17. TREASURY STOCK

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

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

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

18. PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

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

19. INCOME TAX

a. Income tax expense consisted of the following:

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

b. Deferred income tax assets consisted of the following:

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

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

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

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

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

(Continued)

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

(Concluded)

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

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

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

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

(Continued)

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

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

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

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

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

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

20. CONSOLIDATED EARNINGS PER SHARE

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

(Continued)

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

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

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

21. FINANCIAL INSTRUMENTS

- a. Fair values of financial instruments were as follows:

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

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

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

22. RELATED-PARTY TRANSACTIONS

The Company's related parties were as follows:

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

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

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

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

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

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

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

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

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

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

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

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

Compensation of directors, supervisors and management personnel:

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

23. PLEDGED OR MORTGAGED ASSETS

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

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

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

24. SIGNIFICANT LONG-TERM OPERATING LEASES

Sunplus

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

Future annual minimum rentals under the leases are as follows:

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

Sunplus Innovation

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

The future lease payments are as follows:

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

Sunext

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

The future lease payments are as follows:

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

i Catch Technology , Inc.

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

The future lease payments are as follows:

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

25. SIGNIFICANT COMMITMENT AND CONTINGENCY

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

Sunext

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

26. OTHERS

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

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

27. ADDITIONAL DISCLOSURES

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

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

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

28. SEGMENT INFORMATION

- a. Industry information:

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

- b. Geographic information:

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

- c. Export sales:

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

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

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

TABLE 1**SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES****ENDORSEMENT/GUARANTEE PROVIDED****YEAR ENDED DECEMBER 31, 2010****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

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

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

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

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

TABLE 2

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

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

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

- Note 1: Short-term financing.
- Note 2: Sunplus Technology Company Limited provided cash for the operation of Sunplus mMobile Inc.
- Note 3: The rate range of highest short-term loan interest rate for borrowing from financial institutions (0.9%~1.6% in 2010).
- Note 4: For each transaction entity, the amount should not exceed 5% of the financing company's net equity as shown in latest financial statements.
- Note 5: The amount should not exceed 10% of the financing Company's net equity based on the latest financial statements.

TABLE 3

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2010

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

Holding Company Name	Type and Name of Marketable Security	Relationship with the Holding Company	Financial Statement Account	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	25,890	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	Note 1
Sunplus mMobile Inc.	Sunplus mMobile SAS	Subsidiary of Sunplus mMobile Inc.	Equity-method investments	237	33,486	100	33,486	Note 1
	Sunplus mMobile Holding Inc.	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: the fair value of 6,817 thousand shares, which acquired through a private market transaction with certain restriction on the transferability of the common stock, was according to the expertise report.

(Concluded)

TABLE 4

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

YEAR ENDED DECEMBER 31, 2010

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

Company Name	Type and Issuer of Marketable Security	Financial Statement Account	Beginning Balance		Acquisition		Disposal				Ending Balance	
			Units (Thousands)	Amount	Units (Thousands)	Amount	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)	10,324	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	-	-	8,813	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 AND SUBSIDIARIES

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

Company Name	Types of Property	Transaction Date	Transaction Amount	(Payment)/Sale Term	Counter-party	Nature of Relationships	Prior Transaction of Company Related Counter-party				Price Reference	Purpose of Acquisition	Other Terms
							Ownership	Relationships	Transfer Date	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 AND SUBSIDIARIES

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

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

Note: Sold on the Taiwan Stock Exchange..

TABLE 7

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

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

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2011			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				December 31, 2011	December 31, 2010	Shares (Thousands)	Percentage of Ownership	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 thousand	US\$ 24,900 thousand	41,900	100	1,000,643	15,727	15,727	Subsidiary
	Russell Holdings Limited	Cayman Islands, British West Indies.	Investment	US\$ 14,760 thousand	US\$ 14,760 thousand	14,760	100	392,649	22,618	22,618	Subsidiary
	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	11,206	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 thousand	US\$ 200 thousand	200	100	6,698	(26)	(26)	Subsidiary
	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 thousand	HK\$ 11,075 thousand	11,075	100	3,998	(221)	(221)	Subsidiary
	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.	Joing Technology Co., Ltd.	Hsinchu, Taiwan	Design of ICs	51,000	51,000	3,400	39	-	-	-	Investee
	Sunext Technology Co., Ltd.	Hsinchu, Taiwan	Design and sale of ICs	385,709	385,709	4,431	7	46,379	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, 2011			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				December 31, 2010	December 31, 2009	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 Technology 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)

TABLE 8

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

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

Sunplus (Nature of Relationship: 0)

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2010	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2010	% Ownership of Direct or Indirect Investment	Investment Loss	Carrying Value as of December 31, 2010	Accumulated Inward Remittance of Earnings as of December 31, 2010
					Outflow	Inflow					
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, 2010	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
US\$41,836 thousand	US\$56,550 thousand	\$7,658,354

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

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

Generalplus Technology (Nature of Relationship: 1)

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type (e.g., Direct or Indirect)	Accumulated Outflow of Investment from Taiwan as of January 1, 2011	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2011	% Ownership of Direct or Indirect Investment	Investment Loss(Note2)	Carrying Value as of December 31, 2011	Accumulated Inward Remittance of Earnings as of December 31, 2011
					Outflow	Inflow					
Generalplus Shenzhen	Data processing service	US\$ 7,200 thousand	Note1	US\$ 5,200 thousand	US\$ 2,000 thousand	\$ -	US\$ 7,200 thousand	100	US\$ 282 thousand	US\$ 3,000 thousand	US\$ - thousand

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

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

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

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

(Continued)

Sunext Technology (Nature of Relationship: 2)

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type (e.g., Direct or Indirect)	Accumulated Outflow of Investment from Taiwan as of January 1, 2011	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2011	% Ownership of Direct or Indirect Investment	Investment Loss (Note 2)	Carrying Value as of December 31, 2011	Accumulated Inward Remittance of Earnings as of December 31, 2011
					Outflow	Inflow					
Sunext Technology (Shanghai)	Design of magnetic disc and software	US\$ 750 thousand	Note 1	US\$ 750 Thousand	\$ -	\$ -	US\$ 750 thousand	100%	US\$ 13 thousand	US\$ 107 thousand	\$ -

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

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

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

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

(Concluded)

TABLE 9**SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES****INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS****YEARS ENDED DECEMBER 31, 2010 and 2009****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

1. FOR THE YEAR ENDED DECEMBER 31, 2010

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

(Continued)

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

(Continued)

2. FOR THE YEAR ENDED DECEMBER 31, 2009

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

(Continued)

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

(Continued)

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

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

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

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

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

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

(Concluded)