

Sunplus Technology Company Limited

**Financial Statements for the
Years Ended December 31, 2008 and 2007 and
Independent Auditors' Report**

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Sunplus Technology Company Limited

We have audited the accompanying balance sheets of Sunplus Technology Company Limited as of December 31, 2008 and 2007, and the related statements of income, changes in shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sunplus Technology Company Limited as of December 31, 2008 and 2007, and the results of its operations and its cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, requirements of the Business Accounting Law and Guidelines Governing Business Accounting relevant to financial accounting standards, and accounting principles generally accepted in the Republic of China.

As disclosed in Note 3 to the accompanying financial statements, the 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. The Company also adopted the newly released Statement of Financial Accounting Standards No. 39, "Share-based Payment" to account for employee stock options.

We have also audited the consolidated financial statements of Sunplus Technology Company Limited and subsidiaries as of and for the years ended December 31, 2008 and 2007 and have issued an unqualified opinion thereon with an explanatory paragraph in each of our reports dated February 27, 2009 and January 25, 2008, respectively.

February 27, 2009

Notice to Readers

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

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

SUNPLUS TECHNOLOGY COMPANY LIMITED

BALANCE SHEETS

DECEMBER 31, 2008 AND 2007

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

ASSETS	2008		2007		2008		2007	
	Amount	%	Amount	%	Amount	%	Amount	%
CURRENT ASSETS								
Cash	\$ 914,057	7	\$ 681,285	4	\$ 647,600	5	\$ 500,000	3
Available-for-sale financial assets - current (Notes 2 and 8)	191,094	2	637,874	4	307,210	2	954,884	6
Notes and accounts receivable, net (Notes 2, 5 and 21)	476,287	4	1,513,452	10	365,454	3	362,981	3
Other receivables (Note 21)	151,890	1	165,851	1	-	-	2,222	-
Inventories, net (Notes 2 and 6)	896,749	7	1,104,001	7	-	-	22,287	-
Deferred income tax - current (Notes 2 and 18)	166,159	1	143,413	1	398,649	3	628,938	4
Other current assets	40,856	-	70,120	1	-	-	736	-
Total current assets	2,837,092	22	4,315,996	28	1,731,341	13	2,472,048	16
LONG-TERM INVESTMENTS								
Equity-method investments (Notes 2 and 7)	7,090,528	55	7,513,385	48	-	-	-	-
Financial assets at fair value through profit or loss - noncurrent (Notes 2 and 4)	162,122	1	167,676	1	37,995	-	3,223	-
Available-for-sale financial assets - noncurrent (Notes 2 and 8)	157,562	1	472,843	3	60,395	1	62,949	-
Financial assets carried at cost (Notes 2 and 9)	35,556	1	35,556	-	151,053	1	247,023	2
Total long-term investments	7,445,768	58	8,189,460	52	249,443	2	313,195	2
PROPERTIES (Notes 2, 10 and 21)								
Cost								
Buildings	688,983	5	688,983	4	1,980,784	15	2,785,243	18
Auxiliary equipment	184,963	2	179,140	1	-	-	-	-
Machinery and equipment	414,508	3	378,667	2	-	-	-	-
Testing equipment	373,482	3	402,639	3	-	-	-	-
Transportation equipment	2,463	-	5,573	-	5,982,028	46	5,567,505	35
Furniture and fixtures	123,058	1	128,706	1	-	-	-	-
Leasehold improvements	459	-	459	-	710,751	5	817,768	5
Total cost	1,787,916	14	1,784,167	11	68,645	1	60,171	1
Less: Accumulated depreciation	951,590	8	844,033	5	808,162	6	675,978	4
Net properties	836,326	6	940,134	6	2,333,642	18	2,127,492	14
INTANGIBLE ASSETS, NET (Notes 2 and 11)								
Other	551,787	4	841,899	5	1,590,992	13	3,499,870	22
OTHER ASSETS								
Assets leased to others, net (Notes 2 and 21)	251,118	2	262,360	2	149,639	1	63,135	1
Deferred charges and others (Notes 2 and 12)	252,208	2	270,144	2	(561,966)	(4)	185,415	1
Deferred income tax - noncurrent (Notes 2 and 18)	756,907	6	848,373	5	(131,471)	(1)	(131,471)	(1)
Total other assets	1,260,233	10	1,380,877	9	10,950,422	85	12,883,123	82
TOTAL	\$ 12,931,206	100	\$ 15,668,366	100	\$ 12,931,206	100	\$ 15,668,366	100

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

(With Deloitte & Touche audit report dated February 27, 2009)

SUNPLUS TECHNOLOGY COMPANY LIMITED

STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2008 AND 2007

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

	2008		2007	
	Amount	%	Amount	%
GROSS SALES	\$ 6,433,010		\$ 9,380,826	
SALES RETURNS AND ALLOWANCES	<u>339,831</u>		<u>166,767</u>	
NET SALES (Notes 2, 11 and 21)	6,093,179	100	9,214,059	100
COST OF SALES (Note 17)	3,690,119	60	5,305,721	58
REALIZED (UNREALIZED) GAIN ON INTERCOMPANY TRANSACTIONS, NET (Note 2)	<u>(45,096)</u>	<u>(1)</u>	<u>3,888</u>	<u>-</u>
GROSS PROFIT	<u>2,357,964</u>	<u>39</u>	<u>3,912,226</u>	<u>42</u>
OPERATING EXPENSES (Notes 17 and 21)				
Marketing	92,528	1	207,667	2
General and administrative	216,042	4	372,315	4
Research and development	<u>1,532,685</u>	<u>25</u>	<u>1,726,048</u>	<u>19</u>
Total operating expenses	<u>1,841,255</u>	<u>30</u>	<u>2,306,030</u>	<u>25</u>
OPERATING INCOME	<u>516,709</u>	<u>9</u>	<u>1,606,196</u>	<u>17</u>
NONOPERATING INCOME AND GAINS				
Gain on disposal of investments, net (Note 2)	246,094	4	483,925	5
Administrative and support service revenue (Note 21)	127,919	2	285,525	3
Gain on settlement compensation (Note 23)	107,639	2	137,450	2
Guarantee deposits forfeited because of customers' default on contracts	67,193	1	80,825	1
Rental revenue (Note 21)	37,908	1	40,151	1
Dividend income (Note 2)	33,646	1	6,722	-
Valuation gain on financial assets, net (Notes 2 and 4)	27,889	-	17,521	-
Interest income	17,824	-	28,738	-
Exchange gain, net (Note 2)	5,095	-	-	-
Subsidies (Note 2)	390	-	6,072	-
Others (Note 21)	<u>56,184</u>	<u>1</u>	<u>21,452</u>	<u>-</u>
Total nonoperating income and gains	<u>727,781</u>	<u>12</u>	<u>1,108,381</u>	<u>12</u>
NONOPERATING EXPENSES AND LOSSES				
Investment loss recognized by the equity-method, net (Notes 2 and 7)	929,571	15	268,156	3
Loss on inventory (Notes 2 and 6)	120,000	2	120,000	1
Interest expense	22,239	1	16,447	-

(Continued)

SUNPLUS TECHNOLOGY COMPANY LIMITED

STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2008 AND 2007

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

	2008		2007	
	Amount	%	Amount	%
Valuation loss on financial liabilities, net (Notes 2 and 4)	\$ 960	-	\$ 2,222	-
Exchange loss, net (Note 2)	-	-	6,490	-
Others (Note 2)	<u>11,696</u>	-	<u>4,780</u>	-
Total nonoperating expenses and losses	<u>1,084,466</u>	<u>18</u>	<u>418,095</u>	<u>4</u>
INCOME BEFORE INCOME TAX	160,024	3	2,296,482	25
INCOME TAX EXPENSE (Notes 2 and 18)	<u>151,641</u>	<u>3</u>	<u>234,980</u>	<u>3</u>
NET INCOME	<u>\$ 8,383</u>	<u>-</u>	<u>\$ 2,061,502</u>	<u>22</u>
	2008		2007	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
EARNINGS PER SHARE (Note 19)				
Basic	<u>\$ 0.27</u>	<u>\$ 0.01</u>	<u>\$ 3.66</u>	<u>\$ 3.28</u>
Diluted	<u>\$ 0.27</u>	<u>\$ 0.01</u>	<u>\$ 3.65</u>	<u>\$ 3.27</u>

The pro forma net income and earnings per share (EPS) on the assumption that the Company's stock held by its subsidiary is treated as an investment instead of treasury stock are shown as follows (Note 16):

	2008		2007	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
NET INCOME	<u>\$ 168,498</u>	<u>\$ 16,857</u>	<u>\$ 2,309,325</u>	<u>\$ 2,074,345</u>
BASIC EPS				
Based on weighted-average shares				
Outstanding - 596,886 thousand shares in 2008 and 631,831 thousand shares in 2007	<u>\$0.28</u>	<u>\$0.03</u>	<u>\$3.65</u>	<u>\$3.28</u>
DILUTED EPS				
Based on weighted-average shares				
Outstanding - 596,890 thousand shares in 2008 and 633,518 thousand shares in 2007	<u>\$0.28</u>	<u>\$0.03</u>	<u>\$3.65</u>	<u>\$3.27</u>

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

(With Deloitte & Touche audit report dated February 27, 2009)

(Concluded)

SUNPLUS TECHNOLOGY COMPANY LIMITED

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2008 AND 2007
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

	Capital Stock Issued and Outstanding (Note 15)		Capital Surplus (Notes 2, 15 and 16)				Retained Earnings (Note 15)			Others (Notes 2, 15 and 16)			Total Shareholders' Equity		
	Shares (Thousands)	Amount	Additional Paid-in Capital in Excess of Par	Treasury Stock	Long-term Investments	Merger	Total	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Cumulative Translation Adjustments		Unrealized Valuation (Loss) Gain on Financial Assets	Treasury Stock
BALANCE, JANUARY 1, 2007	1,023,648	\$ 10,236,476	\$ 768,390	\$ 47,328	\$ 393,555	\$ 157,423	\$ 1,366,696	\$ 1,830,223	\$ 294,860	\$ 3,849,644	\$ 5,974,727	\$ 17,206	\$ (34,466)	\$ (176,566)	\$ 17,384,073
Cancellation of common shares	(511,436)	(5,114,357)	-	-	-	-	-	-	-	-	-	-	-	45,095	(5,069,262)
Appropriation of prior year's earnings:															
Legal reserve	-	-	-	-	-	-	297,269	-	-	(297,269)	-	-	-	-	-
Special reserve	-	-	-	-	-	-	-	(277,600)	277,600	-	-	-	-	-	-
Bonus to employees - stock	13,500	135,000	-	-	-	-	-	-	(135,000)	(135,000)	(135,000)	-	-	-	(15,000)
Bonus to employees - cash	-	-	-	-	-	-	-	-	-	(15,000)	(15,000)	-	-	-	(15,000)
Remuneration to directors and supervisors	-	-	-	-	-	-	-	-	-	(39,688)	(39,688)	-	-	-	(39,688)
Stock dividends - NT\$0.29822 per share	15,362	153,622	-	-	-	-	-	-	-	(153,622)	(153,622)	-	-	-	(15,000)
Cash dividends - NT\$3.97620 per share	-	-	-	-	-	-	-	-	-	(2,048,297)	(2,048,297)	-	-	-	(39,688)
Capital stock transferred from capital surplus	10,241	102,415	(102,415)	-	-	-	(102,415)	-	-	-	-	-	-	-	(2,048,297)
Issuance of shares upon exercise of employee stock options	5,435	54,349	151,793	-	-	-	151,793	-	-	-	-	-	-	-	206,142
Adjustment arising from changes in percentage of ownership of investees	-	-	-	-	167,595	-	167,595	-	-	-	-	-	-	-	167,595
Adjustment of capital surplus - others	-	-	-	-	(42,595)	-	(42,595)	-	-	-	-	-	-	-	(42,595)
Net income in 2007	-	-	-	-	-	-	-	-	-	2,061,502	2,061,502	-	-	-	2,061,502
Translation adjustments on long-term investments	-	-	-	-	-	-	-	-	-	-	-	45,929	-	-	45,929
Cash dividends received by subsidiaries from the Company	-	-	-	12,843	-	-	12,843	-	-	-	-	-	-	-	12,843
Adjustment for changes in shareholders' equities in equity-method investees	-	-	-	-	-	-	-	-	-	-	-	-	232,446	-	232,446
Valuation loss on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	-	-	(12,565)	-	(12,565)
BALANCE, DECEMBER 31, 2007	556,750	5,567,505	817,768	60,171	518,555	157,423	1,553,917	2,127,492	17,260	3,499,870	5,644,622	63,135	185,415	(131,471)	12,883,123
Appropriation of prior year's earnings:															
Legal reserve	-	-	-	-	-	-	-	206,150	-	(206,150)	-	-	-	-	-
Special reserve	-	-	-	-	-	-	-	-	(17,260)	17,260	-	-	-	-	-
Bonus to employees - stock	13,500	135,000	-	-	-	-	-	-	-	(135,000)	(135,000)	-	-	-	(15,000)
Bonus to employees - cash	-	-	-	-	-	-	-	-	-	(15,000)	(15,000)	-	-	-	(15,000)
Remuneration to directors and supervisors	-	-	-	-	-	-	-	-	-	(23,090)	(23,090)	-	-	-	(23,090)
Stock dividends - NT\$0.29990 per share	16,665	166,637	-	-	-	-	-	-	-	(166,637)	(166,637)	-	-	-	(23,090)
Cash dividends - NT\$2.49920 per share	-	-	-	-	-	-	-	-	-	(1,388,644)	(1,388,644)	-	-	-	(1,388,644)
Capital stock transferred from capital surplus	11,109	111,092	(111,092)	-	-	-	(111,092)	-	-	-	-	-	-	-	-
Issuance of shares upon exercise of employee stock options	179	1,794	4,075	-	-	-	4,075	-	-	-	-	-	-	-	5,869
Adjustment arising from changes in percentage of ownership of investees	-	-	-	-	134,100	-	134,100	-	-	-	-	-	-	-	134,100
Adjustment of capital surplus - others	-	-	-	-	(1,916)	-	(1,916)	-	-	-	-	-	-	-	(1,916)
Net income in 2008	-	-	-	-	-	-	-	-	-	8,383	8,383	-	-	-	8,383
Translation adjustments on long-term investments	-	-	-	-	-	-	-	-	-	-	-	86,504	-	-	86,504
Cash dividends received by subsidiaries from the Company	-	-	-	8,474	-	-	8,474	-	-	-	-	-	-	-	8,474
Adjustment for changes in shareholders' equities in equity-method investees	-	-	-	-	-	-	-	-	-	-	-	-	(468,807)	-	(468,807)
Valuation loss on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	-	-	(278,574)	-	(278,574)
BALANCE, DECEMBER 31, 2008	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

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

(With Deloitte & Touche audit report dated February 27, 2009)

SUNPLUS TECHNOLOGY COMPANY LIMITED

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2008 AND 2007 (In Thousands of New Taiwan Dollars)

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 8,383	\$ 2,061,502
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	730,003	820,440
Gain on disposal of properties and deferred charges	(167)	(2,627)
Valuation gain on financial instruments	(24,584)	(15,299)
Investment loss recognized by the equity-method investees, net	929,571	268,156
Cash dividends received from equity-method investees	236,037	110,280
Gain on disposal of investments, net	(246,094)	(483,925)
Write off of properties	-	2,024
Cumulative translation adjustments of capital return by equity-method	1,262	-
Realized (unrealized) gain on intercompany transactions, net	45,096	(3,888)
Realized royalty income	(20,919)	(22,171)
Deferred income tax assets	68,720	(245,116)
Accrued pension liability	(2,554)	(6,480)
Net changes in operating assets and liabilities		
Held-for-trading financial instruments	(2,222)	-
Notes and accounts receivable	1,037,165	(40,185)
Other receivables	88,230	60,731
Inventories	207,252	411,704
Other current assets	29,264	64,893
Accounts payable	(647,674)	(334,833)
Income tax payable	(71,796)	262,520
Other current liabilities	(270,180)	(356,614)
Net cash provided by operating activities	<u>2,094,793</u>	<u>2,551,112</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds of the:		
Disposal of financial assets at fair value through profit or loss	30,840	199,563
Disposal of equity-method investments	93,085	42,929
Disposal of available-for-sale financial assets	3,645,023	10,639,468
Disposal of financial assets carried at cost	-	402,799
Disposal of properties and deferred charges	1,402	6,129
Return of capital by investee	157,101	-
Return of capital on available-for-sale financial assets	-	8,179
Capital reduction on financial assets carried at cost	-	27,742
Acquisition of:		
Equity-method investments	(1,126,958)	(1,039,193)
Available-for-sale financial assets	(2,987,000)	(8,035,800)
Properties	(80,618)	(174,223)

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SUNPLUS TECHNOLOGY COMPANY LIMITED

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2008 AND 2007 (In Thousands of New Taiwan Dollars)

	2008	2007
Increase in intangible assets	\$ (53,084)	\$ (322,658)
Increase in deferred charges and others	<u>(172,577)</u>	<u>(129,562)</u>
Net cash provided by (used in) investing activities	<u>(492,786)</u>	<u>1,625,373</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term loans	147,600	222,943
Decrease in guarantee deposits	(95,970)	(114,180)
Remuneration paid to directors and supervisors	(38,090)	(54,688)
Cash dividends	(1,388,644)	(2,048,297)
Proceeds of the exercise of stock options	5,869	206,142
Capital reduction	<u>-</u>	<u>(5,101,466)</u>
Net cash used in financing activities	<u>(1,369,235)</u>	<u>(6,889,546)</u>
NET INCREASE (DECREASE) IN CASH	232,772	(2,713,061)
CASH BEGINNING OF YEAR	<u>681,285</u>	<u>3,394,346</u>
CASH END OF YEAR	<u>\$ 914,057</u>	<u>\$ 681,285</u>
SUPPLEMENTAL CASH FLOW INFORMATION:		
Income tax paid	<u>\$ 128,468</u>	<u>\$ 154,639</u>
Interest paid	<u>\$ 17,634</u>	<u>\$ 16,447</u>
NONCASH INVESTING AND FINANCING ACTIVITIES:		
Reclassification of properties into deferred charges and others	<u>\$ 35,157</u>	<u>\$ 281,485</u>
Reclassification of equity-method investments into other current liabilities	<u>\$ 38,030</u>	<u>\$ 103,081</u>
Reclassification of properties into rental assets	<u>\$ -</u>	<u>\$ 66,909</u>
PARTIAL CASH INVESTING AND FINANCING ACTIVITIES:		
Acquisition of properties	\$ 82,479	\$ 165,672
Decrease (increase) in payables for equipments purchased	<u>(1,861)</u>	<u>8,551</u>
Cash paid	<u>\$ 80,618</u>	<u>\$ 174,223</u>

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

(With Deloitte & Touche audit report dated February 27, 2009)

(Concluded)

SUNPLUS TECHNOLOGY COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2008 AND 2007

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

1. ORGANIZATION AND OPERATIONS

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

The Company’s shares have been listed on the Taiwan Stock Exchange since January 2000. Some of the Company’s shares have been issued in the form of Global Depository Receipts (GDRs), which have been listed on the London Stock Exchange since March 2001 (refer to Note 15).

As of December 31, 2008 and 2007, the Company had 576 and 587 employees, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

The Company’s 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 converted to cash, consumed or sold within one year from the balance sheet date. Current liabilities are those to be settled within one year from the balance sheet date and those held primarily for trading purposes. All other assets and liabilities are classified as noncurrent.

Financial Assets/Liabilities at Fair Value Through Profit or Loss

Financial instruments at fair value through profit or loss have two categories: (1) held for trading and (2) designated on initial recognition as at fair value through profit or loss. These financial instruments are initially recorded at fair value with transaction costs that are directly attributable to the acquisition. When financial instruments are subsequently measured at fair value, the changes in fair value are recognized as earnings. A regular way purchase or sale of financial assets is recognized and derecognized using trade date accounting.

Derivatives that do not meet the criteria for hedge accounting are treated as financial assets or liabilities held for trading. When the fair value is positive, the derivative is treated as a financial asset; when the fair value is negative, 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 stock. Investments classified as available-for-sale financial assets are initially recognized at fair value plus transaction costs that are directly attributed to investment acquisition. When available-for-sale financial assets subsequently measured at fair value, the changes in fair value are reported as a separate component of shareholders' equity. The accumulated gains or losses are recognized when the financial asset is derecognized from the balance sheet. A regular way purchase or sale of financial assets is recognized and derecognized using trade date accounting.

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 as investment income upon resolution of the shareholders of an investee but are accounted for as reductions of the original investment cost if these dividends are declared on the earnings of the investees attributable to periods before the purchase of the investments. Stock dividends received are recorded as an increase in the number of shares held and do not affect investment income. The cost per share is recalculated on the basis of the new number of shares after the receipt of stock dividends.

The fair values of open-end mutual funds are based on their net asset value at the balance sheet date; listed stock is the closing price as of the balance sheet date.

If there is objective evidence that a financial asset is impaired as of the balance sheet date, a loss is recognized. If the impairment loss decreases, the impairment loss is reversed to the extent of the decrease and recorded as an adjustment to shareholders' equity.

Revenue Recognition and Allowance for Doubtful Accounts

Sales are recognized when titles to products and risks of ownerships are transferred to customers, primarily upon shipment, since the earnings process is substantially completed and revenue is realized or realizable. The Company does not recognize sales upon delivery of materials to subcontractors because the ownership over the materials is not transferred.

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.

Sales are determined at fair market value, taking into account related sales discounts agreed to by the Company and its customers. Since the receivables from sales are collectible within one year and sales transactions are frequent, the fair value of receivables equals to the nominal amount of cash to be received. 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.

Inventories

Inventories consist of raw materials, work-in-process, finished goods and merchandise, which are stated at the lower of cost or market value. Inventories are recorded at standard costs and adjusted to approximate weighted-average cost at the end of the period. Market value is based on the replacement cost of raw materials and net realizable value of work-in-process, finished goods and merchandise. Scrap and slow-moving items are recognized as allowance for losses.

Financial Assets Carried at Cost

Investments without quoted market prices in an active market and whose fair value cannot be reliably measured, such as nonpublicly traded stocks, are carried at their original cost. The accounting treatment for cash and stock dividends arising from financial assets carried at cost is the same as that for available-for-sale financial assets.

If there is objective evidence of financial asset impairment, a loss is recognized. This impairment loss is irreversible.

Equity-method Investments

Investments in share of stock of companies in which the Company owns at least 20% of the outstanding voting shares or exercises significant influence on their 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.

If the recognized carrying value of the investment plus any advances to the investee are reduced to zero, the Company will discontinue recognizing its investment loss. But if the Company (a) guarantees the investee's obligations of an investee or commits to provide financial support to an investee or (b) if the investee's losses are temporary and evidence sufficiently shows imminent return to profitability, the Company will continue to recognize its investment loss. This credit balance on the carrying value of a long-term investment and advances are credited to other current liabilities in the balance sheets.

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, renewals and betterments are capitalized, while maintenance and repairs are expensed in the period incurred.

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 using the straight-line method over service lives initially estimated as follows: buildings - 7 to 55 years; auxiliary equipment - 3 to 10 years; machinery and equipment - 4 to 5 years; testing equipment - 2 to 4 years; transportation equipment - 4 to 6 years; furniture and fixtures - 2 to 11 years; leasehold improvements - 3 years; and rental assets - 7 to 55 years.

Properties and rental assets still in use beyond their initially estimated service lives are depreciated over their newly estimated service lives. Upon the sale or disposal of properties and rental assets, the related cost and accumulated depreciation are removed from the accounts, and any gain or loss is credited or charged to current income.

Intangible Assets

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

Pursuant to the statement of Financial Accounting Standards No. 37 "Intangible Assets" 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 and system design, which are booked at the installation or acquisition cost. The amounts are amortized over 1 to 5 years, using the straight-line method.

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

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

The Company has two types of pension plans: Defined benefit and defined contribution.

Under the defined benefit pension plans, the related net periodic pension costs are recorded on the basis of actuarial calculations. For employees under the defined contribution pension plans, the related net periodic pension costs are recorded on the basis of the Corporation's required monthly contributions to employees' personal pension accounts over the employees' service periods.

Stock-based Compensation

Employee stock options granted on or after January 1, 2008 are accounted for under Statement of Financial Accounting Standards ("Statement" or SFAS) No. 39 - "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 (ARDF). The Company adopted the intrinsic value method, under which compensation cost was recognized on a straight-line basis over the vesting period. The Company did not grant or revise stock options for 2008.

Treasury Stock

The reacquisition of issued stock is accounted for by the cost method. Under this method, the reacquisition cost is debited to the treasury stock account. Treasury stock is shown as a deduction to arrive at 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.

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 intra-period and inter-period tax allocations method. Under these methods, deferred income taxes are recognized for the tax effects of deductible temporary differences and unused tax credits. A valuation allowance is recognized if it is more likely than not that some portion or all of the deferred tax asset will not be realized. A deferred tax asset or liability is classified as current or noncurrent according to the classification of the related asset or liability. If a deferred tax asset or liability cannot be related to an asset or liability in the financial statements, it is classified as current or noncurrent based on the basis of the expected realization date.

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

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

Income tax (10%) on unappropriated earnings generated annually since 1998 is recorded as expense in the year when the shareholders approve the retention of earnings.

The Company adopt consolidation income tax filing with Sunplus mMobile Inc. and Sunplus Innovation Technology Inc. The income taxes payable differences between consolidated and the sum of individual are adjusted in the Company's account receivable or account payable.

Foreign-currency Transactions

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

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

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

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

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

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

Reclassifications

Certain accounts in the financial statements as of and for the year ended December 31, 2007 have been reclassified to conform to the presentation of financial statements as of and for the year ended December 31, 2008.

3. ACCOUNTING CHANGES

a. SFAS No. 37 - "Accounting for Intangible Assets"

The Company adopted the recently released SFAS No. 37 - "Accounting for Intangible Assets" and the related revised revisions of previously released Statements. Thus, the Company reevaluated the useful lives and the amortization method applied to intangible assets.

The accounting change had no impact on the Company's net income for the year ended December 31, 2008.

b. Accounting for Bonuses to Employees, Directors and Supervisors

In March 2007, the Accounting Research and Development Foundation (ARDF) of the R.O.C. issued Interpretation 2007-052 that requires companies to recognize as compensation expenses bonuses paid to employees, directors and supervisors beginning January 1, 2008. These bonuses were previously recorded as appropriations from earnings. The accounting changes had no impact on the Company's net income for the year ended December 31, 2008.

c. Accounting for Employee Stock Options

On January 1, 2008, the Company adopted the newly released SFAS No. 39, "Accounting for Share-based Payment" to account for employee stock options. The accounting changes had no impact on the Company's net income and basic and diluted earnings per share for the year ended December 31, 2008.

4. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial instruments held for trading as of December 31, 2008 and 2007 are summarized as follows:

	<u>December 31</u>	
	<u>2008</u>	<u>2007</u>
Financial liabilities at fair value through profit or loss	\$ _____ -	\$ <u>(2,222)</u>

The Company entered into derivative contracts during the years ended December 31, 2008 and 2007 to hedge the effect of exchange rate fluctuations on net foreign currency-denominated assets and liabilities. The strategy is to hedge most of the market price risks to which the Company is exposed.

The Company did not have outstanding forward exchange contracts as of December 31, 2008.

As of December 31 2007, outstanding forward exchange contracts were as follows:

December 31, 2007	Currency	Maturity	Contract Amount (in Thousands)
Sell forward exchange contracts	US\$ to NT\$	November 16, 2007 - January 10, 2008	US\$ 10,000

Net gains and net losses arising from financial instruments held for trading were \$2,344 thousand and \$2,741 thousand for the years ended December 31, 2008 and 2007, respectively.

Financial instruments designated at fair value through profit or loss were as follows:

	Principal Amount (in Thousands)	Carrying Amount	Maturity
<u>2008</u>			
Inverse floaters: Time deposits with floating interest rate indexed to LIBOR rates	<u>\$ 5,000</u>	<u>\$ 162,122</u>	April 2014
<u>2007</u>			
Inverse floaters: Time deposits with floating interest rate indexed to LIBOR rates	<u>\$ 6,000</u>	<u>\$ 167,676</u>	September 2010 - April 2014

Net losses and net gains arising from financial assets designated at fair value through profit or loss were \$25,286 thousand and \$24,606 thousand for the years ended December 31, 2008 and 2007, respectively.

As a holder of the above products, the Company will lose part of the principals if it breaks the related contracts before maturity, as stipulated in the principal and profit guarantee terms of the contracts.

5. NOTES AND ACCOUNTS RECEIVABLE

	<u>December 31</u>	
	<u>2008</u>	<u>2007</u>
Notes and accounts receivable - other	\$ 549,051	\$ 1,541,604
Notes and accounts receivable - related parties	<u>19,148</u>	<u>50,041</u>
	568,199	1,591,645
Deduct: Allowance for doubtful accounts	56,912	78,193
Deduct: Allowance for sales returns and discounts	<u>35,000</u>	<u>-</u>
	<u>\$ 476,287</u>	<u>\$ 1,513,452</u>

Allowance for doubtful accounts movement:

	<u>Years Ended December 31</u>	
	<u>2008</u>	<u>2007</u>
Balance, beginning of year	\$ 78,193	\$ 54,193
Add: Provision for doubtful accounts	-	24,000
Deduct: Amounts written off	<u>21,281</u>	<u>-</u>
Balance, end of year	<u>\$ 56,192</u>	<u>\$ 78,193</u>

6. INVENTORIES, NET

	<u>December 31</u>	
	<u>2008</u>	<u>2007</u>
Finished goods and merchandise	\$ 349,823	\$ 692,537
Work-in-process	300,858	509,036
Raw materials	<u>345,392</u>	<u>125,329</u>
	996,073	1,326,902
Deduct: Allowance for losses	<u>99,324</u>	<u>222,901</u>
	<u>\$ 896,749</u>	<u>\$ 1,104,001</u>

Allowance for losses movement:

	<u>Years Ended December 31</u>	
	<u>2008</u>	<u>2007</u>
Balance, beginning of year	\$ 222,901	\$ 339,073
Add: Provision for losses	120,000	120,000
Deduct: Amounts written off	<u>243,577</u>	<u>236,172</u>
	99,324	222,901
Balance, end of year	<u>\$ 99,324</u>	<u>\$ 222,901</u>

7. EQUITY-METHOD INVESTMENTS

	<u>December 31</u>			
	<u>2008</u>		<u>2007</u>	
	Amount	% of Owner- ship	Amount	% of Owner- ship
Giantplus Technology Co., Ltd.	\$ 1,870,627	21	\$ 1,171,730	32
Orise Technology Co., Ltd.	1,245,799	55	1,220,404	57
Sunplus mMedia	708,757	78	-	-
Sunplus Venture Capital Co., Ltd.	624,889	100	652,367	100
Lin Shih Investment Co., Ltd.	607,241	100	657,300	100
Generalplus Technology Corp.	475,292	41	461,612	45
Ventureplus Group Inc.	428,478	100	349,593	100
Russell Holdings Limited	419,813	100	651,954	100
Sunplus Innovation Technology Inc.	392,361	84	347,675	91
Sunext Technology Co., Ltd.	244,058	79	-	-
Sunplus Core Technology Co., Ltd.	17,857	57	44,721	58
Waveplus Technology Co., Ltd.	16,742	41	22,433	43
Goldkey Technology Corp.	16,584	12	18,447	15
Global Techplus Capital Inc.	7,852	100	6,235	100
Wei-Young Investment Inc.	5,167	100	8,725	100
Sunplus Technology (H.K.) Co., Ltd.	4,817	100	-	-
Sunplus Management Consulting Inc.	4,194	100	4,224	100
Sunplus mMobile Inc.	-	-	<u>989,985</u>	91
	<u>7,090,528</u>		<u>6,607,405</u>	

(Continued)

	December 31			
	2008		2007	
	Amount	% of Owner- ship	Amount	% of Owner- ship
Prepayment				
Sunext Technology Co., Ltd	\$ -		\$ 670,000	
Giantplus Technology Co., Ltd.	-		235,980	
	<u>-</u>		<u>905,980</u>	
	<u>\$ 7,090,528</u>		<u>\$ 7,513,385</u>	
Credit balance on carrying value of long-term investments (recorded as other current liabilities)				
Sunplus mMobile Inc.	\$ 141,111	91	\$ -	
Sunext Technology Co., Ltd.	-		98,717	16
Sunplus Technology (H.K.) Co., Ltd.	<u>-</u>		<u>4,364</u>	100
	<u>\$ 141,111</u>		<u>\$ 103,081</u>	

(Concluded)

As of December 31, 2008 and 2007, the Company and its subsidiaries collectively owned 25% and 32% of Goldkey Technology Corp., Ltd., respectively and 57% of Sunext Technology Co., Ltd. as of December 31, 2007. Thus, these investments were accounted for by the equity method.

The consolidated financial statements as of and for the years ended December 31, 2008 and 2007 had included all subsidiaries.

Movements of the difference between the cost of investment and the Company's share in investees' net assets allocated to goodwill for the year ended December 31, 2008 were as follows:

	2008		
	Balance, Beginning of Year	Increase	Balance, End of Year
Goodwill	\$ <u>-</u>	\$ <u>155,506</u>	\$ <u>155,506</u>

The Company obtained shares of Sunplus mMedia Inc. in November, 2008. in which Sunplus mMobile Inc. had invested by equity method . As of December 31, 2008 the Company held 78% of Sunplus mMedia Inc.

The financial statements used as basis for calculating the carrying values of the equity-method investments and the related investment gains and losses in 2008 and 2007 had all been audited, except those of Global Techplus Inc. and Sunplus Management Consulting Inc.. The Company's management believed that had financial statements of Global Techplus Inc. and Sunplus Management Consulting Inc. been audited, there would have been no material effect on the Company's financial statements. The investment incomes (losses) of investees were as follows:

	Years Ended December 31	
	2008	2007
Giantplus Technology Co., Ltd.	\$ 57,999	\$ 184,805
Orise Technology Co., Ltd.	146,333	198,836
Sunplus mMedia Inc.	(28,867)	-

(Continued)

	<u>Years Ended December 31</u>	
	<u>2008</u>	<u>2007</u>
Sunplus Venture Capital Co., Ltd.	\$ 91,518	\$ (83,860)
Lin Shih Investment Co., Ltd.	27,884	(11,441)
Generalplus Technology Corp.	78,265	182,842
Ventureplus Group Inc.	(125,214)	(64,236)
Russell Holdings Limited	(58,672)	137,110
Sunplus Innovation Technology Inc.	57,835	55,100
Sunext Technology Co., Ltd.	43,617	(100,905)
Sunplus Core Technology Co., Ltd	(63,001)	(11,279)
Waveplus Technology Co., Ltd.	(2,813)	4,492
Goldkey Technology Corp.	4,145	(5,997)
Global Techplus Capital Inc.	1,486	(55)
Sunplus Technology (H.K.) Co., Ltd.	8,864	(5,744)
Wei-Young Investment Inc.	191	(121)
Sunplus Management Consulting Inc.	(30)	(93)
Sunplus mMobile Inc.	(1,169,111)	(703,851)
Synerchip Co., Ltd.	<u>-</u>	<u>(43,759)</u>
	<u>\$ (929,571)</u>	<u>\$ (268,156)</u>
		(Concluded)

Fair values of listed equity-method investments calculated at their closing prices as of December 31, 2008 and 2007 were as follows:

	<u>December 31</u>	
	<u>2008</u>	<u>2007</u>
Orise Technology Co., Ltd	\$ 1,665,279	\$ 6,850,562
Giantplus Technology Co., Ltd	<u>888,845</u>	<u>3,678,476</u>
	<u>\$ 2,554,124</u>	<u>\$ 10,529,038</u>

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	<u>December 31</u>	
	<u>2008</u>	<u>2007</u>
Open-end funds	\$ 191,094	\$ 637,874
Domestic listed stocks	<u>157,562</u>	<u>472,843</u>
	348,656	1,110,717
Current portion	<u>(191,094)</u>	<u>(637,874)</u>
	<u>\$ 157,562</u>	<u>\$ 472,843</u>

9. FINANCIAL ASSETS CARRIED AT COST

	<u>December 31</u>	
	<u>2008</u>	<u>2007</u>
Unlisted domestic stocks	<u>\$ 35,556</u>	<u>\$ 35,556</u>

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

10. PROPERTIES

Year Ended December 31, 2008									
	Buildings	Auxiliary Equipment	Machinery and Equipment	Testing Equipment	Transportation Equipment	Furniture and Fixtures	Leasehold Improvements	Prepayment	Total
<u>Cost</u>									
Balance, beginning of year	\$ 688,983	\$ 179,140	\$ 378,667	\$ 402,639	\$ 5,573	\$ 128,706	\$ 459	\$ -	\$ 1,784,167
Increase	-	5,823	35,948	37,933	-	2,775	-	-	82,479
Decrease	-	-	107	6,522	3,110	5,213	-	-	14,952
Reclassification	-	-	-	(60,568)	-	(3,210)	-	-	(63,778)
Balance, end of year	<u>688,983</u>	<u>184,963</u>	<u>414,508</u>	<u>373,482</u>	<u>2,463</u>	<u>123,058</u>	<u>459</u>	<u>-</u>	<u>1,787,916</u>
<u>Accumulated depreciation</u>									
Balance, beginning of year	104,528	127,925	262,980	249,336	5,101	93,769	394	-	844,033
Depreciation	20,161	13,468	53,645	49,348	195	13,075	32	-	149,924
Decrease	-	-	103	5,515	3,110	5,018	-	-	13,746
Reclassification	(11,242)	-	-	(16,189)	-	(1,190)	-	-	(28,621)
Balance, end of year	<u>113,447</u>	<u>141,393</u>	<u>316,522</u>	<u>276,980</u>	<u>2,186</u>	<u>100,636</u>	<u>426</u>	<u>-</u>	<u>951,590</u>
Balance, end of year, net	<u>\$ 575,536</u>	<u>\$ 43,570</u>	<u>\$ 97,986</u>	<u>\$ 96,502</u>	<u>\$ 277</u>	<u>\$ 22,422</u>	<u>\$ 33</u>	<u>\$ -</u>	<u>\$ 836,326</u>

Year Ended December 31, 2007									
	Buildings	Auxiliary Equipment	Machinery and Equipment	Testing Equipment	Transportation Equipment	Furniture and Fixtures	Leasehold Improvements	Prepayment	Total
<u>Cost</u>									
Balance, beginning of year	\$ 758,822	\$ 165,573	\$ 549,878	\$ 1,032,437	\$ 5,573	\$ 152,842	\$ 459	\$ 328	\$ 2,665,912
Increase	-	13,689	30,409	102,674	-	18,900	-	-	165,672
Decrease	-	122	201,620	17,606	-	5,954	-	328	225,630
Reclassification	(69,839)	-	-	(714,866)	-	(37,082)	-	-	(821,787)
Balance, end of year	<u>688,983</u>	<u>179,140</u>	<u>378,667</u>	<u>402,639</u>	<u>5,573</u>	<u>128,706</u>	<u>459</u>	<u>-</u>	<u>1,784,167</u>
<u>Accumulated depreciation</u>									
Balance, beginning of year	87,297	110,190	405,767	648,514	4,813	101,225	329	-	1,358,135
Depreciation	20,161	17,849	58,731	65,520	288	16,781	65	-	179,395
Decrease	-	114	201,518	12,914	-	5,558	-	-	220,104
Reclassification	(2,930)	-	-	(451,784)	-	(18,679)	-	-	(473,393)
Balance, end of year	<u>104,528</u>	<u>127,925</u>	<u>262,980</u>	<u>249,336</u>	<u>5,101</u>	<u>93,769</u>	<u>394</u>	<u>-</u>	<u>844,033</u>
Balance, end of year, net	<u>\$ 584,455</u>	<u>\$ 51,215</u>	<u>\$ 115,687</u>	<u>\$ 153,303</u>	<u>\$ 472</u>	<u>\$ 34,937</u>	<u>\$ 65</u>	<u>\$ -</u>	<u>\$ 940,134</u>

11. INTANGIBLE ASSETS

Year Ended December 31, 2008			
	Technology License Fee	Patents	Total
<u>Cost</u>			
Balance, beginning of year	\$ 2,576,007	\$ 97,849	\$ 2,673,856
Increase	<u>53,084</u>	<u>-</u>	<u>53,084</u>
Balance, end of year	<u>2,629,091</u>	<u>97,849</u>	<u>2,726,940</u>
<u>Accumulated amortization</u>			
Balance beginning of year	1,805,759	26,198	1,831,957
Amortization expense	<u>337,652</u>	<u>5,544</u>	<u>343,196</u>
Balance, end of year	<u>2,143,411</u>	<u>31,742</u>	<u>2,175,153</u>
	<u>\$ 485,680</u>	<u>\$ 66,107</u>	<u>\$ 551,787</u>

	<u>Year Ended December 31, 2007</u>		
	Technology License Fee	Patents	Total
<u>Cost</u>			
Balance, beginning of year	\$ 2,253,349	\$ 97,849	\$ 2,351,198
Increase	<u>322,658</u>	<u>-</u>	<u>322,658</u>
Balance, end of year	<u>2,576,007</u>	<u>97,849</u>	<u>2,673,856</u>
<u>Accumulated amortization</u>			
Balance beginning of year	1,326,486	20,654	1,347,140
Amortization expense	<u>479,273</u>	<u>5,544</u>	<u>484,817</u>
Balance, end of year	<u>1,805,759</u>	<u>26,198</u>	<u>1,831,957</u>
	<u>\$ 770,248</u>	<u>\$ 71,651</u>	<u>\$ 841,899</u>

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

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

12. DEFERRED CHARGES AND OTHERS

	<u>December 31</u>	
	2008	2007
Software and system design, net	\$ 242,946	\$ 259,638
Golf club membership fees	7,800	7,800
Refundable deposits	<u>1,462</u>	<u>2,706</u>
	<u>\$ 252,208</u>	<u>\$ 270,144</u>

13. SHORT-TERM LOANS

	<u>December 31</u>	
	2008	2007
Working capital loans - US\$4,500 thousand, annual interest rate from 1.81%- 3.24% in 2008; annual interest rate from 2.65%-2.78% in 2007	<u>\$ 647,600</u>	<u>\$ 500,000</u>

14. PENSION PLAN

The Company's pension plan under the Labor Pension Act is a defined contribution plan. The rate of contribution by an employer to employees' personal pension accounts should not be less than 6% of each employee's monthly salary or wage. The Company has made monthly contributions to employees' personal pension accounts and recognized pension costs of \$30,192 thousand and \$28,891 thousand for the years ended December 31, 2008 and 2007, respectively.

Before the promulgation of the Act, the Company has had a defined benefit pension plan under the Labor Standards Law. Under this plan, employees should receive either a series of pension payments with a defined annuity or a lump sum that is payable immediately on retirement and is equivalent to 2 base units for each of the first 15 years of service and 1 base unit for each year of service thereafter. The total retirement benefit is subject to a maximum of 45 units. The pension plan provides benefits based on the length of service and the average basic salary of the employee's final six months 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 \$3,643 thousand and \$1,619 thousand for the years ended December 31, 2008 and 2007, respectively.

Defined benefit pension fund balances were \$103,810 thousand and \$94,474 thousand as of December 31, 2008 and 2007, respectively.

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

a. Components of net pension costs

	<u>Year Ended December 31</u>	
	2008	2007
Service costs	\$ 2,713	\$ 2,437
Interest costs	4,060	3,726
Projected return on plan assets	(2,990)	(3,233)
Amortization	<u>(140)</u>	<u>(1,311)</u>
Net pension costs	<u>\$ 3,643</u>	<u>\$ 1,619</u>

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

	<u>December 31</u>	
	2008	2007
Benefit obligation		
Vested benefit obligation	\$ -	\$ -
Non-vested benefit obligation	<u>47,466</u>	<u>49,144</u>
Accumulated benefit obligation	47,466	49,144
Additional benefits based on future salaries	<u>84,322</u>	<u>86,217</u>
Projected benefit obligation	131,788	135,361
Fair value of plan assets	<u>(106,100)</u>	<u>(96,363)</u>
Funded status	25,688	38,998
Unrecognized net transition obligation	(2,347)	(2,837)
Unrecognized net gain	<u>37,054</u>	<u>26,788</u>
Accrued pension liability	<u>\$ 60,395</u>	<u>\$ 62,949</u>
Vested benefit	<u>\$ -</u>	<u>\$ -</u>

c. Actuarial assumptions

Discount rate used in determining present values	2.50%	3.00%
Future salary increase rate	6.00%	6.50%
Expected rate of return on plan assets	2.50%	3.00%

15. SHAREHOLDERS' EQUITY

a. Capital stock

The shareholders' approved a capital reduction by canceling 511,436 thousand issued and outstanding shares, amounting to \$ 5,114,357 thousand, on December 8, 2006. All related actions, including the decrease in the number of issued and outstanding shares and capital return, were completed on March 26, 2007. The effective date of capital reduction was January 25, 2007. The share was returned at about NT\$5.00; thus, the capital reduction ratio was about 50% of share par value.

b. Employee stock option plan

On March 6, 2003 (2003 option plan) and September 11, 2007 (2007 option plan), the Securities and Futures Bureau approved the Company's 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 the Company and subsidiaries. A total of 55,000 thousand common shares have been reserved for issuance. The options are valid for six years and exercisable at certain percentages after the second anniversary of the grant date. Stock option rights are granted at an exercise price equal to the closing price of the Company's common shares listed on the Taiwan Stock Exchange on the grant date. All options had been granted or canceled as of December 31, 2008.

Outstanding option rights were as follows:

	2003 Option Plan			
	2008		2007	
	Unit (in Thousands)	Weighted- average Price (NT\$)	Unit (in Thousands)	Weighted- average Price (NT\$)
Beginning outstanding balance	5,154	\$47.07	18,399	\$27.12
Options issued	243	40.34	302	44.81
Options exercised	(179)	32.70	(5,435)	37.93
Options canceled	<u>(136)</u>		<u>(8,112)</u>	
Ending outstanding balance	<u>5,082</u>		<u>5,154</u>	

	2007 Option Plan			
	2008		2007	
	Unit (in Thousands)	Weighted- average Price (NT\$)	Unit (in Thousands)	Weighted- average Price (NT\$)
Beginning outstanding balance	25,000	\$47.58	-	\$ -
Options granted	-	-	25,000	47.58
Options issued	1,209	40.52	-	-
Options canceled	<u>(1,563)</u>	-	<u>-</u>	-
Ending outstanding balance	<u>24,646</u>		<u>25,000</u>	

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

As of December 31, 2008, the outstanding and exercisable options were as follows:

2003 Option Plan					
Options Outstanding			Options Exercisable		
Exercise Price (NT\$)	Number of Options (in Thousands)	Weighted-average Remaining Contractual Life (Years)	Weighted-average Exercise Price (NT\$)	Number of Options (in Thousands)	Weighted-average Exercise Price (NT\$)
\$27.8	1,981	0.35	\$27.8	1,981	\$27.8
48.3	3,101	0.66	48.3	3,101	48.3

2007 Option Plan					
Options Outstanding			Options Exercisable		
Exercise Price (NT\$)	Number of Options (in Thousands)	Weighted-average Remaining Contractual Life (Years)	Weighted-average Exercise Price (NT\$)	Number of Options (in Thousands)	Weighted-average Exercise Price (NT\$)
\$40.4	18,346	4.87	\$40.4	-	\$40.4
40.9	6,300	4.99	40.9	-	40.9

The pro forma information for the years ended December 31, 2008 and 2007 assuming employee stock options granted before December 31, 2007 were accounted for under SFAS No. 39 is as follows:

	Years Ended December 31	
	2008	2007
Net income		
Net income as reported	\$ 8,383	\$ 2,061,502
Pro forma net income (loss)	\$ (253,942)	\$ 2,028,306
Earnings per share (EPS; in New Taiwan dollars)		
Basic EPS as reported	\$ 0.01	\$ 3.28
Pro forma basic EPS	\$ (0.43)	\$ 3.23
Diluted EPS as reported	\$ 0.01	\$ 3.27
Pro forma diluted EPS	\$ (0.43)	\$ 3.22

c. Global depositary receipts

In March 2001, the Company issued 20,000 thousand units of Global Depositary Receipts (GDRs), representing 40,000 thousand common shares consisting of newly issued and originally outstanding shares. The GDRs are listed on the London Stock Exchange (code: SUPD) with an issuance price of US\$9.57 per unit. As of December 31, 2008, the outstanding 457 thousand units of GDRs represented 914 thousand common shares.

d. Capital surplus

Under ROC regulations, capital surplus may be used to offset deficit, and only the capital surplus from the issue of stock in excess of par value (including the stock issued for new capital and mergers and surplus arising from treasury stocks transactions) may be transferred to capital as stock dividend; this transfer is restricted to a certain percentage based on shareholders' ownership. Also, the capital surplus from long-term investments may not be used for any purpose.

e. Appropriation of earnings and dividends

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

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

For the years ended December 31, 2008, the bonus to employees and remuneration to directors and supervisors, representing 25% and 1.5%, respectively, of net income had to be accrued on the basis of past experiences. However, based on the Company's Articles of Incorporation, the bonus and remuneration should be appropriated first from paid-in capital. Thus, the Company did not accrue any bonus and remuneration expenses. 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 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. The special reserve is allowed to be appropriated to the extent that the debit balance of such accounts is reversed.

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

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

The appropriations for the earnings of 2007 and 2006 were approved in the shareholders' meetings on June 13, 2008 and June 15, 2007, respectively. The appropriations, including dividends, were as follows:

	<u>For Fiscal Year 2007</u>		<u>For Fiscal Year 2006</u>	
	<u>Appropriation of Earnings</u>	<u>Dividends Per Share (NT\$)</u>	<u>Appropriation of Earnings</u>	<u>Dividends Per Share (NT\$)</u>
Legal reserve	\$ 206,150		\$ 297,269	
Special reserve	(17,260)		(277,600)	
Bonus to employees - stock	135,000		135,000	
Bonus to employees - cash	15,000		15,000	
Remuneration of directors and supervisors	23,090		39,688	
Stock dividends	166,637	\$0.29990	153,622	\$0.29822
Cash dividends	<u>1,388,644</u>	<u>2.49920</u>	<u>2,048,297</u>	<u>3.97620</u>
	<u>\$ 1,917,261</u>		<u>\$ 2,411,276</u>	

The shareholders also resolved the transfer of \$111,092 thousand of capital surplus to paid-in capital in the shareholders' meeting on June 13, 2008.

As of February 27, 2009, the Board of Directors had not resolved the appropriation for earnings of 2008.

Information 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, 2008 and 2007, the movements of unrealized gain or loss on financial instruments were as follows:

	Available- for-sale Financial Assets	Equity- method Investments	Total
<u>Year ended December 31, 2008</u>			
Balance, beginning of year	\$ (160,003)	\$ 345,418	\$ 185,415
Sales for the year	(122,842)	-	(122,842)
Recognized in shareholders' equity	<u>(155,732)</u>	<u>(468,807)</u>	<u>(624,539)</u>
Balance, end of year	<u>\$ (438,577)</u>	<u>\$ (123,389)</u>	<u>\$ (561,966)</u>
<u>Year ended December 31, 2007</u>			
Balance, beginning of year	\$ (147,438)	\$ 112,972	\$ (34,466)
Recognized in shareholders' equity	<u>(12,565)</u>	<u>232,446</u>	<u>219,881</u>
Balance, end of year	<u>\$ (160,003)</u>	<u>\$ 345,418</u>	<u>\$ 185,415</u>

16. TREASURY STOCK (COMMON STOCK)

(Units: Shares in Thousands)

Purpose of Purchase	Beginning Shares	Increase	Decrease	Ending Shares
<u>2008</u>				
Company stocks held by subsidiaries	3,390	170	-	3,560
For subsequent transfer to employees	<u>1,293</u>	<u>-</u>	<u>-</u>	<u>1,293</u>
	<u>4,683</u>	<u>170</u>	<u>-</u>	<u>4,853</u>
<u>2007</u>				
Company stocks held by subsidiaries	6,450	160	3,220	3,390
For subsequent transfer to employees	<u>2,582</u>	<u>-</u>	<u>1,289</u>	<u>1,293</u>
	<u>9,032</u>	<u>160</u>	<u>4,509</u>	<u>4,683</u>

Starting from January 2002, the Company accounted for its issued shares amounting to \$95,605 thousand held by a subsidiary, Lin Shin Investment Co., Ltd. as treasury stock. As of December 31, 2008 and 2007, the book values of these stocks were \$63,401 thousand, and the market values of these stocks were \$46,814 thousand and \$164,780 thousand, respectively.

Under the Securities and Exchange Act, the Company should neither pledge treasury stock nor exercise shareholders' rights on these shares, such as rights to dividends and to vote. The subsidiaries holding treasury stock, however, retain shareholders' rights, except the rights to participate in any share issuance for cash and to vote.

17. PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

	Years Ended December 31					
	2008			2007		
	Classified as Cost of Sales	Classified as Operating Expense	Total	Classified as Cost of Sales	Classified as Operating Expense	Total
Labor cost						
Salary	\$ 56,733	\$ 600,046	\$ 656,779	\$ 88,172	\$ 624,866	\$ 713,038
Labor/health insurance	4,458	34,297	38,755	5,724	35,100	40,824
Pension	3,645	30,190	33,835	3,952	26,558	30,510
Welfare benefit	1,970	12,294	14,264	2,833	13,314	16,147
Meal	<u>1,714</u>	<u>10,634</u>	<u>12,348</u>	<u>2,243</u>	<u>11,224</u>	<u>13,467</u>
	<u>\$ 68,520</u>	<u>\$ 687,461</u>	<u>\$ 755,891</u>	<u>\$ 102,924</u>	<u>\$ 711,062</u>	<u>\$ 813,986</u>
Depreciation	<u>\$ 57,853</u>	<u>\$ 86,451</u>	<u>\$ 144,304</u>	<u>\$ 68,557</u>	<u>\$ 106,109</u>	<u>\$ 174,666</u>
Amortization	<u>\$ 6,638</u>	<u>\$ 573,441</u>	<u>\$ 580,079</u>	<u>\$ 2,092</u>	<u>\$ 638,953</u>	<u>\$ 641,045</u>

18. INCOME TAX

- a. A reconciliation of income tax expense on income before income tax at statutory rate and current income tax expense before tax credits is shown below:

	2008	2007
Income tax expense on income before income tax at statutory rate (25%)	\$ 39,996	\$ 574,120
Tax effects of adjustments:		
Tax-exempt income	-	(232,383)
Permanent differences	155,250	(55,403)
Temporary differences	18,218	(10,319)
Tax effects of consolidation income tax filing	<u>(203,660)</u>	<u>-</u>
Income tax expense before tax credits	<u>\$ 9,804</u>	<u>\$ 276,015</u>

- b. Income tax expense consisted of the following:

Income tax expense before tax credits	\$ 9,804	\$ 276,015
Additional tax at 10% on unappropriated earnings	-	28,382
Investment tax credits	-	(150,673)
Net change in deferred income tax assets	68,720	(245,116)
Adjustment of prior years' income tax expense	54,676	326,372
Additional income tax under the Alternative Minimum Tax Act	<u>18,441</u>	<u>-</u>
	<u>\$ 151,641</u>	<u>\$ 234,980</u>

- c. Deferred income tax assets were as follows:

	December 31	
	2008	2007
Current:		
Investment tax credits	\$ 299,193	\$ 124,921
Temporary differences	<u>7,947</u>	<u>18,492</u>
	307,140	143,413
Deduct: Valuation allowance	<u>140,981</u>	<u>-</u>
	<u>\$ 166,159</u>	<u>\$ 143,413</u>
Noncurrent:		
Investment tax credits	\$ 939,119	\$ 967,358
Temporary differences	<u>17,063</u>	<u>9,183</u>
	956,182	976,541
Deduct: Valuation allowance	<u>199,275</u>	<u>128,168</u>
	<u>\$ 756,907</u>	<u>\$ 848,373</u>

As of December 31, 2008, investment tax credits were as follows:

Regulatory Basis of Tax Credits	Items	Total Creditable Amounts	Remaining Creditable Amounts	Expiry Year
Statute for Upgrading Industries	Purchase of machinery and equipment	\$ 3,606	\$ 3,606	2009
		<u>1,005</u>	<u>1,005</u>	2011
		<u>\$ 4,611</u>	<u>\$ 4,611</u>	
Statute for Upgrading Industries	Research and development expenditures	\$ 295,587	\$ 295,587	2009
		415,235	415,235	2010
		257,859	257,859	2011
		<u>265,020</u>	<u>265,020</u>	2012
		<u>\$ 1,233,701</u>	<u>\$ 1,233,701</u>	

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

<u>Project</u>	<u>Tax Exemption Period</u>
Sixth expansion	January 1, 2006 to December 31, 2009
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

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

- e. Integrated income tax information is as follows:

	<u>December 31</u>	
	<u>2008</u>	<u>2007</u>
Shareholders' imputation credit account	<u>\$ 74,942</u>	<u>\$ 41,267</u>
Unappropriated earnings until 1997	<u>\$ 452,310</u>	<u>\$ 452,310</u>

The expected and actual creditable tax ratios for the 2008 and 2007 earnings were 6.58% and 4.41%, respectively.

The imputation credits allocated to shareholders of the Company is based on the balance of the ICA as of the date of dividend distribution. The expected creditable ratio for the 2008 earnings may be adjusted, depending on the ICA balance on the date of dividend distribution.

19. EARNINGS PER SHARE

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

	<u>Amounts (Numerator)</u>		<u>Share (Denominator) (in Thousands)</u>	<u>EPS (Dollars)</u>	
	<u>Before Income Tax</u>	<u>After Income Tax</u>		<u>Before Income Tax</u>	<u>After Income Tax</u>
<u>2008</u>					
Net income	\$ 160,024	\$ 8,383			
Basic EPS					
Income of common shareholders	\$ 160,024	\$ 8,383	593,326	\$ 0.27	\$ 0.01
Effect of dilutive securities					
Stock options	-	-	4		
Diluted EPS					
Income of common and potential common shareholders	\$ 160,024	\$ 8,383	593,330	\$ 0.27	\$ 0.01
<u>2007</u>					
Net income	\$ 2,296,482	\$ 2,061,502			
Basic EPS					
Income of common shareholders	\$ 2,296,482	\$ 2,061,502	628,073	\$ 3.66	\$ 3.28
Effect of dilutive securities					
Stock options	-	-	1,687		
Diluted EPS					
Income of common and potential common shareholders	\$ 2,296,482	\$ 2,061,502	629,760	\$ 3.65	\$ 3.27

The weighted-average number of shares outstanding for EPS calculation was adjusted retroactively for stock dividends and stock bonuses issued subsequently (see Note 15). As a result of this adjustment, the basic EPS and diluted EPS after income tax in 2007 decreased from NT\$3.53 to NT\$3.28 and from NT\$3.52 to NT\$3.27, respectively.

20. FINANCIAL INSTRUMENTS

a. Fair values of financial instruments were as follows:

	<u>December 31</u>			
	<u>2008</u>		<u>2007</u>	
	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Carrying Value</u>	<u>Fair Value</u>
<u>Nonderivative instruments</u>				
Assets				
Financial assets at fair value through profit or loss	\$ 162,122	\$ 162,122	\$ 167,676	\$ 167,676
Available-for-sale financial assets (current and noncurrent)	348,656	348,656	1,110,717	1,110,717
Financial assets carried at cost	35,556	-	35,556	-

(Continued)

	December 31			
	2008		2007	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<u>Derivative instruments</u>				
Liability				
Financial liabilities held for trading	\$ -	\$ -	\$ 2,222	\$ 2,222
				(Concluded)

- 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, notes and accounts receivable, other receivables, short-term loans, and accounts payable, the carrying amounts reported in the balance sheets approximate their fair values because of their short maturities.
 - 2) Fair values of financial assets at fair value through profit or loss and available-for-sale financial assets are based on their quoted prices in active markets. For those instruments not traded in active markets, their fair values are determined using valuation techniques incorporating estimates and assumptions that are consistent with prevailing market conditions. For those derivatives with no quoted market prices, their fair values are determined using valuation techniques incorporating estimates and assumptions consistent with those generally used by other market participants to price financial instruments.
 - 3) Financial assets carried at cost are investments in unquoted shares, which have no quoted prices in an active market and entail an unreasonably high cost to obtain verifiable fair values. Therefore, no fair value is presented.
- c. Gains recognized for the changes in fair value of financial instruments using valuation techniques were \$26,806 thousand and \$15,299 thousand for the years ended December 31, 2008 and 2007.
- d. As of December 31, 2008 and 2007, financial assets exposed to cash flow interest rate risk were \$626,455 thousand and \$378,385 thousand, respectively; financial assets exposed to fair value interest rate risk were \$448,000 thousand and \$468,038 thousand, respectively. As of December 31, 2008 and 2007, financial liabilities exposed to fair value interest rate risk were \$647,600 thousand and \$500,000 thousand, respectively.
- e. Interest income arising from the financial assets other than the financial assets at fair value through profit or loss for the years ended December 31, 2008 and 2007 were \$11,118 thousand and \$25,007 thousand, respectively; interest expense arising from the financial assets other than the financial assets at fair value through profit or loss for the years ended December 31, 2008 and 2007 were \$22,239 thousand and \$16,447 thousand, respectively.
- f. Financial risks
- 1) Market risk. The financial instruments held by the Company are exposed to interest rate, foreign exchange rate and price risks.

Fair values of inverse floaters are influenced by exchange rate fluctuations.

Fair values of held-for-trading and available-for-sale security investments are affected by fluctuations of quoted prices.

- 2) Credit risk. Credit risk represents the potential loss that would be incurred by the Company if the counter-parties breached contracts. Financial instruments with positive fair values at the balance sheet date are evaluated for credit risk. The counter-parties to the foregoing financial instruments are reputable financial institutions and business organizations. Management does not expect the Company's exposure to default by those parties to be material.
- 3) Liquidity risk. Investments in inverse floaters and financial assets carried at cost do not have an active market. Thus, the liquidity risk of these investments is material. On the other hand, 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.

21. RELATED-PARTY TRANSACTIONS

The Company's related parties were as follows:

- a. Giantplus Technology Co., Ltd. ("Giantplus") - equity-method investee
- b. Waveplus Technology Co., Ltd. ("Waveplus") - equity-method investee
- c. Sunext Technology Co., Ltd. ("Sunext") - 79% subsidiary
- d. Sunplus Core Technology Inc. ("Sunplus Core") - 57% subsidiary
- e. Generalplus Technology Inc. ("Generalplus") - equity-method investee
- f. Coolsand Technologies SARL ("Coolsand") - equity-method investee of Russel Holding Ltd.
- g. Lin Shin Technology Co., Ltd. ("Lin Shin") - equity-method investee of Russel Holding Ltd.
- h. Sunplus Innovation Technology Inc. ("Sunplus Innovation") - 84% subsidiary
- i. Sunplus mMobile Inc. ("Sunplus mMobile") - 91% subsidiary
- j. Sunplus Technology (H.K.) Co., Ltd. ("Sunplus H.K.") - 100% subsidiary
- k. Orise Technology Co., Ltd. ("Orise") - 55% subsidiary
- l. Sunplus mMedia Inc. ("Sunplus mMedia") - 78% subsidiary
- m. Sunplus Technology (Shanghai) Co., Ltd. ("Sunplus Shanghai") - 99% indirect subsidiary
- n. Sunplus Prof-tek (Shenzhen) Co., Ltd. ("Sunplus Prof-tek") - 100% indirect subsidiary
- o. Sun Media Technology Co., Ltd. ("Sun Media") - 100% indirect subsidiary
- p. Sunplus mMobile Limited - 100% indirect subsidiary
- q. Others - please refer to Note 24 for related parties that did not have business transactions with the Company in the current period.

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

	Years Ended December 31			
	2008		2007	
	Amount	%	Amount	%
Sales:				
Orise	\$ 74,271	1	\$ 59,084	1
Sunplus mMedia	59,323	1	26,306	-
Generalplus	27,509	1	47,290	1
Sunext	23,979	1	22,184	-
Coolsand	20,973	-	117,049	1
Sunplus mMobile	16,768	-	8,267	-
Sunplus Innovation	13,063	-	24,954	-
Lin Shih	5,432	-	3,954	-
Sunplus Core	3,346	-	-	-
Waveplus	248	-	6,623	-
	<u>\$ 244,912</u>	<u>4</u>	<u>\$ 315,711</u>	<u>3</u>

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

The products sold to related parties were custom-made; thus, the related selling prices were not comparable with those for third parties.

	Years Ended December 31			
	2008		2007	
	Amount	%	Amount	%
Operating expense				
Sunplus Prof-tek	\$ 61,296	3	\$ -	-
Sunplus Shanghai	21,218	1	-	-
Sunplus Core	8,064	1	-	-
Sun Media	5,755	-	-	-
Sunplus H.K.	3,131	-	-	-
Sunext	1,310	-	387	-
	<u>\$ 100,774</u>	<u>5</u>	<u>\$ 387</u>	<u>-</u>

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

	Years Ended December 31			
	2008		2007	
	Amount	%	Amount	%
Nonoperating income and gains				
Sunplus mMedia	\$ 82,908	12	\$ 129,751	12
Sunplus mMobile	60,008	8	136,348	12
Sunplus Core	9,398	1	4,695	-
Generalplus	8,052	1	10,350	1
Sunext	7,529	1	8,329	1
Sunplus Innovation	7,431	1	16,963	2
Orise	4,787	1	14,892	1
Giantplus	1,447	-	2,964	-
Waveplus	550	-	-	-
Lin Shin	273	-	572	-
Coolsand	-	-	36	-
	<u>\$ 182,383</u>	<u>25</u>	<u>\$ 324,900</u>	<u>29</u>

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

The following receivables as well as other transactions between the Company and the related parties were based on normal terms.

	December 31			
	2008		2007	
	Amount	%	Amount	%
Notes and accounts receivable:				
Orise	\$ 7,880	2	\$ 11,554	1
Sunplus mMedia	5,059	1	3,572	-
Generalplus	2,380	1	4,152	-
Sunplus mMobile	1,644	-	9	-
Sunplus Innovation	1,179	-	803	-
Sunext	445	-	-	-
Waveplus	264	-	-	-
Sunplus Core	225	-	-	-
Lin shin	72	-	1,019	-
Coolsand	-	-	28,932	2
	<u>\$ 19,148</u>	<u>4</u>	<u>\$ 50,041</u>	<u>3</u>
Other receivables				
Sunplus mMedia	\$ 5,596	4	\$ 13,500	8
Sunplus mMobile	4,601	4	7,407	4
Sunplus Core	771	-	1,255	1
Orise	473	-	3,355	2
Sunplus Innovation	376	-	1,708	1
Generalplus	327	-	499	-
Lin Shih	221	-	103	-
Sunext	143	-	4,546	3
Waveplus	3	-	-	-
Giantplus	-	-	8	-
	<u>\$ 12,511</u>	<u>8</u>	<u>\$ 32,381</u>	<u>19</u>
Deferred royalty income (current and noncurrent)				
Sunplus Core	\$ 47,200	93	\$ -	-
Sunext	1,729	4	22,917	90
Orise	1,282	2	2,381	9
	<u>\$ 50,211</u>	<u>99</u>	<u>\$ 25,298</u>	<u>99</u>

	December 31	
	2008	2007
Endorsement/guarantee provided:		
Sunext	\$ 630,000	\$ 760,000
Sunplus mMobile	577,293	80,887
Sunplus Shanghai	306,000	329,825
Sunplus mMedia	227,000	479,443
Sunplus Innovation	130,000	323,550
Sunplus Core	60,000	-
Generaplus	30,000	-
Waveplus	20,000	20,000
Lin shin	<u>10,000</u>	<u>-</u>
	<u>\$ 1,990,293</u>	<u>\$ 1,993,705</u>

	Years Ended December 31			
	2008		2007	
	Amount	%	Amount	%
Properties and intangible assets:				
Proceeds of the disposal of properties:				
Sunplus mMobile Limited	\$ 700	51	\$ -	-
Sunplus mMobile	74	5	253	4
Sunplus Core	55	4	743	12
Sunplus mMedia	28	2	2,972	48
Sunplus Innovation	11	1	952	16
Generalplus	-	-	524	9
Orise	<u>-</u>	<u>-</u>	<u>291</u>	<u>5</u>
	<u>\$ 868</u>	<u>63</u>	<u>\$ 5,735</u>	<u>94</u>
Acquisition of fixed assets:				
Sunplus Innovation	\$ 200	-	\$ -	-
Sunplus mMedia	<u>15</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 215</u>	<u>-</u>	<u>\$ -</u>	<u>-</u>

Compensation of directors, supervisors and management personnel:

	Year Ended December 31	
	2008	2007
Salaries	\$ 29,356	\$ 25,570
Special compensation	138	258
Bonus	<u>-</u>	<u>45,932</u>
	<u>\$ 29,494</u>	<u>\$ 71,760</u>

The compensation of directors, supervisors and management personnel for the year ended December 31, 2007 included the bonuses appropriated from earnings for 2007 which had been approved by shareholders in their annual meeting held in 2008.

22. SIGNIFICANT LONG-TERM OPERATING LEASES

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

Future annual minimum rentals under the leases are as follows:

Year	Amount
2009	\$ 7,862
2010	7,862
2011	7,862
2012	7,862
2013	7,862
2014 and thereafter	<u>40,557</u>
	<u>\$ 79,867</u>

23. GAIN ON SETTLEMENT COMPENSATION

In February 2003, the Company bought optoelectronic storage department of Oak Technology, Inc. (Oak Technology Inc. merged with Zoran Company) and acquired its related patent. Therefore, in the settlement of the patent authorization between Mediatek and Zoran, the Company and its subsidiary, Sunext, are able to use Mediatek Inc.'s patents of PC optoelectronic storage, Mediatek authorizing this using right of the patent to Zoran, and can obtain part of solatium.

24. 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. Marketable securities held: Table 2 (attached)
- c. Marketable securities acquired and disposed of at costs or prices of at least NT\$100 million or 20% of the paid-in capital: Table 3 (attached)
- d. Acquisition of long-term investments costs of at least NT\$100 million or 20% of the paid-in capital: Table 4 (attached)
- e. Total purchase from or sale to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 5 (attached)
- f. Receivable from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 6 (attached)
- g. Names, locations, and related information of investees on which the Company exercises significant influences: Table 7 (attached)
- h. Forward exchange contracts of investee company: Table 8 (attached)
- i. Investment in Mainland China: Table 9 (attached)

25. SEGMENT INFORMATION

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

Area	<u>Year Ended December 31</u>	
	2008	2007
Southeast Asia	\$ 4,953,791	\$ 8,015,173
Others	<u>516,704</u>	<u>791,769</u>
	<u>\$ 5,470,495</u>	<u>\$ 8,806,942</u>

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

Customer	<u>Years Ended December 31</u>			
	2008		2007	
	Amount	%	Amount	%
A	\$ 1,672,714	27	\$ 3,071,671	33
B	1,417,376	23	2,308,230	25

TABLE 1

SUNPLUS TECHNOLOGY COMPANY LIMITED

**ENDORSEMENT/GUARANTEE PROVIDED
YEAR ENDED DECEMBER 31, 2008**

(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	Sunext Technology Co., Ltd.	79% Subsidiary	\$ 1,095,042 (Note 1)	\$ 760,000	\$ 630,000	\$ -	5.75%	\$ 2,190,084 (Note 2)
		Sunplus mMobile Inc.	91% Subsidiary	1,095,042 (Note 1)	577,293	577,293	-	5.27%	2,190,084 (Note 2)
		Sunplus Technology (Shanghai) Co., Ltd.	99% Indirect subsidiary	1,095,042 (Note 1)	329,825	306,000	-	2.79%	2,190,084 (Note 2)
		Sunplus mMedia Inc.	78% Subsidiary	1,095,042 (Note 1)	479,442	227,000	-	2.07%	2,190,084 (Note 2)
		Sunplus Innovation Technology Inc.	84% Subsidiary	1,095,042 (Note 1)	323,550	130,000	-	1.19%	2,190,084 (Note 2)
		Sunplus Core Technology Inc.	57% Subsidiary	1,095,042 (Note 1)	60,000	60,000	-	0.55%	2,190,084 (Note 2)
		Generalplus Technology Inc.	Equity-method investee	1,095,042 (Note 1)	30,000	30,000	-	0.27%	2,190,084 (Note 2)
		Waveplus Technology Co., Ltd.	Equity-method investee	1,095,042 (Note 1)	20,000	20,000	-	0.18%	2,190,084 (Note 2)
		Lin Shin Technology Co., Ltd.	Indirect equity-method investee	1,095,042 (Note 1)	10,000	10,000	-	0.09%	2,190,084 (Note 2)
1	Sunplus mMedia Inc.	Sunplus mMobile Inc.	Equity-method investee of Sunplus mMobile Inc.	127,362 (Note 3)	120,000	-	-	-	254,725 (Note 4)

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

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

Note 3: For each transaction entity, the amount should not exceed 10% of the endorsement/guarantee provider's net equity based on the latest audited or reviewed financial statements.

Note 4: The amount should not exceed 20% of the endorsement/guarantee provider's net equity based on the latest audited or reviewed financial statements.

SUNPLUS TECHNOLOGY COMPANY LIMITED

MARKETABLE SECURITIES HELD

YEAR ENDED DECEMBER 31, 2008

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

Holding Company Name	Type and Issuer/Name of Marketable Security	Relationship with the Holding Company	Financial Statement Account	December 31, 2008			Note	
				Shares or Units (Thousands)	Carrying Value	Percentage of Ownership (%)		Market Value or Net Asset Value
Sunplus Technology Company Limited	Stock							
	Giantplus Technology Co., Ltd.	Equity-method investee	Equity-method investments	84,652	\$ 1,870,627	21	\$ 1,870,627	Note 1
	Orise Technology Co., Ltd.	Equity-method investee	Equity-method investments	72,090	1,245,799	55	1,245,842	Notes 1 and 7
	Sunplus mMedia Inc.	Equity-method investee	Equity-method investments	64,500	708,757	78	710,341	Notes 1 and 8
	Sunplus Venture Capital Co., Ltd.	Equity-method investee	Equity-method investments	100,000	624,889	100	624,889	Note 1
	Lin Shih Investment Co., Ltd.	Equity-method investee	Equity-method investments	70,000	607,241	100	607,241	Notes 1 and 4
	Generaplus Technology Inc.	Equity-method investee	Equity-method investments	27,942	475,292	41	475,292	Note 1
	Ventureplus Group Inc.	Equity-method investee	Equity-method investments	24,700	428,478	100	428,478	Note 1
	Russell Holdings Limited	Equity-method investee	Equity-method investments	14,760	419,813	100	423,387	Notes 1 and 9
	Sunplus Innovation Technology Inc.	Equity-method investee	Equity-method investments	22,660	392,361	84	392,361	Note 1
	Sunext Technology Co., Ltd.	Equity-method investee	Equity-method investments	78,995	244,058	79	102,938	Note 1
	Sunplus Core Technology Co., Ltd.	Equity-method investee	Equity-method investments	8,898	17,857	57	17,857	Note 1
	Waveplus Technology Co., Ltd.	Equity-method investee	Equity-method investments	1,302	16,742	41	16,742	Note 1
	Goldkey Technology Corp.	Equity-method investee	Equity-method investments	1,702	16,584	12	16,584	Note 1
	Global Techplus Capital Inc.	Equity-method investee	Equity-method investments	200	7,852	100	7,852	Note 1
	Wei-Young Investment Inc.	Equity-method investee	Equity-method investments	1,400	5,167	100	5,167	Note 1
	Sunplus Technology (H.K.) Co., Ltd.	Equity-method investee	Equity-method investments	11,075	4,817	100	4,817	Note 1
	Sunplus Management Consulting Inc.	Equity-method investee	Equity-method investments	500	4,194	100	4,194	Note 1
	Sunplus mMobile Inc.	Equity-method investee	Equity-method investments	120,000	(141,111)	91	(126,725)	Note 6
	Global View Co., Ltd.	The Company's supervisor	Available-for-sale financial assets	13,568	121,295	11	121,295	Note 3
RITEK Corp.	The Company's director	Available-for-sale financial assets	5,000	21,648	-	21,648	Note 3	
United Microelectronics Corp.	-	Available-for-sale financial assets	1,967	14,619	-	14,619	Note 3	
Technology Partners Venture Capital Corp.	-	Financial assets carried at cost	2,222	22,223	11	22,223	Note 2	
Network Capital Global Fund	-	Financial assets carried at cost	1,333	13,333	7	13,333	Note 2	
Inverse floaters issued by Citibank	-	Financial assets at fair value through profit or loss	-	162,122	-	162,122		
Fund								
Yuanta Commercial Bank Money Market Common Trust Fund	-	Available-for-sale financial assets	13,114	135,036	-	135,036	Note 5	
Polaris De-Bao Fund	-	Available-for-sale financial assets	2,273	26,026	-	26,026	Note 5	
NITC Taiwan Bond Fund	-	Available-for-sale financial assets	177	30,032	-	30,032	Note 5	
Jih Sun Bond Fund	-	Available-for-sale financial assets	3,052	42,904	-	42,904	Note 5	
Prudential Financial Band Fund	-	Available-for-sale financial assets	3,823	57,673	-	57,673	Note 5	
Orise Technology Co. Ltd.	Sunplus mMedia Inc.	Equity-method investee	Equity-method investments	500	5,528	1	5,528	Note 1
	Sunplus mMobile SAS	Equity-method investee	Equity-method investments	237	11,318	100	11,318	Note 1
	Sunplus mMobile Limited	Equity-method investee	Equity-method investments	500	(57,294)	100	(57,294)	Note 6

(Continued)

Holding Company Name	Type and Issuer/Name of Marketable Security	Relationship with the Holding Company	Financial Statement Account	December 31, 2008				Note
				Shares or Units (Thousands)	Carrying Value	Percentage of Ownership (%)	Market Value or Net Asset Value	
Sunplus mMobile Holding	Sunplus mMobile Holding Inc.	Equity-method investee	Equity-method investments	2,580	\$ 2,156	100	\$ 2,156	Note 1
	Prudential Financial Bond Fund	-	Available-for-sale financial assets	5	77	-	77	Note 5
	Ta Chong bond	-	Available-for-sale financial assets	1	7	-	7	Note 5
	Yuanta Wan Tai Bond Fund	-	Available-for-sale financial assets	1,674	24,148	-	24,148	Note 5
Sunplus mMobile Holding	Bright Sunplus mMobile Inc.	Equity-method investee	Equity-method investments	2,515	US\$ 1 thousand	100	US\$ 1 thousand	Note 1
	Prudential Financial Bond Fund	-	Available-for-sale financial assets	2,195	34,149	-	34,149	Note 5
Sunplus mMedia Inc.	Capital Income Fund	-	Available-for-sale financial assets	1,759	27,040	-	27,040	Note 5
	Yuanta Wan Tai Bond Fund	-	Available-for-sale financial assets	3,466	50,014	-	50,014	Note 5
	NITC Taiwan Bond Fund	-	Available-for-sale financial assets	1,081	15,729	-	15,729	Note 5
	Stock							
Lin Shih Investment Co., Ltd.	Goldkey Technology Corp.	Equity-method investee	Equity-method investments	1,866	18,198	13	18,198	Note 1
	Waveplus Technology Co., Ltd.	Equity-method investee	Equity-method investments	522	6,709	16	6,709	Note 1
	Sunext Technology Co., Ltd.	Equity-method investee	Equity-method investments	6,499	8,500	7	8,500	Note 1
	Generaplus Technology Inc.	Equity-method investee	Equity-method investments	12,653	215,210	19	215,210	Note 1
	Sunplus Core Technology Co., Ltd.	Equity-method investee	Equity-method investments	2,000	4,013	13	4,013	Note 1
	Sunplus mMobile Inc.	Equity-method investee	Equity-method investments	3,055	12,112	2	(3,683)	Note 1
	Sunplus mMedia Inc.	Equity-method investee	Equity-method investments	2,483	31,457	3	31,457	Note 1
	Sunplus Innovation Technology Inc.	Equity-method investee	Equity-method investments	452	6,619	2	6,619	Note 1
	Sunplus Technology Company Limited	Equity-method investee	Equity-method investments	3,560	46,814	1	46,814	Note 3
	Ability Enterprise Co., Ltd.	Parent company	Available-for-sale financial assets	5,120	105,480	1	105,480	Note 3
	RITEK Corp.	-	Available-for-sale financial assets	833	3,608	-	3,608	Note 3
	Elite Advanced Laser Corp.	-	Available-for-sale financial assets	667	6,666	1	6,666	Note 3
	AIPTEK International Inc.	-	Available-for-sale financial assets	199	1,022	-	1,022	Note 3
	Radiant Innovation Inc.	-	Available-for-sale financial assets	1,933	27,346	8	27,346	Note 3
	Minton Optic Industry Co., Ltd.	-	Financial assets carried at cost	4,272	79,643	7	79,643	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	831	10,685	6	10,685	Note 2
	MaxEmil Photonics Corporation	-	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	23,000	14	23,000	Note 2
	Genius Vision Digital Co., Ltd.	-	Financial assets carried at cost	600	6,000	13	6,000	Note 2
Lingri Technology Co., Ltd.	-	Financial assets carried at cost	304	3,040	19	3,040	Note 2	
Stock								
Russell Holdings Limited	Jet Focus Limited	Equity-method investee	Equity-method investments	4,794	US\$ (350) thousand	44	US\$ (350) thousand	Note 6
	Synerchip Co., Ltd.	Equity-method investee	Equity-method investments	4,236	US\$ 667 thousand	25	US\$ 667 thousand	Note 1
	Sunext Technology Co., Ltd.	Equity-method investee	Equity-method investments	855	US\$ 2,124 thousand	1	US\$ 34 thousand	Note 1

(Continued)

Holding Company Name	Type and Issuer/Name of Marketable Security	Relationship with the Holding Company	Financial Statement Account	December 31, 2008			Note	
				Shares or Units (Thousands)	Carrying Value	Percentage of Ownership (%)		Market Value or Net Asset Value
	Shang-Hai Fudan Microelectronics Company Limited	-	Available-for-sale financial assets	7,280	US\$ 301 thousand	-	US\$ 301 thousand	Note 3
	InvStar Exceclusus Venture Capital (Int'l), Inc., LDC	-	Financial assets carried at cost	-	US\$ - thousand	19	US\$ - thousand	Note 2
	OZ Optics Ltd.	-	Financial assets carried at cost	1,000	US\$ 250 thousand	8	US\$ 250 thousand	Note 2
	Aicent, Inc.	-	Financial assets carried at cost	1,000	US\$ 500 thousand	2	US\$ 500 thousand	Note 2
	Ortega InfoSystem, Inc.	-	Financial assets carried at cost	2,557	US\$ 500 thousand	-	US\$ 500 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 Fund	-	Financial assets carried at cost	-	US\$ 2,590 thousand	5	US\$ 2,590 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
	Visualon Inc.	-	Financial assets carried at cost	377	US\$ 200 thousand	3	US\$ 200 thousand	Note 2
	Azalea Networks Inc.	-	Financial assets carried at cost	850	US\$ 1,150 thousand	2	US\$ 1,150 thousand	Note 2
Sumplus Venture Capital Co., Ltd.	<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	4,973	12	4,973	Note 1
	Sunext Technology Co., Ltd.	Equity-method investee	Equity-method investments	8,571	11,169	9	11,169	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	2,920	49,672	4	49,672	Note 1
	Orise Technology Co., Ltd.	Equity-method investee	Equity-method investments	865	14,478	1	14,478	Note 1
	Sunplus Core Technology Co., Ltd.	Equity-method investee	Equity-method investments	2,000	4,013	13	4,013	Note 1
	Sunplus mMobile Inc.	Equity-method investee	Equity-method investments	142	2,100	-	(175)	Note 1
	Sunplus mMedia Inc.	Equity-method investee	Equity-method investments	10,000	109,845	12	109,845	Note 1
	King Yuan Electronics Co., Ltd.	-	Available-for-sale financial assets	2,435	16,696	-	16,696	Note 3
	AIPTEK International Inc.	-	Available-for-sale financial assets	1,172	6,013	1	6,013	Note 3
	Ability Enterprise Co., Ltd.	-	Available-for-sale financial assets	3,674	75,680	-	75,680	Note 3
	Radiant Innovation Inc.	-	Available-for-sale financial assets	742	10,498	3	10,498	Note 3
	Elite Advanced Laser Corp.	-	Available-for-sale financial assets	166	1,663	-	1,663	Note 3
	eWave System, Inc.	-	Financial assets carried at cost	1,833	-	22	-	Note 2
	Softchina Venture Capital Corp.	-	Financial assets carried at cost	407	-	8	-	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
	VenGlobal International Fund	-	Financial assets carried at cost	1	-	3	-	Note 2
	Simple Act Inc.	-	Financial assets carried at cost	1,900	19,000	10	19,000	Note 2
	Feature Integration Technology Inc.	-	Financial assets carried at cost	1,850	24,237	6	24,237	Note 2
	Chiabon Venture Capital Co., Ltd.	-	Financial assets carried at cost	5,000	50,000	5	50,000	Note 2
	Cyberon Corporation	-	Financial assets carried at cost	1,170	13,691	18	13,691	Note 2
	WayTech Development Inc.	-	Financial assets carried at cost	1,000	-	4	-	Note 2

(Continued)

Holding Company Name	Type and Issuer/Name of Marketable Security	Relationship with the Holding Company	Financial Statement Account	December 31, 2008			Note
				Shares or Units (Thousands)	Carrying Value	Percentage of Ownership (%)	
	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	75,000	8	75,000 Note 2
	Capella Micro System, Inc.	-	Financial assets carried at cost	630	9,450	3	9,450 Note 2
	Smec Media & Entertainment Corp.	-	Financial assets carried at cost	2,000	6,667	7	6,667 Note 2
	VISCO Inc.	-	Financial assets carried at cost	2,130	22,365	5	22,365 Note 2
	Azalea Networks Inc	-	Financial assets carried at cost	280	12,923	1	12,923 Note 2
Generalplus Technology Inc.	Stock Generalplus International (Samoa) Inc.	Subsidiary of Generalplus Technology Inc.	Equity-method investments	3,090	11,174	100	11,174 Note 1
Generalplus International (Samoa) Inc.	Stock Generalplus (Mauritius) Inc.	Subsidiary of Generalplus International (Samoa) Inc.	Equity-method investments	3,090	US\$ 340 thousand	100	US\$ 340 thousand Note 1
Generalplus (Mauritius) Inc.	Stock Generalplus Technology (Shenzhen) Co., Ltd.	Subsidiary of Generalplus (Mauritius) Inc.	Equity-method investments	-	US\$ 263 thousand	100	US\$ 263 thousand Note 1
	Generalplus Technology (Hong Kong) Co., Ltd.	Subsidiary of Generalplus (Mauritius) Inc.	Equity-method investments	-	US\$ 77 thousand	100	US\$ 77 thousand Note 1
Sunext Technology Co., Ltd.	Stock Great Sun Corp.	Subsidiary of Sunext Technology Co., Ltd.	Equity-method investments	1,750	36,697	100	36,697 Note 1
Great Sun Corp.	Stock Sunext (Mauritius) Inc.	Subsidiary of Great Sun Corp.	Equity-method investments	750	US\$ 119 thousand	100	US\$ 119 thousand Note 1
Sunext (Mauritius) Inc.	Stock Sunext Technology (Shanghai) Co., Ltd.	Subsidiary of Sunext (Mauritius) Inc.	Equity-method investments	-	US\$ 118 thousand	100	US\$ 118 thousand Note 1
Waveplus Technology Co., Ltd.	Stock Waveplus Holding Ltd.	Subsidiary of Waveplus Technology Co., Ltd.	Equity-method investments	1,000	(51)	100	(51) Note 6
Waveplus Holding Ltd.	Stock Waveplus Design, Inc.	Subsidiary of Waveplus Holding Ltd.	Equity-method investments	1,000	US\$ - thousand	100	US\$ - thousand Note 1
Ventureplus Group Inc.	Stock Ventureplus Mauritius Inc.	Subsidiary of Ventureplus Group Inc.	Equity-method investments	24,700	US\$ 13,068 thousand	100	US\$ 13,068 thousand Note 1

(Continued)

Holding Company Name	Type and Issuer/Name of Marketable Security	Relationship with the Holding Company	Financial Statement Account	December 31, 2008				Note
				Shares or Units (Thousands)	Carrying Value	Percentage of Ownership (%)	Market Value or Net Asset Value	
Ventureplus Mauritius Inc.	Stock Ventureplus Cayman Inc.	Subsidiary of Ventureplus Mauritius Inc.	Equity-method investments	24,700	US\$ 13,072 thousand	100	US\$ 13,072 thousand	Note 1
Ventureplus Cayman Inc.	Stock Sunplus Technology (Shanghai) Co., Ltd. Sunplus Pro-tek Technology (Shenzhen) Co., Ltd. SunMedia Technology Co., Ltd. Sunplus App Technology Co., Ltd.	Subsidiary of Ventureplus Cayman Inc. Subsidiary of Ventureplus Cayman Inc. Subsidiary of Ventureplus Cayman Inc. Subsidiary of Ventureplus Cayman Inc.	Equity-method investments Equity-method investments Equity-method investments Equity-method investments Equity-method investments	- - - -	US\$ 8,894 thousand US\$ 2,255 thousand US\$ 1,545 thousand US\$ 364 thousand	99 100 100 80	US\$ 8,894 thousand US\$ 2,255 thousand US\$ 1,545 thousand US\$ 364 thousand	Note 1 Note 1 Note 1 Note 1
Wei-Young Investment Inc.	UNIWILL Co., Ltd.	-	Available-for-sale financial assets	508	3,052	-	3,052	Note 3
Global Techplus Capital Inc.	Techplus Capital Samoa Inc.	Global Techplus Capital Inc.	Equity-method investments	-	US\$ - thousand	100	US\$ - thousand	Note 1

Note 1: The net asset value was based on audit financial data.

Note 2: The market value is based on carrying value as of December 31, 2008.

Note 3: The market value is based on the closing price as of December 31, 2008.

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, 2008.

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

Note 7: Includes deferred credits \$43 thousand.

Note 8: Includes deferred credit \$1,584 thousand.

Note 9: Includes deferred credit \$3,574 thousand.

Note 10: As of December 31, 2008, the above marketable securities, except the carrying value \$44,505 of the Sunplus Technology Company Limited holding by Lin Shih Investment Co., Ltd., had not been pledged or mortgaged.

(Concluded)

SUNPLUS TECHNOLOGY COMPANY LIMITED

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
YEAR ENDED DECEMBER 31, 2008
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Name/Type and Issuer of Marketable Security	Financial Statement Account	Beginning Balance		Acquisition		Disposal		Ending Balance			
			Units (Thousands)	Amount	Units (Thousands)	Amount	Units (Thousands)	Amount	Units (Thousands)	Amount (Note 1)		
Sunplus Technology Company Limited	Cathay Bond Fund	Available-for-sale financial assets	-	\$ -	10,549	\$ 125,000	10,549	\$ 125,238	-	\$ 238	-	\$ -
	Sunext Technology Co., Ltd.	Equity-method investments	12,600	(98,717)	74,270	820,705	7,875	-	-	-	78,995	244,058 (Note 3)
	Gianplus Technology Co., Ltd.	Equity-method investments	76,317	1,171,730	6,685	235,980	-	-	-	-	84,652 (Note 5)	1,870,627 (Note 3)
	JF TAIWAN Bond	Available-for-sale financial assets	-	-	15,769	245,000	15,769	245,494	494	494	-	-
	NITC Taiwan Bond Fund	Available-for-sale financial assets	-	-	26,860	386,000	26,800	386,737	737	737	-	-
	NITC Bond Fund	Available-for-sale financial assets	1,496	250,000	1,766	299,000	3,085	519,480	480	480	177	30,032
	Tasihin Lucky Fund	Available-for-sale financial assets	30,224	315,000	31,961	334,000	62,186	649,000	1,356	1,356	-	-
	Polaris De-Bao Fund	Available-for-sale financial assets	-	-	11,963	136,000	9,690	110,461	461	461	2,273	26,026
	IBT 1699 Bond Fund	Available-for-sale financial assets	-	-	30,308	384,000	30,308	387,007	3,007	3,007	-	-
	ING Taiwan Select Bond Fund	Available-for-sale financial assets	-	-	25,660	299,000	25,660	299,182	182	182	-	-
	Prudential Financial Bond Fund	Available-for-sale financial assets	-	-	10,146	152,000	10,146	152,563	563	563	-	-
	Polaris De-Li Fund	Available-for-sale financial assets	-	-	19,294	299,000	19,294	299,189	189	189	-	-
	Harvatek Corp.	Available-for-sale financial assets	4,896	37,489 (Note 2)	-	-	4,896	202,883	165,394	165,394	-	-
	Yuanta Commer Cial Bank Money Market Common Trust Fund	Available-for-sale financial assets	-	-	13,114	135,000	-	-	-	-	13,114	135,036
Sunplus mMedia Inc.	Equity-method investments	-	-	64,500	752,579	-	-	-	-	64,500	708,757 (Note 3)	
Orise Technology Co. Ltd.	Jih Sun Bond	Available-for-sale financial assets	5,031	69,606	49,227	685,667	51,206	713,794	1,375	1,375	3,052	42,904
	NITC Taiwan Bond Fund	Available-for-sale financial assets	6,731	96,369	43,559	628,798	50,290	726,875	1,729	1,729	-	-
	Fubon Chi-Hsiang Fund	Available-for-sale financial assets	6,334	78,703	26,094	352,612	32,428	432,249	951	951	-	-
	Tasihin Lucky Fund	Available-for-sale financial assets	1,731	18,046	18,409	193,174	20,140	211,886	671	671	-	-
	Prudential Financial Bond Fund	Available-for-sale financial assets	6,956	103,256	35,656	533,020	38,789	580,020	1,269	1,269	3,823	57,673
	Capital Income Fund	Available-for-sale financial assets	-	-	10,006	152,595	10,006	153,095	500	500	-	-
	IBT 1699 Bond Fund	Available-for-sale financial assets	5,166	65,080	11,894	151,259	17,060	217,089	765	765	-	-
	Hua Nan Phoenix Bond Fund	Available-for-sale financial assets	-	-	12,300	190,130	12,300	190,480	350	350	-	-
	Yuanta Wan-Tai Bond Fund	Available-for-sale financial assets	-	-	9,644	138,104	9,644	138,412	308	308	-	-
	UPAMC Global Fixed Income Selection Fund	Available-for-sale financial assets	10,068	157,799	4,077	64,000	14,145	222,247	485	485	-	-
	Polaris De-Li Fund	Available-for-sale financial assets	-	-	19,576	302,359	19,576	303,004	645	645	-	-
	ING Taiwan Bond Fund	Available-for-sale financial assets	1,834	28,078	10,255	157,503	12,089	185,945	370	370	-	-
	Polaris De-Bao Fund	Available-for-sale financial assets	-	-	14,326	162,000	14,326	162,620	620	620	-	-
	Polaris De-Li Fund	Available-for-sale financial assets	-	-	14,006	216,000	14,006	216,618	618	618	-	-
Ta Chong Bond	Available-for-sale financial assets	-	-	9,609	128,700	9,609	129,042	342	342	-	-	
PCA Wall Pool Fund	Available-for-sale financial assets	-	-	13,067	167,700	13,067	168,155	455	455	-	-	
Sunplus Venture Capital Co., Ltd.	Taiwan Nano Electro-Optical Technology Co., Ltd.	Available-for-sale financial assets	3,994	46,595 (Note 2)	-	-	3,994	128,206	81,611	81,611	-	-
	Sunplus mMedia Inc.	Equity-method investments	-	-	10,000	116,679	-	-	-	-	10,000	109,845 (Note 3)
Sunplus mMedia Inc.	Ta Chong Bond	Available-for-sale financial assets	19,442	257,316	-	-	19,442	258,137	821	821	-	-
	Prudential Financial Bond Fund	Available-for-sale financial assets	2,668	39,604	4,175	62,500	6,843	102,907	907	907	-	-
Great Sun Corp.	Stock	Equity-method investments	1,000	US\$ 932 thousand	-	-	1,000	US\$ 9,881 thousand	US\$ 9,841 thousand	US\$ 9,841 thousand	-	-
	Sunext Design, Inc.	Equity-method investments	-	-	-	-	-	-	-	-	-	-

(Continued)

Company Name	Name/Type and Issuer of Marketable Security	Financial Statement Account	Beginning Balance		Acquisition		Disposal			Ending Balance		
			Units (Thousands)	Amount	Units (Thousands)	Amount	Units (Thousands)	Amount	Carrying Value	Gain (Loss) on Disposal	Units (Thousands)	Amount (Note 1)
Sunplus Innovation Technology Inc.	Dresdner Bond Dam Fund	Available-for-sale financial assets	-	\$ -	13,337	\$ 158,000	13,337	\$ 158,522	\$ 158,000	\$ 522	-	\$ -
Sunplus mMobile Inc.	Sunplus mMedia Inc.	Equity-method investments	75,000	1,157,851	-	-	74,500	867,000	851,667	15,333 (Note 4)	500	5,528 (Note 3)

Note 1: Includes the valuation gains (losses) on financial assets.

Note 2: Excludes the valuation gains (losses) on financial assets.

Note 3: The carrying value of the equity-method investment as of December 31, 2008.

Note 4: To be reported as capital surplus under an interpretation issued by the Accounting Research and Development Foundation.

Note 5: Includes stock dividends.

Note 6: Offset of deficit against capital.

(Concluded)

SUNPLUS TECHNOLOGY COMPANY LIMITED

ACQUISITION OF LONG-TERM INVESTMENTS COSTS OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

DECEMBER 31, 2008

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

Company Name	Types of Property	Transaction Date	Transaction Amount	(Payment)/Sale Term	Counter-party	Nature of Relationships	Prior Transaction of Company Related Counter-party			Price Reference	Purpose of Acquisition	Other Terms
							Ownership	Relationships	Transfer Date			
Sunplus Technology Company Limited	Sunext Technology Co., Ltd.	97.1	\$ 670,000	\$(670,000)	Note 1	Equity-method investee	-	-	-	Note 1	Equity-method investee	-
	Sunext Technology Co., Ltd.	97.12	150,705	(150,705)	Note 2	Equity-method investee	-	-	-	Note 2	Equity-method investee	-
	Giantplus Technology Co., Ltd.	97.1	235,980	(235,980)	Note 1	Equity-method investee	-	-	-	Note 1	Equity-method investee	-
	Sunplus mMedia Inc.	97.11	752,579	(752,579)	Sunplus mMobile Inc.	Equity-method investee	Note 3	Note 3	903,000	Note 4	Equity-method investee	-
Sunplus Venture Capital Co., Ltd.	Sunplus mMedia Inc.	97.11	116,679	(116,679)	Sunplus mMobile Inc.	Equity-method investee	Note 3	Note 3	140,000	Note 4	Equity-method investee	-
Sunplus mMobile Inc.	Sunplus mMedia Inc.	97.11	869,258	867,000	Sunplus Technology Company Limited and Sunplus Venture Capital Co., Ltd.	Equity-method investee	-	-	-	Note 4	Equity-method investee	-

Note 1: Issuance of common stock for cash.

Note 2: The selling prices were negotiated with agreement.

Note 3: It was based on the net book value on spun-off date, Sunplus mMobile spun off its personal entertainment BU to establish a subsidiary, Sunplus mMedia in April 2007.

Note 4: It was based on the net book value on trading date and supported by other auditor about price rationality.

SUNPLUS TECHNOLOGY COMPANY LIMITED

**TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
YEAR ENDED DECEMBER 31, 2008**

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

Company Name	Related Party	Nature of Relationship	Transaction Details			Non-arm's Length Transaction		Note/Account Payable or Receivable		Note	
			Purchase/Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance		% to Total
Orise Technology Co., Ltd.	AU Optronics (Labuan) Corporation	Subsidiary of AU Optronics Corp.	Sale	\$ 1,771,765	39	Net 120 days from monthly closing dates in principle.	Note	Note	\$ 584,316	61	-
	AU Optronics Corp.	The subsidiary of AUO is the Director of Orise Technology Co., Ltd.	Sale	114,550	3	Net 120 days from monthly closing dates in principle.	Note	Note	20,115	2	-
	Kunshan Giantplus Optoelectronics Technology Co., Ltd.	Subsidiary of Giantplus Technology Co., Ltd.	Sale	272,183	5	Net 45 days from monthly closing dates in principle.	Note	Note	21,543	2	-
	Giantplus Technology Co., Ltd.	Equity-method investee of Sunplus Technology Co., Ltd.	Sale	213,157	5	Net 45 days from monthly closing dates in principle.	Note	Note	18,711	2	-

Note: The price and collection terms for products sold to related parties were similar to those for third parties.

SUNPLUS TECHNOLOGY COMPANY LIMITED

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NTS100 MILLION OR 20% OF THE PAID-IN CAPITAL YEAR ENDED DECEMBER 31, 2008

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

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts and Sales Discounts
					Amount	Action Taken		
Orise Technology Co., Ltd.	AU Optronics (Labuan) Corporation	Subsidiary of AU Optronics Corp.	\$584,316	2.61	\$ -	-	\$ -	-

SUNPLUS TECHNOLOGY COMPANY LIMITED

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCES
 YEAR ENDED DECEMBER 31, 2008
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Shares (Thousands)	Balance as of December 31, 2008 Percentage of Ownership	Carrying Value	Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				December 31, 2008	December 31, 2007						
Sunplus Technology Company Limited	Giantplus Technology Co., Ltd.	Tofen Chen, Miaoli, Taiwan	Manufacture of TN/STN LCDs and LCD modules	\$ 881,314	\$ 881,314	84,652	21	\$ 1,870,627	\$ 307,601	\$ 57,999	Investee
	Orise Technology Co., Ltd.	Hsinchu, Taiwan	Design of ICs	816,719	834,092	72,090	55	1,245,799	265,446	146,333	Subsidiary
	Sunplus mMedia Inc.	Hsinchu, Taiwan	Design of ICs	752,579	-	64,500	78	708,757	(364,758)	(28,867)	Subsidiary
	Sunplus Venture Capital Co., Ltd.	Hsinchu, Taiwan	Investment	999,982	999,982	100,000	100	624,889	91,518	91,518	Subsidiary
	Lin Shih Investment Co., Ltd.	Hsinchu, Taiwan	Investment	699,988	699,988	70,000	100	607,241	36,358	27,884	Subsidiary
	Generalplus Technology Inc.	Hsinchu, Taiwan	Design of ICs	146,000	146,000	27,942	41	475,292	189,683	78,265	Subsidiary
	Ventureplus Group Inc.	Belize	Investment	US\$ 24,700	US\$ 19,250	24,700	100	428,478	(125,214)	(125,214)	Subsidiary
	Russell Holdings Limited	Cayman Islands, British West Indies.	Investment	US\$ 14,760	US\$ 19,260	14,760	100	419,813	(55,098)	(58,672)	Subsidiary
	Sunplus Innovation Technology Inc.	Hsinchu, Taiwan	Design of ICs	308,000	308,000	22,660	84	392,361	65,882	57,835	Subsidiary
	Sunext Technology Co., Ltd.	Hsinchu, Taiwan	Design and sale of ICs	946,705	796,000	78,995	79	244,058	61,338	43,617	Subsidiary
	Sunplus Core Technology Co., Ltd.	Hsinchu, Taiwan	Design of ICs	105,470	56,000	8,898	57	17,857	(123,362)	(63,001)	Subsidiary
	Waveplus Technology Co., Ltd.	Hsinchu, Taiwan	Design and sale of ICs	35,517	35,517	1,302	41	16,742	(3,649)	(2,813)	Subsidiary
	Goldkey Technology Corp.	Taipei, Taiwan	Design of ICs	25,541	32,836	1,702	12	16,584	34,980	4,145	Investee
Global Techplus Capital Inc.	Seychelles	Investment	US\$ 200	US\$ 200	200	100	7,852	1,486	1,486	Subsidiary	
Lin Shih Investment Co., Ltd.	Wei-Young Investment Inc.	Hsinchu, Taiwan	Investment	14,000	14,000	1,400	100	5,167	191	191	Subsidiary
	Sunplus Technology (H.K.) Co., Ltd.	Kowloon Bay, Hong Kong	International trade	HK\$ 11,075	HK\$ 11,075	11,075	100	4,817	8,864	8,864	Subsidiary
	Sunplus Management Consulting Inc.	Hsinchu, Taiwan	Management	5,000	5,000	500	100	4,194	(30)	(30)	Subsidiary
	Sunplus mMobile Inc.	Hsinchu, Taiwan	Design of ICs	1,680,000	1,680,000	120,000	91	(141,111)	(1,274,350)	(1,169,111)	Subsidiary
	Goldkey Technology Corp.	Taipei, Taiwan	Design of ICs	18,402	26,400	1,866	13	18,198	34,980	4,547	Investee
	Sunext Technology Co., Ltd.	Hsinchu, Taiwan	Design and sale of ICs	369,316	369,316	6,499	7	8,500	61,338	4,140	Subsidiary
	Waveplus Technology Co., Ltd.	Hsinchu, Taiwan	Design and sale of ICs	91,726	91,726	522	16	6,709	(3,649)	(1,127)	Subsidiary
	Sunplus Core Technology Co., Ltd.	Hsinchu, Taiwan	Design of ICs	20,000	20,000	2,000	13	4,013	(123,362)	(18,751)	Subsidiary
	SunPlus mMobile Inc.	Hsinchu, Taiwan	Design of ICs	42,770	65,898	3,055	2	12,112	(1,274,350)	(35,044)	Subsidiary
	SunPlus mMedia Inc.	Hsinchu, Taiwan	Design of ICs	34,755	17,147	2,483	3	31,457	(364,758)	(6,310)	Subsidiary
	Sunplus Innovation Technology Inc.	Hsinchu, Taiwan	Design of ICs	6,234	5,684	452	2	6,619	65,882	1,065	Subsidiary
	Generalplus Technology Inc.	Hsinchu, Taiwan	Design of ICs	65,000	65,000	12,653	19	215,210	189,683	35,446	Subsidiary
	Sunplus Venture Capital Co., Ltd.	Joing Technology Co., Ltd.	Hsinchu, Taiwan	Design of ICs	51,000	51,000	3,400	39	-	-	-
Sunext Technology Co., Ltd.		Hsinchu, Taiwan	Design and sale of ICs	385,709	360,000	8,571	9	11,169	61,338	5,373	Subsidiary
Han Young Technology Co., Ltd.		Taipei, Taiwan	Design of ICs	4,200	4,200	420	70	1,780	-	-	Subsidiary
Waveplus Technology Co., Ltd.		Hsinchu, Taiwan	Design and sale of ICs	76,016	76,016	387	12	4,973	(3,649)	(836)	Subsidiary
Orise Technology Co., Ltd.		Hsinchu, Taiwan	Design of ICs	10,800	10,800	865	1	14,478	265,446	1,723	Subsidiary
Sunplus Core Technology Co., Ltd.		Hsinchu, Taiwan	Design of ICs	20,000	20,000	2,000	13	4,013	(123,362)	(18,751)	Subsidiary
Generalplus Technology Inc.		Hsinchu, Taiwan	Design of ICs	15,000	15,000	2,920	4	49,672	189,683	8,168	Subsidiary
SunPlus mMobile Inc.		Hsinchu, Taiwan	Design of ICs	1,988	1,988	142	-	2,100	(1,274,350)	(1,402)	Subsidiary
Sunplus mMedia Inc.		Hsinchu, Taiwan	Design of ICs	116,679	-	10,000	12	109,845	(364,758)	(4,487)	Subsidiary
Jet Focus Limited		Cayman Islands, British West Indies	Investment	US\$ 6,050	US\$ 6,050	4,794	44	US\$ (350)	US\$ (618)	US\$ -	Investee
Synerchip Co., Ltd.		Mauritius	Investment	US\$ 3,070	US\$ 2,070	4,236	25	US\$ 667	US\$ (4,930)	US\$ (1,458)	Investee
Sunext Technology Co., Ltd.		Hsinchu, Taiwan	Design and sale of ICs	US\$ 2,119	US\$ -	855	1	US\$ 2,124	61,338	US\$ 8	Subsidiary

(Continued)

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2008		Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				December 31, 2008	December 31, 2007	Shares (Thousands)	Percentage of Ownership			
Sunext Technology Co., Ltd.	Great Sun Corp.	SAMOA	Investment	US\$ 1,750 thousand	US\$ 1,750 thousand	1,750	100	\$ 36,697	\$ 264,368	Subsidiary
Great Sun Corp.	Sunext (Mauritius) Inc.	Mauritius	Investment	US\$ 750 thousand	US\$ 750 thousand	750	100	US\$ 119 thousand	US\$ (105) thousand	Subsidiary
Sunext (Mauritius) Inc.	Sunext Technology (Shanghai) Co., Ltd.	Shanghai, China	Design of software	US\$ 750 thousand	US\$ 750 thousand	-	100	US\$ 118 thousand	US\$ (106) thousand	Subsidiary
Ventureplus Group Inc.	Ventureplus Mauritius Inc.	Mauritius	Investment	US\$ 24,700 thousand	US\$ 19,250 thousand	24,700	100	US\$ 13,068 thousand	US\$ (3,975) thousand	Subsidiary
Ventureplus Mauritius Inc.	Ventureplus Cayman Inc.	Cayman Islands, British West Indies	Investment	US\$ 24,700 thousand	US\$ 19,250 thousand	24,700	100	US\$ 13,072 thousand	US\$ (3,975) 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\$ 8,894 thousand	US\$ (109) thousand	Subsidiary
	Sunplus Prof-tek Technology (Shenzhen) Co., Ltd.	Shenzhen, China	Development, manufacture and sale of ICs	US\$ 4,250 thousand	US\$ 2,250 thousand	-	100	US\$ 2,255 thousand	US\$ (2,195) thousand	Subsidiary
	Sun Media Technology Co., Ltd.	Chengdu, China	Development, manufacture and sale of ICs	US\$ 3,000 thousand	US\$ - thousand	-	100	US\$ 1,545 thousand	US\$ (1,587) thousand	Subsidiary
	Sunplus App Technology Co., Ltd.	Beijing, China	Development, manufacture and sale of ICs	US\$ 450 thousand	US\$ - thousand	-	80	US\$ 364 thousand	US\$ (103) thousand	Subsidiary
Waveplus Technology Co., Ltd.	Waveplus Holding Ltd.	Mauritius	Investment	US\$ 500 thousand	US\$ 500 thousand	1,000	100	(2,050)	(2,050)	Subsidiary
Waveplus Holding Ltd.	Waveplus Design, Inc.	U.S.A.	Design of WLANs	US\$ 500 thousand	US\$ 500 thousand	1,000	100	-	-	Subsidiary
Generalplus Technology Inc.	Generalplus International (SAMOA) Inc.	SAMOA	Investment	US\$ 3,090 thousand	US\$ 1,090 thousand	3,090	100	11,174	(64,195)	Subsidiary
Generalplus International (SAMOA) Inc.	Generalplus (Mauritius) Inc.	Mauritius	Investment	US\$ 3,090 thousand	US\$ 1,090 thousand	3,090	100	US\$ 340 thousand	US\$ (2,036) thousand	Subsidiary
Generalplus (Mauritius) Inc.	Generalplus Technology (Shenzhen) Co., Ltd.	Shenzhen, China	After-sales service	US\$ 2,700 thousand	US\$ 700 thousand	-	100	US\$ 263 thousand	US\$ (1,925) thousand	Subsidiary
	Generalplus Technology (Hong Kong) Inc.	Hong Kong	Sales	US\$ 390 thousand	US\$ 390 thousand	-	100	US\$ 77 thousand	US\$ (117) thousand	Subsidiary
Sunplus mMobile Inc.	Sunplus mMedia Inc.	Hsinchu, Taiwan	Design of ICs	7,000	1,050,000	500	1	5,528	(364,758)	Subsidiary
	Sunplus mMobile SAS	France	Design of ICs	EUR 237 thousand	EUR - thousand	237	100	11,318	360	Subsidiary
	Sunplus mMobile Limited	United Kingdom	Design of ICs	GBP 500 thousand	GBP - thousand	500	100	(57,294)	(99,527)	Subsidiary
	Sunplus mMobile Holding Inc.	SAMOA	Investment	US\$ 2,580 thousand	US\$ - thousand	2,580	100	2,156	(79,273)	Subsidiary
Sunplus mMobile Holding Inc.	Bright Sunplus mMobile Inc.	Mauritius	Research and development of Intellectual Property Rights	US\$ 2,515 thousand	US\$ - thousand	2,515	100	US\$ 1 thousand	US\$ (2,514) thousand	Subsidiary
Global Techplus Capital Inc.	Techplus Capital Samoa Inc.	SAMOA	Investment	US\$ - thousand	US\$ 150 thousand	-	100	US\$ - thousand	US\$ - thousand	Subsidiary

(Concluded)

SUNPLUS TECHNOLOGY COMPANY LIMITED
FORWARD EXCHANGE CONTRACTS OF INVESTEES COMPANY

1. Orise Technology used derivative contracts for the year ended December 31, 2008 to hedge the effect of exchange rate fluctuations on net foreign currency as follows:

Financial Liability at Fair Value Through Profit or Loss	December 31, 2008
Forward exchange contracts	\$2,189

As of December 31, 2008, outstanding forward exchange contracts of Orise Technology were as follows:

December 31, 2008	Currency	Maturity	Contract Amount (in Thousand)
Sell forward exchange contracts	US\$ to NT\$	November 17, 2008 - February 19, 2009	US\$6,000

Net gains arising from financial assets designated at fair value through profit or losses was \$713 for the year ended December 31, 2008.

2. Sunplus mMedia, net losses arising from financial assets designated at fair value through profit of losses, hedge the effect of exchange rate fluctuations on net foreign currency, was \$1,345 for the year ended December 31, 2008.
3. Generalplus Technology, net losses arising from financial assets designated at fair value through profit of losses, hedge the effect of exchange rate fluctuations on net foreign currency, was \$6,693 for the year ended December 31, 2008.

SUNPLUS TECHNOLOGY COMPANY LIMITED

INVESTMENT IN MAINLAND CHINA
YEAR ENDED DECEMBER 31, 2008

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

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2008	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2008	% Ownership of Direct or Indirect Investment	Investment Loss	Carrying Value as of December 31, 2008	Accumulated Inward Remittance of Earnings as of December 31, 2008
					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\$ (109) thousand	US\$ 8,894 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\$ 2,250 thousand	US\$ 2,000 thousand	US\$ - thousand	US\$ 4,250 thousand	100	US\$ (2,195) thousand	US\$ 2,255 Thousand	US\$ - thousand
Sun Media Technology Co., Ltd.	Manufacturing and sale of computer software. Service of System Integration	US\$ 3,000 thousand	Note 1	US\$ - thousand	US\$ 3,000 thousand	US\$ - thousand	US\$ 3,000 thousand	100	US\$ (1,587) thousand	US\$ 1,545 Thousand	US\$ - thousand
Sunplus App Technology Co., Ltd.	Manufacturing and sale of computer software. Service of System Integration and information management education	RMB 3,750 thousand	Note 1	US\$ - thousand	US\$ 450 thousand	US\$ - thousand	US\$ 450 thousand	80	US\$ (83) thousand	US\$ 364 thousand	US\$ - thousand
Accumulated Investment in Mainland China as of December 31, 2008			Investment Amounts Authorized by Investment Commission, MOEA							Upper Limit on Investment	
US\$24,700 thousand		US\$52,800 thousand								\$6,570,253	

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