

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

The Board of Directors and the Shareholders
Sunplus Technology Company Limited

We have reviewed the accompanying balance sheets of Sunplus Technology Company Limited as of March 31, 2011 and 2010, and the related statements of income and cash flows for the three months then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these financial statements based on our reviews.

Except as stated in the following paragraph, we conducted our reviews in accordance with Statement of Auditing Standards No. 36 - "Review of Financial Statements," issued by the Auditing Committee of the Accounting Research and Development Foundation of the Republic of China. A review consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Republic of China, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

As disclosed in Note 8 to the financial statements, the carrying values of equity-method investments as of March 31, 2011 and 2010 were NT\$6,470,906 thousand and NT\$8,233,237 thousand, respectively. As of March 31, 2011 and 2010, there were credit balances of NT\$819,099 thousand and NT\$716,796 thousand on the carrying values of these investments. For the three months ended March 31, 2011 and 2010, the related investment net losses were NT\$81,724 thousand and NT\$36,357 thousand, respectively. These investment amounts and other investee information disclosed in Note 27 to the financial statements were based on the investees' unreviewed financial statements for the same reporting periods as those of the Company.

Based on our reviews, except for the adjustments that might have been determined to be necessary had the equity-method investees' financial statements mentioned in the preceding paragraph been reviewed, we are not aware of any material modifications that should be made to the financial statements of Sunplus Technology Company Limited as of and for the three months ended March 31, 2011, and 2010 referred to in the first paragraph for them to be 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.

April 18, 2011

Notice to Readers

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

For the convenience of readers, the accountants' review 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 accountants' review report and financial statements shall prevail.

SUNPLUS TECHNOLOGY COMPANY LIMITED

BALANCE SHEETS

MARCH 31, 2011 AND 2010

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

(Reviewed, Not Audited)

ASSETS	2011		2010		LIABILITIES AND SHAREHOLDERS' EQUITY	2011		2010	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash (Note 4)	\$ 1,799,710	12	\$ 1,504,263	9	Short-term bank loans (Note 13)	\$ 224,910	1	\$ -	-
Available-for-sale financial assets - current (Notes 2 and 5)	506,982	3	1,566,031	10	Accounts payable (Note 22)	344,296	2	823,803	5
Accounts receivable, net (Notes 2, 6 and 22)	738,535	5	1,228,668	8	Income tax payable (Notes 2 and 19)	262,708	2	268,186	2
Other receivables	114,679	1	145,826	1	Accrued expenses (Note 22)	237,770	2	201,630	1
Other receivables-related parties (Note 22)	405,234	3	161,622	1	Long-term bank loans - current portion (Notes 14 and 23)	528,000	4	625,000	4
Inventories (Notes 2 and 7)	1,188,647	8	942,680	6	Deferred royalty income (Notes 2, 11 and 22)	11,772	-	11,772	-
Deferred income tax assets (Notes 2 and 19)	89,808	-	54,814	-	Other current liabilities (Notes 2 and 8)	826,589	5	724,481	4
Other current assets	43,782	-	54,761	-					
Total current assets	4,887,377	32	5,658,665	35	Total current liabilities	2,436,045	16	2,654,872	16
LONG-TERM INVESTMENTS					LONG-TERM BANK LOANS, NET OF CURRENT PORTION (Notes 14 and 23)				
Equity-method investments (Notes 2 and 8)	6,470,906	43	8,233,237	51		-	-	728,000	5
Prepayments for long-term investments in stocks (Note 8)	211,060	2	-	-	OTHER LIABILITIES				
Available-for-sale financial assets (Notes 2 and 5)	1,962,609	13	263,819	2	Deferred income (Notes 2, 11 and 22)	17,117	-	28,889	-
Financial assets carried at cost (Notes 2 and 9)	21,111	-	35,556	-	Accrued pension liability (Notes 2 and 15)	53,795	1	56,500	-
Total long-term investments	8,665,686	58	8,532,612	53	Guarantee deposits	138,875	1	150,036	1
PROPERTIES (Notes 2, 10 and 23)					Total other liabilities	209,787	2	235,425	1
Cost					Total liabilities	2,645,832	18	3,618,297	22
Buildings	795,683	5	795,683	5	SHAREHOLDERS' EQUITY (Notes 2, 16 and 17)				
Auxiliary equipment	192,052	1	189,522	1	Capital stock - NT\$10.00 par value				
Machinery and equipment	381,764	3	420,658	3	Authorized - 1,200,000 thousand shares				
Testing equipment	342,701	2	350,692	2	Issued and outstanding - 596,910 thousand shares	5,969,099	40	5,969,099	37
Transportation equipment	1,209	-	2,463	-	Capital surplus				
Furniture and fixtures	75,365	1	97,283	-	Additional paid-in capital - share issuance in excess of par	709,215	5	709,215	4
Leasehold improvements	89	-	89	-	Treasury stock transactions	68,357	-	68,357	1
Total cost	1,788,863	12	1,856,390	11	Merger and others	1,073,719	7	1,107,276	7
Less: Accumulated depreciation	1,014,717	7	1,031,926	6	Retained earnings				
Construction in progress and prepayments for equipment	-	-	1,329	-	Legal reserve	2,372,631	16	2,334,480	14
Net properties	774,146	5	825,793	5	Special reserve	-	-	428,914	3
INTANGIBLE ASSETS, NET (Notes 2 and 11)					Unappropriated earnings	2,554,694	17	1,851,459	12
	243,299	2	275,462	2	Other				
OTHER ASSETS					Cumulative translation adjustments	1,785	-	98,737	1
Rental assets, net (Notes 2, 22 and 23)	149,602	1	153,128	1	Unrealized gain (loss) on financial assets	(226,508)	(2)	18,560	-
Deferred charges and others (Notes 2 and 12)	108,581	1	157,854	1	Treasury stock (at cost) - 8,475 thousand shares in 2011 and 3,560 thousand shares in 2010	(155,236)	(1)	(63,401)	(1)
Deferred income tax assets (Notes 2 and 19)	184,897	1	537,479	3	Total shareholders' equity	12,367,756	82	12,522,696	78
Total other assets	443,080	3	848,461	5	TOTAL	\$ 15,013,588	100	\$ 16,140,993	100
TOTAL	\$ 15,013,588	100	\$ 16,140,993	100					

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

(With Deloitte & Touche review report dated April 18, 2011)

SUNPLUS TECHNOLOGY COMPANY LIMITED

STATEMENTS OF INCOME

THREE MONTHS ENDED MARCH 31, 2011 AND 2010

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

(Reviewed, Not Audited)

	2011		2010	
	Amount	%	Amount	%
GROSS SALES	\$ 1,056,226		\$ 1,689,293	
SALES RETURNS AND ALLOWANCES	<u>22,507</u>		<u>24,263</u>	
NET SALES (Notes 2, 11 and 22)	1,033,719	100	1,665,030	100
COST OF SALES (Notes 2, 7 and 18)	740,105	71	1,060,005	64
REALIZED INTERCOMPANY GAIN, NET (Note 2)	<u>2,400</u>	<u>-</u>	<u>2,583</u>	<u>-</u>
GROSS PROFIT	<u>296,014</u>	<u>29</u>	<u>607,608</u>	<u>36</u>
OPERATING EXPENSES (Notes 18 and 22)				
Marketing	41,849	4	64,981	4
General and administrative	46,605	5	66,368	4
Research and development	<u>303,821</u>	<u>29</u>	<u>342,521</u>	<u>20</u>
Total operating expenses	<u>392,275</u>	<u>38</u>	<u>473,870</u>	<u>28</u>
OPERATING INCOME (LOSS)	<u>(96,261)</u>	<u>(9)</u>	<u>133,738</u>	<u>8</u>
NONOPERATING INCOME AND GAINS				
Administrative and support service revenue (Note 22)	9,284	1	13,589	1
Rental revenue (Note 22)	4,260	-	4,251	-
Interest income	4,243	-	1,374	-
Foreign exchange gain, net (Note 2)	1,584	-	1,438	-
Gain on disposal of investments, net (Note 2)	789	-	225,131	14
Others (Notes 2 and 22)	<u>5,858</u>	<u>1</u>	<u>11,590</u>	<u>1</u>
Total nonoperating income and gains	<u>26,018</u>	<u>2</u>	<u>257,373</u>	<u>16</u>
NONOPERATING EXPENSES AND LOSSES				
Investment loss recognized by the equity-method, net (Notes 2 and 8)	81,724	8	36,357	2
Interest expense	3,042	-	6,572	1
Others (Note 2)	<u>1,079</u>	<u>-</u>	<u>991</u>	<u>-</u>
Total nonoperating expenses and losses	<u>85,845</u>	<u>8</u>	<u>43,920</u>	<u>3</u>
INCOME (LOSS) BEFORE INCOME TAX	(156,088)	(15)	347,191	21

(Continued)

SUNPLUS TECHNOLOGY COMPANY LIMITED

STATEMENTS OF INCOME

THREE MONTHS ENDED MARCH 31, 2011 AND 2010

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

(Reviewed, Not Audited)

	2011		2010	
	Amount	%	Amount	%
INCOME TAX (BENEFIT) EXPENSE (Notes 2 and 19)	<u>(3,553)</u>	<u>-</u>	<u>38,487</u>	<u>2</u>
NET INCOME (LOSS)	<u>\$ (152,535)</u>	<u>(15)</u>	<u>\$ 308,704</u>	<u>19</u>
	2011		2010	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
EARNINGS (LOSS) PER SHARE IN NEW TAIWAN DOLLARS (Note 20)				
Basic	<u>\$ (0.26)</u>	<u>\$ (0.26)</u>	<u>\$ 0.59</u>	<u>\$ 0.52</u>
Diluted	<u>\$ (0.26)</u>	<u>\$ (0.26)</u>	<u>\$ 0.59</u>	<u>\$ 0.52</u>

The pro forma net income (loss) and earnings per share (EPS) on the assumption that the stock of parent company held by its subsidiary is treated as an available-for-sale financial assets and not as treasury stock are as follows (Note 17):

	2010		2009	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
NET INCOME (LOSS)	<u>\$ (156,088)</u>	<u>\$ (152,535)</u>	<u>\$ 347,191</u>	<u>\$ 308,704</u>
BASIC EPS				
Based on weighted-average shares outstanding - 596,001 thousand shares in 2011 and 596,910 thousand shares in 2010	<u>\$(0.26)</u>	<u>\$(0.26)</u>	<u>\$0.58</u>	<u>\$0.52</u>
DILUTED EPS				
Based on weighted-average shares outstanding - 601,236 thousand shares in 2011 and 596,910 thousand shares in 2010	<u>\$(0.26)</u>	<u>\$(0.25)</u>	<u>\$0.58</u>	<u>\$0.52</u>

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

(With Deloitte & Touche review report dated April 18, 2011)

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SUNPLUS TECHNOLOGY COMPANY LIMITED

STATEMENTS OF CASH FLOWS THREE MONTHS ENDED MARCH 31, 2011 AND 2010 (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	\$ (152,535)	\$ 308,704
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	77,675	109,490
Gain on disposal of investments, net	(789)	(225,131)
Investment loss recognized by the equity-method, net	81,724	36,357
Realized royalty income	(543)	(544)
Gain (loss) on disposal of properties	198	(1,170)
Realized intercompany gain, net	(2,400)	(2,583)
Deferred income tax	(3,553)	14,798
Accrued pension liability	(624)	(701)
Net changes in operating assets and liabilities		
Accounts receivable	142,076	275,113
Other receivables	12,624	17,960
Other receivables-related parties	(2,568)	(4,143)
Inventories	166,712	(165,835)
Other current assets	(4,004)	(17,215)
Accounts payable	(197,050)	(43,945)
Income tax payable	-	23,689
Accrued expenses	(118,282)	(66,427)
Other current liabilities	<u>1,269</u>	<u>(2,655)</u>
Net cash provided by (used in) operating activities	<u>(70)</u>	<u>255,762</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of :		
Available-for-sale financial assets	479,796	480,132
Equity-method investments	-	328,940
Properties	-	4,666
Acquisition of:		
Available-for-sale financial assets	(229,641)	(30,000)
Equity-method investments	(17,592)	(547,570)
Properties	(14,532)	(10,340)
Increase in prepayments for long-term investments in stocks	(211,060)	-
Increase in intangible assets	(54,645)	(7,374)
Increase in deferred charges and others	(36,425)	(31,894)
Other receivables - related parties	<u>(81,000)</u>	<u>(80,000)</u>
Net cash provided by (used in) investing activities	<u>(165,099)</u>	<u>106,560</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term loans	50,130	-
Repayments of long-term bank loans	(92,500)	(437,000)

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SUNPLUS TECHNOLOGY COMPANY LIMITED

STATEMENTS OF CASH FLOWS THREE MONTHS ENDED MARCH 31, 2011 AND 2010 (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	2011	2010
Cash paid for acquisition of treasury stock	(91,835)	-
Increase (decrease) in guarantee deposits	<u>1,255</u>	<u>(884)</u>
Net cash used in financing activities	<u>(132,950)</u>	<u>(437,884)</u>
NET DECREASE IN CASH	(298,119)	(75,562)
CASH, BEGINNING OF PERIOD	<u>2,097,829</u>	<u>1,579,825</u>
CASH, END OF PERIOD	<u>\$ 1,799,710</u>	<u>\$ 1,504,263</u>
SUPPLEMENTAL CASH FLOW INFORMATION:		
Interest paid	<u>\$ 3,948</u>	<u>\$ 8,578</u>
Income tax paid	<u>\$ -</u>	<u>\$ -</u>
NONCASH INVESTING AND FINANCING ACTIVITIES:		
Reclassification of credit balance on the carrying value of long-term investments into other current liabilities	<u>\$ 175,988</u>	<u>\$ 61,548</u>
Current portion of long-term bank loans	<u>\$ 528,000</u>	<u>\$ 625,000</u>
PARTIAL CASH INVESTING AND FINANCING ACTIVITIES:		
Acquisition of properties	\$ (7,598)	\$ (8,247)
Decrease in payables to contractors and equipment suppliers	<u>(6,934)</u>	<u>(2,093)</u>
Cash paid	<u>\$ (14,532)</u>	<u>\$ (10,340)</u>

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

(With Deloitte & Touche review report dated April 18, 2011)

(Concluded)