

Sunplus Technology Company Limited

**Financial Statements for the
Nine Months Ended September 30, 2012 and 2011 and
Independent Accountants' Review Report**

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 September 30, 2012 and 2011, and the related statements of income and cash flows for the nine 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 - "Engagements to review 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 September 30, 2012 and 2011 were NT\$5,671,225 thousand and NT\$6,062,918 thousand, respectively. As of September 30, 2012 and 2011, there were credit balances of NT\$381,862 thousand and NT\$858,409 thousand on the carrying value of these investments. For the nine months ended September 30, 2012 and 2011, the related investment gain and loss, respectively, were NT\$75,331 thousand and NT\$237,077 thousand, respectively. These investment amounts and other investee information disclosed in Note 26 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 nine months ended September 30, 2012 and 2011 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.

October 30, 2012

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

SEPTEMBER 30, 2012 AND 2011

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

(Reviewed, Not Audited)

ASSETS	2012		2011		LIABILITIES AND SHAREHOLDERS' EQUITY	2012		2011	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash (Note 4)	\$ 1,912,424	15	\$ 1,943,224	15	Short-term bank loans (Note 13)	\$ 190,418	1	\$ 152,400	1
Available-for-sale financial assets - current (Notes 2 and 5)	328,600	3	584,557	4	Accounts payable (Note 22)	351,750	3	269,997	2
Accounts receivable, net (Notes 2, 3, 6 and 22)	580,878	5	621,905	5	Income tax payable (Notes 2 and 19)	224,489	2	262,832	2
Other receivables	78,883	-	106,894	1	Accrued expenses (Note 22)	199,652	2	233,090	2
Other receivables - related parties (Note 22)	167,114	1	645,273	5	Cash dividends payable (Note 16)	-	-	477,528	4
Inventories (Notes 2 and 7)	1,214,134	10	797,709	6	Long-term bank loans - current portion (Notes 14 and 23)	403,056	3	310,500	2
Deferred income tax assets (Notes 2 and 19)	3,557	-	3,887	-	Deferred royalty income (Notes 2 and 22)	599	-	1,991	-
Other current assets	88,682	1	42,719	-	Other current liabilities (Notes 2 and 8)	390,850	3	861,710	6
Total current assets	4,374,272	35	4,746,168	36	Total current liabilities	1,760,814	14	2,570,048	19
LONG-TERM INVESTMENTS					LONG-TERM BANK LOANS, NET OF CURRENT PORTION (Notes 14 and 23)	1,316,944	11	-	-
Equity-method investments (Notes 2、8 and 23)	5,671,225	46	6,062,918	45	OTHER LIABILITIES				
Available-for-sale financial assets (Notes 2 and 5)	1,140,968	9	1,056,388	8	Deferred income (Notes 2 and 22)	2,060	-	212	-
Financial assets carried at cost (Notes 2 and 9)	14,889	-	18,889	-	Accrued pension liability (Notes 2 and 15)	50,726	-	52,587	1
Total long-term investments	6,827,082	55	7,138,195	53	Guarantee deposits	79,849	1	139,542	1
PROPERTIES (Notes 2, 10 and 23)					Other	1,705	-	-	-
Cost					Total other liabilities	134,340	1	192,341	2
Buildings	922,562	7	812,037	6	Total liabilities	3,212,098	26	2,762,389	21
Auxiliary equipment	63,925	1	194,323	1	SHAREHOLDERS' EQUITY (Notes 2, 16 and 17)				
Machinery and equipment	134,454	1	383,255	3	Capital stock - \$10.00 par value				
Testing equipment	125,200	1	350,654	3	Authorized - 1,200,000 thousand shares	5,969,099	48	5,969,099	45
Transportation equipment	-	-	1,209	-	Issued and outstanding - 596,910 thousand shares				
Furniture and fixtures	16,962	-	76,885	1	Capital surplus				
Leasehold improvements	-	-	89	-	Additional paid-in capital - share issuance in excess of par	709,215	6	709,215	5
Total cost	1,263,103	10	1,818,452	14	Treasury stock transactions	71,228	-	71,228	1
Less: Accumulated depreciation	459,911	4	1,053,037	8	Merger and others	935,412	7	968,123	7
Net properties	803,192	6	765,415	6	Retained earnings				
INTANGIBLE ASSETS, NET (Notes 2 and 11)	228,674	2	243,549	2	Legal reserve	2,426,181	19	2,450,003	18
OTHER ASSETS					Special reserve	191,229	2	191,229	2
Rental assets - net (Notes 2, 22 and 23)	41,310	-	134,379	1	Unappropriated earnings(deficit)	(143,109)	(1)	1,318,072	10
Deferred charges and others (Notes 2、12 and 22)	53,834	1	91,869	1	Other				
Deferred income tax assets (Notes 2 and 19)	142,777	1	205,040	1	Cumulative translation adjustments	34,844	-	89,955	-
Restricted assets (Notes 4, 23, and 24)	6,000	-	6,000	-	Unrealized loss on financial assets	(773,820)	(6)	(1,043,462)	(8)
Total other assets	243,921	2	437,288	3	Treasury stock (at cost) - 8,475 thousand shares	(155,236)	(1)	(155,236)	(1)
TOTAL	\$ 12,477,141	100	\$ 13,330,615	100	Total shareholders' equity	9,265,043	74	10,568,226	79
					TOTAL	\$ 12,477,141	100	\$ 13,330,615	100

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

(With Deloitte & Touche review report dated October 30, 2012)

SUNPLUS TECHNOLOGY COMPANY LIMITED

STATEMENTS OF INCOME

NINE MONTHS ENDED SEPTEMBER 30, 2012 AND 2011

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

(Reviewed, Not Audited)

	2012		2011	
	Amount	%	Amount	%
GROSS SALES	\$ 2,626,842		\$ 2,840,206	
SALES RETURNS AND ALLOWANCES	<u>197,122</u>		<u>68,369</u>	
NET SALES (Notes 2 and 22)	2,429,720	100	2,771,837	100
COST OF SALES (Notes 2, 7 and 18)	1,537,140	63	2,013,930	73
REALIZED INTERCOMPANY GAIN, NET (Note 2)	<u>-</u>	<u>-</u>	<u>28,000</u>	<u>1</u>
GROSS PROFIT	<u>892,580</u>	<u>37</u>	<u>785,907</u>	<u>28</u>
OPERATING EXPENSES (Notes 18 and 22)				
Marketing	99,771	4	97,082	3
General and administrative	163,915	7	158,048	6
Research and development	<u>877,083</u>	<u>36</u>	<u>899,073</u>	<u>32</u>
Total operating expenses	<u>1,140,769</u>	<u>47</u>	<u>1,154,203</u>	<u>41</u>
OPERATING LOSS	<u>(248,189)</u>	<u>(10)</u>	<u>(368,296)</u>	<u>(13)</u>
NONOPERATING INCOME AND GAINS				
Investment gain recognized by the equity-method, net (Notes 2 and 8)	75,331	3	-	-
Interest income (Note 22)	16,685	1	14,531	1
Administrative and support service revenue (Note 22)	11,792	1	26,356	1
Rental revenue (Note 22)	6,433	-	12,517	-
Dividends (Note 2)	6,433	-	9,122	-
Gain on disposal of investments, net (Note 2)	2,231	-	218,865	8
Foreign exchange gain, net (Note 2)	-	-	14,425	-
Others (Notes 2 and 22)	<u>26,930</u>	<u>1</u>	<u>23,388</u>	<u>1</u>
Total nonoperating income and gains	<u>145,835</u>	<u>6</u>	<u>319,204</u>	<u>11</u>
NONOPERATING EXPENSES AND LOSSES				
Interest expense	17,696	1	8,110	-
Foreign exchange loss, net (Note 2)	11,591	1	-	-
Impairment loss (Notes 2, 5, 9 and 22)	2,443	-	283,573	10
Investment loss recognized under equity method (Notes 2 and 8)	-	-	237,077	9
Loss on disposal of fixed assets (Note 2)	-	-	237	-

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SUNPLUS TECHNOLOGY COMPANY LIMITED

STATEMENTS OF INCOME

NINE MONTHS ENDED SEPTEMBER 30, 2012 AND 2011

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

(Reviewed, Not Audited)

	2012		2011	
	Amount	%	Amount	%
Others (Notes 2)	<u>9,025</u>	<u>-</u>	<u>2,590</u>	<u>-</u>
Total nonoperating expenses and losses	<u>40,755</u>	<u>2</u>	<u>531,587</u>	<u>19</u>
LOSS BEFORE INCOME TAX	(143,109)	(6)	(580,679)	(21)
INCOME TAX EXPENSE (Notes 2 and 19)	<u>-</u>	<u>-</u>	<u>62,349</u>	<u>2</u>
NET LOSS	<u>\$ (143,109)</u>	<u>(6)</u>	<u>\$ (643,028)</u>	<u>(23)</u>
	2012		2011	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
LOSS PER SHARE NEW TAIWAN DOLLARS (Note 20)				
Basic	<u>\$ (0.24)</u>	<u>\$ (0.24)</u>	<u>\$ (0.98)</u>	<u>\$ (1.09)</u>
Diluted	<u>\$ (0.24)</u>	<u>\$ (0.24)</u>	<u>\$ (0.98)</u>	<u>\$ (1.09)</u>

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

	2012		2011	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
NET LOSS	<u>\$ (143,109)</u>	<u>\$ (143,109)</u>	<u>\$ (577,808)</u>	<u>\$ (640,157)</u>
BASIC AND DILUTED LPS(in New Taiwan dollars)				
Based on weighted-average shares Outstanding - 591,995 thousand shares in 2012 and 593,856 thousand shares in 2011	<u>(\$0.24)</u>	<u>(\$0.24)</u>	<u>(\$0.97)</u>	<u>(\$1.08)</u>

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

(With Deloitte & Touche review report dated October 30, 2012)

(Concluded)

SUNPLUS TECHNOLOGY COMPANY LIMITED

STATEMENTS OF CASH FLOWS

NINE MONTHS ENDED SEPTEMBER 30, 2012 AND 2011

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (143,109)	\$ (643,028)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	169,743	230,413
Gain on disposal of investments, net	(2,231)	(218,865)
Impairment loss	2,443	283,573
Investment gain (loss) recognized by the equity-method, net	(75,331)	237,077
Realized intercompany gain, net	-	(28,000)
Realized royalty income	(1,898)	(1,629)
Loss on disposal of properties	-	237
Cash dividends received from equity-method investees	93,728	298,381
Deferred income tax	40,158	62,225
Accrued pension liability	(1,303)	(1,832)
Net changes in operating assets and liabilities		
Accounts receivable	(41,209)	258,706
Other receivables	20,673	20,409
Other receivable - related parties	3,051	(1,757)
Inventories	(678,314)	557,650
Other current assets	(48,114)	(2,941)
Accounts payable	4,372	(271,349)
Income tax payable	(158,145)	124
Accrued expenses	(7,533)	(122,962)
Other current liabilities	(3,381)	(243)
Net cash provided by (used in) operating activities	<u>(826,400)</u>	<u>656,189</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of:		
Available-for-sale financial assets	372,838	633,298
Return of capital on financial assets carried at cost	2,667	2,222
Equity-method investments	-	252,740
Return of capital on investments accounted for by the equity method	-	11,172
Properties and intangible assets	-	1
Acquisition of:		
Available-for-sale financial assets	(330,000)	(459,641)
Equity-method investments	(202,605)	(228,652)
Properties	(9,690)	(32,653)
Increase in intangible assets	(38,055)	(115,883)
Increase in deferred charges and others	(6,797)	(72,105)
Other receivable - related parties	(118,400)	(373,000)
Increase in restricted assets	-	(6,000)
Net cash provided by investing activities	<u>(330,042)</u>	<u>(388,501)</u>

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SUNPLUS TECHNOLOGY COMPANY LIMITED

STATEMENTS OF CASH FLOWS

NINE MONTHS ENDED SEPTEMBER 30, 2012 AND 2011

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	2012	2011
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term loans	(190,682)	(22,380)
(Increase)decrease in guarantee deposits	(58,156)	1,922
Increase in long-term bank loans	1,750,000	-
Repayments of long-term bank loans	(238,000)	(310,000)
Cash paid for acquisition of treasury stock	<u>-</u>	<u>(91,835)</u>
Net cash used in (provided by) financing activities	<u>1,263,162</u>	<u>(422,293)</u>
NET INCREASE (DECREASE) IN CASH	106,720	(154,605)
CASH, BEGINNING OF PERIOD	<u>1,805,704</u>	<u>2,097,829</u>
CASH, END OF PERIOD	<u>\$ 1,912,424</u>	<u>\$ 1,943,224</u>
SUPPLEMENTAL CASH FLOW INFORMATION:		
Income tax paid	<u>\$ 83,876</u>	<u>\$ -</u>
Interest paid	<u>\$ 16,218</u>	<u>\$ 8,934</u>
NONCASH INVESTING AND FINANCING ACTIVITIES:		
Reclassification of rental assets into properties	<u>\$ 94,150</u>	<u>\$ 13,514</u>
Reclassification of credit balance on carrying value of long-term investments into other current liabilities	<u>\$ (89,950)</u>	<u>\$ 215,298</u>
Current portion of long-term bank loans	<u>\$ 403,056</u>	<u>\$ 310,500</u>
PARTIAL CASH INVESTING AND FINANCING ACTIVITIES:		
Acquisition of properties	\$ (36,057)	\$ (23,042)
Increase in other receivables-related parties	24,535	-
(Decrease) increase in payables to contractors and equipment suppliers	<u>1,832</u>	<u>(9,611)</u>
Cash paid	<u>\$ (9,690)</u>	<u>\$ (32,653)</u>

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

(With Deloitte & Touche review report dated October 30, 2012)

(Concluded)

