



# 2011

## ANNUAL REPORT

凌陽科技股份有限公司一〇〇年年報

## **PLEASE READ FOLLOWING NOTICE BEFORE USING THIS REPORT**

Readers are advised that the original version of the report is in Chinese. If there is any conflict between these financial statements and the Chinese version or any difference in the interpretation of the two versions, the Chinese-language report shall prevail.

In addition, certain of our financial information have been published in accordance with requirements of the Republic of China Securities and Futures Commission and are presented in conformity with accounting principles generally accepted in the Republic of China. Readers should be cautioned that these accounting principles differ in many material respects from accounting principles generally accepted in other countries.

Except as required by law, we undertake no obligation to update any forward-looking statement, whether as a result of new information, future events, or otherwise.

The materials and information provided on this report have been issued by Sunplus and are posted solely for informational purposes and is not an offer to buy or sell or a solicitation of an offer to buy or sell any securities issued by us or otherwise.

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<http://www.londonstockexchange.com>

**SUNPLUS WEBSITE**

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## I. LETTER TO SHAREHOLDERS

### Financial Results

Sunplus revenue in 2011 totaled NT\$3.6 billion with 41.3% year-on-year decline. The gross profits in 2011 were NT\$958 million while the R&D expense totaled NT\$1236 million and the SG&A expenses were NT\$277 million, the operating net losses summed up NT\$555 million in 2011.

Including disposal gain of NT\$223million, administrative and support service revenue, rental revenue and other non-operating income, the non-operating net income totaled NT\$343 million. With long-term investment loss by equity method of NT\$840 million, impairment losses of NT\$704 million, interest expense and so on, the non-operating net losses totaled NT\$1,214 million in 2011.

The losses before tax were NT\$1,769 million, and the net losses after tax were NT\$1,985 million which the earning per share for 2011 was NT\$3.37.

### Products and Technologies

Sunplus delivers IC solutions for multimedia home applications including DVD player, STB, LCD TV and digital TV. Besides, Sunplus has launched the IC solutions including DVD player supporting RMVB format, blue-ray player and highly integrated LCD TV and high definition multimedia decoder. Furthermore, the company is going to expanding its R&D. The R&D expenses were 34% of total revenue in 2011, and meantime we will go on developing cutting-edge technologies on HD home entertainment platforms.

### Organization

Sunplus is mainly supported by the Home Entertainment Business Unit, the company reorganized by altering the IC design Unit and System design Unit to “DVD Product Center”, “STB Product Center”, “TV Product Center” and “IP Product Center” in May, 2011 to provide comprehensive IC solutions of home entertainment.

At the end of 2011, there were 611 employees in Sunplus, including 440 R&D staff, which accounts for 72% of the total workforce.

### Competition, Relevant Regulations, and Global Economics

Today, Sunplus is quite successful and leading on home entertainment IC technologies, on the other hand, we have to face the competition from other top-tiers. In order to standing out, Sunplus has been accumulating abundant intellectual properties related to home entertainment technologies and developing the sales channels and strategic partnership with customers aggressively. In the meantime, the demands from home entertainment applications and emerging countries are growing enormously, that could benefit Sunplus for we have launched the wide-range home entertainment IC products.

For the companies in Taiwan will adopt IFRSs officially instead of the original Taiwan GAAP from 2013, Sunplus has called a special committee in order to launching IFRSs. After evaluation, it shall impact lightly to the shareholders' equity and share price of the company. We will keep watch for any further updates and take actions to reduce the impacts on the company.

Even though the demands have not picked up yet after the European economic crisis, we are still optimistic in high definition digital home entertainment applications could be the next growth drivers for Sunplus.

### Outlook

Looking forward into 2012, Sunplus will try harder to expand our business on high definition home entertainment IC solutions such as for blue-ray player, HDTV, HD Set-Top-Box and so on while switching-off analog broadcasting keeps on going and digital broadcasting is getting more popular worldwide. Moreover, we will make our business plan cautiously and improve the performance of our long-term investments in order to make the better return of equities.

We would like to thank you for your support with our sincere wishes.

All the best,  
Chairman & CEO,



## II. COMPANY PROFILE

### 2.1 Foundation of Sunplus

Sunplus was founded in August 3<sup>rd</sup> 1990 in Hsinchu, Taiwan.

### 2.2 Milestones

Please refer to page 22 Section 4.1 for capitalization.

Please refer to page 166 Section 9.1 for Sunplus' affiliates.

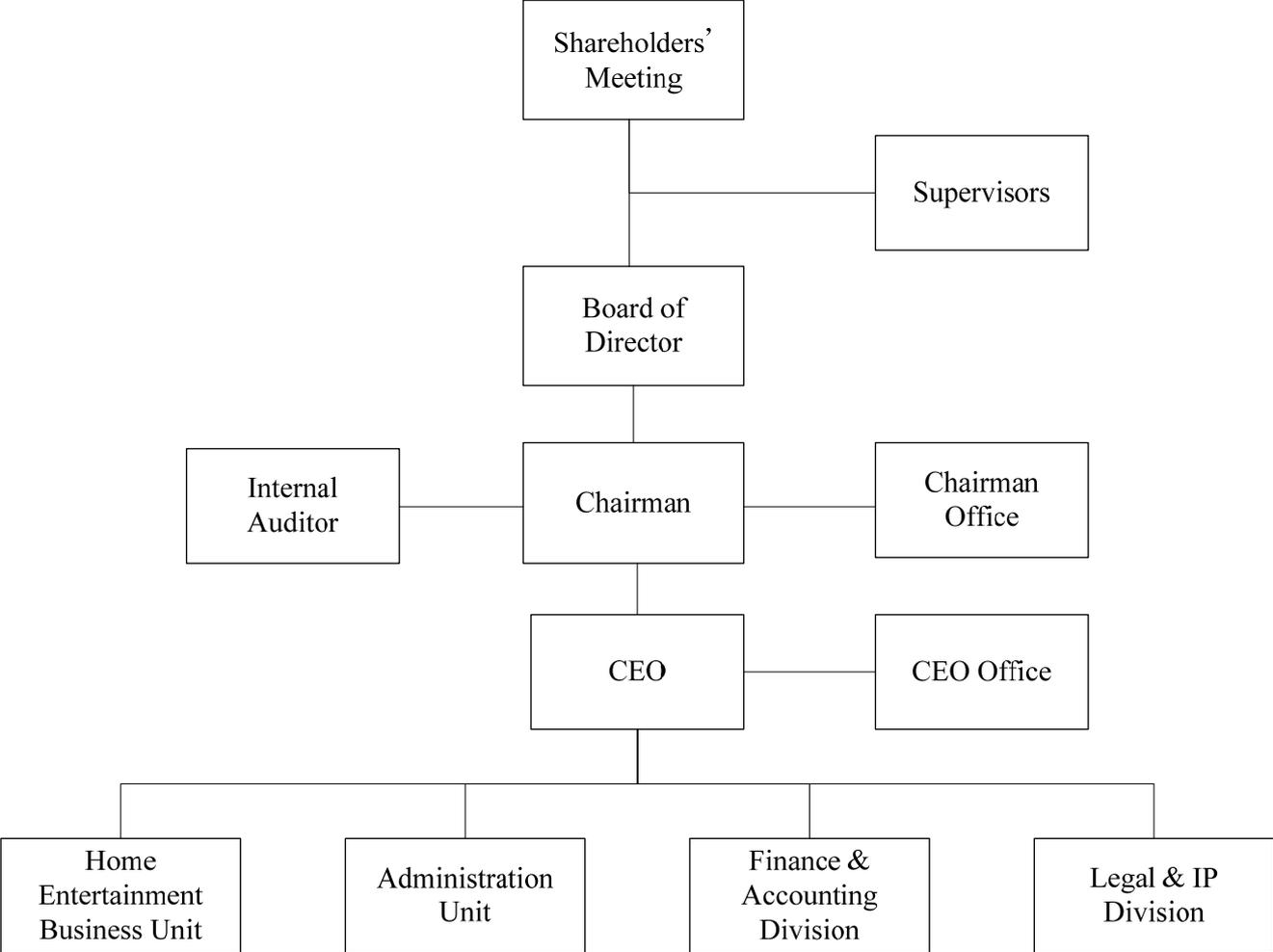
August 1990	Sunplus Technology was founded.
May 1993	Obtained approval from the SIPA to move into Hsinchu Science Park.
October 1993	Moved into Hsinchu Science Park.
September 1994	Company started in-house wafer circuit probe testing.
December 1995	Groundbreaking for the construction of Sunplus' office building, located in 19, Innovation First Road, Hsinchu Science Park.
April 1996	Evaluated as "The most productive IC design company" by Hsinchu SIPA.
January 1997	Grand opening of Sunplus' office building.
September 1997	Sunplus Technology was IPO on the Over-The-Counter stock market.
January 2000	Sunplus was listed on the main board of the Taiwan Stock Exchange (TSE).
Jun 2000	Received certificate of ISO 9001 Quality Assessment by RWTUV.
September 2000	Reorganized into three new business unit, Consumer center, Multimedia center, and production center; and the BOD appointed Mr. Yarn-Chen Chen as the president.
December 2000	Received the "Distinguished Achieved Award" from Hsinchu SIPA.
March 2001	Launched Global Depositary Receipts on the London Stock Exchange.
December 2001	Completed the Grandtech merger and announced the company's reorganization.
January 2002	Established a subsidiary in Shanghai, China to provide better service to customers in Mainland.
February 2002	Implemented ERP system successfully to enhance company's operating efficiency and competence.
Jun 2002	Purchased a new office building (B-building) at Science Park.
July 2002	Sponsored the new Innovation Park and Parking Lot at Science Park, Hsinchu.
February 2003	Licensed 32-bit core IP from MIPS Technology for next-generation consumer electronic products.
April 2003	Completed acquisition of Oak Optical Storage Business and spin-off a new venture, Sunext Technology to focus on next generation Blue Ray ODD controller.
May 2003	Licensed MPEG-4 video compression technology from DivX Networks to create DivX certified IC solution for consumer electronic products.
Jun 2003	Announced reorganization by altering the Product Business Unit Systems to Functional Business Unit Systems.
July 2003	Licensed PanelLink DVI core IP from Silicon Image to develop dual-mode LCD controller solutions.
August 2003	Aligned to joint-develop System-on-the-chips (SoC) solutions and deliver broad portfolio of digital media solutions with Silicon Image.
August 2003	Established a new milestone for monthly sales over NT\$1 billion.
December 2003	Won "Innovation Product Award 2003" and "R&D Performance Award 2003" from Hsinchu SIPA.
December 2003	The net sales for 2003 reached NT\$11.1 billion as landmark.
September 2004	Received certificate of ISO 14000 Quality Assessment.
December 2004	MFP SoC with 4800dpi image quality won "Innovation Product Award 2004" from Hsinchu SIPA.
December 2004	Won "R&D Performance Award 2004" from Hsinchu SIPA.
Jun 2005	Announced the first 32-bit processor core S+core® with Sunplus-owned instruction set architecture
Jun 2005	Launched USB2.0-to-Serial ATA bridge solution.
August 2005	Announced the joint-development of the next-generation of optical mouse solution with Agilent Technology.
August 2005	Applied MPEG-4 image controlling technology to the first IP cam with resolution up to 1M pixel in the worldwide.
August 2005	Completed the merger with the 3G team of information & communication research lab ITRI and started the development of 3G cellular communication ICs.

September 2005	Established a new milestone of monthly sales up to NT\$1.899 billion as record high.
October 2005	Mass-produced the PHS mobile baseband processor.
November 2005	Announced the worldwide first DVD ICs certificated by DivX Ultra.
December 2005	Announced reorganization by altering the Functional Business Unit System to Product Business Unit System and the resolved to spin off the LCD IC business. Mr. Chou-Chye Huang was appointed to CEO of Sunplus.
March 2006	Completed the spin-off of the LCD IC business into Orise Technology Co., Ltd.
December 2006	Completed the spin-off of Controller & Peripheral Business Unit into Sunplus Innovation Technology Inc.
December 2006	Completed the spin-off of the Personal Entertainment Business Unit and Advanced Business Unit into Sunplus mMobile Inc.
December 2006	Approved return of capital NT\$5.11 billion by shareholders' extraordinary general meeting.
December 2006	Established a new record high with 2006 profit after tax, NT\$2.97 billion.
February 2007	Licensed digital TV SoC IP to Silicon Image, Inc. with US\$40 million for license fee.
March 2007	Completed the return of capital with outstanding shares afterward 512,953,665 shares
April 2007	Sunplus mMobile, the subsidiary of Sunplus, spun-off its multimedia center into Sunplus mMedia Inc.
October 2007	Established a new subsidiary, Sunplus Core Technology, with Sunplus S+core® team and ITRI PAC DSP team.
December 2007	Highly integrated SoC SPG290 with interactive game and education function won the "Innovation Product Award 2007" from Hsinchu SIPA.
December 2007	Received certificate of IECQ 080000 for hazardous substance process management.
December 2007	Established a new subsidiary, Sunplus Prof-tek Technology, in Shenzhen
January 2008	Established a new subsidiary, Sunmedia Technology, in Chengdu.
March 2008	Licensed hyper-sensitization GPS technology from CORE Corporation.
March 2008	Sunext licensed optical storage technology to Broadcom Corporation with license income up to US\$38 million.
March 2008	Launched first DTMB demodulator for China digital broadcasting TV system among Taiwanese IC design companies.
April 2008	Established new subsidiary Sunplus APP Technology in Beijing, to follow up Sunplus University Program in China
November 2008	Finished to buy-back Sunplus mMedia Inc. of 7,450 million shares
January 2009	Presented Sunplus wide range of DTV IC solutions from entry-level to high-end at International CES 2009
March 2009	Sunplus mMobile Inc. spun-off its Communication Center to HT mMobile Inc.
March 2009	Joint-promoted with DTS next generation DVD SoC delivering the ultimate audio entertainment experience
May 2009	Elected the 8th Board of Directors and Supervisors in AGM2009, the BOD re-elected Unanimously Mr. Chou-Chye Huang as Chairman
October 2009	Transferred the buy-back 6,629,000 shares to employees
October 2009	Spun off Sunplus mMedia's product lines: PC-Cam to Sunplus Innovation Technology Inc.; PMP/MP3/DPF to Generalplus Technology Inc.; DSC to new start-up.
October 2009	Reached NT\$898 million from its multimedia product monthly revenue, as a record high after re-grouping in 2006.
December 2009	Started up iCatch Technology Inc. to take over the DSC business from Sunplus mMedia Inc.
August 2010	Celebrated Sunplus' 20th Anniversary and Kept Going for "Technology for Easy Living"
May 2011	Announced reorganization by altering the IC design Unit and System design Unit to "DVD Product Center", "STB Product Center", "TV Product Center" and "IP Product Center". Appointed Dr. Archie Yeh as President of Home Entertainment Business Unit.
November 2011	The subsidiary, Generalplus Technology Co., Ltd., focused on consumer IC design listing on Taiwan Stock Exchange under the code "4952".

**III. Corporate Governance**

**3.1 Organization**

**3.1.1 Organization Chart**



### 3.1.2 Major Corporate Functions

March 31, 2012

Department	Job Description
Chairman Office	<ol style="list-style-type: none"> <li>(1) Engaging the strategic alliances</li> <li>(2) Planning and executing investment plans</li> <li>(3) Arranging Board of Directors Meetings</li> </ol>
CEO Office	<ol style="list-style-type: none"> <li>(1) Establishing company's operational strategies, and goals</li> <li>(2) Auditing and improving the operating performances</li> <li>(3) Communicating with investors, public and media</li> <li>(4) Executing and managing the strategic alliances</li> <li>(5) Managing strategic investments</li> </ol>
Internal Auditor	<ol style="list-style-type: none"> <li>(1) Executing internal auditing plan as routine</li> <li>(2) Auditing subsidiaries regularly</li> <li>(3) Auditing special cases</li> <li>(4) Re-certification auditing of self-examination</li> <li>(5) Establishing the internal control system</li> </ol>
Home Entertainment Business Unit	<ol style="list-style-type: none"> <li>(1) Developing world-class audio and video solutions</li> <li>(2) Managing sales channels and distributors and providing customer services</li> <li>(3) Marketing and expanding business worldwide</li> <li>(4) Conducting production, material control, International trading affairs</li> <li>(5) Developing and handling quality assurance system</li> <li>(6) Planning new products and engaging cutting-edge technologies</li> <li>(7) Maintaining testing software and facility</li> </ol>
Administration Center	<ol style="list-style-type: none"> <li>(1) Conducting general administration</li> <li>(2) Managing human resources and personnel</li> <li>(3) Establishing corporate information service to upgrade the productivity</li> <li>(4) Automating of business process to be more competitive</li> <li>(5) Consulting for management to making business decisions</li> </ol>
Finance & Accounting Division	<ol style="list-style-type: none"> <li>(1) Managing finance &amp; accounting affairs</li> <li>(2) Arranging annual shareholders' meeting</li> </ol>
Legal & IP Division	<ol style="list-style-type: none"> <li>(1) Coordinating the legal and IP affairs</li> <li>(2) Controlling the project procedures and design documents</li> <li>(3) Conserving company confidential documents</li> <li>(4) Purchasing, maintaining librarianship</li> <li>(5) Conducting contracts &amp; IP management</li> </ol>

### 3.2 Directors, Supervisors, and Management

#### 3.2.1 Directors & Supervisors

April 20, 2012/Unit: shares

Title	Name	Date Elected	Initial Date Elected	Term of Office	Share holding When Elected		Current Shareholding		Spouse & Minor Shareholding		Educational Background	Positions Currently held in Other Companies (Note 2)
					Amount	%	Amount	%	Amount	%		
Chairman & CEO	Chou-Chye Huang	2009.04.30	1990.07.09	3 years	92,737,817	15.54	92,737,817	15.54	1,370,993	0.23	M.S., Electrical Engineering, National Tsing Hua University, Taiwan	<b>Chairman :</b> RUSSELL HOLDINGS CO., LTD., GLOBAL TECHPLUS CAPITAL INC., TECHPLUS CAPITAL(SAMOA), VENTURPLUS GROUP INC., VENTURPLUS MAURITIUS INC., VENTURPLUS CAYMAN INC., Shanghai Sunplus, Sunplus Technology (HK), Sunplus Venture Capital, Lin Shih Investment, Weiying Investment, Sunplus Management Consulting, Giantplus Holding, Giantplus (Samoa) Holding, Kunshan Giantplus, Giantplus, Sunplus Innovation Technology, Sunplus mMobile, Generalplus, Generalplus International (Samoa), Generalplus (Mauritius), Generalplus (Shenzhen), Sunext, Sunext Optoelectronics (Shanghai), Great Sun, Sunext (Mauritius), Orise, Sunplus mMedia, Shin-heng Investment, Sunplus Prof-tek, Sunmedia, Sunplus APP, Sunplus mMobile SAS, Sunplus mMobile Holding, Ytrip Technology Co., Great Prosperous Corp., Magic Sky, <b>Chairman &amp; President:</b> Sunplus Core, iCatch <b>Director:</b> Jet Focus, Shenzhen Giantplus Optoelec Display, Avl Technology, Spring Foundation of NCTU, Li-Shin Hospital Research Foundation, Pan Wen Yuan Foundation, Taiwan Express, Sinocon Foundation, SIPP Technology, Kunshan Giantplus Optronics Display Technology, Hua-Wan Foundation
Director	Wen-Shiung Jan	2009.04.30	2009.04.30	3 years	0	0.00	0	0.00	0	0.00	MBA, International Business, National Taiwan University, Taiwan	<b>Chairman:</b> Fine Ace Asset Management <b>Director:</b> Giantplus, Nanjing Yunhai Special Metals, Ability, iCatch, Sunplus mMedia, Ko Ja Co., Ltd., Sunext <b>Independent Supervisor:</b> Mildex Optical Inc. <b>Supervisor:</b> Epileds Technologies, Inc. <b>Independent Director:</b> Ko Ja (Cayman)
Director	Chu-Chien Feng (Global View Co., Ltd., Representative of Legal Entity)	2009.04.30	1990.07.09	3 years	10,038,049	1.68	10,038,049	1.68	0	0.00	B.S., Electronics Engineering, National Chiao-Tung University, Taiwan	<b>Supervisor:</b> Giantplus, <b>Chairman &amp; President:</b> Radiant, Radiant (Kun Sun) <b>Director:</b> Qian-hua Tech, Generalplus
Director	Kun-Fang Huang (Higherway Electronic Co., Ltd., Representative of Legal Entity)	2009.04.30	2009.04.30	3 years	69,906	0.01	69,906	0.01	0	0.00	M.S., Electrical Engineering in Industry Research, National Changhua University, Taiwan	<b>Chairman:</b> Just Power Technology, Higher Way Software Design (Shenzhen), Higher way holding, Ji-Sheng Investment <b>Director:</b> Millennium Communication., Yu-Zhun Investment
Independent Director	Po-Young Chu	2009.04.30	2006.06.09	3 years	1,736	0.00	1,736	0.00	2,895	0.00	Ph.D., Purdue University, USA	<b>Independent Director:</b> TaiGen Biotechnology <b>compensation committee:</b> E-Ink
Independent Director	Che-Ho Wei	2009.04.30	2009.04.30	3 years	0	0.00	0	0.00	0	0.00	Ph.D., Electronic Engineering, University of Washington, Seattle, USA	<b>Independent Director &amp; Compensation Committee:</b> Genesis Photonics Inc., Zentel Electronics Corp. <b>Director:</b> Unizyx Holding Corporation <b>Supervisor:</b> Arcadyan Technology Corporation
Supervisor	De-Zhong Liu	2009.04.30	2009.04.30	3 years	13,045,795	2.19	13,045,795	2.19	2,006,943	0.34	M.S., Communication Engineering, National Chiao-Tung University, Taiwan	<b>Supervisor:</b> Generalplus Technology Inc.
Supervisor	Pei-Yu Lee	2009.04.30	2009.04.30	3 years	0	0.00	0	0.00	0	0.00	EMBA, National Chiao-Tung University, Taiwan	None
Supervisor	Wei-Min Lin	2009.04.30	2009.04.30	3 years	0	0.00	0	0.00	0	0.00	M.S., Accountancy, Jinan University, China	<b>Supervisor:</b> Generalplus, Giantplus CPA Auditor of Wei-Min Lin Accounting Firm

Note 1: Please refer to the list of affiliate companies for the full names of other companies.

Note 2: None of the Company's directors and supervisors holds shares under others' names.

Note 3: None of the Company's directors and supervisors is within second-degree of consanguinity, such as a spouse or relative, to each other.

### 3.2.2 Directors and Supervisors' Qualifications and Independence Analysis

April 20, 2012

Criteria	With over 5 years of working experience and one of the following professional requirements			Independent Status (Note 2)										Numbers of other public companies concurrently serving as an independent director
	An instructor of higher position in a department of commerce, law, finance, accounting, or other departments related to the Company's business in a public or private college or university	A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the Company's business	With an experience in commerce, law, finance, accounting or other specialties necessary to the Company's business	1	2	3	4	5	6	7	8	9	10	
<b>Name (Note 1)</b>														
Chou-Chye Huang			✓				✓	✓		✓	✓	✓	✓	
Wen-Shiung Jan			✓	✓		✓	✓	✓	✓		✓	✓	✓	1
Chu-Chien Feng (Global View Co., Ltd., Representative of Legal Entity)			✓	✓		✓		✓	✓	✓	✓	✓		
Kun-Fang Huang (Higherway Electronic Co., Ltd., Representative of Legal Entity)			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		
Po-Young Chu	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Che-Ho Wei	✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
De-Zhong Liu			✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	
Wei-Min Lin		✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	
Pei-Yu Lee		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	

Note 1: The amount of columns depends on the actual circumstance.

Note 2: "✓" indicates the directors and supervisors meeting any of the following criteria during the term of office and two years before being elected.

- (1) Not an employee of the company or its affiliates.
- (2) Not a director or supervisor of the company or its affiliates. (This does not apply, however, in case where the position is an independent director of the company, its parent company, or a subsidiary in which the company holds, directly or indirectly, more than 50% of shares.)
- (3) Not the shareholder (with its relatives or under others' names) who holds more than 1% shareholding of the total issued shares or ranked as the Top 10 shareholders.
- (4) Not a spouse, relative within the second-degree of consanguinity, or the lineal relative within the fifth-degree of consanguinity of any of the persons in the preceding three paragraphs.
- (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of the company's issued shares or that holds shares ranked as Top 5 in holdings.
- (6) Not a director, supervisor, officer, or shareholder holding 5% or more of the shares, of a specified company or institution, which has financial or business relationship with the Company.
- (7) Not a professional individual, owner, partner, director, supervisor, or officer (and a spouse thereof) of a sole proprietorship, partnership, company, or institution which provides commercial, legal, financial, accounting, and so on, services or consultation to the company or to its affiliates.
- (8) Not a spouse or a relative within the second-degree of consanguinity to other directors of the company.
- (9) Not been a person of any condition as defined in Article 30 of the Company Law.
- (10) Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

### 3.2.3 Major Shareholders of Sunplus' Shareholders as Legal Entities

#### a) Global View's Top 10 Shareholders

April 20, 2012

Shareholder	Holding
Sunplus Technology	13.06%
Meng-Huei Lin	8.99%
HSBC as trustee for ING AG	8.42%
Jhieh-Yuan Chou	6.50%
HSBC as trustee for HSBC AG	4.31%
Citi bank as trustee for First Securities (HK)	3.29%
Kun-Ting Huang	2.97%
Yun-Long Hunag	2.09%
Sin-Lin Liao	1.89%
Xing-Fei Ma	1.64%

#### b) Higher Way's Top 10 Shareholders

April 20, 2012

Shareholder	Holding
Ci-Jie You	6.82%
Kun-Fang Huang	6.49%
Ji-Sheng Investment Ltd.	4.87%
Yu-Zhun Investment Ltd.	4.55%
Yu-Yan Chen	3.86%
nV-Na Huang	2.10%
YaSiKe Investment Ltd.	1.58%
Guo-Yaun Lee	1.10%
King-Yuan Lu	1.01%
Mong-Chi Chung	0.98%

##### (1) Ji-Sheng Investment Ltd.

April 20, 2012

Shareholder	Holding
Kun-Fang Huang	62.5%
Fei-Yan Lee	37.5%

##### (2) Yu-Zhun Investment Ltd.

April 20, 2012

Shareholder	Holding
Kun-Fang Huang	87.5%
Fei-Yan Lee	12.5%

##### (3) YaSiKe Investment Ltd.

April 20, 2012

Shareholder	Holding
Ci-Jie You	62.5%
Yu-Yan Chen	37.5%

### 3.2.4 Management Team

April 20, 2012/Unit: shares

Title	Name	Effective Date	Current Shareholding		Spouse's & Minor's Shareholding		Educational Background	Positions Currently held in Other Companies (Note 2)
			Amount	%	Amount	%		
Chairman & CEO	Chou-Chye Huang	1990.07.09	92,737,817	15.54	1,370,993	0.23	M.S., Electrical Engineering, National Tsing Hua University, Taiwan	<b>Chairman :</b> RUSSELL HOLDINGS CO., LTD., GLOBAL TECHPLUS CAPITAL INC., TECHPLUS CAPITAL(SAMOA), VENTURPLUS GROUP INC., VENTURPLUS MAURITIUS INC., VENTURPLUS CAYMAN INC., Shanghai Sunplus, Sunplus Technology (HK), Sunplus Venture Capital, Lin Shih Investment, Weiyang Investment, Sunplus Management Consulting, Giantplus Holding, Giantplus (Samoa) Holding, Kunshan Giantplus, Giantplus, Sunplus Innovation Technology, Sunplus mMobile, Generalplus, Generalplus International (Samoa), Generalplus (Mauritius), Generalplus (Shenzhen), Sunext, Sunext Optoelectronics (Shanghai), Great Sun, Sunext (Mauritius), Orise, Sunplus mMedia, Shin-heng Investment, Sunplus Prof-tek, Sunmedia, Sunplus APP, Sunplus mMobile SAS, Sunplus mMobile Holding, Ytrip Technology Co., Great Prosperous Corp., Magic Sky, <b>Chairman &amp; President:</b> Sunplus Core, iCatch <b>Director:</b> Jet Focus, Shenzhen Giantplus Optoelec Display, Avl Technology, Spring Foundation of NCTU, Li-Shin Hospital Research Foundation, Pan Wen Yuan Foundation, Taiwan Express, Sinocon Foundation, SIPP Technology, Kunshan Giantplus Optronics Display Technology, Hua-Wan Foundation
President	Archie Yeh	2011.05.01	0	0.00	0	0.00	Ph.D., Chemical Engineering, University of Mississippi	<b>Director:</b> UniSVR Global Information Technology Corp.
Vice President	Steven Huang	2004.05.07	542,810	0.09	9,240	0.00	EMBA, Technology & Innovation Management (TIM), National Chengchi University, Taiwan	<b>Director:</b> Shanghai Sunplus Technology
Vice President	Wayne Shen	2005.12.01	1,068,458	0.18	49,067	0.01	EMBA, Technology Management, National Chiao-Tung University, Taiwan	<b>Director:</b> Sunplus Venture Capital, Sunplus mMobile, Sunext, LinShih Investment, Weiyang Investment, Sunplus Management Consulting, Synerchip Co., Ltd., Sunplus Innovation Technology
Assistant VP	Tzu-Hsin Wang	2011.05.01	225,639	0.04	0	0.00	M.S., Electronics Engineering, National Chiao Tung University	None
Assistant VP	Johnson Hung	2011.05.01	184,824	0.03	578	0.00	Ph.D., Electronics Engineering, National Chiao Tung University	None
Assistant VP	William Ma	2011.05.01	100,000	0.02	0	0.00	Bachelor, Department of Marine Transportation, National Taiwan Ocean University	None
Director of Finance & Accounting Division	Piper Hung	2007.11.05	50,000	0.01	0	0.00	Bachelor, Accounting, Tamkang University, Taiwan	None

Note 1: Please refer to investment list for the full name of other companies.

Note 2: None of the management holds the company shares under others' account.

Note 3: None of management team, board of directors and supervisors is second-degree of consanguinity relatives of above management

### 3.2.5 Remuneration to Directors, Supervisors, Presidents, and Vice Presidents

#### a) Remuneration to Directors

Units: NT\$, shares

Title	Name (Note 1)	Remuneration to Directors								(A)+(B)+(C)+(D) of Net Income (Note 11)		Remuneration to Directors who hold a Concurrent Post in the Company								(A)+(B)+(C)+(D) +(E)+(F)+(G) of Net Income (Note 11)		Remuneration from Long-term Investments Except Subsidiaries (Note 12)				
		Salary (A) (Note 2)		Pension (B)		Bonus from Profit Distribution (C) (Note 3)		Allowance (D) (Note 4)		Sunplus	Consolidated Subsidiaries (Note 8)	Salary, Bonus, etc. (E) (Note 5)		Pension (F)		Employee Bonus from Profit Distribution (G) (Note 6)				Stock Option (H) (Note 7)						
		Sunplus	Consolidated Subsidiaries (Note 8)	Sunplus	Consolidated Subsidiaries (Note 8)	Sunplus	Consolidated Subsidiaries (Note 8)	Sunplus	Consolidated Subsidiaries (Note 8)			Sunplus	Consolidated Subsidiaries (Note 8)	Sunplus	Consolidated Subsidiaries (Note 8)	Sunplus	Consolidated Subsidiaries (Note 8)	Sunplus		Consolidated Subsidiaries (Note 8)			Sunplus	Consolidated Subsidiaries (Note 8)		
										Cash Bonus	Stock Bonus							Cash Bonus	Stock Bonus							
Chairman	Chou-Chye Huang	0	0	0	0	0	0	120,000	188,000	-0.01%	-0.01%	5,502,962	5,502,962	91,704	91,704	0	0	0	0	0	0	0	0	-0.29%	-0.29%	Yes
Director	Higherway Electronic	0	0	0	0	0	0	120,000	120,000	-0.01%	-0.01%	0	0	0	0	0	0	0	0	0	0	0	0	-0.01%	-0.01%	No
	Kun-Fung Huang Representative of Legal Entity	0	0	0	0	0	0	0	0	0.00%	0.00%	0	0	0	0	0	0	0	0	0	0	0	0	0.00%	0.00%	No
Director	Wen-Shiung Jan	0	0	0	0	0	0	120,000	130,000	-0.01%	-0.01%	0	0	0	0	0	0	0	0	0	0	0	0	-0.01%	-0.01%	Yes
Director	Global View	0	0	0	0	0	0	120,000	122,000	-0.01%	-0.01%	0	0	0	0	0	0	0	0	0	0	0	0	-0.01%	-0.01%	No
	Chu-Chien Feng Representative of Legal Entity	0	0	0	0	0	68,057	0	30,000	0.00%	0.00%	0	0	0	0	0	0	0	0	0	0	0	0	0.00%	0.00%	No
Independent Director	Po-Young Chu	0	0	0	0	0	0	360,000	360,000	-0.02%	-0.02%	0	0	0	0	0	0	0	0	0	0	0	0	-0.02%	-0.02%	No
Independent Director	Che-Ho Wei	0	0	0	0	0	0	360,000	360,000	-0.02%	-0.02%	0	0	0	0	0	0	0	0	0	0	0	0	-0.02%	-0.02%	No

Remuneration to Directors	Names of Directors			
	(A)+(B)+(C)+(D)		(A)+(B)+(C)+(D)+(E)+(F)+(G)	
	Sunplus (Note 9)	Consolidated Subsidiaries (I) (Note 10)	Sunplus (Note 9)	Consolidated Subsidiaries (J) (Note 10)
Under NT\$2,000,000	Chou-Chye Huang, Wen-Shiung Jan, Higherway Electronic, Kun-Fang Huang, Global View, Chu-Chien Feng, Po-Young Chu, Che-Ho Wei,	Chou-Chye Huang, Wen-Shiung Jan, Higherway Electronic, Kun-Fang Huang, Global View, Chu-Chien Feng, Po-Young Chu, Che-Ho Wei,	Wen-Shiung Jan, Higherway Electronic, Kun-Fang Huang, Global View, Chu-Chien Feng, Po-Young Chu, Che-Ho Wei,	Wen-Shiung Jan, Higherway Electronic, Kun-Fang Huang, Global View, Chu-Chien Feng, Po-Young Chu, Che-Ho Wei,
NT\$2,000,000~NT\$5,000,000				
NT\$5,000,000~NT\$10,000,000			Chou-Chye Huang	Chou-Chye Huang

Note 1: Names of directors shall be disclosed separately (name of juridical-person shareholders and their representatives shall be disclosed separately), and the remuneration shall be disclosed in total amount. If a director concurrently serves as a president or vice president, his/her remuneration shall be disclosed accordingly in this table and table c) Remuneration to Management Team.

Note 2: It indicates the remuneration to directors (including salary, allowance, pension, bonus, rewards, and etc.) in the most recent fiscal year.

Note 3: It indicates the remuneration to directors from profit distribution in the most recent fiscal year according to the proposal submitted by BOD to shareholders' meeting for approval.

Note 4: It indicates the expenses generated from directors' business (including transportation fees, social activity fees, allowances, dormitories, company cars, and etc.) in the most recent fiscal year. If the Company provides a house, car/other transportation, or other allowances to directors, the relevant payments, calculated at actual cost or fair value, shall be disclosed. The remuneration paid to the company drivers shall be disclosed but not included in the remuneration to directors.

Note 5: It indicates the salaries, allowances, pensions, severance pay, bonuses, rewards, transportation fees, social activity fees, dormitories, cars, and etc., to directors who hold concurrently posts in the Company (including presidents, vice presidents, managers, or other employees). If the Company provides a house, car/other transportation, or other allowances to directors, the relevant payments, calculated at actual cost or fair value, shall be disclosed. The remuneration paid to the company drivers shall be disclosed but not included in the remuneration to directors.

Note 6: It indicates the employee bonuses (including cash and stock) paid to directors who hold concurrently posts in the Company (including presidents, vice presidents, managers, or other employees). The amount of employee bonus according to the proposal of profit distribution submitted by BOD to shareholders' meeting for approval in the most recent fiscal year shall be disclosed. If there is no such proposal yet, the stock bonus may be calculated according to the stock bonus last year. The amount of stock bonus for public companies shall be calculated at fair value, which means the closing price on the balance sheet date. For private companies, the amount of stock bonus shall be calculated based on the net value on the last day in the fiscal year when the profit distributed.

Note 7: It indicates the employee stock options (excluding those has been executed) offered to the directors who concurrently hold posts in the Company (including presidents, vice presidents, managers, or other employees). The relevant information shall be disclosed in this table and table 4.5.2.

Note 8: The total amount remuneration paid to the Company's directors by all the companies in the consolidated financial statements (including Sunplus) shall be disclosed.

Note 9: It indicates the numbers of directors classified by the amount of their remuneration paid by Sunplus. The amount of remuneration paid to juridical-person shareholders shall be distributed equally to each representative, and then they shall also be classified according to the amount. If the Company is willing to disclose the names of directors in each classification, the title of column shall be changed to "Names of Directors".

Note 10: It indicates the numbers of directors classified by the amount of their remuneration paid by all the companies in the consolidated financial statements (including Sunplus). If the Company is willing to disclose the names of directors in each classification, the title of column shall be changed to "Names of Directors".

Note 11: It indicates the net income in the most recent fiscal year.

Note 12: a. Whether the Company's directors receive remuneration from other long-term investments except subsidiaries shall be disclosed as "Yes" or "No".

b. If "Yes", the amount of remuneration may be disclosed voluntarily and be included into column I and J; also, the title of the column shall be change to "All the Long-term Investments".

c. The remuneration indicated here means the salaries, allowances, bonuses, and other relevant rewards paid by from other long-term investments except subsidiaries.

※The remuneration disclosed here shall not be applied for taxation purpose because those are calculated on a different basis.

**b) Remuneration to Supervisors**

Unit: NT\$, shares

Title	Name (Note 1)	Remuneration to Supervisors								(A)+(B)+(C)+(D) of Net Income (Note 8)		Remuneration from Long-term Investments Except Subsidiaries (Note 9)
		Salary (A) (Note 2)		Pension (B)		Bonus from Profit Distribution (C) (Note 3)		Allowance (D) (Note 4)		Sunplus	Consolidated Subsidiaries (Note 5)	
		Sunplus	Consolidated Subsidiaries (Note 5)	Sunplus	Consolidated Subsidiaries (Note 5)	Sunplus	Consolidated Subsidiaries (Note 5)	Sunplus	Consolidated Subsidiaries (Note 5)			
Supervisor	De-Zhong Liu	0	0	0	0	0	68,057	120,000	150,000	-0.01%	-0.01%	No
Supervisor	Wei-Min Lin	0	0	0	0	0	68,057	360,000	390,000	-0.02%	-0.02%	No
Supervisor	Pei-Yu Lee	0	0	0	0	0	0	360,000	360,000	-0.02%	-0.02%	No

Remuneration to Supervisors	Names of Supervisors (A)+(B)+(C)+(D)	
	Sunplus (Note 6)	Consolidated Subsidiaries of Sunplus (E) (Note 7)
	Under NT\$2,000,000	De-Zhong Liu, Pei-Yu Lee, Wei-Min Lin,

Note 1: Names of supervisors, juridical-person shareholders and their representatives shall be disclosed separately, and the remuneration shall be disclosed in total amount.

Note 2: It indicates the remuneration to supervisors, including salary, allowance, pension, bonus, rewards, and etc., in the most recent fiscal year.

Note 3: It indicates the remuneration from profit distribution in the most recent fiscal year according to the proposal submitted by BOD to shareholders' meeting for approval.

Note 4: It indicates the expenses generated from supervisors' business (including transportation fees, social activity fees, allowances, dormitories, company cars, and etc.) in the most recent fiscal year. If the Company provides a house, car/other transportation, or other allowances to supervisors, the relevant payments, calculated at actual cost or fair value, shall be disclosed. The remuneration paid to the company drivers shall be disclosed but not included in the remuneration to directors.

Note 5: The total amount remuneration paid to the Company's supervisors by all the companies in the consolidated financial statements (including Sunplus) shall be disclosed.

Note 6: It indicates the numbers of supervisors classified by the amount of their remuneration paid by Sunplus. If the Company is willing to disclose the names of supervisors in each classification, the title of column shall be changed to "Names of Supervisors".

Note 7: It indicates the numbers of supervisors classified by the amount of their remuneration paid by all the companies in the consolidated financial statements (including Sunplus). If the Company is willing to disclose the names of supervisors in each classification, the title of column shall be changed to "Names of Supervisors".

Note 8: It indicates the net income in the most recent fiscal year.

Note 9: a. Whether the Company's supervisors receive remuneration from other long-term investments except subsidiaries shall be disclosed as "Yes" or "No".

b. If "Yes", the amount of remuneration may be disclosed voluntarily and be included into column E; also, the title of the column shall be change to "All the Long-term Investments".

c. The remuneration indicated here means the salaries, allowances, bonuses, and other relevant rewards paid by from other long-term investments except subsidiaries.

※The remuneration disclosed here shall not be applied for taxation purpose because those are calculated on a different basis.

**c) Remuneration to Management Team**

Unit: NT\$, shares

Title	Name (Note 1)	Salary (A) (Note 2)		Pension (B)		Reward, Allowance, etc. (C) (Note 3)		Bonus from Profit Distribution (D) (Note 4)				(A)+(B)+(C) +(D) on Net Income (Note 9)		Employee Stock Option (Note 5)		Remuneration from Long-term Investments Except Subsidiaries (Note 10)
		Sunplus	Consolidated Subsidiaries (Note 6)	Sunplus	Consolidated Subsidiaries (Note 6)	Sunplus	Consolidated Subsidiaries (Note 6)	Sunplus		Consolidated Subsidiaries (Note 5)		Sunplus	Consolidated Subsidiaries (Note 6)	Sunplus	Consolidated Subsidiaries (Note 6)	
								Cash Bonus	Stock Bonus	Cash Bonus	Stock Bonus					
CEO	Chou-Chye Huang	4,563,600	4,563,600	91,704	91,704	939,362	939,362	0	0	0	0	-0.28%	-0.28%	0	0	Yes
President	Archie Yeh	23,785,886	23,785,886	965,200	965,200	558,587	558,587	0	0	0	0	-1.28%	-1.26%	0	0	No
VP	Steven Huang															
VP	Wayne Shen															
AVP	Tzu-Hsin Wang															
AVP	Johnson Hung															
AVP	William Ma															
Director of Finance & Accounting Division	Piper Hung															

Note: Archie Yeh, Tzu-Hsin Wang and Johnson Hung boarded on 2011.05.01. William Ma boarded on 2011.07.01

Remuneration to Management	Names of Presidents and Vice Presidents	
	Sunplus (Note 7)	Consolidated Subsidiaries of Sunplus (E) (Note 8)
Under NT\$2,000,000		
NT\$2,000,000~NT\$5,000,000	Archie Yeh, Steven Huang, Wayne Shen, Tzu-Hsin Wang,, Johnson Hung, William Ma., Piper Hung	Archie Yeh, Steven Huang, Wayne Shen, Tzu-Hsin Wang,, Johnson Hung, William Ma., Piper Hung
NT\$5,000,000~NT\$10,000,000	Chou-Chye Huang	Chou-Chye Huang

Note 1: Names of presidents and vice presidents shall be disclosed separately, and the remuneration shall be disclosed in total amount. If a director concurrently serves as a president or vice president, his/her remuneration shall be disclosed accordingly in this table and table a) Remuneration to Directors.

Note 2: It indicates the remuneration to presidents and vice presidents, including salary, allowance, pension, and severance pay) in the most recent fiscal year.

Note 3: It indicates the bonuses, rewards, transportation fees, social activity fees, dormitories, cars, and etc., to presidents and vice presidents. If the Company provides a house, car/other transportation, or other allowances to presidents and vice presidents, the relevant payments, calculated at actual cost or fair value, shall be disclosed. The remuneration paid to the company drivers shall be disclosed but not included in the remuneration to directors.

Note 4: It indicates the employee bonuses (including cash and stock) paid to presidents and vice presidents according to the proposal of profit distribution submitted by BOD to shareholders' meeting for approval in the most recent fiscal year. If there is no such proposal yet, the stock bonus may be calculated according to the stock bonus last year. The amount of stock bonus for public companies shall be calculated at fair value, which means the closing price on the balance sheet date. For private companies, the amount of stock bonus shall be calculated based on the net value on the last day in the fiscal year when the profit distributed. The term "Net Income" indicates the net income in the most recent fiscal year.

Note 5: It indicates the employee stock options (excluding those has been executed) offered to the presidents and vice presidents. The relevant information shall be disclosed in this table and table 4.5.2.

Note 6: The total amount remuneration paid to the Company's presidents and vice presidents by all the companies in the consolidated financial statements (including Sunplus) shall be disclosed.

Note 7: It indicates the numbers of presidents and vice presidents classified by the amount of their remuneration paid by Sunplus. If the Company is willing to disclose the names of presidents and vice presidents in each classification, the title of column shall be changed to "Names of Presidents and Vice Presidents".

Note 8: It indicates the numbers of presidents and vice presidents classified by the amount of their remuneration paid by all the companies in the consolidated financial statements (including Sunplus). If the Company is willing to disclose the names of presidents and vice presidents in each classification, the title of column shall be changed to "Names of Presidents and Vice Presidents".

Note 9: It indicates the net income in the most recent fiscal year.

Note 10: a. Whether the Company's presidents and vice presidents receive remuneration from other long-term investments except subsidiaries shall be disclosed as "Yes" or "No".

b. If "Yes", the amount of remuneration paid by other long-term investments except subsidiaries may be disclosed voluntarily and included into column E; also, the title of the column shall be changed to "All the Long-term Investments".

c. The remuneration indicated here means the salaries, allowances, bonuses, and other relevant rewards paid to presidents and vice presidents who concurrently hold posts in other long-term investments except subsidiaries.

**d) Employee Bonus Granted to Management Team**

No Employee bonus due to losses in 2011.

**3.2.6 Analysis for remuneration paid by all the companies in the consolidated financial statements (including Sunplus) to directors, supervisors, presidents and vice presidents as % net income in the most recent two years. Also, the relevant policy, standards and procedures, and the relation between remuneration and performance shall be stated.**

The remuneration paid to board of directors, supervisors, presidents and vice presidents as less than 1% of net income. The remuneration is fair compared to peers and the compensations are based on the operation performance of company and individuals.

### 3.3 Corporate Governance Implementation

#### 3.3.1 BOD Meeting Status

12 meetings were held in 2011 and the attendance of directors is as follow:

Title	Name	Attendance in Person	By Proxy	Attendance Rate (%)	Remarks
Chairman	Chou-Chye Huang	12	0	100.00	
Director	Wen-Shiung Jan	8	4	66.67	
Director	Feng, Chu-Chien (Global View Co., Ltd., Representative of Legal Entity)	12	0	100.00	
Director	Kun-Fang Huang (Higherway Electronic Co., Ltd., Representative of Legal Entity)	12	0	100.00	
Independent Director	Po-Young Chu	12	0	100.00	
Independent Director	Che-Ho Wei	11	1	91.67	

Other information required to be disclosed: None

Note 1: The name of a legal entity shareholder and its representative shall be disclosed.

Note 2: (a) If a director or supervisor being relieved of office before year end, it shall be notified as a remark. The actual rate of attendance shall be calculated according to the meetings held when he/she is at the post.

(b) If there is a re-election before year-end, the new directors and supervisors along with the original ones shall be disclosed, and the date of directors and supervisors being elected shall be stated. The actual rate of attendance shall be calculated according to the meetings held when they are at posts.

#### 3.3.2 Supervisors Participation in BOD

12 meetings were held in 2011 and the attendance of supervisors is as follow:

Title	Name	Attendance in Person	Attendance Rate (%)	Remarks
Supervisor	De-Zhong Liu	12	100.00	
Supervisor	Wei-Min Lin	12	100.00	
Supervisor	Pei-Yu Lee	12	100.00	

Other information required to be disclosed:

1. Composition and Responsibilities of Supervisors

1) Supervisors have attended internal management meetings often and audit the company operations and present the professional opinions independently.

2) Supervisors talk the company's internal auditors and CPAs directly and often.

2. The supervisors participated the listed board meeting without dissent to the resolutions by BOD.

Note 1: (a) If a supervisor being relieved of office before year end, it shall be notified as a remark. The actual rate of attendance shall be calculated according to the meetings held when he/she is at the post.

(b) If there is a re-election before year-end, the new supervisors along with the original ones shall be disclosed, and the date of supervisors being elected shall be stated. The actual rate of attendance shall be calculated according to the meetings held when he/she is at the post.

#### 3.3.3 Corporate Governance Implementation as Required by Taiwan Financial Supervisory Commission

Item	Implementation Status	Reason of Non- Implementation
1. Shareholding Structure and Shareholders' Rights (1) The way handling shareholders' suggestions or disputes (2) The Company's possession of major shareholders list and the list of ultimate owners of these major shareholders (3) Risk management mechanism and fire wall between the Company and its affiliates	(1) Sunplus has designated specialists to handle shareholders' suggestions or disputes. (2) The information regarding major shareholders, directors, supervisors, and other important matters which might cause changes in holding, is disclosed periodically so that the Company could know well about major shareholders and the ultimate owners of them. (3) Sunplus has set relevant guidelines to manage risks concerning dealings and contact with affiliates.	Not Applicable
2. Composition and Responsibilities of the BOD (1) Independent directors (2) Regular evaluation of external auditors' independency	(1) Sunplus has two independent directors. (2) Auditors' independence is evaluated at the end of every year and the engagement of auditors would be submitted to BOD for approval.	Not Applicable
3. Communication channel with Stakeholders	Sunplus maintains good relations with banks, suppliers, and other relevant parties. Sunplus, with a principle of honesty, provides sufficient information about the Company's operations and defends the Company's lawful rights and interests.	
4. Information Disclosure (1) Establishment of corporate website to disclose information regarding the Company's financials, business, and corporate governance status (2) Other information disclosure channels (ex. English website, appointing responsible people to handle information collection and disclosure, appointing spokesman, webcasting investors conference)	Sunplus has established corporate website, managed by relevant departments, to disclose and collect information. Also, Sunplus announces financial results and corporate governance status, and releases company news quarterly and hold investor conferences regularly.	Not Applicable
5. Operations of the Company's Nomination Committee, Compensation Committee, or Other Committees of BOD	(1) Sunplus board of directors approved to set the compensation committee and appointed three compensation committee members on December 21st 2011. (2) Sunplus has held the compensation committee meeting on January 18th 2012 and April 19th 2012.	
6. If the Company has established corporate governance policies based on TSE "Corporate Governance Best Practice Principles", please describe discrepancy between the policies and their implementation.		

Sunplus does not establish other principles of corporate governance; all of our rules and procedures are based on laws and regulations stipulated by authorities in charge, and amended every year in response to inner/outer changes.	
7.	Other important information to facilitate better understanding of the Company's corporate governance (such as human rights, employee rights, employee wellness, community participation, social contribution, community service, investor relations, supplier relations, shareholders' rights, customer relations, the implementation of risk management policies and risk evaluation measures, the implementation of consumers/customers protection policies, and purchasing insurance for directors and supervisors.):
(1)	Employee rights: The company has made and followed the internal management procedures regarding employee rights under the regulations of the Labor Standards Act and Gender Equality in Employment Act.
(2)	Employee wellness: Please refer to the section of 6.5 Employees on this annual report.
(3)	Investor relations: The company has set a investor relations professionals and disclose the operations and financials on the company website.
(4)	Pursuing record of directors and supervisors: Please refer to Market Observation Post System <a href="http://mops.twse.com.tw">http://mops.twse.com.tw</a>
(5)	Implementation of risk management policies and risk evaluation measures: Please refer to the section of 8.6 Risk Management
(6)	Purchasing insurance for directors and supervisors: Yes.
8.	If the Company has a self corporate governance evaluation or has authorized any other professional organization to conduct such evaluation, the evaluation results, major deficiency or suggestion, and improvement are stated as follows None

### 3.3.4 Disclosure of Operations of the Company's Compensation Committee:

- (1) Sunplus board of directors approved on December 21<sup>st</sup> 2011 to set the compensation committee to assist BOD to evaluate and execute the compensation policy and system for board of directors, supervisors and management.
- (2) BOD appointed the independent director Po-Young Chu, Che-Ho Wei and CPA Ze-Ren Huang to be members of compensation committee.
- (3) The compensation committee has held 2 meetings on 2012/01/18 and 2012/04/19, and all members attended in person.

### 3.3.5 Social Responsibilities Implementation Status (such as environment protection, community participation, contribution to community, social service, charity, consumer rights, human rights and other social responsibilities):

Item	Implementation Status	Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reasons
1. Exercising Corporate Governance (1) The company declares its corporate social responsibility policy and examines the results of the implementation. (2) The company establishes exclusively (or concurrently) dedicated units to be in charge of proposing and enforcing the corporate social responsibility policies. (3) The company organizes regular training on business ethics and promotion of matters prescribed in the preceding Article for directors, supervisors and employees, and should incorporate the foregoing into its employee performance appraisal system to establish a clear and effective reward and discipline system.	The Company has set position for excess good corporate social responsibilities to follow the internal procedures and code of conduct, to disclose the related information, and to respect rights of the relevant parties, to run the business with fair competition with clear and definite system of rewards and penalties.	Sunplus has not established corporate social responsibility principles based on "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies". But Sunplus has made internal rules regarding sustainability, environment protection, Labor Welfare, social service, charity, consumer rights, human rights and other social responsibilities
2. Fostering a Sustainable Environment (1) The company endeavors to utilize all resources more efficiently and uses renewable materials which have a low impact on the environment. (2) The company establishes proper environmental management systems based on the characteristics of their industries. (3) The company establishes dedicated units or assigns dedicated personnel for environment management to maintain the environment. (4) The company monitors the impact of climate change on its operations and should establish company strategies for energy conservation and carbon and greenhouse gas reduction.	Sunplus has established the environment protection system for fulfilling policies, social responsibilities and obligations. The Company keeps protecting environment and preventing pollution based on the related regulations of government and customers, and the Company establishes positions and environmental management system to verify and examine the validity of operation. The company also set up the priority to choose suppliers with environmentally responsible and processing rules of disposals to reduce the environmental impact. Meanwhile, Sunplus supplies customers with hazardous substances free (HSF) and satisfying products.	There is no clear policy for carbon reduction because the major business operations of the company are research and development.
3. Preserving Public Welfare (1) The company complies with relevant labor laws and regulations, protects the legal rights and interests of employees, and has in place appropriate management methods and procedures. (2) The company provides safe and healthy work environments for its employees, and organizes training on safety and health for its employees on a regular basis. (3) The company establishes and discloses policies on consumer rights and interests and provides a clear and effective procedure for accepting consumer complaints. (4) The company cooperates with its suppliers to jointly foster a stronger sense of corporate social responsibility. (5) The company, through commercial activities, non-cash property endowments, volunteer service or other free professional services, participates in community development and charities events.	(1) The company complies with relevant labor laws and regulations, protects the legal rights and interests of employees, and provides the latest information to employees. (2) The company provides safe and healthy work environments by allocating sole-duty organization and employees to execute the matters concern to environment security and sanitation management according to Laws, to examine the working environment regularly to maintain the security of environment and equipments, to review the working environment and set up related devices with a standard higher than regulation, to hold the physical examination for new employees and the regular health examination for employees on the job with higher perception than laws. The company provides well training environment with alternative courses internally or externally. The company also disclose it operating results on it website and establish the communication channels with employees which they can access the results and express their opinions easily. (3) The company establishes and discloses policies on consumer rights and interests and provides a clear and effective procedure for accepting consumer complaints. (4) The company has priority to choose suppliers with environmentally responsible. (5) The company encourages the employees to participate social community and charity	Not Applicable

	activities. Meanwhile, the company holds the academic competing events for students in colleges in order to promote IC design programs and breed the talents.	
4. Enhancing Information Disclosure (1) The measures of disclosing relevant and reliable information relating to their corporate social responsibility. (2) The company produces corporate social responsibility reports disclosing the status of their implementation of the corporate social responsibility policy.	The Company has disclosed information regarding environment protection, Labor Welfare, social service, charity, consumer rights, and corporate governance other social responsibilities on the company's website.	Sunplus has not established corporate social responsibility principles based on "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies". Sunplus has made internal rules regarding sustainability, environment protection, Labor Welfare, social service, charity, consumer rights, human rights and other social responsibilities
5. If the Company has established corporate social responsibility principles based on "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies", please describe any discrepancy between the principles and their implementation: Sunplus has not established corporate social responsibility principles based on "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies".		
6. Other important information to facilitate better understanding of the Company's corporate social responsibility practices (e.g., systems and measures that the company has adopted with respect to environmental protection, community participation, contribution to society, service to society, social and public interests, consumer rights and interests, human rights, safety and health, other corporate social responsibilities and activities, and the status of implementation.): None		
7. If the products or corporate social responsibility reports have received assurance from external institutions, they should state so below: IECQ QC080000, ISO9001 and ISO14001 Certified		

### 3.3.6 The status and measures to perform the company's reputation

Sunplus discloses financial reports according to the regulations of the government.

In order to enhance transparency and protect shareholders' rights and interests, Sunplus announces financial results and business information on TSE and Sunplus' websites regularly.

### 3.3.7 Other Corporate Governance Policies:

Sunplus has not established corporate governance principles, but the company has made internal rules regarding sustainability, environment protection, Labor Welfare, social service, charity, consumer rights, human rights and other social responsibilities

### 3.3.8 Other Matters Needed to Improve the Company's Implementation of Corporate Governance

None

### 3.3.9 Internal Control System Execution Status and Information

#### a) Statement of Internal Control System

#### Sunplus Technology Co., Ltd. Statement of Internal Control System

Date: **April 27th, 2012**

Based on the findings of a self-assessment, Sunplus states the following with regard to our internal control system during **January 1st – December 31st, 2011**:

1. Sunplus is fully aware that establishing, operating, and maintaining an internal control system are the responsibility of Board of Directors and management team. Sunplus has established such a system aimed at providing reasonable assurance regarding achievement of objectives in the following categories: (a) effectiveness and efficiency of operations (including profitability, performance, and protection of assets), (b) reliability of financial reporting, and (c) compliance with applicable laws and regulations.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can only reasonable assurance of accomplishment for the three objectives mentioned above. Moreover, the effectiveness of an internal control system may be subject to changes of environment and circumstances. Nevertheless, Sunplus' internal control system contains self-monitoring mechanisms, and Sunplus takes corrective actions whenever a deficiency is identified.
3. Sunplus evaluates the design and operating effectiveness of our internal control system based on "Regulations Governing the Establishment of Internal Control Systems by Public Companies" (herein below, the "Regulations"). The criteria adopted by the Regulations identify five components of internal control based on the process of management control: (a) control environment, (b) risk assessment, (c) control activities, (d) information and communication, and (e) monitoring. Each component further contains several items. Please refer to the Regulations for details.
4. Sunplus has evaluated the design and operating effectiveness of our internal control system according to the aforesaid criteria.
5. Based on the findings of the evaluation mentioned in the preceding paragraph, Sunplus believe that, during the **year 2011**, our internal control system (including the supervision and management of subsidiaries), as well as our internal control to monitor the achievement of our objectives concerning operational effectiveness and efficiency, reliability of financial reporting, and compliance with applicable laws and regulations, were effective in design and operation, and reasonably assured the achievement of the above-stated objectives.
6. This statement is an integral part of Sunplus' annual report for the **year 2011** and prospectus, and would be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Article 20, 32, 281, and 174 of the "Securities and Exchange Law".
7. This statement has been passed by the Board of Directors Meeting held on **April 27th, 2012**, with all six attending directors expressing dissenting opinions, and the remainder all affirming the content of this statement.

Sunplus Technology Co., Ltd.



Chou-Chye Huang  
Chairman & CEO

#### b) The Company's Internal Control System Audit Report by External Auditors: Not applicable

### 3.3.10 Regulatory Authorities' Legal Penalties to the Company, and the Company's Resulting Punishment on Its Employees: None

### 3.3.11 Major Resolutions by the Shareholders' Meetings and the Board of Directors Meetings

Date	Decision Maker	Case	Result
2011.04.11	Board Meeting	1. Approval of 2010 consolidated financial statements 2. Discussion of Lifting ban on directors against joining competitors 3. Personnel	Approved as proposed without dissent.
2011.04.27	Board Meeting	1. Approval of 1Q'2011 financial statements. 2. Approval of 1Q'2011 consolidated financial statements. 3. Discussion of 2010 profits distribution 4. Discussion of 2010 shareholders' meeting 5. Proposal of amending the company article 6. Discussion of re-organization & personnel	Approved as proposed without dissent.
2011.06.10	Shareholder's Meeting	1. Approval of 2010 business report and financial statements 2. Approval of 2010 profits distribution 3. Lifting ban on directors against joining competitors.	Approved as proposed without dissent.
2011.06.22	Board Meeting	1. Discussion of lifting ban on management against joining competitors 2. Re-organization and Personnel	Approved as proposed without dissent.
2011.07.27	Board Meeting	1. Approval of 1H'2011 financial statements	Approved as proposed without dissent.
2011.08.24	Board Meeting	1. Approval of 1H'2010 consolidated financial statements	Approved as proposed without dissent.
2011.10.12	Board Meeting	1. Replacement of auditor	
2011.10.26	Board Meeting	1. Approval of 3Q'2011 financial statements 2. Approval of 3Q'2011 consolidated financial statements	Approved as proposed without dissent.
2011.11.11	Board Meeting	1. Acquisition of Long-term investment	Approved as proposed without dissent.
2011.12.21	Board Meeting	1. Compensation committee set-up 2. Appointment of compensation committee	Approved as proposed without dissent.
2012.02.29	Board Meeting	1. provision of AR	Approved as proposed without dissent.
2012.03.21	Board Meeting	1. Approval of 2011 financial statements 2. Approval of 2011 consolidated financial statements 3. Discussion of amending company article 4. Discussion of BOD & supervisors election 5. Lifting ban on directors against joining competitors 6. Discussion of 2011 shareholders' meeting	Approved as proposed without dissent.
2011.03.30	Board Meeting	1. Discussion of BOD & supervisors election	Approved as proposed without dissent.
2011.04.27	Board Meeting	1. Approval of 1Q'2012 financial statements. 2. Approval of 1Q'2012 consolidated financial statements. 3. Discussion of business report 2011 4. Discussion of independent directors Nomination 5. Discussion of appropriation of 2011 Losses 6. Issuance of restricted stock for employees 7. Discussion of 2010 shareholders' meeting	Approved as proposed without dissent.

### 3.3.12 Content of Directors' or Shareholders' Dissent View on Record or in Writing Regarding

### Resolutions approved by BOD Meeting

None

### 3.3.13 Information Regarding the Relief and Resignation of Personnel Responsible for Preparing Financial Reports

None

### 3.4 Audit Fees

Audit Firm	Name of Auditor		Duration of auditing	Remarks
Deloitte & Touche	Tung-Hui Yeh	Hung-Peng Lin	2011.07.01~2011.12.31	Internal job rotation
Deloitte & Touche	Tung-Hui Yeh	Hung-Wen Huang	2011.01.01~2011.06.30	

Amount		Item	Audit fee	Non-audit fee	Total
1.	Under NT\$2,000			✓	
2.	NT\$2,000 ~ NT\$4,000				
3.	NT\$4,000 ~ NT\$6,000		✓		✓
4.	NT\$6,000 ~ NT\$8,000				
5.	NT\$8,000 ~ NT\$10,000				
6.	Over NT\$10,000				

### 3.5 Replacement of Auditors

#### 3.5.1 Ex-auditors

Date discharged	October 12 <sup>th</sup> , 2011
Reason	Internal transference by the audit firm, Deloitte & Touche
Any different opinions than an unqualified opinion within recent 2 years	An qualified review opinion in 1H'10 and 1H'11 for the un-audited/reviewed long-term investment's P&L
Any different opinions against issuer	None
Remarks	Not Applicable

#### 3.5.2 Current Auditors

Audit Firm	Deloitte & Touche
Name of Auditor	Allen Yeh, Hung-Peng Lin
Date of Appointment	October 12 <sup>th</sup> , 2011
Any different opinions against ex-auditors	None

#### 3.5.3 Other Opinions different from Ex-auditor

None

### 3.6 Chairman, Presidents, and Managers in Charge of Finance and Accounting Who Held a Position in Sunplus' Independent Audit Firm or Its Affiliates during the Recent Year

None

### 3.7 Net Change in Shareholding and Net Changes in Shares Pledged by Directors, Supervisors, Management, and Shareholders with 10% Shareholding or More

#### 3.7.1 Net Change in Shareholding and Net Changes in Shares Pledged by Directors, Supervisors, Management, and Shareholders with 10% Shareholding or More

Unit: Shares

Title	Name	2011		Ended of April 20th, 2012	
		Shareholding Increased (decreased)	Shares Pledged (Released)	Shareholding Increased (decreased)	Shares Pledged (Released)
Chairman	Chou-Chye Huang	0	0	0	0
Director	Wen-Shiung Jan	0	0	0	0
Director	Global View Co., Ltd.	0	0	0	0
Director	Higherway Electronic Co., Ltd.	0	(47,571)	0	0
Independent Director	Po-Young Chu	0	0	0	0
Director	Che-Ho Wei	0	0	0	0
Supervisor	De-Zhong Liu	0	0	0	0
Supervisor	Pei-Yu Lee	0	0	0	0
Supervisor	Wei-Min Lin	0	0	0	0
President	Archie Yeh	0	0	0	0
VP	Steven Huang	(30,000)	0	0	0
VP	Wayne Shen	0	0	0	0
AVP	Tzu-Hsin Wang	0	0	0	0
AVP	Johnson Hung	0	0	0	0
AVP	William Ma				
Director of Finance & Accounting Division	Piper Hung	0	0	0	0

#### 3.7.2 Stock Trade

Name (Note 1)	Transfer Reason	Transaction Date	Name of Counter Party	Nature of Relationship	Amount of Shares	Transaction Price
-	-	-	-	-	-	-

#### 3.7.3 Shares Pledge with Related Parties

Name (Note 1)	Reason of Pledge (Note 2)	Date of Change	Name of Counter Party	Nature of Relationship	Amount of Shares	Percentage of Shareholding	Percentage of Shares Pledge	Transaction Price
-	-	-	-	-	-	-	-	-

Note 1: Including Directors, supervisors, managers and shareholders holding more than 10%

Note 2: Reasons for shares pledged or released

### 3.8 Top 10 Shareholders & Related Parties

Name	Current Shareholding		Shareholding under Spouse & Minor		Shareholding under Others' Name		Relationship with related-parties	
	Amount of Shares	Holding %	Amount of Shares	Holding %	Amount of Shares	Holding %	Name	Relationship
Chou-Chye Huang	92,737,817	15.54%	1,370,993	0.23%	-	-	Lin-Shih	Board Director of Lin-Shih Investment
De-Zhong Liu	13,045,795	2.19%	2,006,943	0.34%	-	-	-	-
Global View Co., Ltd.	10,038,049	1.68%	-	-	-	-	Bin-Huang Shih	Global View's Board Director
Chih-Hao King	9,389,160	1.47%	771,433	0.12%	-	-	-	-
Citibank in custody for emerging market investment	7,336,620	1.23%						
Wen-Qin Lee	7,192,756	1.20%	1,647,542	0.28%	-	-	-	-
Fidelity Puritan Trust: Fidelity Low-Priced Stock Fund	7,000,000	1.17%	-	-	-	-	-	-
China Trust Bank in custody for Sunplus employee shareholding trust	6,392,999	1.07%						
Bing Huang Shih	6,315,505	1.06%	1,576,085	0.26%	-	-	Global View	Board Director
Lin-Shih Investment	3,559,996	0.60%	-	-	-	-	Chou-Chye Huang	Board Director

### 3.9 Long-term Investment Ownership

December 31<sup>st</sup>, 2011/Unit: thousand shares, %

Long-term Investments (Note)	Sunplus Investment		Shareholding of Director, Supervisor, Management or Subsidiary		Synthetic Shareholding	
	Amount of Shares	Holding %	Amount of Shares	Holding%	Amount of Shares	Holding %
Giantplus Technology	84,652	19	10,607	2	95,259	21
Generalplus Technology	37,324	34	20,301	19	57,625	53
Sunext Technology	38,837	61	8,251	13	47,088	74
Orise Technology	47,290	34	865	1	48,155	35
Sunplus Core Technology	11,206	70	4,193	26	15,399	96
Sunplus mMobile Inc.	48,999	99	8	-	49,007	99
HT mMobile Inc.	56,448	32	40,695	23	97,143	55
Sunplus Innovation Technology	30,986	64	3,680	8	34,666	72
Sunplus mMeida Inc.	12,441	83	2,488	16	14,929	99
iCatch Technology Inc.	20,735	38	4,146	7	24,881	45
Ritek Corp.	5,000	-	1,667	-	6,667	-
Global View Co., Ltd.	13,568	13	59	-	13,593	13

Note: Except companies listed above, all other long-term investments are held by the parent company.

## IV. Capital & Shares

### 4.1 Capitalization

April 20th, 2012

Month/Year	Price (NT\$)	Authorized capital		Issued capital		Funding (NT\$K)	Remark	
		Shares (thousand shares)	Amount (NT\$K)	Shares (thousand shares)	Amount (NT\$K)		Funding Except Cash	Note
08/1990	10	2,300	23,000	620	6,200	Cash Offering 6,200	None	Not IPO yet
08/1990	10	2,300	23,000	1,150	11,500	Cash Offering 5,300	None	Not IPO yet
03/1992	10	2,300	23,000	2,300	23,000	Cash Offering 11,500	None	Not IPO yet
12/1993	10	6,000	60,000	6,000	60,000	Cash Offering 20,900 Capitalization of Profits 16,100	None	Not IPO yet
09/1994	10	19,800	198,000	19,800	198,000	Cash Offering 60,000 Capitalization of Profits 78,000	None	Not IPO yet
06/1995	10	39,600	396,000	39,600	396,000	Capitalization of Profits 198,000	None	06/28/1995 SFC No. 37335
06/1996	10	64,360	643,600	64,360	643,600	Capitalization of Profits 247,600	None	06/26/1996 SFC No. 40155
06/1997	10	105,500	1,055,000	105,500	1,055,000	Capitalization of Profits 411,400	None	06/10/1997 SFC No.46641
06/1998	10	184,000	1,840,000	184,000	1,840,000	Capitalization of Profits 785,000	None	06/08/1998 SFC No.49408
06/1999	10	269,120	2,691,200	269,120	2,691,200	Capitalization of Profits 851,200	None	06/23/1999 SFC No.57760
06/2000	10	600,000	6,000,000	370,000	3,700,000	Capitalization of Profits 1,008,800	None	06/03/2000 SFC No.48003
09/2000	10	600,000	6,000,000	390,000	3,900,000	Cash Offering for GDR 200,000	None	09/18/2000 SFC No 72620
06/2001	10	700,000	7,000,000	534,000	5,340,000	Capitalization of Profits 1,440,000	None	06/27/2001 SFC No 140791
12/2001	10	700,000	7,000,000	544,742	5,447,424	Merger from Grandtech 10,742	None	12/12/2001 SFC No 173137
06/2002	10	1,000,000	10,000,000	694,950	6,949,500	Capitalization of Profits 957,334 And Capital Surplus 544,742	None	05/30/2002 SFC No.129546
07/2003	10	1,000,000	10,000,000	777,504	7,775,040	Capitalization of Profits 130,590 And Capital Surplus 694,950	None	05/22/2003 SFC No.0920122560
06/2004	10	1,000,000	10,000,000	875,254	8,752,544	Capitalization of Profits 355,500 And Capital Surplus 622,004	None	06/15/2004 SFC No.0930126644
07/2005	10	1,050,000	10,500,000	945,570	9,455,700	Capitalization of Profits 487,576 And Capital Surplus 175,051 Employee Stock Option 40,529	None	07/11/2005 FSC No. 0940127940 TSE No.09400288741
11/2005	10	1,050,000	10,500,000	948,147	9,481,472	Employee Stock Option 25,772	None	TSE No.09400340711
03/2006	10	1,050,000	10,500,000	948,730	9,487,297	Employee Stock Option 5,825	None	TSE No.09500052761
06/2006	10	1,050,000	10,500,000	949,784	9,497,844	Employee Stock Option 10,547	None	TSE No.09500116511
06/2006	10	1,200,000	12,000,000	1,021,358	10,213,578	Capitalization of Profits 508,844 And Capital Surplus 189,230 Employee Stock Option 17,660	None	FSC No.0950126238
11/2006	10	1,200,000	12,000,000	1,022,777	10,227,773	Employee Stock Option 14,195	None	TSE No.0950030505
01/2007	10	1,200,000	12,000,000	512,212	5,122,119	Capital Reduction 5,114,358 Employee Stock Option 8,703	None	FSC No.0950159014
03/2007	10	1,200,000	12,000,000	512,954	5,129,537	Employee Stock Option 7,418	None	TSE No.0960005441
09/2007	10	1,200,000	12,000,000	554,240	5,542,399	Capitalization of Profits 288,622 And Capital Surplus 102,415 Employee Stock Option 21,825	None	FSC No.0960038299
11/2007	10	1,200,000	12,000,000	556,051	5,560,514	Employee Stock Option 18,115	None	TSE No.0960037136
03/2008	10	1,200,000	12,000,000	556,750	5,567,504	Employee Stock Option 6,990	None	TSE No.09700075761
05/2008	10	1,200,000	12,000,000	556,893	5,568,931	Employee Stock Option 1,427	None	TSE No.09700142371
09/2008	10	1,200,000	12,000,000	598,203	5,982,028	Capitalization of Profits 301,637 And Capital Surplus 111,092 Employee Stock Option 368	None	FSC No.0970036239
02/2009	10	1,200,000	12,000,000	596,910	5,969,099	Treasury Stock write-off 12,929	None	TSE No.0980003591

April 20<sup>th</sup>, 2012/Unit: shares

Type	Authorized Capital				Remark
	Issued Shares	Treasury Stock Shares	Un-issued Shares	Total	
Common Share	591,994,919	4,915,000	603,090,081	1,200,000,000	

#### SHELF REGISTRATION

Type	Shares Expected to Issue		Issued Shares		Objective and Expected Benefit of Issued Shares	Expected time of Un-issued Shares	Remark
	Total Shares	Amount	Amount	Price			
-	-	-	-	-	-	-	-

#### 4.1.1 Composition of Shareholders

April 12, 2011/Unit: shares, %

Shareholder Amount	Government	Financial Institutions	Others Juridical Person	Foreign Institutions and natural Person	Domestic Retail investors	Treasury Stock	Total
Persons	2	6	96	124	55,160	1	55,389
Shares	174	6,525,806	28,594,944	43,922,316	512,951,679	4,915,000	596,909,919
Shareholding	0.00%	1.09%	4.79%	7.36%	85.94%	0.82%	100.00%

#### 4.1.2 Distribution Profile of Shareholder Ownership – Common Share

April 12, 2011/Par value per share: NT\$10

Shareholding Ownership	Number of Shareholders (persons)	Shares Owned (shares)	Holding (%)
1~999	18,770	3,778,785	0.63%
1,000~5,000	24,231	54,468,083	9.13%
5,001~10,000	5,967	45,645,268	7.65%
10,001~15,000	2,013	24,627,921	4.13%
15,001~20,000	1,249	23,050,928	3.86%
20,001~30,000	1,103	27,822,379	4.66%
30,001~40,000	533	18,923,570	3.17%
30,001~50,000	378	17,438,962	2.92%
50,001~100,000	642	45,726,785	7.66%
100,001~200,000	270	37,597,430	6.30%
200,001~400,000	126	34,397,693	5.76%
400,001~600,000	35	17,690,976	2.96%
600,001~800,000	17	12,027,700	2.01%
800,001~1,000,000	13	11,880,616	1.99%
Over 1,000,001	42	221,832,823	37.17%
Total	55,389	596,909,919	100.00%

#### 4.1.3 Distribution Profile of Shareholder Ownership – Preferred Shares

Not Applicable

#### 4.1.4 Major Shareholders

April 20<sup>th</sup>, 2012

Name	Shareholding	Shares Owned	Holding %
Chou-Chye Huang		92,737,817	15.54%
De-Zhong Liu		13,045,795	2.19%
Global View Co., Ltd.		10,038,049	1.68%
Chih-Hao King		9,389,160	1.47%
Citibank in custody for emerging market investment		7,336,620	1.23%
Wen-Qin Lee		7,192,756	1.20%
Fidelity Puritan Trust: Fidelity Low-Priced Stock Fund		7,000,000	1.17%
China Trust Bank in custody for Sunplus employee shareholding trust		6,392,999	1.07%
Bing Huang Shih		6,315,505	1.06%
Lin-Shih Investment		3,559,996	0.60%

#### 4.1.5 Net Worth, Earnings, Dividends, and Market Price per Share

Item	Year	2010	2011	Ended of March 31st, 2012
Market Price	Highest	35.20	23.90	13.25
	Lowest	20.40	8.81	9.72
	Average	25.07	15.54	11.48
Net Worth	Before Distribution	21.38	15.18	15.31
	After Distribution	21.38	(Note 1)	(Note 1)
Earnings Per Share	Weighted Average Shares	593,349,923	589,826,704	588,434,923
	EPS (Note 2)	1.30	1.30	(0.29)
		1.30	1.30	((Note 1))
Dividends Per Share	Cash Dividends	0.8066	(Note 1)	-
	Stock Dividends	-	(Note 1)	-
		-	(Note 1)	-
	Accumulated Undistributed Dividends	-	-	(Note 1)
Return on Investment	Price/Earnings Ratio (Note 3)	19.28	19.28	(Note6)
	Price/Dividend Ratio (Note 4)	31.08	31.08	(Note1)
	Cash Dividends Yield Rate (Note 5)	3%	3%	(Note 1)

Note 1: Pending shareholders' approval

Note 2: Retroactively adjusted for stock dividends and stock bonus to employees

Note 3: Price/Earnings ratio=average market price/earnings per share

Note 4: Price/dividends ratio=Average market price/cash dividends per share

Note 5: Cash dividends yield rate=cash dividend per share/average market price per share

#### 4.1.6 Dividend Policy

##### a) Dividend policy in the "Article of Incorporation"

Our dividend policy is made according to regulations set forth in the "Company Act" and the "Article of Incorporation". The dividends can be in the form of cash or stock, which depends on the status of company's capital, financial structure, operational needs, retained earnings and industrial environment.

The dividend policy for this year will follow the aforementioned rules and maintain the policy of cash dividend with stock dividend, while cash part shall not be less than 10% of the total dividend.

##### b) Stock dividends

No distribution this year.

##### c) Expected Variation: None

#### 4.1.7 Impact to Profits and EPS Resulting from Dividend Distribution

Due to no official financial guidance for 2010, there is no related information to disclose.

#### 4.1.8 Profits Distributed as Employee Bonus and Directors and Supervisors' Compensation

##### a) Regulations Concerning Bonus to Employees, Directors, and Supervisors in the "Article of Incorporation"

When allocating the net profits of each fiscal year, the Company should pay the taxes and make up the losses in previous years; and then shall set aside 10% of the rest after paying tax and making up loss as a legal capital reserve until the accumulated legal capital reserve has equaled the total capital of the Company; and then set aside the special capital reserve in accordance with relevant regulations by the competent authorities. After legal and special capital reservations, the remaining earnings available for distributing will be allocated as the following sequence, however, the Company can adjust the actual ratio of cash dividend and profit allocation because of profitability and cash flow, which should be determined and approved by the shareholders' meeting:

- (1) Up to 6% of the outstanding capital stock will first be paid as dividends.
- (2) Besides 1.5 % of the balance profits after item (1) shall be allocated as bonus to the Directors and Supervisors; at least 1% of the balance profits after item (1) shall be allocated as bonus to employees of the Company. The Company may issue stock bonuses to employees of the affiliated companies meeting the conditions set by the Board Meeting.
- (3) The leftovers after item (1) & (2) may be distributed as additional dividends. The cash dividends shall be at least 10% among the additional dividends paid/distributed, but the Company shall give up distributing cash dividend if the cash dividend is less than NT\$0.5 per share.

If there is any deduction from shareholder equity accumulated in prior year, or the net profit is not enough to offset the deduction from shareholder equity occurred in the same fiscal year, the Company should set aside the equivalent special reserve from the un-appropriated prior years' earnings to make up the deduction before distributing the profit.

##### b) BOD Proposal to Distribute Profits as Bonus to Employees, Directors, and Supervisors

- (1) The BOD meeting proposed not to distribute the profits in 2011.

##### c) 2010 Bonus to Employees, Directors, and Supervisors

Approval by shareholders' meeting on June 10th, 2011, the company decided to distribute the profits of 2010.

The BOD meeting proposed to distribute Bonus to Employees, Directors, and Supervisors:

	Amount in NT\$
Employees bonuses- in cash	\$96,578,671
Bonuses to Directors and supervisors – in Cash	2,204,479
Total	\$98,783,150

The distribution is the same as the proposal submitted by BOD meeting on April 27<sup>th</sup>, 2011.

#### 4.1.9 Buyback of Common Shares

March 31, 2012

Fourth Buyback Program	
Purpose of shares repurchase	To transfer to employees
Scheduled period for the repurchase	2011/03/01~2011/04/30
Repurchase price range	NT\$16~NT\$22
Number of shares repurchased	4,915,000 shares
Total monetary amount of shares repurchased	NT\$91,835,671
Number of shares transferred or write-off	0
Cumulative number of own shares held	4,915,000 shares
Ratio of cumulative number of own shares held during the repurchase period to the total number of the Company's issued shares	0.82%

#### 4.2 Issuance of Corporate Bonds

None

#### 4.3 Preferred Shares

None

## 4.4 Issuance of GDR

March 31, 2012

Item		Issuing Date	March 16, 2001
Issuing Date			March 16, 2001
Issuance & Listing			London Stock Exchange Listed
Total Amount			US\$191,400,000
Offering Price per Unit			US\$9.57
Issued Units			14,737,222.5
Underlying Securities			Offering 20,000,000 new shares of common stock of par value NT\$10
Common Shares Represented			29,474,455 Common Shares
Rights and Obligations of GDR holders			Same as common share holders
Trustee			N/A
Depositary Bank			The Bank of New York
Custodian Bank			International Commercial Bank of China
GDRs Outstanding			274,934 units
Apportionment of the expenses for the issuance and maintenance			All fees and expenses related to issuance of GDRs were borne to the selling shareholders and Sunplus, while the maintenance expenses such as annual listing fees, information disclosure fees and other expenses were borne by Sunplus
Terms and Conditions in the Deposit Agreement and Custody Agreement			-
Closing price per GDRs	2011	Highest	US\$1.62
		Lowest	US\$0.60
		Average	US\$1.07
	Ended of March 31st, 2012	Highest	US\$0.86
		Lowest	US\$0.65
		Average	US\$0.77

## 4.5 Employee Stock Options Plan

### 4.5.1 Issuance of Employee Stock Options and Its Impact to Shareholders Equity

March 31, 2012

Employee Stock Option	Year 2007	
	1st Grant	2nd Grant
Approval Date by the Securities & Future Commission	September 11, 2007	
Issue (Grant) Date	November 13, 2007	December 28, 2007
Number of Shares Issued	19,908,840	6,299,902
Percentage of Issued Shares to Outstanding Common Shares	3.34%	1.06%
Option Duration	2009/11/13~2113/11/12	2009/12/28~2113/12/28
Source of Option Shares	New common shares	
Vesting Schedule	After 2 years, 100%	
Shares Exercised	0	0
Value of Shares Exercised (Note 1)	N/A	N/A
Shares Unexercised	13,362,961	6,299,902
Grant Price per Unexercised Shares	NT\$37.90	NT\$38.30
Percentage of Unexercised Shares to Outstanding Common Shares	2.24%	1.06%
Impact to Shareholders' Equity	Limited dilution to shareholders' equity	

Note 1: The rights and obligations of employee stock options are the same as common shares.

#### 4.5.2 Stock Option to Management Team and Top 10 Individual over NT\$30 million

##### a) Stock option 1st Grant in 2007

March 31, 2012

Title	Name	Amount of Options Granted (shares)	Percentage of Shares Exercisable to Outstanding Common Shares	Shares Unexercised			
				Amount (shares)	Grant Price (NT\$)	Value of Shares Unexercised (NT\$K)	Percentage of Shares Unexercised to Outstanding Common Shares
VP	Steve Huang	599,936	0.10%	599,936	37.90	22,737,574	0.10%
VP	Wayne Shen						
Director of Finance and Accounting Division	Piper Hung						

\*Note: There isn't any execution of stock options by manager mentioned above.

##### b) Stock option 2nd Grant in 2007

March 31, 2012

Title	Name	Amount of Options Granted (shares)	Percentage of Shares Exercisable to Outstanding Common Shares	Shares Unexercised			
				Amount (shares)	Grant Price (NT\$)	Value of Shares Unexercised (NT\$K)	Percentage of Shares Unexercised to Outstanding Common Shares
VP	Steve Huang	269,971	0.05%	269,971	38.30	11,041,822	0.05%
VP	Wayne Shen						
Director of Finance and Accounting Division	Piper Hung						

\*Note: There isn't any execution of stock options by manager mentioned above.

#### 4.6 Mergers and Acquisitions

Not Applicable

#### V. Financial Plan & Implementation

Not Applicable

## VI. Business Highlight

### 6.1 Business Activities

#### 6.1.1 Business Scope

##### a) Major Business

CC01080 Manufacturing of electronic component

I501010 Product Designing

F401010 International Trading

I301010 Software Design Services

I301020 Data Processing Services

R&D, Manufacturing, Testing, Selling of

(1) ICs

(2) modules

(3) Application software

(4) IPs

(5) Trading and Agency Business of ICs

##### b) Product Segments and Sales Amount

Unit: NT\$K, %

Product Categories	2011	
	Amount	Percentage
Multimedia ICs	3,544,322	98.46%
Other ICs	55,425	1.54%
Total	3,599,747	100.00%

##### c) Product Lines

(1) DVD/BD IC: Applications such as DVD player, Portable/pocket DVD player, Car CD/DVD/BD player

(2) Set-up-box IC: Solutions applied to Satellite, Terrestrial, Cable and Internet STB

(3) TV IC: Products applied to TV and Monitor

##### d) New Products

(1) Blue-ray Disc player IC

(2) Portable and Car DVD IC

(3) HD STB IC

(4) HDTV IC

(5) IPTV IC

#### 6.1.2 Industry Overview

##### a) Supply Chain

In the product development flow, Sunplus focuses on IC design, system design, wafer testing and sales services but out-sources most of the manufacturing including mask making, wafer fabrication, wafer sawing, packaging and final testing. The infrastructure of semiconductor industry in Taiwan is very efficient; we have foundries like TSMC, UMC, etc., and backend assembly and testing houses such ASE, SPIL and KYEC. Since those factories are located in Hsinchu Science Park or nearby, the "Cluster" effect could enable high production efficiency.

Our products are shipped to end customers through distributors, so the major customers of Sunplus are distributors. The end customers' manufactories are located in Taiwan, HK and Mainland China, and the end products after assembly are sold to North America and Europe, or other emerging countries per different applications.

##### b) Market Trend and Competition

(1) Multimedia IC: Our multimedia ICs are based on DSP and RISC hardware technologies. By collocating with different image processing and voice processing algorithm, these technologies can process complicated mathematic operations, which can be applied to applications like BD, DVD, set-top-box, LCD TV, digital TV, and etc. At present, our main competitors are Mediatek, Zoran, Morning-Star, ALi and Novatek.

### 6.1.3 Technology and Development

#### a) R&D expenditure in 2010 and 2011

Unit: NT\$K, %

Item	Year	2011	
		201	Ended March 31st, 2011
Expense		1,235,882	281,345
Percentage to Revenue		34%	39%

#### b) R&D Accomplishment

- (1) DTMB set-up-box IC for set-top-box, DTV and pocket TV
- (2) DVB-Terrestrial technology for set-top-box, DTV and pocket TV
- (3) DVB-Satellite I technology for set-top-box, DTV and pocket TV
- (4) H.264/MPEG2 decoding technology for set-top-box, DTV and pocket TV
- (5) MPEG2 decoding and servo control technology for DVD player SoC
- (6) MPEG4 decoding technology for DVD player
- (7) HDMI DVD player IC
- (8) JPEG decoding for Digital photo frame, DVD player, set-top-box, DTV and pocket TV
- (9) Video decoding technology for video player, TV game consoles, LCD TV, and DTV

### 6.1.4 Business Plan

While the concept of “digital home” is getting an ideal and desired life style, the home entertainment IC market will be very potential and highly growing. The coming analog switch-off to digital broadcasting will boost the demand for IC solutions of digital TV, LCD TV, and set-top-box, which could be the next cash cows to Sunplus in the following years. As the long-term strategy, Sunplus will be working on the home entertainment IC market, developing multimedia SoCs and IPs. We will carry on providing total IC solutions to the customers with best cost performance to expand our worldwide market shares of DVD, STB, and TV. Besides, we will launch new home entertainment IC products for HDTV, HD set-top-box, BD player for high definition resolutions soon for those HD products of digital home applications could be the growth drivers to Sunplus in future. In the end, Sunplus targets to be the world’s leading multimedia SoC provider.

## 6.2 Market Status

### 6.2.1 Market Analysis

#### a) Market Analysis by Region

Unit: NT\$K, %

Area	2011	
	Amount (NT\$K)	Percentage (%)
Hong Kong	3,209,110	89.15
Taiwan	266,216	7.40
Others	124,421	3.45
Total	3,599,747	100.00

#### b) Market Share

According to the statistics provided by Taiwan Semiconductor industry Association, the revenue of Taiwan IC design companies could reach NT\$ 385.6billion, and Sunplus took around 0.93% market share with 2011 revenue of NT\$3.6 billion.

#### c) Demand and Growth

Because the analog broadcasting has been switched off to digital broadcasting and the plentiful and interesting contents can be shared via internet easily, the consumers could enjoy better image quality and wonderful experience of home entertainment. Therefore, the demands of home entertainment applications boost in recent years. The market survey institution reports the worldwide shipment of STB will be more than 220 million sets in 2015; the shipment of LCD TV could grow 21% YoY in 2012; and the BD players will grow 50% YoY in 2012, and also indicates the controller chips of those home entertainment applications very potential markets. Sunplus will carry on providing total IC solutions such as DVD, STB, TV, HDTV, HD set-top-box, and BD player for high definition resolutions to targeting those potential markets, which shall be next growth drivers of the Company.

**2007-2012 BD Player Global Market Forecast**

Unit: million	2007	2008	2009	2010	2011(E)	2012(F)
<b>Sales</b>	1	5	16.3	28.5	40	52
<b>YoY Growth</b>		<b>400%</b>	<b>226%</b>	<b>74.85%</b>	<b>40.35%</b>	<b>30%</b>

Source: Topology Research Institute, 2011/05

**2011-2015 Worldwide Digital TV STB Shipment**

Unit: thousand	2011(e)	2012(f)	2013(f)	2014(f)	2015(f)
DTT STB	37,664	36,662	33,036	27,982	22,980
Digital Satellite STB	94,512	96,891	98,516	99,959	102,356
D-CATV STB	51,491	55,209	59,340	63,923	70,234
IPTV STB	19,904	21,420	22,150	22,713	25,138
<b>Total</b>	<b>203,080</b>	<b>209,473</b>	<b>208,818</b>	<b>205,770</b>	<b>220,708</b>

Source: MIC, 2011

**2009-2014 Worldwide LCD TV Shipment**

Unit: million	2009	2010	2011(E)	2012(F)	2013(F)	2014(F)
<b>Worldwide Sales</b>	141,931	190,422	203,466	215,510	229,554	242,598
<b>YoY Growth %</b>	<b>38%</b>	<b>34%</b>	<b>7%</b>	<b>4%</b>	<b>8%</b>	<b>6%</b>

Source: Topology Research Institute, 2011/12

**d) Competition and Business Strategy****(1) Competition Analysis****(a) Accumulation and impartation of the experience of the R&D team**

Eight engineers established Sunplus in 1990. They are the center of Sunplus management team. Each of them has accumulated almost twenty years of experience in new product development, technology management, and marketing. The invaluable experience has been deliberately passed on to the next generation of engineers. This continuity in the conveyance of experience has resulted in fewer complaints from customers and more rapid professional growth in our new employees. Consequently, the labor turn over rate remains relatively low compared to other IC design houses. End of March 31<sup>st</sup> 2012, Sunplus has totaled 413 patents in Taiwan, 391 patents in P.R.C., 301 patents in U.S.A and 60 patents in others courtiers.

**(b) Focus on high-level consumer IC market, enlarge the distance from competitors**

Since the IC market is extremely competitive and stagnation is an ever-present trap, we keep on bringing in a large number of R&D resources to develop new high-level consumer products and widening the distance between us and other competitors. Meanwhile, Sunplus' numerous product lines give us a tremendous advantage over our competitors. We are the kind of customer that prized by most wafer foundries because our wafer demand does not fluctuate when a few products are eliminated. Due to our steady stream orders to our wafer suppliers, we enjoy more consistent wafer supply during peak seasons over our competitors. This also allows us to keep our wafer costs at a competitive rate.

**(c) Strategic cooperation with upper stream and down stream factories**

In recent years, Sunplus has increased cooperation between our upper stream and down stream factories. We believe that this new strategic and more dynamic cooperation relationship will bring positive contributions to our production and marketing in the long term.

**(d) Maintain long-term and stable cooperative relationship with customers**

Consumer electronic products rely on IC to raise their added-on value; consequently the manufacturers and brand-names choose their IC suppliers with extreme caution by evaluating their product specification, features, delivery term, yield rate, and sales service. IC design houses have to work in coordination with customers to build up long-term relationship and facilitate the cooperation. Sunplus is always devoted itself to cutting-edge technology development and have accumulated IC design expertise. We also adopted distributors as expanding sales channels to reach more customers with strongly support and best service. Till today, we have sustained a strong relationship with a lot of end-product manufacturers worldwide.

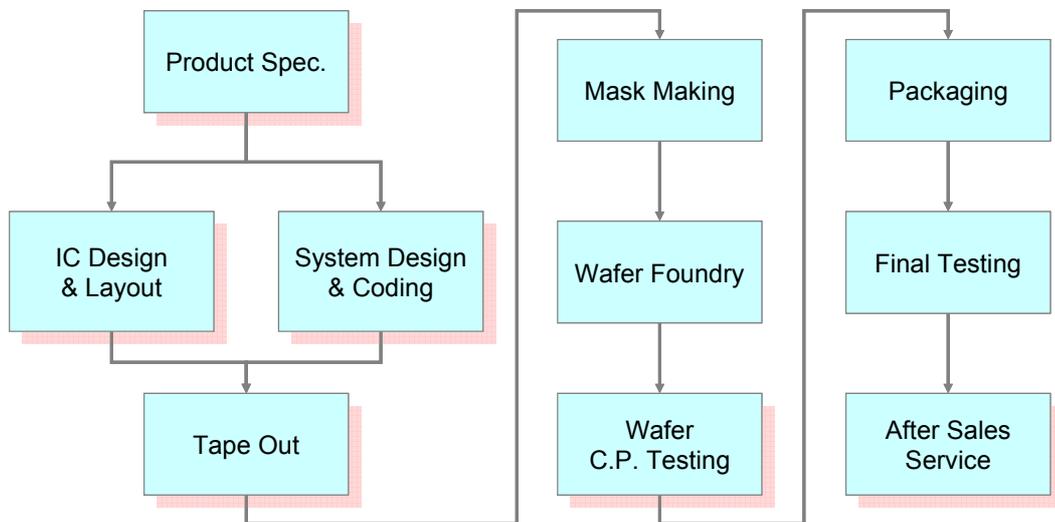
- (2) Advantages
  - (a) Sunplus offers high value-added products to enable customer to win the market.
  - (b) The growing demand for SoC complicates IC product development and raises the entry barrier, which benefits IC design companies with rich resources like Sunplus.
  - (c) Sunplus has strong IC design capability to meet customers' requirements for time to market and costs reduction.
  - (d) Sunplus has built up long-term relationship with wafer foundries due to our steady demand for wafers, and therefore we can get stable supply and lower prices from wafer foundries.
- (3) Disadvantages
  - (a) The competitors are mainly international and big IC design companies.
  - (b) SoC design and integration of features and functions, which developing products costs are a lot more than before, has become the trend of IC design.
  - (c) The floating exchange rate, especially NTD appreciation, will hurt gross margins
- (4) Business Strategy
  - (a) Developing new and high value-added products.
  - (b) Process migration to make per wafer productivity higher and drive cost down.
  - (c) Expanding strategic partnership with clients to create win-win situation.
  - (d) Collaboration with partners to broaden IP licensing sources.

## 6.2.2 Product Applications and Development Flow

### a) Product Applications

- (1) DVD/BD IC: Applications such as DVD player, Portable/pocket DVD player, Car CD/DVD/BD player
- (2) Set-up-box IC: Solutions applied to Satellite, Terrestrial, Cable and Internet STB
- (3) TV IC: Products applied to TV and Monitor

### b) IC Development Flow



In the product development flow, Sunplus focuses on IC design, system design, wafer testing and sales services but out-sources most aspects of the manufacturing including mask making, wafer fabrication, wafer sawing, packaging, and final testing.

## 6.2.3 Major Suppliers

The major materials are wafers. Sunplus' main foundry contractors are local or overseas wafer manufacturers, such as TSMC, UMC, GLOBALFOUNDRIES and Dongbu, whose wafer supplements are sufficient and stable.

## 6.2.4 Major Customers and Suppliers in the Recent Two Years

### a) Major Customers

Unit: NT\$K

2010				2011				End of March 31, 2012			
Customer	Sales Amount	% of Total Sales	Relation with Sunplus	Customer	Sales Amount	% of Total Sales	Relation with Sunplus	Customer	Sales Amount	% of Total Sales	Relation with Sunplus
A	2,158,720	35.22	No	A	1,356,874	37.69	No	A	290,150	39.68	No
B	1,598,192	26.07	No	B	912,920	25.36	No	B	202,632	27.70	No
C	727,221	11.86	No	C	504,895	14.03	No	C	84,605	11.57	No
D	607,624	9.91	No	D	276,773	7.69	No	D	54,472	7.45	No
Others	1,037,827	16.94		Others	548,285	15.23		Others	99,438	13.60	
Net sales	6,129,584	100.00		Net sales	3,599,747	100.00		Net sales	731,297	100.00	

### b) Major Supplier

Unit: NT\$K

2010				2011				End of March 31, 2012			
Supplier	Purchasing Value	% of Total Purchasing	Relation with Sunplus	Supplier	Purchasing Value	% of Total Purchasing	Relation with Sunplus	Supplier	Purchasing Value	% of Total Purchasing	Relation with Sunplus
A	2,381,902	75.33	No	A	843,951	78.03	No	A	305,655	63.60	No
B	750,291	23.73	No	B	226,608	20.95	No	B	109,233	22.72	No
Others	29,906	0.94		Others	10,986	1.02		Others	65,725	13.68	
Net purchase	3,162,099	100.00		Net purchase	1,081,545	100.00		Net purchase	480,613	100.00	

## 6.2.5 Production

Unit: thousand pcs, NT\$K

Year \ Product	2010			2011		
	Capacity	Output	Value	Capacity	Output	Value
Multimedia ICs	-	123,613	4,077,175	-	84,972	2,590,602
Other ICs	-	43	2,115	-	-	-
Total	-	123,656	4,079,290	-	84,972	2,590,602

Note: Sunplus out-sourced production to wafer foundries, so there is no capacity limitation.

## 6.2.6 Sales

Unit: thousand pcs, NT\$K

Year \ Product	2010				2011			
	Local		Export		Local		Export	
	Quantity	Sales	Quantity	Sales	Quantity	Sales	Quantity	Sales
Multimedia IC	2,782	201,707	115,479	5,826,303	3,170	213,239	77,811	3,331,083
Other ICs	43	100,059	0	1,515	0	52,977	0	2,448
Total	2,825	301,766	115,479	5,827,818	3,170	266,216	77,811	3,333,531

## 6.3 Personnel Structure

Year		2010	2011	End of March 31, 2012
Workforce Structure by Job Function	R&D	465	440	423
	Production	71	68	67
	Administration	98	103	103
	Total	634	611	593
Average Age		33.7	34.1	34.7
Average Years Served		4.9	3.4	5.16
Workforce Structure by Education Degree	Ph.D.	2.8%	2.6%	2.4%
	Master	68.0%	68.9%	68.5%
	Bachelor	20.7%	20.6%	21.1%
	Other Higher Education	5.7%	5.6%	5.7%
	High School	2.8%	2.3%	2.4%
	Total	100.00%	100%	100%

## 6.4 Environmental Protection & Expenditures

### 6.4.1 Environmental Protection

Sunplus does not violate any EPA regulation regarding pollutants and environmental protection.

To adhere to the conception of Earth Vision, Sunplus has established the environment protection system for fulfilling policies, social responsibilities and obligations, and been ISO-14001 certified.

To reduce the environmental impact of E-Waste, Sunplus supplies customers with hazardous substances free (HSF) and satisfying products, and has been IECQ QC080000 certified.

### 6.4.2 Working Environment

a) **To allocate sole-duty organization and employees to execute the matters concern to environment security and sanitation management according to Laws.**

(1) To examine the working environment regularly to maintain the security of environment and equipments.

(2) To review the working environment and set up related devices with a standard higher than regulation.

(3) To hold the physical examination for new employees and the regular health examination for employees on the job with higher perception than laws.

## 6.5 Employees

### 6.5.1 Employee Welfare

We strive to provide a clean and supportive environment for our employees. We established an Employee Welfare Committee to operate welfare activities including emergency aid, educational grants, book purchase subsidies, social club activities and overseas trips. We also comply with the Labor Standards Law to conduct labor insurance and retirement system programs, and participation with the National Health Insurance plan according to the National Health Insurance Act. Moreover, we also handle group insurance and insurance for family dependants to ensure security for our employees.

### 6.5.2 Pension Plan

Sunplus has a pension plan for all regular employees, which provides benefits according to the Labor Standard Law. The Company makes monthly contributions, equal to 2% of salaries, to the pension fund, which is administered by a pension fund monitoring committee. The contributions are deposited in the committee's name in the Central Trust of China. Since July 1, 2005, employees who choose Labor Pension Act Implementation Rules of the Labor Pension, the Company makes monthly contributions, equal to 6% of salaries to the personal pension fund of Bureau of Labor Insurance.

### 6.5.3 Other Affairs

Sunplus have smooth commutation channels with employees. Employees could address their opinions to management team directly. All operations are base on the Labor Standard Law. Sunplus' labor relations are outstanding. We are proud to say that there has not been a single loss resulting from a labor dispute since the establishment of the company.

### 6.5.4 Training

The Company provides 218person-times of external professional training courses & 58coures for internal training in 2011. (Skipped the list of course)

### 6.5.5 Loss from Controversy between Labor and Management

None

## 6.6 Important Contracts

Contract	Counter Party	Term	Content	Restriction
Lease of Land	Hsinchu Science Park Administration	1995/8/01-2021/12/31	Lease of Land	Self-use

## VII. Financial Statements

### 7.1 Condensed Financial Statement and Auditors' Opinions

#### 7.1.1 Condensed Balance Sheet

Unit: NT\$K

Item	Year	Recent 5 Years (Note 1)					End of March 31, 2012 (Note 3)
		2007	2008	2009	2010	2011	
Current Assets		4,315,996	2,837,092	6,227,432	5,609,370	3,422,494	4,315,996
Long-term Investment		8,189,460	7,445,768	8,161,338	8,544,972	6,445,698	8,189,460
Fixed Assets		940,134	836,326	843,627	784,822	721,693	940,134
Intangible Assets		841,899	551,787	318,756	216,747	269,542	841,899
Other Assets		1,380,877	1,260,233	849,309	443,536	407,443	1,380,877
Total Assets		15,668,366	12,931,206	16,400,462	15,599,447	11,266,870	15,668,366
Current Liabilities	Before Distribution	2,472,048	1,731,341	2,592,439	2,547,924	2,012,399	1,495,107
	After Distribution	3,898,782	1,731,341	2,592,439	3,025,452	(Note2)	(Note 2)
Long-term Liabilities		0	0	1,257,500	75,500	0	1,345,556
Other Liabilities		313,195	249,443	239,953	212,099	192,543	189,801
Total Liabilities	Before Distribution	2,785,243	1,980,784	4,089,892	2,835,523	2,204,942	3,030,464
	After Distribution	4,211,977	1,980,784	4,089,892	3,313,051	(Note 2)	(Note 2)
Capital Stock		5,567,505	5,982,028	5,969,099	5,969,099	5,969,099	5,969,099
Capital Surplus		1,553,917	1,587,558	1,871,301	1,969,595	1,730,465	1,725,217
Retain Earnings	Before Distribution	5,644,622	3,924,634	4,306,149	5,079,860	2,617,410	2,445,199
	After Distribution	3,916,251	3,924,634	4,306,149	4,602,332	(Note 2)	(Note 2)
Unrealized Gain (Loss) on Financial Merchandise		185,415	(561,966)	116,449	(172,567)	(1,190,315)	(893,957)
Cumulative translation adjustments		63,135	149,639	110,973	(18,662)	90,505	51,089
Unrealized Net Loss on the Costs of Pensions		0	0	0	0	0	0
Total Equity	Before Distribution	12,883,123	10,950,422	12,310,570	12,763,924	9,061,928	9,141,411
	After Distribution	11,456,389	10,950,422	12,310,570	12,286,396	(Note 2)	(Note 2)

Note 1: Figures are audited for the past-5 years

Note 2: Appropriation of 2011 is waiting to be approved in Shareholders' Meeting.

Note 3: Figures of 1Q'2012 are audited

## 7.1.2 Condensed Income Statement

Unit: NT\$K

Item	Year	Recent 5 Years (Note 1)					End of March 31, 2012 (Note 2)
		2007	2008	2009	2010	2011	
Net Sales		9,214,059	6,093,179	7,349,600	6,129,584	3,599,747	731,297
Gross Profit		3,912,226	2,357,964	2,434,607	2,255,319	958,074	248,874
Income from Operation		1,606,196	516,709	586,440	336,416	(554,981)	(113,622)
Non-operating Income (Gain)		1,108,159	727,781	665,689	849,816	343,330	15,857
Non-operating Expense (Loss)		417,873	1,084,466	554,466	40,159	1,557,724	74,446
Income From Operations of Continued Segments-Before Tax		2,296,482	160,024	697,663	1,146,073	(1,769,375)	(172,211)
Income From Operations of Continued Segments-After Tax		2,061,502	8,383	381,515	773,711	(1,984,922)	(172,211)
Income From Operations of Discontinued Segments		0	0	0	0	0	0
Extraordinary Gain (Loss)		0	0	0	0	0	0
Cumulative Effect of Changes in Accounting Principles		0	0	0	0	0	0
Net Income		2,061,502	8,383	381,515	773,711	(1,984,922)	(172,211)
EPS		3.53	0.01	0.64	1.30	(3.37)	(0.29)
Adjusted EPS		3.52	0.01	0.64	1.29	(3.37)	(0.29)

Note 1: Figures are audited for the past-5 years

Note 2: Figures of 1Q'2012 are audited

## 7.1.3 Auditors' Opinions

Year	CPA	Audit Opinion
2007	Hung-Wen Huang, Shu-Chieh Huang	An unqualified opinion
2008	Hung-Peng Lin, Shu-Chieh Huang	An unqualified opinion with expletory
2009	Tung-Hui Yeh, Hung-Wen Huang	An unqualified opinion with expletory
2010	Tung-Hui Yeh, Hung-Wen Huang	An unqualified opinion
2011	Tung-Hui Yeh, Hung-Peng Lin	An unqualified opinion

## 7.2 Financial Analysis

### 7.2.1 Financial Analysis (Standalone)

Analysis Item		Year	Recent 5 years					End of
			2007	2008	2009	2010	2011	March 31, 2012
Capital Structure	Debts ratio (%)		17.78	15.32	24.94	18.18	19.57	24.90
	Long-term fund to fixed assets (%)		1,370.35	1,309.35	1,608.3	1,635.97	1,255.65	1,304.95
Liquidity	Current ratio (%)		174.59	163.87	240.22	220.15	170.07	274.93
	Quick ratio (%)		121.29	100.11	205.98	162.22	141.17	222.81
	Times interest earned (times)		140.63	8.20	21.45	61.34	Note 3	Note 3
Operating Performance	Average collection turnover (times)		6.17	6.12	7.42	5.14	5.07	5.74
	Average collection days		59	60	49	71	72	64
	Inventory turnover (times)		4.05	3.69	5.89	3.64	2.83	3.13
	Payment turnover (times)		5.36	5.85	8.38	5.51	6.01	4.59
	Average inventory turnover days		90	99	62	100	129	117
	Fixed assets turnover (times)		9.8	7.29	8.71	7.81	4.99	3.64
	Total assets turnover (times)		0.84	0.59	0.47	0.39	0.32	0.24
Profitability	Return on total assets (%)		11.49	0.18	2.78	4.93	(14.71)	(1.46)
	Return on stockholders' equity (%)		13.62	0.07	3.28	6.17	(18.19)	(1.89)
	Operating income to paid-in capital (%)		28.85	8.64	9.82	5.64	(9.30)	(1.90)
	Profit before tax to paid-in capital (%)		41.25	2.68	11.69	19.20	(29.64)	(2.89)
	Profit after tax to net sales (%)		22.37	0.14	5.19	12.62	(55.14)	(23.55)
	Earnings per share (NT\$)		3.53	0.01	0.64	1.30	(3.37)	(0.29)
	EPS after dilution		3.52	0.01	0.64	1.29	(3.37)	(0.29)
Cash Flow	Cash flow ratio (%)		103.20	120.99	35.9	33.08	48.75	Note 4
	Cash flow adequacy ratio (%)		110.94	129.07	167.84	158.44	151.87	176.65
	Cash flow reinvestment ratio (%)		3.58	5.81	6.27	6.00	5.21	Note 4
Leverage	Operating leverage		2.05	4.05	3.73	5.37	Note 2	Note 2
	Financial leverage		1.00	1.04	1.06	1.06	Note 2	Note 2

#### Variation Analysis 2011 vs. 2010

- (1) Long-term fund to fixed assets declined because long-term loans and shareholders' equity decreased in 2011.
- (2) Current ratio declined due to decrease of available-for-sale financial assets, AR and inventories in 2011.
- (3) Inventory turnover declined and average inventory turnover days increased due to less sales in 2011 and higher level inventories at the beginning of 2011.
- (4) Fixed assets turnover declined due to decrease of sales in 2011.
- (5) ROA and ROE declined because of less sales, more losses from long-term investment by equity method, impairment loss of assets, and net losses after tax in 2011.
- (6) Operating income to paid-in capital declined due to less sales, margin, and operating income.
- (7) Profit after tax to net sales and Profit before tax to paid-in capital declined due to less sales, more losses from long-term investment by equity method, impairment loss of assets and more net losses after tax.
- (8) EPS and EPS after dilution declined due to less sales, more losses from long-term investment by equity method impairment loss of assets and more net losses after tax.
- (9) Cash flow ratio increased due to less account receivable, loans and current liability.

#### 1. Capital Structure Analysis

- (1) Debts ratio = Total Liabilities/Total Assets
- (2) Long term fund to fixed assets = (Shareholders Equity + Long-term Liabilities)/Net Properties

#### 2. Liquidity Analysis

- (1) Current Ratio = Current Assets/Current Liabilities
- (2) Quick Ratio = (Current Assets – Inventories – Prepaid Expenses)/Current Liabilities
- (3) Times Interest Earned = Earnings before Interest and Taxes/Interest Expenses

#### 3. Operating Performance Analysis

- (1) Average Collection Turnover = Net Sales/Average Trade Receivables
- (2) Average Collection Days = 365/Receivables Turnover Rate
- (3) Average Inventory Turnover = Cost of Sales/Average Inventory
- (4) Average Payment Turnover = Cost of Sales/Average Trade Payables

- (5) Average Inventory Turnover Days =  $365/\text{Average Inventory Turnover}$
- (6) Fixed Assets Turnover =  $\text{Net Sales}/\text{Net Fixed Assets}$
- (7) Total Assets Turnover =  $\text{Net Sales}/\text{Total Assets}$

4. Profitability Analysis

- (1) Return on Total Assets =  $\{\text{Net Income} + \text{Interest Expense} \times (1 - \text{Effective tax rate})\}/\text{Average Total Assets}$
- (2) Return Ratio on Stockholders' Equity =  $\text{Net Income}/\text{Average Stockholders' Equity}$
- (3) Profit after Tax to Net Sales =  $\text{Net Income}/\text{Net Sales}$
- (4) Earnings Per Shares =  $(\text{Net Income} - \text{Preferred Stock Dividend})/\text{Weighted Average Number of Shares Outstanding}$

5. Cash Flow

- (1) Cash Flow Rate =  $\text{Net Cash Provided by Operating Activities}/\text{Current Liabilities}$
- (2) Cash Flow Adequacy Ratio =  $\text{Five-Year Cash from Sum of Operations}/(\text{Five-Year Capital Expenditure} + \text{Inventory Increase} + \text{Cash Dividend})$
- (3) Cash flow reinvestment ratio =  $(\text{Net Cash Provided by Operating Activities} - \text{Cash Dividend})/(\text{Fixed Assets} + \text{Long-term Investment} + \text{Other Assets} + \text{Working Capital})$

6. Leverage

- (1) Operating Leverage =  $(\text{Net Sales} - \text{Operating Expenses \& Cost})/\text{Operating Income}$
- (2) Financial Leverage =  $\text{Operating Income}/(\text{Operating Income} - \text{Interest Expenses})$

## 7.2.2 Financial Analysis (Consolidated)

Analysis Item		Year	Recent 5 years				
		2007	2008	2009	2010	2011	End of March 31, 2012
Capital Structure	Debts ratio (%)	33.05	28.72	31.76	22.88	24.35	28.43
	Long-term fund to fixed assets (%)	751.52	777.78	1,185.03	1,227.50	646.53	670.39
Liquidity	Current ratio (%)	194.68	217.01	255.15	306.08	282.82	360.69
	Quick ratio (%)	142.86	142.5	216.20	245.51	242.46	305.74
	Times interest earned (times)	29.58	2.49	12.89	31.25	Note 3	Note 3
Operating Performance	Average collection turnover (times)	5.07	5.21	7.68	6.12	5.95	5.41
	Average collection days	72	70.06	47.52	59.64	61.33	67.51
	Average inventory turnover (times)	3.86	3.9	5.90	4.62	3.98	3.85
	Average payment turnover (times)	5.14	7.34	11.92	6.91	5.93	4.27
	Average inventory turnover days	95	93.59	61.86	79.06	91.68	94.73
	Fixed assets turnover (times)	10.76	10.03	14.56	10.88	5.61	3.97
	Total assets turnover (times)	0.96	0.92	0.93	0.69	0.66	0.48
Profitability	Return on total assets (%)	9.09	0.76	3.04	5.08	(0.12)	(0.01)
	Return on stockholders' equity (%)	12.58	0.58	3.88	6.75	(0.16)	(0.02)
	Operating income to paid-in capital (%)	26.62	-10.77	8.58	12.56	(13.46)	(3.28)
	Profit before tax to paid-in capital (%)	4.12	2.28	15.31	22.67	(28.66)	(3.29)
	Profit after tax to net sales (%)	10.03	0.48	2.78	7.22	(21.68)	(11.30)
	Earnings per share (NT\$)	3.28	0.01	0.64	1.30	(3.37)	(0.29)
	EPS after dilution (NT\$)	3.27	0.01	0.64	1.29	(3.37)	(0.29)
Cash Flow	Cash flow ratio (%)	48.90	18.07	46.25	34.01	34.19	Note 4
	Cash flow adequacy ratio (%)	133	125.3	124.87	97.31	95.41	81.98
	Cash flow reinvestment ratio (%)	6.64	Note 1	11.29	7.55	3.8	Note 4
Leverage	Operating leverage	3.39	Note 2	8.73	5.55	Note 2	Note 2
	Financial leverage	1	Note 2	1	1	Note 2	Note 2

### Variation Analysis 2011vs. 2010

- (1) Long-term fund to fixed assets declined due to less long-term loans and shareholders' equity
- (2) Fixed assets turnover declined due to decreased sales.
- (3) Return on total assets, Return on stockholders' equity, Operating income to paid-in capital, Profit after tax to net sales, Earnings per share and EPS after dilution declined due to a decrease in sales, more impairment loss of assets and less net income before tax in 2010.
- (4) Cash flow reinvestment ratio declined due to cash dividend distribution.

Note 1: Figures not listed because cash flow in from operating activities is less than cash dividends.

Note 2: Figures not listed due to operating loss.

Note 3: Figures not listed due to net loss before tax.

Note 4: Figures not listed due to cash flow out from operating.

## 7.3 Supervisor's Report

### Sunplus Technology Co., Ltd. Supervisor's Report

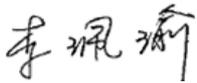
Sunplus' Board has submitted the 2011 business report, financial statements and appropriation of 2011 losses. The Deloitte & Touche CPA firm has audited the financial statements, and issued an audit report. I, Sunplus' supervisor, have reviewed the 2011 business report, financial statements and appropriation of 2011 losses, and verify that they comply with the Company Law and relevant regulations. According to Article 219 of the Company Law, I hereby submit this report.

#### To Sunplus 2012 Annual General Shareholders' Meeting

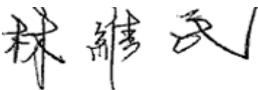
Sunplus Technology Co., Ltd.  
Supervisor,



Liu, De-Zhong



Lee, Pei-Yu



Lin, Wei-Min

April 30, 2012

## **7.4 Financial Statements**

## 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 (the "Company") as of December 31, 2011 and 2010, 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, 2011 and 2010, 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.

We have also audited the consolidated financial statements of Sunplus Technology Company Limited and subsidiaries as of and for the years ended December 31, 2011 and 2010 and have issued an unqualified opinion thereon in our reports dated March 21, 2012 and January 31, 2011, respectively.

March 21, 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 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, 2011 AND 2010**

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

ASSETS	2011		2010		LIABILITIES AND SHAREHOLDERS' EQUITY	2011		2010	
	Amount	%	Amount	%		Amount	%	Amount	%
<b>CURRENT ASSETS</b>					<b>CURRENT LIABILITIES</b>				
Cash (Note 4)	\$ 1,805,704	16	\$ 2,097,829	13	Short-term bank loans (Note 13)	\$ 381,100	3	\$ 174,780	1
Available-for-sale financial assets - current (Notes 2 and 5)	362,947	3	757,094	5	Accounts payable	347,378	3	541,346	3
Accounts receivable, net (Notes 2, 3, 6 and 22)	539,669	5	880,611	6	Income tax payable (Notes 2 and 19)	382,634	4	262,708	2
Other receivables	99,556	1	127,303	1	Accrued expenses	207,185	2	356,052	2
Other receivables - related parties (Notes 8 and 22)	32,969	-	270,516	2	Long-term bank loans - current portion (Notes 14 and 23)	208,000	2	545,000	4
Inventories (Notes 2 and 7)	534,610	5	1,355,359	9	Deferred royalty income (Notes 2 and 22)	2,048	-	11,772	-
Deferred income tax assets (Notes 2 and 19)	6,471	-	80,880	-	Other current liabilities (Notes 2, 8 and 22)	484,054	4	656,266	4
Other current assets	40,568	-	39,778	-					
Total current assets	3,422,494	30	5,609,370	36	Total current liabilities	2,012,399	18	2,547,924	16
<b>LONG-TERM INVESTMENTS</b>					<b>LONG-TERM BANK LOANS, NET OF CURRENT PORTION</b>				
Equity-method investments (Notes 2 and 8)	5,566,800	49	6,572,644	42	(Notes 14 and 23)	-	-	75,500	1
Available-for-sale financial assets (Notes 2, 5 and 8)	860,009	8	1,951,217	13	<b>OTHER LIABILITIES</b>				
Financial assets carried at cost (Notes 2 and 9)	18,889	-	21,111	-	Deferred income (Notes 2 and 22)	2,509	-	20,060	-
Total long-term investments	6,445,698	57	8,544,972	55	Accrued pension liability (Notes 2 and 15)	52,029	1	54,419	-
<b>PROPERTIES (Notes 2, 10 and 23)</b>					Guarantee deposits	138,005	1	137,620	1
Cost					Total other liabilities	192,543	2	212,099	1
Buildings	806,908	7	795,683	5	Total liabilities	2,204,942	20	2,835,523	18
Auxiliary equipment	62,458	1	190,696	1	<b>SHAREHOLDERS' EQUITY (Notes 2, 16 and 17)</b>				
Machinery and equipment	153,192	1	381,524	2	Capital stock - NT\$10.00 par value				
Testing equipment	95,930	1	338,129	2	Authorized - 1,200,000 thousand shares				
Transportation equipment	-	-	1,209	-	Issued and outstanding - 596,910 thousand shares	5,969,099	53	5,969,099	38
Furniture and fixtures	12,987	-	80,811	1	Capital surplus				
Leasehold improvements	-	-	89	-	Additional paid-in capital - share issuance in excess of par	709,215	6	709,215	5
Total cost	1,131,475	10	1,788,141	11	Treasury stock transactions	71,228	1	68,357	-
Less: Accumulated depreciation	409,782	3	1,003,319	6	Merger and others	950,022	8	1,192,023	8
Net properties	721,693	7	784,822	5	Retained earnings				
<b>INTANGIBLE ASSETS, NET (Notes 2 and 11)</b>					Legal reserve	2,450,003	22	2,372,631	15
	269,542	2	216,747	1	Special reserve	191,229	1	-	-
<b>OTHER ASSETS</b>					Unappropriated earnings (deficit)	(23,822)	-	2,707,229	18
Rental assets, net (Notes 2, 22 and 23)	136,693	1	150,483	1	Others				
Deferred charges and others (Notes 2 and 12)	84,729	1	102,781	1	Cumulative translation adjustments	90,505	1	(18,662)	-
Deferred income tax assets (Notes 2 and 19)	180,021	2	190,272	1	Unrealized loss on financial assets	(1,190,315)	(11)	(172,567)	(1)
Restricted assets (Notes 4, 23 and 24)	6,000	-	-	-	Treasury stock (at cost) - 8,475 thousand shares in 2011 and 3,560 thousand shares in 2010	(155,236)	(1)	(63,401)	(1)
Total other assets	407,443	4	443,536	3	Total shareholders' equity	9,061,928	80	12,763,924	82
<b>TOTAL</b>	<b>\$ 11,266,870</b>	<b>100</b>	<b>\$ 15,599,447</b>	<b>100</b>	<b>TOTAL</b>	<b>\$ 11,266,870</b>	<b>100</b>	<b>\$ 15,599,447</b>	<b>100</b>

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

# SUNPLUS TECHNOLOGY COMPANY LIMITED

## STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2011 AND 2010

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

	2011		2010	
	Amount	%	Amount	%
GROSS SALES	\$ 3,734,610		\$ 6,269,635	
SALES RETURNS AND ALLOWANCES	<u>134,863</u>		<u>140,051</u>	
NET SALES (Notes 2 and 22)	3,599,747	100	6,129,584	100
COST OF SALES (Notes 2, 7 and 18)	2,669,673	74	3,884,048	63
REALIZED INTERCOMPANY GAIN, NET (Note 2)	<u>28,000</u>	<u>1</u>	<u>9,783</u>	<u>-</u>
GROSS PROFIT	<u>958,074</u>	<u>27</u>	<u>2,255,319</u>	<u>37</u>
OPERATING EXPENSES (Notes 18 and 22)				
Marketing	157,230	5	203,883	3
General and administrative	119,943	3	261,998	4
Research and development	<u>1,235,882</u>	<u>34</u>	<u>1,453,022</u>	<u>24</u>
Total operating expenses	<u>1,513,055</u>	<u>42</u>	<u>1,918,903</u>	<u>31</u>
OPERATING (LOSS) INCOME	<u>(554,981)</u>	<u>(15)</u>	<u>336,416</u>	<u>6</u>
NONOPERATING INCOME AND GAINS				
Gain on disposal of investments, net (Note 2)	223,364	6	564,868	9
Administrative and support service revenue (Note 22)	33,356	1	45,287	1
Interest income	19,971	1	10,563	-
Rental revenue (Note 22)	16,411	-	17,078	-
Foreign exchange gain, net (Note 2)	12,828	-	-	-
Dividend income (Note 2)	9,122	-	5,073	-
Gain on disposal of fixed assets (Note 2)	1,251	-	7,262	-
Investment income recognized by the equity-method, net (Notes 2 and 8)	-	-	149,813	3
Others (Notes 2 and 22)	<u>27,027</u>	<u>1</u>	<u>49,872</u>	<u>1</u>
Total nonoperating income and gains	<u>343,330</u>	<u>9</u>	<u>849,816</u>	<u>14</u>
NONOPERATING EXPENSES AND LOSSES				
Investment loss recognized by the equity-method, net (Notes 2 and 8)	839,722	23	-	-
Impairment loss (Notes 2, 5, 8 and 9)	703,585	20	12,452	-
Interest expense	10,775	-	18,994	1
Loss on disposal of fixed assets (Note 2)	244	-	1,630	-

(Continued)

# SUNPLUS TECHNOLOGY COMPANY LIMITED

## STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2011 AND 2010

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

	2011		2010	
	Amount	%	Amount	%
Foreign exchange loss, net (Note 2)	\$ -	-	\$ 3,557	-
Others (Note 2)	<u>3,398</u>	-	<u>3,526</u>	-
Total nonoperating expenses and losses	<u>1,557,724</u>	<u>43</u>	<u>40,159</u>	<u>1</u>
(LOSS) INCOME BEFORE INCOME TAX	(1,769,375)	(49)	1,146,073	19
INCOME TAX EXPENSE (Notes 2 and 19)	<u>215,547</u>	<u>6</u>	<u>372,362</u>	<u>6</u>
NET (LOSS) INCOME	<u>\$ (1,984,922)</u>	<u>(55)</u>	<u>\$ 773,711</u>	<u>13</u>
	2011		2010	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
(LOSS) EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 20)				
Basic	<u>\$ (3.00)</u>	<u>\$ (3.37)</u>	<u>\$ 1.93</u>	<u>\$ 1.30</u>
Diluted	<u>\$ (3.00)</u>	<u>\$ (3.37)</u>	<u>\$ 1.92</u>	<u>\$ 1.29</u>

The pro forma net income (loss) and earnings (loss) per share (EPS/(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):

	2011		2010	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
NET INCOME (LOSS)	<u>\$(1,766,504)</u>	<u>\$(1,982,051)</u>	<u>\$ 1,146,073</u>	<u>\$ 773,711</u>
BASIC EPS (LPS)				
Based on weighted-average shares				
Outstanding - 593,387 thousand shares in 2011 and 596,910 thousand shares in 2010	<u>\$(2.98)</u>	<u>\$(3.34)</u>	<u>\$1.92</u>	<u>\$1.30</u>
DILUTED EPS (LPS)				
Based on weighted-average shares				
Outstanding - 593,387 thousand shares in 2011 and 601,466 thousand shares in 2010	<u>\$(2.98)</u>	<u>\$(3.34)</u>	<u>\$1.91</u>	<u>\$1.29</u>

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

(Concluded)

**SUNPLUS TECHNOLOGY COMPANY LIMITED**

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY  
YEARS ENDED DECEMBER 31, 2011 AND 2010  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

	Capital Stock Issued and Outstanding (Note 16)		Capital Surplus (Notes 2 and 16)					Retained Earnings (Notes 2 and 16)				Others (Notes 2, 16 and 17)			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 (Accumulated Deficit)	Total	Cumulative Translation Adjustments	Unrealized Valuation (Loss) Gain on Financial Assets	Treasury Stock	
BALANCE, JANUARY 1, 2010	596,910	\$ 5,969,099	\$ 709,215	\$ 68,357	\$ 936,306	\$ 157,423	\$ 1,871,301	\$ 2,334,480	\$ 428,914	\$ 1,542,755	\$ 4,306,149	\$ 110,973	\$ 116,449	\$ (63,401)	\$ 12,310,570
Appropriation of prior year's earnings															
Legal reserve	-	-	-	-	-	-	-	38,151	-	(38,151)	-	-	-	-	-
Special reserve	-	-	-	-	-	-	-	-	(428,914)	428,914	-	-	-	-	-
Adjustment arising from changes in percentage of ownership of investees	-	-	-	-	88,965	-	88,965	-	-	-	-	-	-	-	88,965
Adjustment of capital surplus - others	-	-	-	-	9,329	-	9,329	-	-	-	-	-	-	-	9,329
Net income in 2010	-	-	-	-	-	-	-	-	-	773,711	773,711	-	-	-	773,711
Translation adjustments on long-term investments	-	-	-	-	-	-	-	-	-	-	-	(129,635)	-	-	(129,635)
Adjustment for changes in equity in equity-method investees	-	-	-	-	-	-	-	-	-	-	-	-	(161,875)	-	(161,875)
Valuation loss on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	-	-	(127,141)	-	(127,141)
BALANCE, DECEMBER 31, 2010	596,910	5,969,099	709,215	68,357	1,034,600	157,423	1,969,595	2,372,631	-	2,707,229	5,079,860	(18,662)	(172,567)	(63,401)	12,763,924
Acquisition of treasury stock	-	-	-	-	-	-	-	-	-	-	-	-	-	(91,835)	(91,835)
Appropriation of prior year's earnings:															
Legal reserve	-	-	-	-	-	-	-	77,372	-	(77,372)	-	-	-	-	-
Special reserve	-	-	-	-	-	-	-	-	191,229	(191,229)	-	-	-	-	-
Cash dividends NT\$0.8 per share	-	-	-	-	-	-	-	-	-	(477,528)	(477,528)	-	-	-	(477,528)
Adjustment arising from changes in percentage of ownership of investees	-	-	-	-	(198,021)	-	(198,021)	-	-	-	-	-	-	-	(198,021)
Adjustment of capital surplus - others	-	-	-	-	(43,980)	-	(43,980)	-	-	-	-	-	-	-	(43,980)
Net loss in 2011	-	-	-	-	-	-	-	-	-	(1,984,922)	(1,984,922)	-	-	-	(1,984,922)
Translation adjustments on long-term investments	-	-	-	-	-	-	-	-	-	-	-	109,167	-	-	109,167
Cash dividends received by subsidiaries from parent company	-	-	-	2,871	-	-	2,871	-	-	-	-	-	-	-	2,871
Adjustment for changes in equity in equity-method investees	-	-	-	-	-	-	-	-	-	-	-	-	(210,304)	-	(210,304)
Valuation loss on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	-	-	(807,444)	-	(807,444)
BALANCE, DECEMBER 31, 2011	596,910	5,969,099	709,215	71,228	792,599	157,423	1,730,465	2,450,003	191,229	(23,822)	2,617,410	90,505	(1,190,315)	(155,236)	9,061,928

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

# SUNPLUS TECHNOLOGY COMPANY LIMITED

## STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2011 AND 2010 (In Thousands of New Taiwan Dollars)

	2011	2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net (loss) income	\$ (1,984,922)	\$ 773,711
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	325,887	416,446
Gain on disposal of investments, net	(223,364)	(564,868)
Impairment loss	703,585	12,452
Investment (income) loss recognized by the equity-method, net	839,722	(149,813)
Realized intercompany gain, net	(28,000)	(9,783)
Realized royalty income	(2,172)	(2,173)
Unrealized royalty income	2,897	-
Gain on disposal of properties, net	(1,007)	(5,632)
Loss on disposal of intangible assets, net	-	528
Cash dividends received from equity-method investees	298,381	203,777
Deferred income tax	84,660	335,939
Accrued pension liability	(2,390)	(2,782)
Net changes in operating assets and liabilities		
Accounts receivable	340,942	623,170
Other receivables	27,747	6,388
Other receivables - related parties	(5,065)	8,963
Inventories	820,749	(578,514)
Other current assets	(790)	(2,232)
Accounts payable	(193,968)	(326,402)
Income tax payable	119,926	18,211
Accrued expenses	(148,867)	87,995
Other current liabilities	7,109	(2,517)
Net cash provided by operating activities	<u>981,060</u>	<u>842,864</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds of the disposal of:		
Available-for-sale financial assets	856,694	1,688,888
Equity-method investments	283,602	830,966
Return of capital on investments accounted for by the equity method	11,172	-
Return of capital on financial assets carried at cost	2,222	1,993
Properties	1,252	14,630
Acquisition of:		
Available-for-sale financial assets	(459,641)	(425,133)
Equity-method investments	(243,350)	(1,026,326)
Properties	(35,311)	(39,722)
Increase in intangible assets	(171,326)	(55,349)
Increase in deferred charges and others	(85,341)	(104,787)
Other receivable - related parties	(652,000)	(202,000)
Increase in restricted assets	(6,000)	-
Net cash (used in) provided by investing activities	<u>(498,027)</u>	<u>683,160</u>

(Continued)

# SUNPLUS TECHNOLOGY COMPANY LIMITED

## STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2011 AND 2010 (In Thousands of New Taiwan Dollars)

	2011	2010
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in short-term loans	\$ 206,320	\$ 174,780
Increase (decrease) in guarantee deposits	385	(13,300)
Repayments of long-term bank loans	(412,500)	(1,169,500)
Cash dividends	(477,528)	-
Cash paid for the acquisition of treasury stock	<u>(91,835)</u>	<u>-</u>
Net cash used in financing activities	<u>(775,158)</u>	<u>(1,008,020)</u>
NET (DECREASE) INCREASE IN CASH	(292,125)	518,004
CASH, BEGINNING OF YEAR	<u>2,097,829</u>	<u>1,579,825</u>
CASH, END OF YEAR	<u>\$ 1,805,704</u>	<u>\$ 2,097,829</u>
<b>SUPPLEMENTAL CASH FLOW INFORMATION:</b>		
Income tax paid	<u>\$ 10,961</u>	<u>\$ 18,211</u>
Interest paid	<u>\$ 12,064</u>	<u>\$ 20,728</u>
<b>NONCASH INVESTING AND FINANCING ACTIVITIES:</b>		
Reclassifications of rental assets to properties	<u>\$ 10,392</u>	<u>\$ -</u>
Reclassifications of long-term investment to available-for-sale financial assets	<u>\$ -</u>	<u>\$ 1,797,346</u>
Reclassification of credit balance on carrying value of long-term investments to other current liabilities	<u>\$ 171,299</u>	<u>\$ 12,137</u>
Reclassifications of other receivable - related parties to long-term investment	<u>\$ 489,000</u>	<u>\$ -</u>
Current portion of long-term bank loans	<u>\$ 208,000</u>	<u>\$ 545,000</u>
<b>PARTIAL CASH INVESTING AND FINANCING ACTIVITIES:</b>		
Acquisition of properties	\$ (27,289)	\$ (42,961)
Increase (decrease) in payables to contractors and equipment suppliers	<u>(8,022)</u>	<u>3,239</u>
Cash paid	<u>\$ (35,311)</u>	<u>\$ (39,722)</u>
Disposal of equity-method investments	\$ 283,602	\$ 800,871
Decrease in receivables from disposal of equity-method investments	<u>-</u>	<u>30,095</u>
Cash received	<u>\$ 283,602</u>	<u>\$ 830,966</u>

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

(Concluded)

# SUNPLUS TECHNOLOGY COMPANY LIMITED

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2011 AND 2010

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

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### 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 processors. 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 16).

As of December 31, 2011 and 2010, the Company had 611 and 634 employees, respectively.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### Basis of Presentation

The accompanying financial statements have been prepared in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, the Business Accounting Law, Guidelines Governing Business Accounting and accounting principles generally accepted in the Republic of China (ROC). Significant accounting policies are summarized as follows:

#### Foreign-currency Transactions

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

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

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

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

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

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

## **Accounting Estimates**

Under the above guidelines, law and principles, the Company is required to make certain estimates and assumptions that could affect the amounts of allowance for doubtful accounts, allowance for sales returns and discounts, allowance for inventory devaluation, property depreciation, amortization of intangible assets and deferred charges, impairment loss on assets, pension expenses and the bonuses to employees, directors and supervisors. Actual results could differ from these estimates.

## **Current/Noncurrent Assets and Liabilities**

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

## **Available-for-sale Financial Assets**

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

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

The Company recognizes a financial asset in its balance sheet when the Company becomes a party to the contractual provisions of the financial instruments. A financial asset is derecognized when the Company has lost control of its contractual rights over the financial asset.

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

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

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

## **Impairment of Accounts Receivable**

An allowance for doubtful accounts is provided on the basis of a review of the collectibility of accounts receivable. The Company makes this review through an aging analysis of the outstanding receivables and assessing the value of the collaterals provided by customers.

As discussed in Note 3 to the financial statements, on January 1, 2011, the Company adopted the third-time revised Statement of Financial Accounting Standards (SFAS) No. 34 - "Financial Instruments: Recognition and Measurement." One of the main revisions is that the impairment of receivables originated by the Company should be covered by SFAS No. 34. Accounts receivable are assessed for

impairment at the end of each reporting period and considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the accounts receivable, the estimated future cash flows of the asset have been affected. Objective evidence of impairment could include:

- Significant financial difficulty of the debtor;
- Accounts receivable becoming overdue; or
- It becoming probable that the debtor will enter into bankruptcy or undergo financial reorganization.

Accounts receivable that are assessed as not impaired individually are further assessed for impairment on a collective basis. Objective evidence of impairment of a portfolio of accounts receivable could include the Company's past experience of collecting payments and an increase in the number of delayed payments, as well as observable changes in national or local economic conditions that correlate with defaults on receivables.

The amount of the impairment loss recognized is the difference between the asset carrying amount and the present value of estimated future cash flows, after taking into account the related collaterals and guarantees, discounted at the receivable's original effective interest rate.

The carrying amount of the accounts receivable is reduced through the use of an allowance account. When accounts receivable are considered uncollectible, they are written off against the allowance account. Recoveries of amounts previously written off are credited to the allowance account. Changes in the carrying amount of the allowance account are recognized as bad debt in profit or loss.

#### **Allowance for Sales Returns and Discounts**

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. This allowance is deducted from sales in the year the products are sold, and related costs are deducted from cost of sales.

#### **Inventories**

Inventories consist of raw materials, work-in-process, finished goods and merchandise. Inventories are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at standard costs and adjusted to approximate weighted-average cost on the balance sheet date.

#### **Financial Assets Carried at Cost**

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

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

#### **Equity-method Investments**

Investments in which the Company holds 20% or more of the investees voting shares or exercises significant influence over the operating and financial policy decisions are accounted for by the equity method. Based on the revised Statement of Financial Accounting Standards - "Long-Term Investments under the Equity Method," the cost of an investment should be analyzed and the cost of investment in excess of the fair value of identifiable net assets acquired, representing goodwill, should not be amortized and should instead be tested for impairment annually.

When the Company's share in losses of an investee over which the Company has significant influence equals its investment in that investee plus any advances made to the investee, the Company discontinues applying the equity method. The Company continues to recognize its share in losses of the investee if (a) the Company commits to provide further financial support to the investee or (b) the losses of the investee are considered to be temporary and sufficient evidence shows imminent return to profitability.

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

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

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

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

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

### **Properties and Rental Assets**

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

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

Depreciation is provided on a straight-line basis over useful lives 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 useful lives are further depreciated over their newly estimated useful lives.

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

### **Intangible Assets**

Intangible assets consist of technology license fees and patents, which are initially recorded at cost and are amortized on a straight-line basis over 1 to 15 years and 5 to 18 years, respectively.

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

If the recoverable amount of an intangible asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. If an impairment loss reverses, the carrying amount of the asset is increased accordingly, but the increased carrying amount of an asset due to a reversal of impairment loss should not exceed the carrying amount that would have been determined (net of amortization) had no impairment loss been recognized for the asset in prior years.

### **Deferred Charges**

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

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

### **Pension Costs**

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

### **Income Tax**

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

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

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

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

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

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

### **Stock-based Compensation**

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

### **Treasury Stock**

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

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

### **Revenue Recognition**

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

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

### **Reclassifications**

Certain accounts in the financial statements as of and for the year ended December 31, 2010 have been reclassified to conform to the presentation of financial statements as of and for the year ended December 31, 2011.

### 3. ACCOUNTING CHANGE

#### **SFAS No. 34 - “Financial Instruments: Recognition and Measurement”**

On January 1, 2011, the Company adopted the newly revised Statement of Financial Accounting Standards (SFAS) No. 34 - “Financial Instruments: Recognition and Measurement.” The main revisions include (1) finance lease receivables are now covered by SFAS No. 34; (2) the scope of the applicability of SFAS No. 34 to insurance contracts is amended; (3) loans and receivables originated by the Company are now covered by SFAS No. 34; (4) additional guidelines on impairment testing of financial assets carried at amortized cost when a debtor has financial difficulties and the terms of obligations have been modified; and (5) accounting treatment by a debtor for modifications in the terms of obligations. This accounting change had no effect on the financial statement for the year ended December 31, 2011.

#### **SFAS No. 41 - “Operating Segments”**

On January 1, 2011, the Company adopted the newly issued SFAS No. 41 - “Operating Segments.” The statement requires that segment operation be disclosed on the basis of the information on the components of the Company that management uses to make operating decisions. SFAS No. 41 requires the identification of operating segments on the basis of internal reports that are regularly reviewed by the Company's chief operating decision maker in order to allocate resources to the segments and assess their performance. This statement supersedes SFAS No. 20 - “Segment Reporting.” This accounting change had no effect on the disclosures of the operating segments of the Company.

### 4. CASH CHANGES

	<u>December 31</u>	
	<b>2011</b>	<b>2010</b>
Savings accounts	\$ 563,661	\$ 195,184
Time deposits	1,247,100	1,900,954
Checking accounts	260	889
Cash on hand	<u>683</u>	<u>802</u>
	1,811,704	2,097,829
Deduct: Restricted assets (Note 23)	<u>6,000</u>	<u>-</u>
	<u>\$ 1,805,704</u>	<u>\$ 2,097,829</u>

### 5. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	<u>December 31</u>	
	<b>2011</b>	<b>2010</b>
Open-end funds	\$ 362,947	\$ 757,094
Domestic listed stocks	<u>860,009</u>	<u>1,951,217</u>
	1,222,956	2,708,311
Deduct: Current portion	<u>362,947</u>	<u>757,094</u>
	<u>\$ 860,009</u>	<u>\$ 1,951,217</u>

Some of the domestic listed shares held by the Company are private-placement shares, on which there is a legally enforceable restriction that prevents their being traded within a specified period. As of December 31, 2011 and 2010, the effects of restriction could be reliably measured and were consistent with those of other market participants, so those shares previously as financial assets carried at cost were transferred to available-for-sale financial assets, resulting in unrealized losses of \$70,292 thousand and \$28,855 thousand, respectively.

As of December 31, 2011, the Company had recognized \$283,573 thousand as impairment loss on its available-for-sale financial assets.

## 6. ACCOUNTS RECEIVABLE

	<b>December 31</b>	
	<b>2011</b>	<b>2010</b>
Accounts receivable - other	\$ 542,406	\$ 947,779
Accounts receivable - related parties	<u>6,038</u>	<u>14,744</u>
	548,444	962,523
Deduct: Allowance for doubtful accounts	160	56,912
Deduct: Allowance for sales returns and discounts	<u>8,615</u>	<u>25,000</u>
	<u>\$ 539,669</u>	<u>\$ 880,611</u>

Movements of the allowance for doubtful accounts were as follows:

	<b>Years Ended December 31</b>	
	<b>2011</b>	<b>2010</b>
Balance, beginning of year	\$ 56,912	\$ 56,912
Add: Amount recovered	160	-
Deduct: Reversal of the allowance for doubtful accounts	<u>56,912</u>	<u>-</u>
Balance, end of year	<u>\$ 160</u>	<u>\$ 56,912</u>

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

	<b>Years Ended December 31</b>	
	<b>2011</b>	<b>2010</b>
Balance, beginning of year	\$ 25,000	\$ 25,000
Deduct: Reversal of allowance for sales returns and discounts	<u>16,385</u>	<u>-</u>
Balance, end of year	<u>\$ 8,615</u>	<u>\$ 25,000</u>

## 7. INVENTORIES

	<b>December 31</b>	
	<b>2011</b>	<b>2010</b>
Finished goods and merchandise	\$ 270,511	\$ 319,344
Work-in-process	250,974	388,069
Raw materials	<u>13,125</u>	<u>647,946</u>
	<u>\$ 534,610</u>	<u>\$ 1,355,359</u>

As of December 31, 2011 and 2010, the allowance for inventory devaluation was \$330,290 thousand and \$162,549 thousand, respectively.

The costs of inventories recognized as costs of goods sold were \$2,669,673 thousand in 2011 and \$3,884,048 thousand in 2010, and these inventory costs included the following:

	<b>Years Ended December 31</b>	
	<b>2011</b>	<b>2010</b>
Inventory write-downs	\$ 195,127	\$ 90,033
Income from scrap sales	<u>(12,379)</u>	<u>(20,602)</u>
	<u>\$ 182,748</u>	<u>\$ 69,431</u>

## 8. EQUITY-METHOD INVESTMENTS

	<b>December 31</b>			
	<b>2011</b>		<b>2010</b>	
	<b>Amount</b>	<b>% of Owner- ship</b>	<b>Amount</b>	<b>% of Owner- ship</b>
Ventureplus Group Inc.	\$ 1,046,788	100	\$ 1,000,643	100
Orise Technology Co., Ltd.	870,358	34	1,034,446	38
Generalplus Technology Inc.	659,141	34	712,981	40
Lin Shih Investment Co., Ltd.	654,033	100	899,619	100
Sunplus Venture Capital Co., Ltd.	652,884	100	917,265	100
Sunplus Innovation Technology Inc.	576,004	64	594,687	66
Sunext Technology Co., Ltd.	432,445	61	540,772	61
Russell Holdings Limited	409,664	100	392,649	100
iCatch Technology, Inc.	185,251	38	222,071	38
Magic Sky Limited	-	100	174,780	100
Sunplus mMedia Inc.	58,910	83	17,139	83
Global Techplus Capital Inc.	6,882	100	6,698	100
Wei-Young Investment Inc.	6,184	100	8,601	100
Sunplus Management Consulting Inc.	4,165	100	4,112	100
Sunplus Technology (H.K.) Co., Ltd.	4,091	100	3,998	100
HT mMobile Inc.	-	32	29,790	25
Waveplus Technology Co., Ltd.	<u>-</u>	-	<u>12,393</u>	41
	<u>\$ 5,566,800</u>		<u>\$ 6,572,644</u>	
Credit balances on the carrying values of long-term investments (recorded as other current liabilities)				
Sunplus mMobile Inc.	\$ 333,455	99	\$ 591,839	99
Sunplus Core technology Co., Ltd.	<u>138,357</u>	70	<u>51,272</u>	70
	<u>\$ 471,812</u>		<u>\$ 643,111</u>	

Movements of the difference between the cost of investment and the Company's share in investees' net assets allocated to goodwill for the years ended December 31, 2011 and 2010 were as follows:

	<b>Year Ended December 31, 2011</b>		
	<b>Balance, Beginning of Year</b>	<b>Decrease</b>	<b>Balance, End of Year</b>
Goodwill	<u>\$ 161,257</u>	<u>\$ 14,400</u>	<u>\$ 146,857</u>
	<b>Year Ended December 31, 2010</b>		
	<b>Balance, Beginning of Year</b>	<b>Decrease</b>	<b>Balance, End of Year</b>
Goodwill	<u>\$ 168,162</u>	<u>\$ 6,905</u>	<u>\$ 161,257</u>

As July 8, 2011, Waveplus Technology completed its liquidation process.

As of Dec. 31, 2011, the Company assessed the carrying amount of the goodwill of Sunplus mMobile Inc. against its recoverable amount and recognized an impairment loss of \$14,400 thousand.

On February 29, 2012, HT mMobile Inc.'s (HT) board of directors approved a downsizing and reduction of its operations because of (a) the termination of merger negotiations with another company and (b) the resignation of high-level employees of the research and development (R&D) department, which have hampered product R&D. On the basis of a resolution passed in a meeting of HT's board of directors, the Company recognized an investment loss on HT, as well as the reduction of the carrying value of this to zero. The Company also recognized an impairment loss of \$405,612 thousand on other receivable from HT mMobile Inc.

In October 2010, the Company established Magic Sky Limited in Samoa.

On September 16, 2010, the Company lost its significant influence on Giantplus. Thus, the Company reclassified this equity-method investment to available-for-sale financial asset.

The consolidated financial statements as of and for the years ended December 31, 2011 and 2010 had included all the above subsidiaries.

The financial statements used as basis for calculating the carrying values of equity-method investments and related investment income and losses in 2011 and 2010 had all been audited, except those of Global Techplus Inc. and Sunplus Management Consulting Inc. The Company's management believed that had the financial statements of these two investees been audited, there would have been no material effect on the Company's financial statements. The investment incomes (losses) of investees were as follows:

	<b>Years Ended December 31</b>	
	<b>2011</b>	<b>2010</b>
Ventureplus Group Inc.	\$ (71,179)	\$ 15,727
Orise Technology Co., Ltd.	48,323	199,879
Generalplus Technology Inc.	64,925	137,713
Lin Shih Investment Co., Ltd.	(116,107)	(31,654)
Sunplus Venture Capital Co., Ltd.	(64,945)	111,404
Sunplus Innovation Technology Inc.	31,392	86,922
Sunext Technology Co., Ltd.	(108,779)	12,311
Russell Holdings Limited	4,111	22,618

(Continued)

	<b>Years Ended December 31</b>	
	<b>2011</b>	<b>2010</b>
iCatch Technology, Inc.	\$ (36,820)	\$ (8,266)
Magic Sky Limited	(176,344)	-
Sunplus mMedia Inc.	41,771	24,529
Global Techplus Capital Inc.	(77)	(26)
Wei-Young Investment Inc.	35	566
Sunplus Management Consulting Inc.	53	(33)
Sunplus Technology (H.K.) Co., Ltd.	(64)	(221)
Waveplus Technology Co., Ltd.	-	(5,913)
Giantplus Technology Co., Ltd.	-	7,764
HT mMobile Inc.	(118,347)	(243,802)
Sunplus Core Technology Co., Ltd.	(87,085)	(50,108)
Sunplus mMobile Inc.	<u>(250,585)</u>	<u>(129,597)</u>
	<u>\$ (839,722)</u>	<u>\$ 149,813</u> (Concluded)

Fair values of listed equity-method investments calculated at their closing prices as of December 31, 2011 and 2010 were as follows:

	<b>December 31</b>	
	<b>2011</b>	<b>2010</b>
Orise Technology Co., Ltd.	\$ 1,321,755	\$ 3,256,914
Generalplus Technology Inc.	<u>733,423</u>	<u>-</u>
	<u>\$ 2,055,178</u>	<u>\$ 3,256,914</u>

## 9. FINANCIAL ASSETS CARRIED AT COST

	<b>December 31</b>	
	<b>2011</b>	<b>2010</b>
Domestic unlisted stocks	<u>\$ 18,889</u>	<u>\$ 21,111</u>

The Company recognized an impairment loss of \$12,452 thousand on its investment in Technology Partners Venture Capital Corp. and recorded this loss under nonoperating expenses and losses - impairment loss.

This above investment, which had no quoted price in an active market and had a fair value that could not be reliably measured, was carried at cost.

## 10. PROPERTIES

	Year Ended December 31, 2011							Total
	Buildings	Auxiliary Equipment	Machinery and Equipment	Testing Equipment	Transportation Equipment	Furniture and Fixtures	Leasehold Improvements	
<u>Cost</u>								
Balance, beginning of year	\$ 795,683	\$ 190,696	\$ 381,524	\$ 338,129	\$ 1,209	\$ 80,811	\$ 89	\$ 1,788,141
Increase	-	3,827	2,106	16,380	-	4,976	-	27,289
Decrease	1,320	132,065	230,438	258,579	1,209	72,800	89	696,500
Reclassification	12,545	-	-	-	-	-	-	12,545
Balance, end of year	<u>806,908</u>	<u>62,458</u>	<u>153,192</u>	<u>95,930</u>	<u>-</u>	<u>12,987</u>	<u>-</u>	<u>1,131,475</u>
<u>Accumulated depreciation</u>								
Balance, beginning of year	159,835	154,325	329,260	287,416	1,139	71,256	88	1,003,319
Depreciation	16,762	8,035	35,197	33,429	70	7,071	1	100,565
Decrease	1,320	132,065	230,428	258,538	1,209	72,606	89	696,255
Reclassification	2,153	-	-	-	-	-	-	2,153
Balance, end of year	<u>177,430</u>	<u>30,295</u>	<u>134,029</u>	<u>62,307</u>	<u>-</u>	<u>5,721</u>	<u>-</u>	<u>409,782</u>
Balance, end of year, net	<u>\$ 629,478</u>	<u>\$ 32,163</u>	<u>\$ 19,163</u>	<u>\$ 33,623</u>	<u>\$ -</u>	<u>\$ 7,266</u>	<u>\$ -</u>	<u>\$ 721,693</u>
<u>Year Ended December 31, 2010</u>								
	Buildings	Auxiliary Equipment	Machinery and Equipment	Testing Equipment	Transportation Equipment	Furniture and Fixtures	Leasehold Improvements	Total
<u>Cost</u>								
Balance, beginning of year	\$ 795,683	\$ 186,364	\$ 430,326	\$ 368,458	\$ 2,463	\$ 99,928	\$ 89	\$ 1,883,311
Increase	-	7,970	9,383	22,066	-	3,542	-	42,961
Decrease	-	3,638	58,185	52,395	1,254	22,659	-	138,131
Balance, end of year	<u>795,683</u>	<u>190,696</u>	<u>381,524</u>	<u>338,129</u>	<u>1,209</u>	<u>80,811</u>	<u>89</u>	<u>1,788,141</u>
<u>Accumulated depreciation</u>								
Balance, beginning of year	143,201	149,037	350,203	307,553	2,324	87,278	88	1,039,684
Depreciation	16,634	7,821	34,439	27,770	69	6,035	-	92,768
Decrease	-	2,533	55,382	47,907	1,254	22,057	-	129,133
Balance, end of year	<u>159,835</u>	<u>154,325</u>	<u>329,260</u>	<u>287,416</u>	<u>1,139</u>	<u>71,256</u>	<u>88</u>	<u>1,003,319</u>
Balance, end of year, net	<u>\$ 635,848</u>	<u>\$ 36,371</u>	<u>\$ 52,264</u>	<u>\$ 50,713</u>	<u>\$ 70</u>	<u>\$ 9,555</u>	<u>\$ 1</u>	<u>\$ 784,822</u>

Note: For the assets mortgaged or pledged, please refer to Note 23.

## 11. INTANGIBLE ASSETS

	Year Ended December 31, 2011		
	Technology License Fee	Patents	Total
<u>Cost</u>			
Balance, beginning of year	\$ 2,696,304	\$ 97,849	\$ 2,794,153
Increase	171,326	-	171,326
Decrease	<u>2,332,625</u>	<u>750</u>	<u>2,333,375</u>
Balance, end of year	<u>535,005</u>	<u>97,099</u>	<u>632,104</u>
<u>Accumulated amortization</u>			
Balance, beginning of year	2,534,851	42,555	2,577,406
Amortization expense	113,136	5,395	118,531
Decrease	<u>2,332,625</u>	<u>750</u>	<u>2,333,375</u>
Balance, end of year	<u>315,362</u>	<u>47,200</u>	<u>362,562</u>
	<u>\$ 219,643</u>	<u>\$ 49,899</u>	<u>\$ 269,542</u>

	<b>Year Ended December 31, 2010</b>		
	<b>Technology License Fee</b>	<b>Patents</b>	<b>Total</b>
<u>Cost</u>			
Balance, beginning of year	\$ 2,648,034	\$ 97,849	\$ 2,745,883
Increase	55,349	-	55,379
Decrease	<u>7,079</u>	<u>-</u>	<u>7,079</u>
Balance, end of year	<u>2,696,304</u>	<u>97,849</u>	<u>2,794,153</u>
<u>Accumulated amortization</u>			
Balance, beginning of year	2,389,966	37,161	2,427,127
Amortization expense	151,436	5,394	156,830
Decrease	<u>6,551</u>	<u>-</u>	<u>6,551</u>
Balance, end of year	<u>2,534,851</u>	<u>42,555</u>	<u>2,577,406</u>
	<u>\$ 161,453</u>	<u>\$ 55,294</u>	<u>\$ 216,747</u>

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.

## 12. DEFERRED CHARGES AND OTHERS

	<b>December 31</b>	
	<b>2011</b>	<b>2010</b>
Software and system design, net	\$ 75,212	\$ 94,452
Certificate of golf club membership	7,800	7,800
Refundable deposits	<u>1,717</u>	<u>529</u>
	<u>\$ 84,729</u>	<u>\$ 102,781</u>

## 13. SHORT-TERM BANK LOANS

	<b>December 31</b>	
	<b>2011</b>	<b>2010</b>
Working capital loans - \$260,000 thousand; annual interest rate from 1.2%-1.475% in 2011	\$ 260,000	\$ -
Working capital loans - US\$4,000 thousand; annual interest rate from 0.98% in 2011 and US\$6,000 thousand; annual interest rate from 0.94%-0.99% in 2010	<u>121,100</u>	<u>174,780</u>
	<u>\$ 381,100</u>	<u>\$ 174,780</u>

#### 14. LONG-TERM BANK LOANS

	<u>December 31,</u>	
	<u>2011</u>	<u>2010</u>
Medium- to long-term credit bank loans:		
Repayable quarterly from February 2010 to February 2012; annual floating-rate interest - 1.7725% in 2011 and 1.5225% in 2010	\$ 102,500	\$ 330,000
Repayable semiannually from March 2010 to March 2014; annual floating-rate interest - 2.12% in 2011 and 1.9% in 2010; Expected to repay early in 2012	75,500	230,500
Medium- to long-term secured loans:		
Repayable semiannually from February 2009 to February 2012; annual floating-rate interest - 2.17% in 2011 and 1.94% in 2010	<u>30,000</u>	<u>60,000</u>
	208,000	620,500
Deduct: Current portion	<u>208,000</u>	<u>545,000</u>
	<u>\$ -</u>	<u>\$ 75,500</u>

Under the loan contracts, the Company provided buildings as collaterals for the above loans (Note 23). The loan contracts require the Company to maintain certain financial ratios (debt ratio, current ratio, times interest-earned ratio and financing provided) on the basis of semiannual and annual consolidated financial statements. However, the Company's not being able to meet these ratio requirements is not deemed to be a violation of the contacts. Except times interest-earned ratio and financing provided, the others were maintained under the restrictions as December 31th of 2011. The required ratios were all maintained as December 31th of 2010. As of December 31, 2011 and 2010, the Company was in compliance with these ratio requirements.

#### 15. PENSION PLAN

The pension plan under the Labor Pension Act (LPA) is a defined contribution plan. Under the LPA, the Company makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages. Related costs were \$32,815 thousand in 2011 and \$32,148 thousand in 2010.

Before the promulgation of the LPA, 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 benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. 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. The Company recognized pension costs of \$2,441 thousand for 2011 and \$2,291 thousand for 2010.

Defined benefit pension fund balances were \$123,348 thousand and \$118,408 thousand as of December 31, 2011 and 2010, respectively.

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

a. Components of net pension costs

	<b>Years Ended December 31</b>	
	<b>2011</b>	<b>2010</b>
Service costs	\$ 1,288	\$ 1,806
Interest costs	3,158	2,879
Projected return on plan assets	(2,435)	(2,296)
Amortization	<u>430</u>	<u>(98)</u>
Net pension costs	<u>\$ 2,441</u>	<u>\$ 2,291</u>

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

	<b>December 31</b>	
	<b>2011</b>	<b>2010</b>
Benefit obligation		
Vested benefit obligation	\$ -	\$ -
Non-vested benefit obligation	<u>67,318</u>	<u>63,336</u>
Accumulated benefit obligation	67,318	63,336
Additional benefits based on future salaries	<u>96,954</u>	<u>94,565</u>
Projected benefit obligation	164,272	157,901
Fair value of plan assets	<u>(124,384)</u>	<u>(119,182)</u>
Funded status	39,888	38,719
Unrecognized net transition obligation	(875)	(1,365)
Unrecognized net gain	<u>13,016</u>	<u>17,065</u>
Accrued pension liability	<u>\$ 52,029</u>	<u>\$ 54,419</u>
Vested benefit	<u>\$ -</u>	<u>\$ -</u>

c. Actuarial assumptions

	<b>Years Ended December 31</b>	
	<b>2011</b>	<b>2010</b>
Discount rate used in determining present values	2.00%	2.00%
Future salary increase rate	5.75%	5.50%
Expected rate of return on plan assets	2.00%	2.00%

	<b>Years Ended December 31</b>	
	<b>2011</b>	<b>2010</b>
d. Contributions to the fund	<u>\$ 4,831</u>	<u>\$ 5,073</u>
e. Payments from the fund	<u>\$ -</u>	<u>\$ -</u>

## 16. SHAREHOLDERS' EQUITY

### a. Employee stock option plan

On September 11, 2007, the Securities and Futures Bureau approved the Company's adoption of an employee stock option plan ("2007 plan"). The 2007 plan provides for the grant of 25,000 thousand options, with each unit representing one common share. The option rights are granted to qualified employees of the Company and subsidiaries. A total of 25,000 thousand common shares have been reserved for issuance. The options are valid for six years and exercisable at certain percentages after the second anniversary of the grant date. Stock option rights are granted at an exercise price equal to the closing price of the Company's common shares listed on the Taiwan Stock Exchange on the grant date. If the Company's paid-in-capital changes, the exercise price is adjusted accordingly. All options had been granted or canceled as of December 31, 2011.

Outstanding option rights were as follows:

	<b>2007 Option Plan</b>			
	<b>2011</b>		<b>2010</b>	
	<b>Unit (In Thousands)</b>	<b>Weighted- average Price (NT\$)</b>	<b>Unit (In Thousands)</b>	<b>Weighted- average Price (NT\$)</b>
Beginning outstanding balance	21,433	\$ 38.03	22,858	\$ 40.52
Options canceled	<u>(1,586)</u>	-	<u>(1,425)</u>	-
Ending outstanding balance	<u>19,847</u>		<u>21,433</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 2007 plans.

As of December 31, 2011, the outstanding and exercisable options were as follows:

	<b>2007 Option Plan</b>				
	<b>Options Outstanding</b>			<b>Options Exercisable</b>	
<b>Exercise Price (NT\$)</b>	<b>Number of Options (In Thousands)</b>	<b>Weighted- average Remaining Contractual Life (Years)</b>	<b>Weighted- average Exercise Price (NT\$)</b>	<b>Number of Options (In Thousands)</b>	<b>Weighted- average Exercise Price (NT\$)</b>
\$ 37.9	13,547	1.87	\$ 37.9	13,547	\$ 37.9
38.3	6,300	1.99	38.3	6,300	38.3

No compensation costs were recognized under the intrinsic value for 2011 and 2010. Had the Company used the fair value method to evaluate the options in accordance with Statement of Financial Accounting Standards No. 39 - "Share-Based Payment," the pro forma net income (loss) and basic earnings (loss) per share are the same with those reported in the income statements due to the expiration of valid period.

### b. Global Depositary Receipts

In March 2001, the Company issued 20,000 thousand units of global depositary receipts (GDRs), representing 40,000 thousand common shares that consisted 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, 2011, the outstanding 275 thousand units of GDRs represented 550 thousand common shares.

c. Capital surplus

Under the Company Law, capital surplus may be used to offset a deficit. The capital surplus from shares issued in excess of par (including the stock issued for new capital and mergers and surplus arising from treasury stocks transactions) may be capitalized within a certain percentage of the Company's paid-in capital. Under the revised Company Law issued on January 4, 2012, the foregoing capital surplus may also be distributed in cash. However, the capital surplus from long-term investments may not be used for any purpose.

d. Appropriation of earnings and dividends

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

Under an approved shareholders' resolution, 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. The Company's policy is that cash dividends should be at least 10% of total dividends distributed. However, cash dividends will not be distributed if these dividends are less than NT\$0.5 per share.

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

In 2010, the Company's accrued bonus to employees represented a certain percentage of net income, which was estimated at \$96,579 thousand, and remuneration to directors and supervisors, at \$2,204 thousand, were together 1.5% of net income less the legal reserve, special reserve and dividends. However, the Company had a net loss in 2011. Thus, the Company did not accrue any bonus and remuneration expenses. Material differences between earlier estimates of bonuses and remuneration and the amounts subsequently proposed by the Board of Directors are adjusted for in the year of the proposal. If the actual amounts approved by the shareholders differ from the board of directors' proposed amounts, the differences are recorded in the year of shareholders' resolution as a change in accounting estimate.

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

Under the ROC Company Law, legal reserve should be appropriated until the reserve equals the Company's paid-in capital. This reserve may be used to offset a deficit. Under the revised Company Law issued on January 4, 2012, when the legal reserve exceeds 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

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 from the 2010 and 2009 earnings were approved at the shareholders' meetings on June 10, 2011 and June 14, 2010, respectively. The appropriations, including dividends, were as follows:

	<b>For Fiscal Year 2010</b>		<b>For Fiscal Year 2009</b>	
	<b>Appropriation of Earnings</b>	<b>Dividends Per Share (NT\$)</b>	<b>Appropriation of Earnings</b>	<b>Dividends Per Share (NT\$)</b>
Legal reserve	\$ 77,372	\$ -	\$ 38,151	\$ -
Special reserve	191,229	-	(428,914)	-
Cash dividend	<u>477,528</u>	0.8	<u>-</u>	-
	<u>\$ 746,129</u>		<u>\$ (390,763)</u>	

The shareholders' meeting on June 10, 2011 had approved a bonus to employees of \$96,579 thousand and a remuneration to directors and supervisors of \$2,204 thousand.

The information on the appropriation of bonuses to employees, directors and supervisors is available on the Market Observation Post System website of Taiwan Stock Exchange.

#### Unrealized gain or loss on financial instruments

In 2011 and 2010, the movements of unrealized gain or loss on financial instruments were as follows:

	<b>Available-for-sale Financial Assets</b>	<b>Equity-method Investments</b>	<b>Total</b>
<u>Year ended December 31, 2011</u>			
Balance, beginning of year	\$ (440,213)	\$ 267,646	\$ (172,567)
Recognized in shareholders' equity	(1,091,017)	(210,304)	(1,301,321)
Transferred to profit	<u>283,573</u>	<u>-</u>	<u>283,573</u>
Balance, end of year	<u>\$(1,247,657)</u>	<u>\$ 57,342</u>	<u>\$(1,190,315)</u>
<u>Year ended December 31, 2010</u>			
Balance, beginning of year	\$ (313,072)	\$ 429,521	\$ 116,449
Recognized in shareholders' equity	<u>(127,141)</u>	<u>(161,875)</u>	<u>(289,016)</u>
Balance, end of year	<u>\$ (440,213)</u>	<u>\$ 267,646</u>	<u>\$ (172,567)</u>

## 17. TREASURY STOCK

(Units: Shares in Thousands)

Status/Purpose of Purchase	Beginning Shares	Increase	Decrease	Ending Shares
<u>Year ended December 31, 2011</u>				
Company stocks held by a subsidiary	3,560	-	-	3,560
For subsequent transfer to employees	<u>-</u>	<u>4,915</u>	<u>-</u>	<u>4,915</u>
	<u>3,560</u>	<u>4,915</u>	<u>-</u>	<u>8,475</u>
<u>Year ended December 31, 2010</u>				
Company stocks held by a subsidiary	<u>3,560</u>	<u>-</u>	<u>-</u>	<u>3,560</u>

Since January 2002, the Company has accounted for its issued shares amounting to \$95,605 thousand and held by a subsidiary, Lin Shih Investment Co., Ltd., as treasury stock. As of December 31, 2011, these treasury shares had a book value of \$63,401 thousand and a market value of \$35,493 thousand. As of December 31, 2010, the these these treasury shares had a book value of \$63,401 thousand and a market value of \$75,472 thousand.

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. On March 1, 2011, the Board of Directors approved a plan to repurchase up to 10,000 thousand Company shares between March 1, 2011 and April 30, 2011, with the buyback price ranging from NT\$16.00 to NT\$22.00. As of December 31, 2011, the Company had bought back 4,915 thousand shares for \$91,835 thousand. The subsidiary holding treasury shares retains shareholders' rights, except the rights to participate in any share issuance for cash and to vote.

## 18. PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

	Years Ended December 31					
	2011			2010		
	Classified as Cost of Sales	Classified as Operating Expense	Total	Classified as Cost of Sales	Classified as Operating Expense	Total
Labor cost						
Salary	\$ 65,503	\$ 712,130	\$ 777,633	\$ 83,382	\$ 824,785	\$ 908,167
Labor/health insurance	5,047	43,910	48,957	4,905	40,995	45,900
Pension	3,509	31,747	35,256	3,498	30,941	34,439
Welfare benefit	1,191	9,362	10,553	2,211	15,435	17,646
Meal	<u>1,510</u>	<u>11,109</u>	<u>12,619</u>	<u>1,627</u>	<u>11,290</u>	<u>12,917</u>
	<u>\$ 76,760</u>	<u>\$ 808,258</u>	<u>\$ 885,018</u>	<u>\$ 95,623</u>	<u>\$ 923,446</u>	<u>\$1,019,069</u>
Depreciation	<u>\$ 38,457</u>	<u>\$ 62,108</u>	<u>\$ 100,565</u>	<u>\$ 37,839</u>	<u>\$ 54,929</u>	<u>\$ 92,768</u>
Amortization	<u>\$ 607</u>	<u>\$ 221,317</u>	<u>\$ 221,924</u>	<u>\$ 1,020</u>	<u>\$ 319,131</u>	<u>\$ 320,151</u>

## 19. INCOME TAX

- a. A reconciliation of income tax expense on income (loss) before income tax at the statutory rate of 17% and current income tax expense before tax credits is shown below:

	<u>Years Ended December 31</u>	
	2011	2010
Income (loss) before income tax at statutory rate	\$ (300,794)	\$ 194,832
Tax effects of adjustments:		
Permanent differences	69,067	(290,706)
Temporary differences	136,267	(2,352)
Tax effects of consolidation income tax filing	<u>(19,959)</u>	<u>(23,315)</u>
Income tax expense before tax credits	<u>\$ (115,419)</u>	<u>\$ (121,541)</u>

- b. Income tax expense consisted of the following:

	<u>Years Ended December 31</u>	
	2011	2010
Income tax expense before tax credits	\$ -	\$ -
Additional tax at 10% on unappropriated earnings	2,758	77,228
Investment tax credits	(2,758)	(77,228)
Net change in deferred income tax assets	84,660	335,939
Adjustment of prior years' income tax expense	<u>130,887</u>	<u>36,423</u>
Income tax expense	<u>\$ 215,547</u>	<u>\$ 372,362</u>

- c. Deferred income tax assets were as follows:

	<u>December 31</u>	
	2011	2010
Current:		
Investment tax credits	\$ 243,496	\$ 258,817
Loss carryforwards	-	67,149
Temporary differences	6,471	(1,452)
Deduct: Valuation allowance	<u>243,496</u>	<u>243,634</u>
	<u>\$ 6,471</u>	<u>\$ 80,880</u>
Noncurrent:		
Investment tax credits	\$ 258,063	\$ 522,345
Loss carryforwards	280,548	196,455
Temporary differences	71,793	16,847
Deduct: Valuation allowance	<u>430,383</u>	<u>545,375</u>
	<u>\$ 180,021</u>	<u>\$ 190,272</u>

Under Article 10 of the Statute for Industrial Innovation (SII) passed by the Legislative Yuan in April 2010, a profit-seeking enterprise may deduct up to 15% of its research and development expenditures from its income tax payable for the fiscal year in which these expenditures are incurred, but this deduction should not exceed 30% of the income tax payable for that fiscal year. This incentive is effective from January 1, 2010 till December 31, 2019.

In May 2010, the Legislative Yuan passed the amendment of Article 5 of the Income Tax Law, which reduced a profit-seeking enterprise's income tax rate from 20% to 17%, effective January 1, 2010.

As of December 31, 2011, investment tax credits (recorded as deferred tax assets) were as follows:

Regulatory Basis of Tax Credits	Items	Total Creditable Amounts	Remaining Creditable Amounts	Expiry Year
Statute for Upgrading Industries	Purchase of machinery and equipment	\$ <u>1,035</u>	\$ <u>1,035</u>	2013
Statute for Upgrading Industries	Research and development expenditures	\$ 243,496 <u>241,935</u>	\$ 243,496 <u>241,935</u>	2012 2013
		<u>\$ 485,431</u>	<u>\$ 485,431</u>	
Income Tax Law	Loss carryforwards	\$ 77,151 87,978 <u>115,419</u>	\$ 77,151 87,978 <u>115,419</u>	2019 2020 2021
		<u>\$ 280,548</u>	<u>\$ 280,548</u>	
Statute for Upgrading Industries	Investment in important Technology-based enterprise	\$ <u>15,093</u>	\$ <u>15,093</u>	2013

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

Project	Tax Exemption Period
Eighth expansion	January 1, 2010 to December 31, 2014
Ninth expansion	January 3, 2007 to January 2, 2012
Tenth expansion	August 31, 2006 to August 30, 2011
Eleventh expansion	January 1, 2008 to December 31, 2012
Twelfth expansion	January 1, 2009 to December 31, 2013
Thirteenth expansion	January 1, 2013 to December 31, 2017

The tax returns through 2008 have been assessed by the tax authorities. However, the Company disagreed with the tax authorities' assessment of its 2004 and 2005 tax returns and thus applied for administrative remedy on these returns. The Company also applied for the correction of the tax authorities' assessment of its 2006 and 2007 tax returns. Nevertheless, the Company has made a provision for the income tax assessed by the tax authorities for conservatism purposes.

- e. Integrated income tax information is as follows:

	December 31	
	2011	2010
Shareholders' imputation credit account	\$ <u>201,494</u>	\$ <u>254,802</u>
Unappropriated earnings until 1997	\$ <u>-</u>	\$ <u>452,310</u>

The actual creditable tax ratio for the distribution of earnings for 2010 was 12.63%; for 2011, there was no creditable tax ratio because the Company had a deficit.

## 20. EARNINGS PER (LOSS) SHARE

The numerators and denominators used in computing earnings (loss) per share (E/LPS) were as follows:

	<u>Amounts (Numerator)</u>		<u>Share (Denominator) (In Thousands)</u>	<u>E/LPS (Dollars)</u>	
	<u>Before Income Tax</u>	<u>After Income Tax</u>		<u>Before Income Tax</u>	<u>After Income Tax</u>
<u>Year Ended December 31, 2011</u>					
Net loss	<u>\$(1,769,375)</u>	<u>\$(1,984,922)</u>			
Basic loss per share					
Loss of common shareholders	<u>\$(1,769,375)</u>	<u>\$(1,984,922)</u>	<u>589,827</u>	<u>\$ (3.00)</u>	<u>\$ (3.37)</u>
<u>Year Ended December 31, 2010</u>					
Net income	<u>\$ 1,146,073</u>	<u>\$ 773,711</u>			
Basic income per share					
Income of common shareholders	<u>\$1,146,073</u>	<u>\$ 773,711</u>	<u>593,350</u>	<u>\$ 1.93</u>	<u>\$ 1.30</u>
Effect of dilutive securities					
Stock options	<u>-</u>	<u>-</u>	<u>4,556</u>		
Diluted EPS					
Income of common and potential common shareholders	<u>\$ 1,146,073</u>	<u>\$ 773,711</u>	<u>597,906</u>	<u>\$ 1.92</u>	<u>\$ 1.29</u>

The employee stock options stated in Note 16 represent potential common stock. Thus, the Company tested the effects of employee stock options by the treasury method in accordance with Statement of Financial Accounting Standards No. 24 - "Earnings Per Share." The test showed the stock options were anti-dilutive for 2011 and 2010. As a result, the potential common shares were excluded from the calculation of diluted E/LPS.

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

## 21. FINANCIAL INSTRUMENTS

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

	December 31			
	2011		2010	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<u>Nonderivative instruments</u>				
Assets				
Available-for-sale financial assets (including current and noncurrent portions)	\$ 1,222,956	\$ 1,222,956	\$ 2,708,311	\$ 2,708,311
Financial assets carried at cost	18,889	-	21,111	-
Liability				
Long-term bank loans (including current portion)	208,000	208,000	620,500	620,500

- b. Methods and assumptions used in determining fair values of financial assets and liabilities, based on quoted market prices or valuation techniques, were as follows:
- 1) For cash, accounts receivable, other receivables, short-term bank 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 and derivatives with no quoted market prices, their fair values are determined using valuation techniques incorporating estimates and assumptions that are consistent with prevailing market conditions.
  - 3) Financial assets carried at cost are investments in unquoted shares, which have no quoted prices in an active market and entail an unreasonably high cost to obtain verifiable fair values. Therefore, no fair value is presented.
  - 4) The fair values of long-term bank loans are estimated using the present value of future cash flows discounted at interest rates the Company may obtain for similar loans (e.g., similar maturities). The fair values of long-term bank loans with floating interest rates are equivalent to their carrying values.
- c. The Company did not use derivative contracts in 2011 and 2010.
- d. As of December 31, 2011 and 2010, financial assets exposed to cash flow interest rate risk amounted to \$563,661 thousand and \$195,184 thousand, respectively; financial assets exposed to fair value interest rate risk amounted to \$1,247,100 thousand and \$1,900,954 thousand, respectively. As of December 31, 2011 and 2010, financial liabilities exposed to fair value interest rate risk amounted to \$381,100 thousand and \$174,780 thousand, respectively. As of December 31, 2011 and 2010, financial liabilities exposed to cash flow interest rate risk amounted to \$208,000 thousand and \$620,500 thousand, respectively.
- e. In 2011 and 2010, on financial assets other than financial assets at fair value through profit or loss, interest revenues were \$19,971 thousand and \$10,563 thousand, respectively, and interest expenses were \$10,775 thousand and \$18,994 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 available-for-sale security investments are affected by fluctuations of quoted prices.
- 2) Credit risk. The Company will incur a loss if the counter-parties or third-parties breach financial instrument contracts. Contracts with positive fair values on the balance sheet date are evaluated for credit risk. The counter-parties or third-parties to the foregoing contracts are reputable financial institutions and business organizations. Management believes that the Company's exposure to default by those parties is low.
- 3) Liquidity risk. Available-for-sale security investments are expected to be settled readily at amounts approximating their fair values in active markets. However, the Company also has some equity-method investments with no quoted market prices in an active market, which are expected to have material liquidity risk.
- 4) Interest rate risk. As of December 31, 2011 and 2010, the interest rates for long-term bank loans were floating, i.e., these rates fluctuated as market interest rates changed.

## 22. RELATED-PARTY TRANSACTIONS

The Company's related parties were as follows:

- a. Waveplus Technology Co., Ltd. ("Waveplus") - equity-method investee
- b. Sunext Technology Co., Ltd. ("Sunext") - 61% subsidiary
- c. Sunplus Core Technology Co., Ltd. ("Sunplus Core") - 70% subsidiary
- d. Generalplus Technology Inc. ("Generalplus") - 34% subsidiary
- e. Sunplus Innovation Technology Inc. ("Sunplus Innovation") - 64% subsidiary
- f. Sunplus mMobile Inc. ("Sunplus mMobile") - 99% subsidiary
- g. HT mMobile Inc. ("HT mMobile") - equity-method investee
- h. Sunplus Technology (H.K.) Co., Ltd. ("Sunplus H.K.") - 100% subsidiary
- i. Orise Technology Co., Ltd. ("Orise") - equity-method investee
- j. Sunplus mMedia Inc. ("Sunplus mMedia") - 83% subsidiary
- k. iCatch Technology, Inc. ("iCatch") - 38% subsidiary
- l. Sunplus Technology (Shanghai) Co., Ltd. ("Sunplus Shanghai") - 99% indirect subsidiary
- m. Giantplus Technology Co., Ltd. - same board chairman as the Company's
- n. Global View Co., Ltd. - a director of the Company
- O. Others - please refer to Note 26 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:

	<b>Years Ended December 31</b>			
	<b>2011</b>		<b>2010</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Sales				
Sunplus Core	\$ 28,152	1	\$ 10,161	-
Orise	17,315	1	35,121	1
Generalplus	15,736	-	24,074	1
iCatch	9,323	-	12,932	-
Sunext	3,197	-	1,626	-
HT mMobile	3,099	-	5,225	-
Sunplus Innovation	<u>1,181</u>	<u>-</u>	<u>8,112</u>	<u>-</u>
	<u>\$ 78,003</u>	<u>2</u>	<u>\$ 97,251</u>	<u>2</u>

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

	<b>Years Ended December 31</b>			
	<b>2011</b>		<b>2010</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Operating expenses				
Sunplus H.K.	\$ 1,839	-	\$ 2,164	-
Sunplus Core	792	-	15,228	1
Other	<u>51</u>	<u>-</u>	<u>451</u>	<u>-</u>
	<u>\$ 2,682</u>	<u>-</u>	<u>\$ 17,843</u>	<u>1</u>

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

	<b>Years Ended December 31</b>			
	<b>2011</b>		<b>2010</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Nonoperating income and gains				
HT mMobile	\$ 24,945	7	\$ 28,977	3
iCatch	12,408	4	15,021	2
Sunplus mMobile	7,995	2	7,159	1
Generalplus	7,273	2	8,176	1
Sunplus Innovation	6,709	2	4,969	1
Sunplus Core	5,051	1	8,354	1
Orise	2,842	1	2,399	-
Sunext	1,738	1	1,348	-
Sunplus mMedia	90	-	127	-
Global View	-	-	4,102	1
Waveplus	-	-	118	-
Giantplus	<u>-</u>	<u>-</u>	<u>168</u>	<u>-</u>
	<u>\$ 69,051</u>	<u>20</u>	<u>\$ 80,918</u>	<u>10</u>

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

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

	<b>December 31</b>			
	<b>2011</b>		<b>2010</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
<b>Accounts receivable:</b>				
Generalplus	\$ 2,070	1	\$ 3,871	1
Orise	2,066	-	6,484	1
iCatch	885	-	2,593	-
HT mMobile	549	-	836	-
Sunext	424	-	54	-
Sunplus Innovation	44	-	856	-
Sunplus Core	<u>-</u>	<u>-</u>	<u>50</u>	<u>-</u>
	6,038		14,744	2
Less: Allowance for doubtful accounts	<u>160</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 5,878</u>	<u>1</u>	<u>\$ 14,744</u>	<u>2</u>
<b>Other receivables</b>				
Sunplus mMobile	\$ 25,490	77	\$ 262,857	97
iCatch	3,124	10	1,054	1
Orise	1,322	4	25	-
HT mMobile	1,054	3	4,046	2
Sunplus Innovation	979	3	612	-
Generalplus	608	2	533	-
Sunext	383	1	543	-
Sunplus mMedia	9	-	29	-
Sunplus Core	-	-	643	-
Giantplus	<u>-</u>	<u>-</u>	<u>174</u>	<u>-</u>
	<u>\$ 32,969</u>	<u>100</u>	<u>\$ 270,516</u>	<u>100</u>

The Company provided financing to Sunplus mMobile in 2011 and 2010, as follows:

	<b>Year Ended December 31, 2011</b>			
	<b>Maximum Balance</b>	<b>Ending Balance</b>	<b>Interest Rate</b>	<b>Interest Income</b>
Sunplus mMobile	<u>\$ 546,000</u>	<u>\$ 64,000</u> (Note 1)	1.475%-1.655%	<u>\$ 5,684</u>
HT mMobile	<u>\$ 400,000</u>	<u>\$ 400,000</u> (Note 2)	1.475%-1.655%	<u>\$ 1,497</u>
	<b>Year Ended December 31, 2010</b>			
	<b>Maximum Balance</b>	<b>Ending Balance</b>	<b>Interest Rate</b>	<b>Interest Income</b>
Sunplus mMobile	<u>\$ 399,000</u>	<u>\$ 262,000</u> (Note 3)	0.9%-1.6%	<u>\$ 3,431</u>

Note 1: Actual provided was \$25,000 thousand.

Note 2: Actual provided was \$400,000 thousand. The Company and recognized impairment loss of \$400,000 thousand.

Note 3: Actual provided was \$262,000 thousand.

	<b>December 31</b>			
	<b>2011</b>		<b>2010</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Accrued expenses				
Sunplus Core	<u>\$ 340</u>	<u>-</u>	<u>\$ -</u>	<u>-</u>
Other current liability				
Sunplus Core	<u>\$ 142</u>	<u>-</u>	<u>\$ -</u>	<u>-</u>
Deferred royalty income (including current and noncurrent)				
Orise	\$ 2,897	64	\$ -	-
Generalplus	1,448	32	3,621	11
Sunplus Core	<u>-</u>	<u>-</u>	<u>28,000</u>	<u>88</u>
	<u>\$ 4,345</u>	<u>96</u>	<u>\$ 31,621</u>	<u>99</u>

	<b>December 31</b>	
	<b>2011</b>	<b>2010</b>
Endorsement/guarantee provided		
Sunplus mMobile	\$ 620,000	\$ 820,000
Sunplus Core	250,000	290,000
Sunplus Shanghai	203,350	224,280
Sunext	80,000	32,230
HT mMobile	30,000	30,000
Generalplus	-	10,938
Sunplus Innovation	-	5,985
Orise	-	5,096
iCatch	<u>-</u>	<u>5,007</u>
	<u>\$ 1,183,350</u>	<u>\$ 1,423,536</u>

	<b>Years Ended December 31</b>			
	<b>2011</b>		<b>2010</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Proceeds of the disposal of properties:				
Orise	\$ 1,201	96	\$ 8,500	58
Generalplus Technology	50	4	-	-
HT mMobile	-	-	3,643	25
iCatch	<u>-</u>	<u>-</u>	<u>1,344</u>	<u>9</u>
	<u>\$ 1,251</u>	<u>100</u>	<u>\$ 13,487</u>	<u>92</u>
Acquisition of properties				
Sunplus Core Technology	\$ 135	-	\$ -	-
Sunplus shanghai	<u>-</u>	<u>-</u>	<u>679</u>	<u>2</u>
	<u>\$ 135</u>	<u>-</u>	<u>\$ 679</u>	<u>2</u>

	<u>Years Ended December 31</u>	
	<b>2011</b>	<b>2010</b>
Compensation of directors, supervisors and management personnel:		
Salaries and incentives	\$ 32,944	\$ 28,455
Bonus	<u>          -</u>	<u>      2,204</u>
	<u>\$ 32,944</u>	<u>\$ 30,659</u>

### 23. MORTGAGED OR PLEDGED ASSETS

The Company's assets pledged as collaterals for long-term bank loans and operating lease were as follows:

	<u>December 31</u>	
	<b>2011</b>	<b>2010</b>
Buildings, net (including rental assets)	\$ 752,516	\$ 772,336
Pledged time deposit	<u>      6,000</u>	<u>          -</u>
	<u>\$ 758,516</u>	<u>\$ 772,336</u>

### 24. SIGNIFICANT LONG-TERM OPERATING LEASES

The Company leases land from the Science-Based Industrial Park Administration under renewable agreements expiring in July 2015, December 2020 and December 2021, with annual rentals aggregating \$7,929 thousand. The Company had pledged a time deposit of \$6,000 thousand (classified as restricted assets) as collateral for the land lease agreements.

Future annual minimum rentals under the leases are as follows:

<b>Year</b>	<b>Amount</b>
2012	\$ 7,929
2013	7,929
2014	7,929
2015	6,578
2016	4,686
2017 and thereafter	<u>21,462</u>
	<u>\$ 56,513</u>

## 25. OTHER

The significant financial assets and liabilities denominated in foreign currencies were as follows:

	2011		2010	
	Foreign Currencies	Exchange Rate	Foreign Currencies	Exchange Rate
<u>Financial assets</u>				
Monetary items				
USD	\$ 30,687	30.28	\$ 41,580	29.13
EUR	2	39.18	6	38.92
JPY	381	0.391	295	0.358
RMB	22	4.807	46	4.441
GBP	10	46.73	45	45.19
HKD	12	3.897	23	3.748
Equity-method investments				
USD	48,462	30.28	54,060	29.13
HKD	1,050	3.897	1,067	3.748
<u>Financial liabilities</u>				
Monetary items				
USD	15,797	30.28	26,231	29.13
RMB	167	4.807	381	4.441
GBP	5	46.73	-	-
EUR	2	39.18	-	-

## 26. ADDITIONAL DISCLOSURES

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

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

## **27. OPERATING SEGMENT FINANCIAL INFORMATION**

The chief operating decision-maker reviews information of the Company as one segment. The information of the operating segment, i.e., revenue, operating results, and assets by subsegment, is the same as that presented in the consolidated financial statements as of and for the years ended December 31, 2011 and 2010.

## SUNPLUS TECHNOLOGY COMPANY LIMITED

## ENDORSEMENT/GUARANTEE PROVIDED

YEAR ENDED DECEMBER 31, 2011

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

No.	Endorsement/Guarantee Provider	Counter-party		Limits on Each Counter-party's Endorsement/Guarantee Amounts	Maximum Balance for the Period	Ending Balance	Value of Collateral Property, Plant, or Equipment	Percentage of Accumulated Amount of Collateral to Net Equity of the Latest Financial Statement	Maximum Collateral/Guarantee Amounts Allowable
		Name	Nature of Relationship						
0	Sunplus Technology Company Limited	Sunplus mMobile Inc.	99% subsidiary	\$ 906,193 (Note 1)	\$ 820,000	\$ 620,000	\$ -	6.84%	\$ 1,812,386 (Note 2)
		Sunplus Core Technology Co., Ltd.	70% subsidiary	906,193 (Note 1)	290,000	250,000	-	2.76%	1,812,386 (Note 2)
		Sunplus Technology (Shanghai) Co., Ltd.	99% indirect subsidiary	906,193 (Note 1)	224,280	203,350	-	2.24%	1,812,386 (Note 2)
		Sunext Technology Co., Ltd.	61% subsidiary	906,193 (Note 1)	80,000	80,000	-	0.88%	1,812,386 (Note 2)
		HT mMobile Inc.	Equity-method investee	906,193 (Note 1)	30,000	30,000	-	0.33%	1,812,386 (Note 2)
		Generalplus Technology Inc.	Equity-method investee	906,193 (Note 1)	10,938	-	-	-	1,812,386 (Note 2)
		Sunplus Innovation Technology Inc.	64% subsidiary	906,193 (Note 1)	5,985	-	-	-	1,812,386 (Note 2)
		iCatch Technology Inc.	Equity-method investee	906,193 (Note 1)	5,007	-	-	-	1,812,386 (Note 2)
		Orise Technology Co., Ltd.	Equity-method investee	906,193 (Note 1)	5,096	-	-	-	1,812,386 (Note 2)

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

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

## SUNPLUS TECHNOLOGY COMPANY LIMITED

## FINANCINGS PROVIDED

YEAR ENDED DECEMBER 31, 2011

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

No.	Financing Company	Counter-party	Financial Statement Account	Maximum Balance for the Year	Ending Balance	Interest Rate	Type of Financing	Transaction Amount	Reason for Short-term Financing	Allowance for Doubtful Accounts	Collateral		Financing Limit for Each Borrowing Company	Financing Company's Financing Amount Limit
											Item	Value		
0	Sunplus Technology Company Limited (the "Company")	Sunplus mMobile Inc.	Other receivables	\$ 546,000	\$ 64,000 (Note 6)	1.475%-1.655%	Note 1	\$ -	Note 2	\$ -	-	\$ -	\$ 453,096 (Note 4)	\$ 906,193 (Note 5)
		HT mMobile Inc.	Other receivables	400,000	400,000 (Note 7)	1.475%-1.655%	Note 1	-	Note 3	400,000	Note 8	400,000	453,096 (Note 4)	916,193 (Note 5)

Note 1: Short-term financing.

Note 2: Sunplus Technology Company Limited provided cash for the repayment of Sunplus mMobile Inc.

Note 3: Sunplus Technology Company Limited provided cash for the operation of HT mMobile Inc.

Note 4: For each transaction entity, the amount should not exceed 5% of the Company's net equity as shown in latest financial statements.

Note 5: The amount should not exceed 10% of the Company's net equity based on the latest financial statements.

Note 6: Actual provided is \$25,000 thousand.

Note 7: Actual provided is \$400,000 thousand.

Note 8: Self-developed technology.

TABLE 3

## SUNPLUS TECHNOLOGY COMPANY LIMITED

## MARKETABLE SECURITIES HELD

DECEMBER 31, 2011

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

Holding Company Name	Type and Name of Marketable Security	Relationship with the Holding Company	Financial Statement Account	December 31, 2011				Note
				Shares or Units (Thousands)	Carrying Value	Percentage of Ownership (%)	Market Value or Net Asset Value	
Sunplus Technology Company Limited (the "Company")	<u>Stock</u>							
	Ventureplus Group Inc.	Equity-method investee	Equity-method investments	42,985	\$ 1,046,788	100	\$ 1,046,788	Note 1
	Orise Technology Co., Ltd.	Equity-method investee	Equity-method investments	47,290	870,358	34	870,358	Note 1
	Sunplus Venture Capital Co., Ltd.	Equity-method investee	Equity-method investments	100,000	652,884	100	652,884	Note 1
	Lin Shih Investment Co., Ltd.	Equity-method investee	Equity-method investments	70,000	654,033	100	654,033	Notes 1 and 4
	Generalplus Technology Inc	Equity-method investee	Equity-method investments	37,324	659,141	34	659,141	Note 1
	Sunplus Innovation Technology Inc.	Equity-method investee	Equity-method investments	30,986	576,004	64	577,182	Notes 1 and 7
	Sunext Technology Co., Ltd.	Equity-method investee	Equity-method investments	38,837	432,445	61	298,250	Note 1
	Russell Holdings Limited	Equity-method investee	Equity-method investments	14,760	409,664	100	413,503	Notes 1 and 9
	iCatch Technology, Inc.	Equity-method investee	Equity-method investments	20,735	185,251	38	185,251	Note 1
	Magic Sky Limited	Equity-method investee	Equity-method investments	6,000	-	100	-	Note 1
	Sunplus mMedia Inc.	Equity-method investee	Equity-method investments	12,441	58,910	83	119,126	Notes 1 and 8
	Global Techplus Capital Inc.	Equity-method investee	Equity-method investments	200	6,882	100	6,882	Note 1
	Wei-Young Investment Inc.	Equity-method investee	Equity-method investments	1,400	6,184	100	6,184	Note 1
	Sunplus Technology (H.K.) Co., Ltd.	Equity-method investee	Equity-method investments	11,075	4,091	100	4,091	Note 1
	Sunplus Management Consulting Inc.	Equity-method investee	Equity-method investments	500	4,165	100	4,165	Note 1
	Sunplus mMobile Inc.	Equity-method investee	Equity-method investments	48,999	(333,455)	99	(315,562)	Notes 1 and 6
	Sunplus Core Technology Co., Ltd.	Equity-method investee	Equity-method investments	11,206	(138,357)	70	(110,499)	Notes 1 and 6
	HT mMobile Inc.	Equity-method investee	Equity-method investments	56,448	-	32	-	Note 1
	Giantplus Technology Co., Ltd.	The same chairman of the board	Available-for-sale financial assets	84,652	637,150	19	637,150	Notes 3 and 11
	Global View Co., Ltd.	The Company's supervisor	Available-for-sale financial assets	13,568	175,022	13	175,022	Note 3
	United Microelectronics Corp.	-	Available-for-sale financial assets	1,968	24,989	-	24,989	Note 3
	RITEK Corp.	-	Available-for-sale financial assets	5,000	22,848	-	22,848	Note 3
	<u>Fund</u>							
	Taishin Lucky Fund	-	Available-for-sale financial assets	12,852	137,962	-	137,962	Note 5
	Mega Diamond Bond Fund	-	Available-for-sale financial assets	8,326	100,453	-	100,453	Note 5
	Asian Total Return Bond	-	Available-for-sale financial assets	3,000	30,372	-	30,372	Note 5
	Emerging Markets Debt Fund	-	Available-for-sale financial assets	3,000	30,130	-	30,130	Note 5
	JF Taiwan Growth Fund	-	Available-for-sale financial assets	2,033	29,799	-	29,799	Note 5
TLG SOLOMON Money Market Fund	-	Available-for-sale financial assets	1,652	20,118	-	20,118	Note 5	
Manulife Wan Li Bond Fund	-	Available-for-sale financial assets	1,060	14,113	-	14,113	Note 5	
Network Capital Global Fund	-	Financial assets carried at cost	1,333	13,333	7	13,333	Note 2	
Technology Partners Venture Capital Corp.	-	Financial assets carried at cost	556	5,556	11	5,556	Note 2	

(Continued)

Holding Company Name	Type and Name of Marketable Security	Relationship with the Holding Company	Financial Statement Account	December 31, 2011				Note
				Shares or Units (Thousands)	Carrying Value	Percentage of Ownership (%)	Market Value or Net Asset Value	
Lin Shih Investment Co., Ltd.	Sunext Technology Co., Ltd.	Equity-method investee	Equity-method investments	3,360	\$ 25,842	5	\$ 25,842	Note 1
	Generalplus Technology Inc.	Equity-method investee	Equity-method investments	14,892	262,364	14	261,949	Note 1
	Sunplus Core Technology Co., Ltd.	Equity-method investee	Equity-method investments	2,308	(22,570)	15	(26,041)	Notes 1 and 6
	Sunplus mMobile Inc.	Equity-method investee	Equity-method investments	8	32	-	(53,092)	Note 1
	Sunplus mMedia Inc.	Equity-method investee	Equity-method investments	579	10,487	4	6,402	Note 1
	Sunplus Innovation Technology Inc.	Equity-method investee	Equity-method investments	1,059	17,240	2	19,449	Note 1
	HT mMobile Inc.	Equity-method investee	Equity-method investments	4,695	-	3	-	Note 1
	iCatch Technology, Inc.	Equity-method investee	Equity-method investments	965	8,618	2	8,618	Note 1
	Sunplus Technology Co., Ltd.	Parent Company	Available-for-sale financial assets	3,560	35,493	1	35,493	Note 3
	Ability Enterprise Co., Ltd.	-	Available-for-sale financial assets	5,274	137,125	1	137,125	Note 3
	RITEK Technology Co., Ltd.	-	Available-for-sale financial assets	833	3,808	-	3,808	Note 3
	Aiptek International Inc.	-	Available-for-sale financial assets	136	386	-	386	Note 3
	Radiant Innovation Inc.	-	Available-for-sale financial assets	2,378	41,733	8	41,733	Note 3
	Catcher Technology Co., Ltd.	-	Available-for-sale financial assets	35	4,918	-	4,918	Note 3
	TPK Holding Co., Ltd.	-	Available-for-sale financial assets	6	2,367	-	2,367	Note 3
	Largen Precision Co., Ltd.	-	Available-for-sale financial assets	4	2,264	-	2,264	Note 3
	ASE Inc.	-	Available-for-sale financial assets	87	2,259	-	2,259	Note 3
	King Silde Works Co., Ltd.	-	Available-for-sale financial assets	15	2,160	-	2,160	Note 3
	China Synthetic Rubber Corp.	-	Available-for-sale financial assets	60	1,710	-	1,710	Note 3
	E long Holdings Inc.	-	Available-for-sale financial assets	40	1,580	-	1,580	Note 3
	Quanta Computer Inc.	-	Available-for-sale financial assets	20	1,274	-	1,274	Note 3
	Cheng Shin Rubber Ind., Co., Ltd.	-	Available-for-sale financial assets	15	983	-	983	Note 3
	Taichong Commercial Bank Co., Ltd.	-	Available-for-sale financial assets	58	501	-	501	Note 3
	Young Tek Electronics Corp.	-	Financial assets at fair value through profit or loss	200	19,940	-	19,940	Note 3
	Sanjet Technology Corp.	-	Financial assets carried at cost	8	72	-	72	Note 2
	Minton Optic Industry Co., Ltd.	-	Financial assets carried at cost	4,272	-	7	-	Note 2
	GemFor Tech. Co., Ltd.	-	Financial assets carried at cost	353	4,007	6	4,007	Note 2
	MaxEmil Photonics Corp.	-	Financial assets carried at cost	426	4,136	2	4,136	Note 2
	WayTech Development Inc.	-	Financial assets carried at cost	1,500	-	5	-	Note 2
	Miracle Technology Co., Ltd.	-	Financial assets carried at cost	1,295	13,940	9	13,940	Note 2
	Socle Technology Corp.	-	Financial assets carried at cost	250	6,250	-	6,250	Note 2
	Glokie Technology Corp.	-	Financial assets carried at cost	2,300	-	14	-	Note 2
	Genius Vision Digital Co., Ltd.	-	Financial assets carried at cost	600	6,000	9	6,000	Note 2
Lingri Technology Co., Ltd.	-	Financial assets carried at cost	304	3,040	19	3,040	Note 2	
Russell Holdings Limited	<u>Stock</u>							
	Jet Focus Limited	Equity-method investee	Equity-method investments	4,794	US\$ (350) thousand	44	US\$ (350) thousand	Note 6
	Sunext Technology Co., Ltd.	Equity-method investee	Equity-method investments	442	US\$ 2,202 thousand	1	US\$ 113 thousand	Note 1
	King Yuan ECB	-	Available-for-sale financial assets	8	US\$ 816 thousand	-	US\$ 816 thousand	Note 3
	InveStar Excelsus Venture Capital (Int'l), Inc., LDC	-	Financial assets carried at cost	-	US\$ - thousand	19	US\$ - thousand	Note 2

(Continued)

Holding Company Name	Type and Name of Marketable Security	Relationship with the Holding Company	Financial Statement Account	December 31, 2011				Note
				Shares or Units (Thousands)	Carrying Value	Percentage of Ownership (%)	Market Value or Net Asset Value	
	OZ Optics Limited.	-	Financial assets carried at cost	1,000	US\$ - thousand	8	US\$ - thousand	Note 2
	Aicent, Inc.	-	Financial assets carried at cost	500	US\$ 250 thousand	1	US\$ 250 thousand	Note 2
	Ortega Info System, Inc.	-	Financial assets carried at cost	2,557	US\$ - thousand	-	US\$ - thousand	Note 2
	Asia B2B on Line Inc.	-	Financial assets carried at cost	1,000	US\$ - thousand	3	US\$ - thousand	Note 2
	Asia Tech Taiwan Venture L.P.	-	Financial assets carried at cost	-	US\$ 693 thousand	5	US\$ 693 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\$ 2,000 thousand	-	US\$ 2,000 thousand	Note 2
	Innobrige International Inc.	-	Financial assets carried at cost	4,000	US\$ 400 thousand	15	US\$ 400 thousand	Note 2
	VisualOn Inc.	-	Financial assets carried at cost	377	US\$ 200 thousand	3	US\$ 200 thousand	Note 2
	Aruba Networks, Inc.	-	Financial assets carried at cost	10	US\$ 230 thousand	-	US\$ 230 thousand	Note 2
	Synerchip Co., Ltd.	-	Financial assets carried at cost	5,524	US\$ 900 thousand	11	US\$ 900 thousand	Note 2
Sunplus Venture Capital Co., Ltd.	<u>Stock</u>							
	Sunext Technology Co., Ltd.	Equity-method investee	Equity-method investments	4,431	34,020	7	34,020	Note 1
	Han Young Technology Co., Ltd.	Equity-method investee	Equity-method investments	420	1,780	70	1,780	Note 1
	Generalplus Technology Inc.	Equity-method investee	Equity-method investments	4,301	88,302	4	75,045	Note 1
	Orise Technology Co., Ltd.	Equity-method investee	Equity-method investments	865	15,423	1	15,423	Note 1
	Sunplus Core Technology Co., Ltd.	Equity-method investee	Equity-method investments	1,855	(18,538)	12	(18,538)	Notes 1 and 6
	Sunplus mMobile Inc.	Equity-method investee	Equity-method investments	-	3	-	(2,258)	Note 1
	HT mMobile Inc.	Equity-method investee	Equity-method investments	9,111	-	5	-	Note 1
	Sunplus mMedia Inc.	Equity-method investee	Equity-method investments	1,909	17,481	13	17,222	Note 1
	Sunplus Innovation Technology Inc.	Equity-method investee	Equity-method investments	2,622	48,903	5	48,903	Note 1
	iCatch Technology, Inc.	Equity-method investee	Equity-method investments	3,182	28,428	6	28,428	Note 1
	Ability Enterprise Co., Ltd.	-	Available-for-sale financial assets	3,784	98,384	1	98,384	Note 3
	King Yuan Electronics Co., Ltd.	-	Available-for-sale financial assets	2,441	24,651	-	24,651	Note 3
	Radiant Innovation Inc.	-	Available-for-sale financial assets	913	16,021	3	16,021	Note 3
	AIPTEK International Inc.	-	Available-for-sale financial assets	803	2,271	1	2,271	Note 3
	UED Corp.	-	Financial assets carried at cost	500	30,000	-	30,000	Note 2
	Feature Integration Technology Inc.	-	Financial assets carried at cost	1,811	20,734	4	20,734	Note 2
	Miracle Technology Co., Ltd.	-	Financial assets carried at cost	1,303	14,025	9	14,025	Note 2
	Socle Technology Corp.	-	Financial assets carried at cost	550	13,750	1	13,750	Note 2
	Cyberon Corporation	-	Financial assets carried at cost	1,521	13,691	18	13,691	Note 2
	MaxEmil Photonics Corp.	-	Financial assets carried at cost	419	6,242	2	6,242	Note 2
	Aruba Networks, Inc.	-	Financial assets carried at cost	4	2,585	-	2,585	Note 2
	Sanjet Technology Corp.	-	Financial assets carried at cost	49	422	-	422	Note 2
	Minton Optic Industry Co., Ltd.	-	Financial assets carried at cost	5,000	-	8	-	Note 2
	Simple Act Inc.	-	Financial assets carried at cost	1,900	-	10	-	Note 2
	eWave System, Inc.	-	Financial assets carried at cost	1,833	-	22	-	Note 2

(Continued)

Holding Company Name	Type and Name of Marketable Security	Relationship with the Holding Company	Financial Statement Account	December 31, 2011				Note
				Shares or Units (Thousands)	Carrying Value	Percentage of Ownership (%)	Market Value or Net Asset Value	
Sunplus Venture Capital Co., Ltd.	WayTech Development Inc.	-	Financial assets carried at cost	1,000	\$ -	4	\$ -	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
Ventureplus Group Inc.	<u>Stock</u> Ventureplus Mauritius Inc.	Subsidiary of Ventureplus Group Inc.	Equity-method investments	42,985	US\$ 34,583 thousand	100	US\$ 34,583 thousand	Note 1
Ventureplus Mauritius Inc.	<u>Stock</u> Ventureplus Cayman Inc.	Subsidiary of Ventureplus Mauritius Inc.	Equity-method investments	42,985	US\$ 34,587 thousand	100	US\$ 34,587 thousand	Note 1
Ventureplus Cayman Inc.	<u>Stock</u> Sunplus Technology (Shanghai) Co., Ltd.	Subsidiary of Ventureplus Cayman Inc.	Equity-method investments	-	US\$ 14,565 thousand	99	US\$ 14,565 thousand	Note 1
	Sunplus Pro-tek (Shenzhen) Co., Ltd.	Subsidiary of Ventureplus Cayman Inc.	Equity-method investments	-	US\$ 1,372 thousand	100	US\$ 1,372 thousand	Note 1
	SunMedia Technology Co., Ltd.	Subsidiary of Ventureplus Cayman Inc.	Equity-method investments	-	US\$ 17,736 thousand	100	US\$ 17,736 thousand	Note 1
	Sunplus App Technology Co., Ltd.	Subsidiary of Ventureplus Cayman Inc.	Equity-method investments	-	US\$ 318 thousand	80	US\$ 318 thousand	Note 1
	Ytrip Technology Co., Ltd.	Subsidiary of Ventureplus Cayman Inc.	Equity-method investments	-	US\$ 55 thousand	78	US\$ 55 thousand	Note 1
Global Techplus Capital Inc.	<u>Stock</u> Techplus Capital Samoa Inc.	Subsidiary of Global Techplus Capital Inc.	Equity-method investments	-	US\$ - thousand	100	US\$ - thousand	Note 1
Sunplus Technology (Shanghai) Co., Ltd.	ShenZhen Suntop Technology Co., Ltd.	Subsidiary of Sunplus Technology (Shanghai) Co., Ltd.	Equity-method investments	-	RMB (320) thousand	100	RMB (320) thousand	Note 1
	GF Money Market Fund class B shares	-	Available-for-sale financial assets	13,950	RMB 14,105 thousand	-	RMB 14,105 thousand	Note 1
Wei-Young Investment Inc.	<u>Stock</u> Elitergroup Computer Systems	-	Available-for-sale financial assets	508	3,225	-	3,225	Note 3
	Sunext Technology Co., Ltd.	Equity-method investee	Equity-method investments	18	304	-	138	Note 1
	Generalplus Technology Inc.	Equity-method investee	Equity-method investments	108	1,820	-	1,901	Note 1
Generalplus Technology Inc.	<u>Stock</u> Generalplus International (Samoa) Inc.	Subsidiary of Generalplus Technology Inc.	Equity-method investments	7,590	110,095	100	110,095	Note 1
	<u>Fund</u> ING Taiwan Money Market	-	Available-for-sale financial assets	4,570	54,044	-	54,044	Note 5
	Fuh Hwa Mouey Market Fund	-	Available-for-sale financial assets	2,740	43,080	-	43,080	Note 5
	Prudential Emerging Markets Fund	-	Available-for-sale financial assets	4,993	48,462	-	48,462	Note 5
	Polaris De-Li Money Market	-	Available-for-sale financial assets	1,983	31,187	-	31,187	Note 5

(Continued)

Holding Company Name	Type and Name of Marketable Security	Relationship with the Holding Company	Financial Statement Account	December 31, 2011				Note
				Shares or Units (Thousands)	Carrying Value	Percentage of Ownership (%)	Market Value or Net Asset Value	
Generalplus International (Samoa) Inc.	<u>Stock</u> Generalplus (Mauritius) Inc.	Subsidiary of Generalplus International (Samoa) Inc.	Equity-method investments	7,590	US\$ 3,636 thousand	100	US\$ 3,636 thousand	Note 1
Generalplus (Mauritius) Inc.	<u>Stock</u> Generalplus Technology (Shenzhen) Co., Ltd.	Subsidiary of Generalplus (Mauritius) Inc.	Equity-method investments	7,200	US\$ 3,483 thousand	100	US\$ 3,482 thousand	Note 1
	Generalplus Technology (Hong Kong) Co., Ltd.	Subsidiary of Generalplus (Mauritius) Inc.	Equity-method investments	390	US\$ 153 thousand	100	US\$ 153 thousand	Note 1
Sunext Technology Co., Ltd.	<u>Stock</u> Great Sun Corp.	Subsidiary of Sunext Technology Co., Ltd.	Equity-method investments	750	\$ 12,871	100	12,871	Note 1
	Great Prosperous Corp.	Subsidiary of Sunext Technology Co., Ltd.	Equity-method investments	1,800	3,355	100	3,355	Note 1
	<u>Fund</u> Yuanta Wan Tai Bond Fund	-	Available-for-sale financial assets	5,203	76,000	-	76,000	Note 5
	IBT 1699 Bond Fund	-	Available-for-sale financial assets	3,990	52,000	-	52,000	Note 5
	FSITC Taiwan Bond Fund	-	Available-for-sale financial assets	3,393	50,000	-	50,000	Note 5
	ING Taiwan Money Market	-	Available-for-sale financial assets	3,177	50,000	-	50,000	Note 5
	Polaris De-Bao Money Market	-	Available-for-sale financial assets	3,452	40,000	-	40,000	Note 5
	Great Sun Corp.	<u>Stock</u> Sunext (Mauritius) Inc.	Subsidiary of Great Sun Corp.	Equity-method investments	750	US\$ 25 thousand	100	US\$ 25 thousand
Sunext (Mauritius) Inc.	<u>Stock</u> Sunext Technology (Shanghai)	Subsidiary of Sunext (Mauritius) Inc.	Equity-method investments	-	US\$ 25 thousand	100	US\$ 25 thousand	Note 1
Sunplus mMobile Inc.	Sunplus mMobile SAS	Subsidiary of Sunplus mMobile Inc.	Equity-method investments	237	(16,886)	100	(16,886)	Note 1
	Sunplus mMobile Holding Inc.	Subsidiary of Sunplus mMobile Inc.	Equity-method investments	2,580	(3)	100	(3)	Notes 1 and 6
Sunplus mMobile Holding Inc.	Bright Sunplus mMobile Inc.	Subsidiary of Sunplus mMobile Holding Inc.	Equity-method investments	2,580	US\$ - thousand	100	US\$ - thousand	Note 1
Sunplus Innovation Technology Inc.	<u>Fund</u> Prudential Financial Bond Fund	-	Available-for-sale financial assets	4,636	\$ 70,760	-	70,760	Note 5
	FSITC Taiwan Bond Fund	-	Available-for-sale financial assets	6,023	88,767	-	88,767	Note 5
	Fuh-Hwa Bond Fund	-	Available-for-sale financial assets	14	200	-	200	Note 5
	<u>Stock</u> Advanced Silicon SA	-	Financial assets carried at cost	1,000	26,979	12	26,979	Note 2
	Advanced NuMicro System, Inc.	-	Financial assets carried at cost	2,000	15,993	9	15,993	Note 2

(Continued)

Note 1: The net asset value was based on audited financial data as of December 31, 2011.

Note 2: The market value is based on carrying value as of December 31, 2011.

Note 3: The market value is based on the closing price as of December 31, 2011.

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, 2011.

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

Note 7: Includes the deferred credit of \$1,178 thousand.

Note 8: Includes the deferred credit of \$72,878 thousand.

Note 9: Includes the deferred credit of \$3,839 thousand.

Note 10: As of December 31, 2011, the above marketable securities, except the holdings of Lin Shih Investment Co., Ltd. of the shares of Sunplus Technology Company Limited with a market value \$33,743 thousand, had not been pledged or mortgaged.

Note 11: A Company's holding of 6,817 thousand shares acquired through private subscription was not allowed to be transacted freely in the public market, and the fair of this holding was determined through valuation techniques.

(Concluded)

## SUNPLUS TECHNOLOGY COMPANY LIMITED

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NTS100 MILLION OR 20% OF THE PAID-IN CAPITAL  
 YEAR ENDED DECEMBER 31, 2011  
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Type and Issuer of Marketable Security	Financial Statement Account	Beginning Balance		Acquisition		Disposal				Ending Balance	
			Units (Thousands)	Amount	Units (Thousands)	Amount	Unit (Thousands)	Amount	Carrying Value	Gain (Loss) on Disposal	Unit (Thousands)	Amount
Sunplus Technology Company Limited	Orise Technology Co., Ltd.	Equity-method investments	51,290	\$ 870,358 (Note 3)	-	\$ -	4,000	\$ 252,740	\$ 82,467	\$ 176,171 (Note 4)	47,290	\$ 870,358 (Note 5)
	HT mMobile Inc.	Equity-method investments	37,261	29,790 (Note 3)	19,187	211,060	-	-	-	-	56,448	- (Note 5)
	Sunplus mMobile Inc.	Equity-method investments	20,090	(591,839) (Note 3)	48,900	489,000	-	-	-	-	48,999 (Note 6)	(333,455) (Note 5)
	Taishin Bond Fund	Available-for-sale financial assets	12,383	132,086 (Note 2)	9,363	100,000	8,894	95,000	94,487	513	12,852	137,962 (Note 1)
	FSITC Bond Fund	Available-for-sale financial assets	1,170	200,000 (Note 2)	-	-	1,170	200,272	200,000	272	-	- (Note 1)
	Mega Diamond	Available-for-sale financial assets	15,096	180,888 (Note 2)	12,493	150,000	19,263	231,071	230,000	1,071	8,326	100,453 (Note 1)
	Cathay Bond Fund	Available-for-sale financial assets	4,182	50,130 (Note 2)	8,332	100,000	12,514	150,646	150,000	646	-	- (Note 1)
Generalplus Technology Inc.	Polaris De-Li Market	Available-for-sale financial assets	-	-	11,479	180,000	9,496	149,000	148,910	90	1,983	31,187 (Note 1)
	PCA Wea Poll Bond Fund	Available-for-sale financial assets	-	-	12,861	168,000	12,861	168,106	168,000	106	-	-
	Yuanta Wn Tai Money Market	Available-for-sale financial assets	-	-	11,887	173,000	11,887	173,084	173,000	84	-	-
	Euh-Hwa Bond Fund	Available-for-sale financial assets	-	-	8,056	112,000	8,056	112,114	112,000	114	-	-
	ING Taiwan Money Market	Available-for-sale financial assets	3,516	55,001	4,014	63,000	7,530	118,162	118,000	162	-	-
	Polaris Bond Fund	Available-for-sale financial assets	-	-	10,492	121,000	10,492	121,139	121,000	139	-	-
Sunext Technology Company Limited	Yugnta Wan Tai Bond Fund	Available-for-sale financial assets	4,551	66,051	11,113	162,000	10,461	152,517	152,000	517	5,203	76,000
	IBT 1699 Bond Fund	Available-for-sale financial assets	3,093	40,027	7,990	104,000	7,093	92,263	92,000	263	3,990	52,000
	FSITC Taiwan Bond Fund	Available-for-sale financial assets	3,414	50,000	6,797	100,000	6,818	100,313	100,000	313	3,393	50,000
	ING Taiwan Money Market	Available-for-sale financial assets	-	-	6,362	100,000	3,185	50,115	50,000	115	3,177	50,000
	Prudential Financial Bond Fund	Available-for-sale financial assets	4,613	70,024	3,286	50,000	7,899	120,306	120,000	306	-	-
	Cathay Bond Fund	Available-for-sale financial assets	4,175	50,036	4,162	50,000	8,337	100,296	100,000	296	-	-
iCash Technology Inc.	Allianz Global Investors Money Market fund	Available-for-sale financial assets	-	-	8,317	100,000	8,317	100,205	100,000	205	-	- (Note 1)

Note 1: The ending balance includes the valuation gains on financial assets.

Note 2: The beginning balance includes the valuation gains on financial assets.

Note 3: The amount was the carrying value of the equity-method investment as of December 31, 2011.

Note 4: The amount includes an investment gain classified under capital surplus.

Note 5: The amount was the carrying value of the equity-method investment as of December 31, 2011.

Note 6: Shares after reducing the capital to offset a deficit.

## SUNPLUS TECHNOLOGY COMPANY LIMITED

ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
 YEAR ENDED DECEMBER 31, 2011  
 (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 Counter-party				Price Reference	Purpose of Acquisition	Other Terms
							Ownership	Relationships	Transfer Date	Amount			
Generalplus Technology Inc.	Building Inc.	2011.07.28	\$ 258,000	\$ 258,000	AIPTEK International Inc.	-	-	-	-	\$ -	Appraisal	Operating purposes	-

## SUNPLUS TECHNOLOGY COMPANY LIMITED

## NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCES

DECEMBER 31, 2011

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

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2011			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note	
				December 31, 2011	December 31, 2010	Shares (Thousands)	Percentage of Ownership	Carrying Value				
Sunplus Technology Company Limited	Orise Technology Co., Ltd.	Hsinchu, Taiwan	Design of ICs	\$ 499,529	\$ 581,661	47,290	34	\$ 870,358	\$ 136,389	\$ 48,323	Investee	
	Sunplus mMedia Inc.	Hsinchu, Taiwan	Design of ICs	307,565	307,565	12,441	83	58,910	6,429	41,771	Subsidiary	
	Sunplus Venture Capital Co., Ltd.	Hsinchu, Taiwan	Investment	999,982	999,982	100,000	100	652,884	(64,945)	(64,945)	Subsidiary	
	Lin Shih Investment Co., Ltd.	Hsinchu, Taiwan	Investment	699,988	699,988	70,000	100	654,033	(113,235)	(116,107)	Subsidiary	
	Generalplus Technology Inc.	Hsinchu, Taiwan	Design of ICs	281,377	305,050	37,324	34	659,141	166,863	64,925	Subsidiary	
	Ventureplus Group Inc.	Belize	Investment	US\$ 42,985 thousand	US\$ 41,900 thousand	42,985	100	1,046,788	(71,179)	(71,179)	Subsidiary	
	Russell Holdings Limited	Cayman Islands, British West Indies.	Investment	US\$ 14,760 thousand	US\$ 14,760 thousand	14,760	100	409,664	4,111	4,111	Subsidiary	
	Sunplus Innovation Technology Inc.	Hsinchu, Taiwan	Design of ICs	\$ 414,663	\$ 414,663	30,986	64	576,004	46,647	31,392	Subsidiary	
	Sunext Technology Co., Ltd.	Hsinchu, Taiwan	Design and sale of ICs	924,730	924,730	38,836	61	432,445	(177,886)	(108,779)	Subsidiary	
	Sunplus Core Technology Co., Ltd.	Hsinchu, Taiwan	Design of ICs	195,285	195,285	11,206	70	(138,357)	(117,574)	(87,085)	Subsidiary	
	Global Techplus Capital Inc.	Seychelles	Investment	US\$ 200 thousand	US\$ 200 thousand	200	100	6,882	(77)	(77)	Subsidiary	
	Wei-Young Investment Inc.	Hsinchu, Taiwan	Investment	30,157	30,157	1,400	100	6,184	35	35	Subsidiary	
	Sunplus Technology (H.K.) Co., Ltd.	Kowloon Bay, Hong Kong	International trade	HK\$ 11,075 thousand	HK\$ 11,075 thousand	11,075	100	4,091	(64)	(64)	Subsidiary	
	Sunplus Management Consulting Inc.	Hsinchu, Taiwan	Management	\$ 5,000	\$ 5,000	500	100	4,165	53	53	Subsidiary	
	HT mMobile Inc.	Hsinchu, Taiwan	Design of ICs	583,668	372,608	56,448	32	-	(868,177)	(118,347)	Investee	
	iCatch Technology, Inc.	Hsinchu, Taiwan	Design of ICs	207,345	207,345	20,735	38	185,251	(98,067)	(36,820)	Subsidiary	
	Sunplus mMobile Inc.	Hsinchu, Taiwan	Design of ICs	2,196,392	1,707,392	49,000	99	(333,455)	(250,674)	(250,585)	Subsidiary	
	Magic Sky Limited	Samoa	Investment	US\$ 6,000	US\$ 6,000	6,000	100	-	(176,344)	(176,344)	Subsidiary	
	Lin Shih Investment Co., Ltd.	Sunext Technology Co., Ltd.	Hsinchu, Taiwan	Design and sale of ICs	\$ 369,316	\$ 369,316	3,360	5	25,842	(177,886)	(9,411)	Subsidiary
		Sunplus Core Technology Co., Ltd.	Hsinchu, Taiwan	Design of ICs	36,773	36,800	2,308	15	(22,570)	(117,574)	(16,553)	Subsidiary
Sunplus mMobile Inc.		Hsinchu, Taiwan	Design of ICs	38,450	38,450	8	-	32	(250,674)	(87)	Subsidiary	
Sunplus mMedia Inc.		Hsinchu, Taiwan	Design of ICs	19,171	19,171	579	4	10,487	6,429	248	Subsidiary	
Sunplus Innovation Technology Inc.		Hsinchu, Taiwan	Design of ICs	15,701	14,073	1,059	2	17,240	46,647	932	Subsidiary	
HT mMobile Inc.		Hsinchu, Taiwan	Design of ICs	46,948	46,948	4,695	3	-	(868,177)	(24,626)	Investee	
iCatch Technology, Inc.		Hsinchu, Taiwan	Design of ICs	9,645	9,645	965	2	8,618	(98,067)	(1,713)	Subsidiary	
Generalplus Technology Inc.		Hsinchu, Taiwan	Design of ICs	86,256	86,256	14,892	14	262,364	166,863	25,315	Subsidiary	
Sunplus Venture Capital Co., Ltd.	Sunext Technology Co., Ltd.	Hsinchu, Taiwan	Design and sale of ICs	385,709	385,709	4,431	7	34,020	(177,886)	(12,410)	Subsidiary	
	Han Young Technology Co., Ltd.	Taipei, Taiwan	Design of ICs	4,200	4,200	420	70	1,780	-	-	Subsidiary	
	Sunplus Innovation Technology Inc.	Hsinchu, Taiwan	Design of ICs	52,952	45,597	2,622	5	48,903	46,647	2,167	Subsidiary	
	HT mMobile Inc.	Hsinchu, Taiwan	Design of ICs	100,204	204	9,111	5	-	(868,177)	(7,532)	Investee	
	iCatch Technology, Inc.	Hsinchu, Taiwan	Design of ICs	31,818	31,818	3,182	6	28,428	(98,067)	(5,650)	Subsidiary	
	Orise Technology Co, Ltd.	Hsinchu, Taiwan	Design of ICs	10,800	10,800	865	1	15,423	136,389	856	Investee	
	Sunplus Core Technology Co., Ltd.	Hsinchu, Taiwan	Design of ICs	33,846	33,846	1,885	12	(18,583)	(117,574)	(13,936)	Subsidiary	
	Generalplus Technology Inc.	Hsinchu, Taiwan	Design of ICs	56,050	44,606	4,301	4	88,302	166,863	6,795	Subsidiary	
	Sunplus mMobile Inc.	Hsinchu, Taiwan	Design of ICs	1,784	1,784	-	-	3	(250,674)	-	Subsidiary	
	Sunplus mMedia Inc.	Hsinchu, Taiwan	Design of ICs	44,878	44,878	1,909	13	17,481	6,429	818	Subsidiary	
Russell Holdings Limited	Jet Focus Limited	Cayman Islands, British West Indies	Investment	US\$ 6,050 thousand	US\$ 6,050 thousand	4,794	44	US\$ (350) thousand	US\$ - thousand	US\$ - thousand	Investee	
	Sunext Technology Co., Ltd.	Hsinchu, Taiwan	Design and sale of ICs	US\$ 2,119 thousand	US\$ 2,119 thousand	442	1	US\$ 2,202 Thousand	\$ (177,886)	US\$ (42) Thousand	Subsidiary	

(Continued)

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2011			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				December 31, 2011	December 31, 2010	Shares (Thousands)	Percentage of Ownership	Carrying Value			
Global Techplus Capital Inc.	Techplus Capital Samoa Inc.	Samoa	Investment	US\$ - thousand	US\$ - thousand	-	100	US\$ - thousand	US\$ - thousand	US\$ - thousand	Subsidiary
Wei-Young Investment Inc.	Generalplus Technology Inc. Sunext Technolgo Co., Ltd.	Hsinchu, Taiwan Hsinchu, Taiwan	Design of ICs Design and sale of ICs	1,800 350	1,800 350	108 18	- -	1,820 304	166,863 (177,886)	185 (51)	Subsidiary Subsidiary
Ventureplus Group Inc.	Ventureplus Mauritius Inc.	Mauritius	Investment	US\$ 42,985 thousand	US\$ 41,900 thousand	42,985	100	US\$ 34,583 thousand	US\$ (2,422) thousand	US\$ (2,422) thousand	Subsidiary
Ventureplus Mauritius Inc.	Ventureplus Cayman Inc.	Cayman Islands, British West Indies	Investment	US\$ 42,985 thousand	US\$ 41,900 thousand	42,985	100	US\$ 34,587 thousand	US\$ (2,422) thousand	US\$ (2,422) thousand	Subsidiary
Ventureplus Cayman Inc.	Sunplus Technology Technology (Shanghai) Co., Ltd. Sunplus Prof-tek Technology (Shenzhen) Co., Ltd. SunMedia Technology Co., Ltd. Sunplus App Technology Co., Ltd. Ytrip Technology Co., Ltd.	Shanghai, China ShenZhen, China Chengdu, China Beijing, China Chengdu, China	Research, development, manufacture and sale of ICs. Research, development, manufacture and sale of ICs.	US\$ 17,000 thousand US\$ 4,250 thousand US\$ 20,000 thousand US\$ 586 thousand US\$ 1,085 thousand	US\$ 17,000 thousand US\$ 4,250 thousand US\$ 20,000 thousand US\$ 586 thousand US\$ - thousand	- - - - -	99 100 100 80 78	US\$ 14,565 thousand US\$ 1,372 thousand US\$ 17,736 thousand US\$ 318 thousand US\$ 55 thousand	US\$ 1,255 thousand US\$ (1,467) thousand US\$ (1,637) thousand US\$ 44 thousand US\$ (795) thousand	US\$ 1,210 thousand US\$ (1,467) thousand US\$ (1,637) thousand US\$ 35 thousand US\$ (577) thousand	Subsidiary Subsidiary Subsidiary Subsidiary Subsidiary
Sunext Technology Co., Ltd.	Great Sun Corp. Great Prosperous Corp.	Samoa Mauritius	Investment Investment	US\$ 750 thousand US\$ 1,800 thousand	US\$ 750 thousand US\$ 1,500 thousand	750 1,800	100 100	12,871 3,355	2,117 (15,747)	2,117 (15,747)	Subsidiary Subsidiary
Great Sun Corp.	Sunext (Mauritius) Inc.	Mauritius	Investment	US\$ 750 thousand	US\$ 750 thousand	750	100	US\$ 25 thousand	US\$ (85) thousand	US\$ (85) thousand	Subsidiary
Sunext (Mauritius) Inc.	Sunext Technology (Shanghai) Co., Ltd.	Shanghai, China	Design of software	US\$ 750 thousand	US\$ 750 thousand	-	100	US\$ 25 thousand	US\$ (85) thousand	US\$ (85) thousand	Subsidiary
Generalplus Technology Inc.	Generalplus International (Samoa) Inc.	Samoa	Investment	US\$ 7,590 thousand	US\$ 7,590 thousand	7,590	100	110,095	7,646	7,646	Subsidiary
Generalplus International (Samoa) Inc.	Generalplus (Mauritius) Inc.	Mauritius	Investment	US\$ 7,590 thousand	US\$ 7,590 thousand	7,590	100	US\$ 3,636 thousand	US\$ 260 thousand	US\$ 260 thousand	Subsidiary
Generalplus (Mauritius) Inc.	Generalplus Technology (Shenzhen) Co., Ltd. Genralplus Technology (Hong Kong) Co., Ltd.	Shenzhen, China Hong Kong	After-sales service Sales	US\$ 7,200 thousand US\$ 390 thousand	US\$ 7,200 thousand US\$ 390 thousand	7,200 390	100 100	US\$ 3,482 thousand US\$ 153 thousand	US\$ 337 thousand US\$ (77) thousand	US\$ 337 thousand US\$ (77) thousand	Subsidiary Subsidiary
Sunplus mMobile Inc.	Sunplus mMobile SAS Sunplus mMobile Holding Inc.	France Samoa	Design of ICs Investment	EUR 237 thousand US\$ 2,580 thousand	EUR 237 thousand US\$ 2,580 thousand	237 2,580	100 100	(16,886) (3)	4,357 US\$ - thousand	4,357 US\$ - thousand	Subsidiary Subsidiary
Sunplus mMobile Holding Inc.	Bright Sunplus mMobile Inc.	Mauritius	Research and development of intellectual property rights	US\$ 2,580 thousand	US\$ 2,580 thousand	2,580	100	US\$ - thousand	US\$ - thousand	US\$ - thousand	Subsidiary
Sunplus Technology Co., Ltd. (Shanghai)	ShenZhen Suntop Technology Co.,Ltd.	Shenzheu, China	Design of software and hardware	RMB 2,000 thousand	RMB - thousand	-	100	US\$ (320) thousand	RMB (2,320) thousand	RMB (2,320) thousand	Subsidiary

(Concluded)

## SUNPLUS TECHNOLOGY COMPANY LIMITED

## INFORMATION ON INVESTMENT IN MAINLAND CHINA

YEAR ENDED DECEMBER 31, 2011

(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, 2011	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2011	% Ownership of Direct or Indirect Investment	Investment Loss	Carrying Value as of December 31, 2010	Accumulated Inward Remittance of Earnings as of December 31, 2010
					Outflow	Inflow					
Sunplus Technology (Shanghai) Co., Ltd.	Manufacturing and sale of consumer ICs	US\$ 17,200 thousand	Note	US\$ 17,000 thousand	US\$ - thousand	US\$ - thousand	US\$ 17,000 thousand	99%	US\$ 1,210 thousand	US\$ 14,565 thousand	US\$ - thousand
Sunplus Prof-tek (Shenzhen) Co., Ltd.	Development and sale of computer software and system integration services	US\$ 4,250 thousand	Note	US\$ 4,250 thousand	US\$ - thousand	US\$ - thousand	US\$ 4,250 thousand	100%	US\$ (1,467) thousand	US\$ 1,372 thousand	US\$ - thousand
Sun Media Technology Co., Ltd.	Manufacturing and sale of computer software and system integration services	US\$ 20,000 thousand	Note	US\$ 20,000 thousand	US\$ - thousand	US\$ - thousand	US\$ 20,000 thousand	100%	US\$ (1,637) thousand	US\$ 17,736 thousand	US\$ - thousand
Sunplus App Technology Co., Ltd.	Manufacturing and sale of computer software; system integration services and information management and education	RMB 5,000 thousand	Note	US\$ 586 thousand	US\$ - thousand	US\$ - thousand	US\$ 586 thousand	80%	US\$ 35 thousand	US\$ 318 thousand	US\$ - thousand
Ytrip Technology Co., Ltd.	Computer system integration services and supplying general advertising and other information services.	US\$ 4,844 thousand	Note	US\$ - thousand	US\$ 1,085 thousand	US\$ - thousand	US\$ 1,085 thousand	78%	US\$ (557) thousand	US\$ 55 thousand	US\$ - thousand

Accumulated Investment in Mainland China as of December 31, 2011	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
US\$42,921 thousand	US\$56,550 thousand	\$5,437,157

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

## **7.5 Consolidated Financial Statements**

## REPRESENTATION LETTER

The entities to be included in the combined financial statements of Sunplus Technology Company Limited and subsidiaries as of and for the year ended December 31, 2011, which will be prepared in conformity with the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises, are the same as the entities included in the consolidated financial statements prepared in conformity with the revised R.O.C. Statement of Financial Accounting Standards No. 7 - "Consolidated Financial Statements." In addition, the information needed to be disclosed in the combined financial statements is included in the consolidated financial statements. Thus, Sunplus Technology Company Limited and subsidiaries did not prepare a separate set of combined financial statements.

Very truly yours,

SUNPLUS TECHNOLOGY COMPANY LIMITED

By



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CHOU-CHIEH HUANG  
Chairman

March 21, 2012

## INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders  
Sunplus Technology Company Limited

We have audited the accompanying consolidated balance sheets of Sunplus Technology Company Limited and subsidiaries (the "Company") as of December 31, 2011 and 2010, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Sunplus Technology Company Limited and subsidiaries as of December 31, 2011 and 2010, and the results of their operations and their cash flows for the years then ended, in conformity with Guidelines Governing the Preparation of Financial Reports by Securities Issuers, and accounting principles generally accepted in the Republic of China.

March 21, 2012

### Notice to Readers

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

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

**SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEETS**

**DECEMBER 31, 2011 AND 2010**

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

ASSETS	2011		2010		LIABILITIES AND SHAREHOLDERS' EQUITY	2011		2010	
	Amount	%	Amount	%		Amount	%	Amount	%
<b>CURRENT ASSETS</b>					<b>CURRENT LIABILITIES</b>				
Cash (Note 4)	\$ 4,775,205	34	\$ 5,669,021	31	Short-term bank loans (Note 14)	\$ 943,612	7	\$ 816,970	4
Certificates of deposits - restricted (Notes 4 and 23)	111,509	1	81,505	-	Notes payable and accounts payable	767,878	6	1,037,583	6
Notes and accounts receivable, net (Notes 2, 3, 6 and 22)	1,331,576	9	1,777,704	9	Income tax payable (Notes 2 and 20)	437,553	3	337,346	2
Financial assets at fair value through profit or loss - current (Notes 2 and 5)	44,644	-	26,334	-	Accrued expenses	424,785	3	295,659	1
Available-for-sale financial assets - current (Notes 2 and 5)	1,055,235	7	1,466,011	8	Bonus payable to employees and remuneration payable to directors and supervisors (Note 17)	47,406	-	214,109	1
Other receivables (Note 23)	125,413	1	193,022	1	Long-term bank loans - current portion (Notes 15 and 22)	265,000	2	701,000	4
Inventories (Notes 2 and 8)	1,062,945	8	2,028,711	11	Deferred income	1,522	-	922	-
Deferred income tax assets (Notes 2 and 18)	37,179	-	124,129	1	Other current liabilities (Notes 2 and 8)	182,214	1	349,225	2
Other current assets	138,749	1	120,145	1					
<b>Total current assets</b>	<b>8,682,455</b>	<b>61</b>	<b>11,486,582</b>	<b>62</b>	<b>Total current liabilities</b>	<b>3,069,970</b>	<b>22</b>	<b>3,752,814</b>	<b>20</b>
<b>LONG-TERM INVESTMENTS</b>					<b>LONG-TERM BANK LOANS, NET OF CURRENT PORTION</b>				
Equity-method investments (Notes 2 and 29)	885,569	6	1,106,906	6	(Notes 15 and 24)	-	-	132,500	1
Prepaid long-term investments	30,275	-	174,780	1	<b>OTHER LIABILITIES</b>				
Available-for-sale financial assets (Notes 2, 6 and 9)	1,126,099	8	2,494,990	13	Deferred income (Notes 2 and 23)	5,215	-	2,918	-
Financial assets carried at cost (Notes 2 and 10)	353,037	3	462,877	3	Accrued pension liability (Notes 2 and 16)	101,877	-	100,545	1
					Guarantee deposits	256,016	2	245,706	1
<b>Total long-term investments</b>	<b>2,394,980</b>	<b>17</b>	<b>4,239,553</b>	<b>23</b>	<b>Total other liabilities</b>	<b>363,108</b>	<b>2</b>	<b>349,169</b>	<b>2</b>
<b>PROPERTIES (Notes 2, 11 and 24)</b>					<b>Total liabilities</b>	<b>3,433,078</b>	<b>24</b>	<b>4,234,483</b>	<b>23</b>
Cost					<b>SHAREHOLDERS' EQUITY</b>				
Buildings	1,211,350	9	986,182	5	Capital stock - NTS\$10.00 par value (parent company's equity; Notes 2, 17 and 18)				
Auxiliary equipment	96,182	1	208,184	1	Authorized - 1,200,000 thousand shares				
Machinery and equipment	192,422	1	419,640	2	Issued and outstanding - 596,910 thousand shares	5,969,099	42	5,969,099	32
Testing equipment	267,661	2	514,012	3	Capital surplus				
Transportation equipment	10,217	-	10,865	-	Additional paid-in capital - share issuance in excess of par	709,215	5	709,215	4
Furniture and fixtures	217,749	1	265,718	2	Treasury stock transactions	71,228	-	68,357	-
Leasehold improvements	30,950	-	57,876	-	Merger and others	950,022	7	1,192,023	7
Other equipment	8,509	-	424	-	Retained earnings				
Total cost	2,035,040	14	2,462,901	13	Legal reserve	2,450,003	18	2,372,631	13
Less: Accumulated depreciation	759,734	5	1,335,232	7	Special reserve	191,229	1	-	-
Construction in progress and prepayments for equipment	374,253	3	46,104	-	Unappropriated earnings (deficit)	(23,822)	-	2,707,229	14
					Others				
<b>Net properties</b>	<b>1,649,559</b>	<b>12</b>	<b>1,173,773</b>	<b>6</b>	Cumulative translation adjustments	90,505	1	(18,662)	-
<b>INTANGIBLE ASSETS, NET (Notes 2 and 12)</b>	<b>676,915</b>	<b>5</b>	<b>891,766</b>	<b>5</b>	Unrealized loss on financial assets	(1,190,315)	(9)	(172,567)	(1)
<b>OTHER ASSETS</b>					Treasury stock (at cost) - 8,475 thousand shares in 2011 and 3,560 thousand shares in 2010	(155,236)	(1)	(63,401)	-
Rental assets, net (Notes 2, 23 and 24)	363,197	3	332,601	2	<b>Total equity attributed to shareholders of the parent</b>	<b>9,061,928</b>	<b>64</b>	<b>12,763,924</b>	<b>69</b>
Deferred charges and others (Notes 2 and 13)	102,553	1	109,640	1	<b>MINORITY INTEREST (Note 2)</b>	<b>1,602,967</b>	<b>12</b>	<b>1,511,630</b>	<b>8</b>
Deferred income tax assets - noncurrent (Notes 2 and 20)	218,536	1	274,665	1	<b>Total shareholders' equity</b>	<b>10,664,895</b>	<b>76</b>	<b>14,275,554</b>	<b>77</b>
Restricted assets (Notes 4, 24 and 25)	9,778	-	1,457	-	<b>TOTAL</b>	<b>\$ 14,097,973</b>	<b>100</b>	<b>\$ 18,510,037</b>	<b>100</b>
<b>Total other assets</b>	<b>694,064</b>	<b>5</b>	<b>718,363</b>	<b>4</b>					
<b>TOTAL</b>	<b>\$ 14,097,973</b>	<b>100</b>	<b>\$ 18,510,037</b>	<b>100</b>					

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

# SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2011 AND 2010

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

	2011		2010	
	Amount	%	Amount	%
GROSS SALES	\$ 9,409,627		\$ 12,932,302	
SALES RETURNS AND ALLOWANCES	<u>157,664</u>		<u>167,162</u>	
NET SALES (Notes 2 and 23)	9,251,963	100	12,765,140	100
COST OF SALES (Notes 2, 8 and 19)	6,154,042	67	7,772,853	61
REALIZED INTERCOMPANY GAIN, NET (Note 2)	<u>-</u>	<u>-</u>	<u>183</u>	<u>-</u>
GROSS PROFIT	<u>3,097,921</u>	<u>33</u>	<u>4,992,470</u>	<u>39</u>
OPERATING EXPENSES (Notes 19 and 23)				
Marketing	382,125	4	361,344	3
General and administrative	518,523	6	567,795	4
Research and development	<u>3,000,656</u>	<u>32</u>	<u>3,313,684</u>	<u>26</u>
Total operating expenses	<u>3,901,304</u>	<u>42</u>	<u>4,242,823</u>	<u>33</u>
OPERATING INCOME (LOSS)	<u>(803,383)</u>	<u>(9)</u>	<u>749,647</u>	<u>6</u>
NONOPERATING INCOME AND GAINS				
Gain on disposal of investments, net (Note 2)	335,175	4	783,965	6
Dividend income (Note 2)	47,959	1	55,028	-
Interest income	39,313	-	18,619	-
Administrative and support service revenue (Note 23)	12,903	-	19,021	-
Foreign exchange gain, net (Note 2)	12,636	-	-	-
Rental revenue (Note 23)	10,934	-	10,946	-
Gain on disposal of fixed assets (Note 2)	1,553	-	10,247	-
Others (Notes 2 and 23)	<u>47,817</u>	<u>-</u>	<u>102,448</u>	<u>1</u>
Total nonoperating income and gains	<u>508,290</u>	<u>5</u>	<u>1,000,274</u>	<u>7</u>
NONOPERATING EXPENSES AND LOSSES				
Impairment loss (Notes 2, 6, 9, 10 and 12)	1,208,144	13	163,988	1
Investment loss recognized by the equity-method, net (Notes 2 and 9)	157,462	2	59,266	1
Interest expense	29,399	-	44,729	-
Loss on disposal of fixed asset (Note 2)	1,213	-	5,309	-
Valuation loss on financial assets (Note 2)	60	-	-	-
Foreign exchange loss, net (Note 2)	-	-	97,959	1
Others	<u>19,375</u>	<u>-</u>	<u>25,609</u>	<u>-</u>
Total nonoperating expenses and losses	<u>1,415,653</u>	<u>15</u>	<u>396,860</u>	<u>3</u>

(Continued)



**SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES**

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY  
YEARS ENDED DECEMBER 31, 2011 AND 2010  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

	Equity Attributable to Shareholders of the Parent											Others (Notes 2, 17 and 18)				Minority Interests (Note 2)	Total Shareholders' Equity
	Capital Stock Issued and Outstanding (Note 17)		Capital Surplus (Notes 2 and 17)					Retained Earnings (Notes 2 and 17)				Unrealized Valuation (Loss)					
	Shares (Thousands)	Amount	Share Issuance in Excess of Par	Treasury Stock Transactions	Long-term Investments	Merger	Total	Legal Reserve	Special Reserve	Unappropriated Earnings (Accumulated Deficit)	Total	Cumulative Translation Adjustments	Gain on Financial Assets	Treasury Stock	Total		
BALANCE, JANUARY 1, 2010	596,910	\$ 5,969,099	\$ 709,215	\$ 68,357	\$ 936,306	\$ 157,423	\$ 1,871,301	\$ 2,334,480	\$ 428,914	\$ 1,542,755	\$ 4,306,149	\$ 110,973	\$ 116,449	\$ (63,401)	\$ 12,310,570	\$ 749,459	\$ 13,060,029
Appropriation of prior year's earnings:																	
Legal reserve	-	-	-	-	-	-	-	38,151	-	(38,151)	-	-	-	-	-	-	-
Special reserve	-	-	-	-	-	-	-	-	(428,914)	428,914	-	-	-	-	-	-	-
Adjustment arising from changes in percentage of ownership of investees	-	-	-	-	88,965	-	88,965	-	-	-	-	-	-	-	88,965	-	88,965
Adjustment of capital surplus - others	-	-	-	-	9,329	-	9,329	-	-	-	-	-	-	-	9,329	-	9,329
Consolidated net income in 2010	-	-	-	-	-	-	-	-	-	773,711	773,711	-	-	-	773,711	148,281	921,992
Translation adjustments on long-term investments	-	-	-	-	-	-	-	-	-	-	-	(129,635)	-	-	(129,635)	(3,077)	(132,712)
Adjustment for changes in equity in equity-method investees	-	-	-	-	-	-	-	-	-	-	-	-	(92)	-	(92)	(622)	(714)
Valuation loss on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	-	-	(288,924)	-	(288,924)	(395)	(289,319)
Subsidiaries' distribution of cash dividends to minority interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(65,183)	(65,183)
Increase in minority interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	683,167	683,167
BALANCE, DECEMBER 31, 2010	596,910	5,969,099	709,215	68,357	1,034,600	157,423	1,969,595	2,372,631	-	2,707,229	5,079,860	(18,662)	(172,567)	(63,401)	12,763,924	1,511,630	14,275,554
Acquisition of treasury stock	-	-	-	-	-	-	-	-	-	-	-	-	-	(91,835)	(91,835)	-	(91,835)
Appropriation of prior year's earnings:																	
Legal reserve	-	-	-	-	-	-	-	77,372	-	(77,372)	-	-	-	-	-	-	-
Special reserve	-	-	-	-	-	-	-	-	191,229	(191,229)	-	-	-	-	-	-	-
Cash dividends NT\$0.8 per share	-	-	-	-	-	-	-	-	-	(477,528)	(477,528)	-	-	-	(477,528)	-	(477,528)
Adjustment arising from changes in percentage of ownership of investees	-	-	-	-	(198,021)	-	(198,021)	-	-	-	-	-	-	-	(198,021)	-	(198,021)
Adjustment of capital surplus - others	-	-	-	-	(43,980)	-	(43,980)	-	-	-	-	-	-	-	(43,980)	(53,031)	(97,011)
Consolidated net loss in 2011	-	-	-	-	-	-	-	-	-	(1,984,922)	(1,984,922)	-	-	-	(1,984,922)	(20,642)	(2,005,564)
Translation adjustments on long-term investments	-	-	-	-	-	-	-	-	-	-	-	109,167	-	-	109,167	4,954	114,121
Cash dividends received by subsidiaries from parent company	-	-	-	2,871	-	-	2,871	-	-	-	-	-	-	-	2,871	-	2,871
Adjustment for changes in equity in equity-method investees	-	-	-	-	-	-	-	-	-	-	-	-	(2)	-	(2)	-	(2)
Valuation gain on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	-	-	(1,017,746)	-	(1,017,746)	(476)	(1,018,222)
Subsidiaries' distribution of cash dividends to minority interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(138,343)	(138,343)
Increase in minority interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	298,875	298,875
BALANCE, DECEMBER 31, 2011	596,910	5,969,099	709,215	71,228	792,599	157,423	1,730,465	2,450,003	191,229	(23,822)	2,617,410	90,505	(1,190,315)	(155,236)	9,061,928	1,602,967	10,664,895

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

# SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2011 AND 2010

(In Thousands of New Taiwan Dollars)

	2011	2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income (loss) attributable to shareholders of the parent	\$ (1,984,922)	\$ 773,711
Net income (loss) attributable to the minority interest	(20,642)	148,281
Adjustments to reconcile the consolidated net income to net cash provided by operating activities:		
Depreciation and amortization	670,268	819,436
Realized intercompany gain, net	-	(183)
Unrealized intercompany gain, net	2,897	-
Cash dividends received from equity-method investees	133,434	109,443
Loss on valuation of financial asset	60	-
Gain on disposal of investments, net	(335,175)	(783,965)
Impairment loss	1,208,144	163,988
Investment loss recognized by the equity-method, net	157,462	59,266
Gain on disposal of properties, net	(340)	(4,938)
Loss on disposal of intangible assets and deferred charges, net	830	1,396
Deferred income tax	143,079	381,582
Accrued pension liability	(2,496)	(2,074)
Net changes in operating assets and liabilities		
Financial assets held for trading	(20,000)	(25,214)
Notes receivable and accounts receivable	446,128	616,426
Other receivables	55,828	(16,194)
Inventories	965,766	(690,203)
Other current assets	(18,604)	14,171
Notes payable and accounts payable	(269,705)	(173,641)
Income tax payable	100,207	11,963
Accrued expenses	124,788	(182,092)
Bonus payable to employees and remuneration payable to directors and supervisors	(140,117)	204,765
Other current liabilities	<u>(167,413)</u>	<u>(174,802)</u>
Net cash provided by operating activities	<u>1,049,477</u>	<u>1,251,122</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds of the disposal of :		
Available-for-sale financial assets	2,966,259	3,593,972
Financial assets carried at cost	84,157	12,563
Properties	3,724	17,639
Intangible assets	-	5,641
Return of capital on financial assets carried at cost	27,625	69,009
Equity-method investments	309,612	881,788
Acquisition of:		
Equity-method investments	(317,930)	(43,454)
Prepaid long-term investments	(29,391)	(174,780)
Available-for-sale financial assets	(2,546,792)	(1,716,133)
Financial assets carried at cost	(74,086)	(15,993)
Properties	(669,565)	(181,560)

(Continued)

# SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2011 AND 2010 (In Thousands of New Taiwan Dollars)

	2011	2010
Increase in intangible assets	\$ (297,055)	\$ (186,409)
Increase in deferred charges and others	(96,306)	(103,351)
Increase in other receivables	(400,000)	-
Increase in restricted assets	<u>(38,325)</u>	<u>(80,862)</u>
Net cash provided by (used in) investing activities	<u>(1,078,073)</u>	<u>2,078,070</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Cash paid for acquisition of treasury stock	(91,835)	-
Increase (decrease) in short-term loans	126,642	(123,311)
Repayments of long-term bank loans	(568,500)	(1,326,500)
Increase (decrease) in guarantee deposits	10,310	(13,939)
Cash dividends paid on common stock	(615,871)	(65,183)
Cash dividends received by subsidiaries from parent company	2,871	-
Increase in minority interest	<u>242,645</u>	<u>509,792</u>
Net cash used in financing activities	<u>(893,738)</u>	<u>(1,019,141)</u>
NET INCREASE IN CASH	(922,334)	2,310,051
CASH, BEGINNING OF YEAR	5,669,021	3,421,418
EFFECT OF EXCHANGE RATE CHANGES	48,001	(62,097)
EFFECT OF CHANGE OF CONSOLIDATED ENTITIES	<u>(19,483)</u>	<u>(351)</u>
CASH, END OF YEAR	<u>\$ 4,775,205</u>	<u>\$ 5,669,021</u>
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Income tax paid	<u>\$ 47,567</u>	<u>\$ 48,745</u>
Interest paid	<u>\$ 36,330</u>	<u>\$ 49,893</u>
<b>NONCASH INVESTING AND FINANCING ACTIVITIES</b>		
Reclassifications of long-term investment to available-for-sale financial assets	<u>\$ -</u>	<u>\$ 1,797,346</u>
Reclassifications of rental assets to properties	<u>\$ 25,225</u>	<u>\$ -</u>
Reclassifications of properties to rental assets	<u>\$ -</u>	<u>\$ 16,893</u>
Current portion of long-term bank loans	<u>\$ 265,000</u>	<u>\$ 701,000</u>
Reclassification of financial asset carried at cost to available-for-sale financial asset	<u>\$ -</u>	<u>\$ 9,450</u>
<b>PARTIAL CASH INVESTING ACTIVITIES</b>		
Acquisition of properties	\$ (673,903)	\$ (183,473)
Increase in payables to contractors and equipment suppliers	<u>4,338</u>	<u>1,913</u>
Cash paid	<u>\$ (669,565)</u>	<u>\$ (181,560)</u>

(Continued)

# SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2011 AND 2010

(In Thousands of New Taiwan Dollars)

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	2011	2010
Disposal of equity-method investments	\$ 309,612	\$ 851,693
Decrease in receivables from disposal of equity-method investments	<u>-</u>	<u>30,095</u>
Cash received	<u>\$ 309,612</u>	<u>\$ 881,788</u>
Disposal of cost-method investments	\$ 87,388	\$ 12,563
Increase in receivables from disposal of cost-method	<u>(3,231)</u>	<u>-</u>
Cash received	<u>\$ 84,157</u>	<u>\$ 12,563</u>

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

(Concluded)



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

Sunplus and its consolidated entities are hereinafter referred to collectively as the “Company.” As of December 31, 2011 and 2010, the Company had 2,207 and 2,217 employees, respectively.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### Basis of Presentation

The accompanying financial statements have been prepared in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China (ROC). Significant accounting policies are summarized as follows:

### Principles of Consolidation

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

The consolidated entities as of December 31, 2011 and 2010 were as follows:

Investor	Investee	% of Ownership as of December 31		Remark
		2011	2010	
Sunplus	Sunplus Management Consulting	100.00	100.00	-
	Global Techplus	100.00	100.00	-
	Ventureplus	100.00	100.00	-
	Sunplus HK	100.00	100.00	-
	Sunplus Venture	100.00	100.00	-
	Waveplus	-	40.70	On July 8, 2011, the investee completed liquidation procedures.
	Lin Shih	100.00	100.00	-
	Sunplus mMobile	99.99	99.95	-
	Sunext	61.15	61.15	-
	Sunplus Core	70.48	70.48	-
	Sunplus Innovation	63.93	66.15	-
	Generalplus	34.32	40.05	Sunplus and its subsidiaries had 52.07% equity in Generalplus.

(Continued)

Investor	Investee	% of Ownership as of December 31		Remark
		2011	2010	
	iCatch Technology, Inc.	37.70	37.70	Sunplus and its subsidiaries had 45.24% equity in iCatch Technology, Inc. and the Company had controlling interest over iCatch Technology, Inc.; thus, the investee was included in the consolidated financial statements.
	Wei-Young	100.00	100.00	-
	Russell	100.00	100.00	-
	Magic Sky Limited	100.00	100.00	Newly established in October 2010
	Sunplus mMedia	82.94	82.94	-
Global Techplus	Techplus Samoa	100.00	100.00	-
Ventureplus	Ventureplus Mauritius	100.00	100.00	-
Ventureplus Mauritius	Ventureplus Cayman	100.00	100.00	-
Ventureplus Cayman	Ytrip Technology Co., Ltd.	77.76	-	Newly established in May 2011
	Sunplus App Technology Co., Ltd.	80.00	80.00	-
	Sunplus Prof-tek (Shenzhen)	100.00	100.00	-
	Sunplus Shanghai	98.84	98.84	-
	SunMedia Technology Co., Ltd.	100.00	100.00	-
Sunplus Technology Co., Ltd. (Shanghai)	創鼎	100.00	-	Newly established in April 2011
Sunplus Venture	Han Yuang	70.00	70.00	-
	Sunext	6.98	6.98	Sunplus and its subsidiaries had 74.15% equity in Sunext.
	Waveplus	-	12.09	The investee completed liquidation in July 2011; thus it was excluded from the consolidated financial statements.
	Generalplus	3.96	4.17	Sunplus and its subsidiaries had 52.07% equity in Generalplus.
	Sunplus Core	11.85	11.85	Sunplus and its subsidiaries had 96.85% equity in Sunplus Core.
	Sunplus mMobile	-	-	Sunplus and its subsidiaries had 99.99% equity in Sunplus mMobile
	Sunplus mMedia	12.73	12.73	Sunplus and its subsidiaries had 99.53% equity in Sunplus mMedia.
	Sunplus Innovation	5.41	4.78	Sunplus and its subsidiaries had 71.52% equity in Sunplus Innovation
	iCatch Technology, Inc.	5.79	5.79	Sunplus and its subsidiaries had 45.24% equity in iCatch Technology, Inc.
Waveplus	Waveplus USA	-	100.00	The investee completed liquidation in July 2011; thus it was excluded from the consolidated financial statements.
Lin Shih	Generalplus	13.69	15.40	Sunplus and its subsidiaries had 52.07% equity in Generalplus.
	Sunext	5.29	5.29	Sunplus and the subsidiaries had 74.15% equity in Sunext.
	Waveplus	-	41.94	On July 8, 2011, the investee completed liquidation procedures.
	Sunplus Core	14.52	13.96	Sunplus and its subsidiaries had 96.85% equity in Sunplus Core.
	Sunplus mMedia	3.86	3.86	Sunplus and its subsidiaries had 99.53% equity in Sunplus mMedia.
	Sunplus mMobile	-	0.04	Sunplus and its subsidiaries had 99.99% equity in Sunplus mMobile.
	Sunplus Innovation	2.18	2.05	Sunplus and its subsidiaries had 71.52% equity in Sunplus Innovation.

(Continued)

Investor	Investee	% of Ownership as of December 31		Remark
		2011	2010	
	iCatch Technology, Inc.	1.75	1.75	Sunplus and its subsidiaries had 45.24% equity in iCatch Technology, Inc. and the Company had controlling interest over iCatch Technology, Inc.; thus, the investee was included in the consolidated financial statements.
Sunplus mMobile	Sunplus mMobile Holding Inc.	100.00	100.00	-
	Sunplus mMobile SAS	100.00	100.00	-
Sunplus mMobile Holding Inc.	Bright Sunplus mMobile Inc.	-	100.00	The investee completed the cancellation of its registration in November 2011; thus, it was excluded from the consolidated financial statements.
Sunext	Great Sun	100.00	100.00	-
	Great Prosperous Corp.	100.00	100.00	Newly established in February 2009
Great Sun	Sunext Mauritius	100.00	100.00	-
Sunext Mauritius	Sunext (Shanghai)	100.00	100.00	-
Generalplus	Generalplus Samoa	100.00	100.00	-
Generalplus Samoa	Generalplus Mauritius	100.00	100.00	-
Generalplus Mauritius	Generalplus Shenzhen	100.00	100.00	-
	Generalplus HK	100.00	100.00	-
Wei-Young	Generalplus	0.11	0.11	Sunplus and its subsidiaries had 52.07% equity in Generalplus
	Sunext	0.03	0.03	Sunplus and its subsidiaries had 74.15% equity in Sunext
Russell	Sunext	0.70	0.70	Sunplus and its subsidiaries had 74.15% equity in Sunext

(Concluded)

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

### Foreign-currency Transactions

ROC Statement of Financial Accounting Standards No. 14 - "The Effects of Changes in Foreign Exchange Rates" applies to foreign subsidiaries that use their local currencies as their functional currencies, as follows: (a) Renminbi (RMB) - Sunplus Shanghai, Sunplus Prof-tek (Shenzhen), SunMedia, Sunplus App Technology, Yitrip Technology, Shenzhen Suntop Technology, Sunext Shanghai and Generalplus Shenzhen; (b) Hong Kong dollar (HKD) - Sunplus HK and Generalplus HK; (c) euro (EUR) - Sunplus mMobile SAS; (d) British pound (GBP) - Sunplus mMobile Limited; and (e) U.S. dollar (USD) - other subsidiaries. The consolidated financial statements of foreign subsidiaries are translated into New Taiwan dollars at the following exchange rates: assets and liabilities - exchange rate on the balance sheet date; shareholders' equity - historical rates; and income and expenses - average rate for the year. The resulting translation adjustments are recorded as a separate component of shareholders' equity.

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

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

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

- a. Recognized in shareholders' equity if the changes in fair value are recognized in shareholders' equity;

- b. Recognized in profit and loss if the changes in fair value is recognized in profit or loss.

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

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

### **Accounting Estimates**

Under the above guidelines and principles, the Company is required to make certain estimates and assumptions that could affect the amounts of allowance for doubtful accounts, allowance for sales returns and discounts, allowance for inventory devaluation, property depreciation, amortization of intangible assets and deferred expenses, impairment loss on assets, income tax, pension expenses and the bonuses to employees, directors and supervisors. Actual results could differ from these estimates.

### **Current/Noncurrent Assets and Liabilities**

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

### **Available-for-sale Financial Assets**

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

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

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

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

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

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

## **Impairment of Accounts Receivable**

An allowance for doubtful accounts is provided on the basis of a review of the collectibility of accounts receivable. The Company makes this review through an aging analysis of the outstanding receivables and assessing the value of the collateral provided by customers.

As discussed in Note 3 to the financial statements, on January 1, 2011, the Company adopted the third-time revised Statement of Financial Accounting Standards (SFAS) No. 34 - "Financial Instruments: Recognition and Measurement." One of the main revisions is that the impairment of receivables originated by the Company should be covered by SFAS No. 34. Accounts receivable are assessed for impairment at the end of each reporting period and considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the accounts receivable, the estimated future cash flows of the asset have been affected. Objective evidence of impairment could include:

- Significant financial difficulty of the debtor;
- Accounts receivable becoming overdue; or
- It becoming probable that the debtor will enter into bankruptcy or undergo financial reorganization.

Accounts receivable that are assessed as not impaired individually are further assessed for impairment on a collective basis. Objective evidence of impairment of a portfolio of accounts receivable could include the Company's past experience of collecting payments and an increase in the number of delayed payments, as well as observable changes in national or local economic conditions that correlate with defaults on receivables.

The amount of the impairment loss recognized is the difference between the asset carrying amount and the present value of estimated future cash flows, after taking into account the related collaterals and guarantees, discounted at the receivable's original effective interest rate.

The carrying amount of the accounts receivable is reduced through the use of an allowance account. When accounts receivable are considered uncollectible, they are written off against the allowance account. Recoveries of amounts previously written off are credited to the allowance account. Changes in the carrying amount of the allowance account are recognized as bad debt in profit or loss.

## **Allowance for Sales Returns and Discounts**

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. This allowance is deducted from sales in the year the products are sold, and related costs are deducted from cost of sales.

## **Inventories**

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

## **Financial Assets Carried at Cost**

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

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

## **Equity-method Investments**

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

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

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

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

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

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

## **Properties and Rental Assets**

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

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

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

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

## **Intangible Assets**

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

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

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

On the balance sheet date, the Company evaluates intangible assets for any impairment. If impairment is identified, the Company will evaluate the recoverable amount of these 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 amortization), had no impairment loss been recognized for the asset in prior years.

## **Deferred Charges**

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

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

## **Pension Costs**

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

## **Income Tax**

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

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

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

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

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

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

## **Stock-based Compensation**

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

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

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

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

### **Treasury Stock**

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

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

### **Revenue Recognition**

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

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

Royalties are recognized when:

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

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

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

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

Sunplus Shanghai's rental revenue was recognized in accordance with the related contract.

## 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.

## Reclassifications

Certain accounts in the consolidated financial statements as of and for the year ended December 31, 2010 have been reclassified to conform to the presentation of consolidated financial statements as of and for the year ended December 31, 2011.

### 3. ACCOUNTING CHANGES

#### SFAS No. 34 - "Financial Instruments: Recognition and Measurement"

On January 1, 2011, the Company adopted the newly revised Statement of Financial Accounting Standards (SFAS) No. 34 - "Financial Instruments: Recognition and Measurement." The main revisions include (1) finance lease receivables are now covered by SFAS No. 34; (2) the scope of the applicability of SFAS No. 34 to insurance contracts is amended; (3) loans and receivables originated by the Company are now covered by SFAS No. 34; (4) additional guidelines on impairment testing of financial assets carried at amortized cost when a debtor has financial difficulties and the terms of obligations have been modified; and (5) accounting treatment by a debtor for modifications in the terms of obligations. This accounting change had no effect on the financial statement for years ended December 31, 2011.

#### SFAS No. 41 - "Operating Segments"

On January 1, 2011, the Company adopted the newly issued SFAS No. 41 - "Operating Segments." The statement requires that segment operation be disclosed on the basis of the information on the components of the Company that management uses to make operating decisions. SFAS No. 41 requires the identification of operating segments on the basis of internal reports that are regularly reviewed by the Company's chief operating decision maker in order to allocate resources to the segments and assess their performance. This statement supersedes SFAS No. 20 - "Segment Reporting." This accounting change had no effect on the disclosures of the operating segments of the Company.

### 4. CASH CHANGES

	<b>December 31</b>	
	<b>2011</b>	<b>2010</b>
Savings accounts	\$ 1,207,870	\$ 800,354
Time deposits	3,684,732	4,944,363
Checking accounts	264	1,030
Cash on hand	<u>3,626</u>	<u>6,236</u>
	4,896,492	5,751,983
Deduct: Certificate of deposits - restricted (Note 24)	<u>121,287</u>	<u>82,962</u>
	<u>\$ 4,775,205</u>	<u>\$ 5,669,021</u>

## 5. FINANCIAL INSTRUMENTS AT FVTPL

	<u>December 31</u>	
	<u>2011</u>	<u>2010</u>
<u>Financial assets held for trading</u>		
Domestic and foreign listed convertible bonds	\$ <u>44,644</u>	\$ <u>26,334</u>

Net loss on financial assets held for trading for the years ended 2011 was \$60 thousand.

## 6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	<u>Years Ended December 31</u>	
	<u>2011</u>	<u>2010</u>
Open-end funds	\$ 1,055,235	\$ 1,466,011
Domestic listed stocks	<u>1,126,099</u>	<u>2,494,990</u>
	2,181,334	3,961,001
Deduct: Current portion	<u>1,055,235</u>	<u>1,466,011</u>
	<u>\$ 1,126,099</u>	<u>\$ 2,494,990</u>

Some of the domestic listed shares held by the Sunplus are private-placement shares, on which there is a legally enforceable restriction that prevents their being traded within a specified period. As of the years ended December 31, 2011 and 2010, as of the effects of restriction could be reliably measured and were consistent with those of other market participants, so those shares previously classified as financial assets carried at cost were transferred to available-for-sale financial assets, resulting in unrealized losses of \$70,292 thousand and \$28,855 thousand, respectively.

As of December 31, 2011, the Company had recognized \$351,849 thousand as impairment loss on its available-for-sale financial assets.

## 7. NOTES AND ACCOUNTS RECEIVABLE - OTHERS

	<u>December 31</u>	
	<u>2011</u>	<u>2010</u>
Notes receivable	\$ 73	\$ 340
Accounts receivable	1,339,136	1,838,809
Accounts receivable - related parties	<u>60,207</u>	<u>28,728</u>
	1,399,416	1,867,877
Deduct: Allowance for doubtful accounts	58,781	65,173
Deduct: Allowance for sales returns and discounts	<u>9,059</u>	<u>25,000</u>
	<u>\$ 1,331,576</u>	<u>\$ 1,777,704</u>

Movements of the allowance for doubtful accounts were as follows:

	<b>Years Ended December 31</b>	
	<b>2011</b>	<b>2010</b>
Balance, beginning of year	\$ 65,173	\$ 65,744
Add: Allowance for doubtful accounts	51,130	-
Deduct: Amounts written off	-	107
Deduct: Reversal of allowance	57,522	464
Effects of change in consolidated entities	<u>-</u>	<u>-</u>
Balance, end of year	<u>\$ 58,781</u>	<u>\$ 65,173</u>

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

	<b>Years Ended December 31</b>	
	<b>2011</b>	<b>2010</b>
Balance, beginning of year	\$ 25,000	\$ 57,255
Add: Allowance for sales returns and discounts	444	4,761
Deduct: Reversal of allowance for sales returns and discounts	<u>16,385</u>	<u>37,016</u>
Balance, end of year	<u>\$ 9,059</u>	<u>\$ 25,000</u>

## 8. INVENTORIES

	<b>December 31</b>	
	<b>2011</b>	<b>2010</b>
Finished goods and merchandise	\$ 469,285	\$ 591,874
Work in process	498,566	667,746
Raw materials	<u>95,094</u>	<u>769,091</u>
	<u>\$ 1,062,945</u>	<u>\$ 2,028,711</u>

As of December 31, 2011 and 2010, the allowances for inventory devaluation were \$447,507 thousand and \$424,287 thousand, respectively.

The costs of inventories recognized as costs of goods sold were \$6,135,796 thousand in 2011 and \$7,752,935 thousand in 2010, and these inventory costs included the following:

	<b>Years Ended December 31</b>	
	<b>2011</b>	<b>2010</b>
Inventory write-downs	\$ 243,967	\$ 112,682
Compensation income	-	(5,276)
Income from scrap sales	<u>(13,938)</u>	<u>(26,404)</u>
	<u>\$ 230,029</u>	<u>\$ 81,002</u>

## 9. EQUITY-METHOD INVESTMENTS

	December 31			
	2011		2010	
	Amount	% of Owner- ship	Amount	% of Owner- ship
Equity-method investments				
Orise Technology, Co., Ltd.	\$ 885,569	35.0	\$ 1,051,184	39.0
HT mMobile Inc.	<u>-</u>	49.5	<u>55,722</u>	28.0
	<u>\$ 885,569</u>		<u>\$ 1,106,906</u>	
Credit balances on carrying values of long-term investments (recorded as other current liabilities)				
Jet Focus Ltd.	<u>\$ 10,609</u>	44.0	<u>\$ 10,207</u>	44.0

Following the assessment of the recoverable amount of the investment in HT mMobile Inc. against investment carrying value as of December 31, 2011, the Company recognized an impairment loss of \$130,649 thousand

On February 29, 2012, HT mMobile Inc.'s (HT) board of directors approved a downsizing and reduction of its operations because of (a) the termination of merger negotiations with another company and (b) the resignation of high-level employees of the research and development (R&D) department, which have hampered product R&D. On the basis of a resolution passed in a meeting of HT's board of directors, the Company recognized an investment loss on HT, as well as the reduction of the carrying value of this to zero. The Company also recognized an impairment loss of \$405,612 thousand on other receivable from HT mMobile Inc.

On September 10, 2010, the Company's ownership in Giantplus decreased to below 20% of total ownership. Thus, the Company lost significant influence on Giantplus and thus reclassified the related equity-method investment to available-for-sale financial asset - noncurrent.

In 2011 and 2010, there was a credit balance on the carrying value of the long-term investment in Jet Focus Ltd. Since the Company had no interest to support Jet Focus Ltd, the Company did not recognize its investment losses.

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

	Years Ended December 31	
	2011	2010
Orise Technology, Co., Ltd.	\$ 49,179	\$ 202,962
HT mMobile Inc.	(206,641)	(269,991)
Giantplus Technology Co., Ltd.	<u>-</u>	<u>7,764</u>
	<u>\$ (157,462)</u>	<u>\$ (59,266)</u>

The fair values of listed equity-method investments calculated at their closing prices as of December 31, 2011 and 2010 were as follows:

	<b>December 31</b>	
	<b>2011</b>	<b>2010</b>
Orise Technology, Co., Ltd.	<u>\$ 1,345,937</u>	<u>\$ 3,311,854</u>

#### 10. FINANCIAL ASSETS CARRIED AT COST

	<b>December 31</b>	
	<b>2011</b>	<b>2010</b>
Domestic unlisted stocks	<u>\$ 353,037</u>	<u>\$ 462,877</u>

On the above financial assets carried at cost, the Company recognized impairment losses of \$140,183 thousand in 2011 and \$163,988 thousand in 2011 and 2010.

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

#### 11. PROPERTIES

	<b>December 31</b>	
	<b>2011</b>	<b>2010</b>
Accumulated depreciation		
Buildings	\$ 205,610	\$ 192,231
Auxiliary equipment	43,345	162,898
Machinery and equipment	157,581	349,351
Testing equipment	176,854	385,709
Transportation equipment	4,945	5,785
Furniture and fixtures	148,271	200,001
Leasehold improvements	17,824	38,840
Other equipment	<u>5,304</u>	<u>417</u>
	<u>\$ 759,734</u>	<u>\$ 1,335,232</u>

#### 12. INTANGIBLE ASSETS, NET

	<b>December 31</b>	
	<b>2011</b>	<b>2010</b>
Technology license fees	\$ 306,045	\$ 461,361
Goodwill	228,221	291,381
Patents	49,899	55,294
Software	57,010	48,253
Land grant	30,991	29,188
Deferred pension cost	3,828	-
Technological know-how	<u>921</u>	<u>6,289</u>
	<u>\$ 676,915</u>	<u>\$ 891,766</u>

Intangible assets consisted of fees paid to Oak Technology (“Oak”) for the Company to use Oak’s technology on light storage solutions to develop SOC DVD/VCD (system on a chip digital compact disk/video compact disk) players and the fee paid to Royal Philips Electronics (“Philips”) for the Company to use Philips’s optical disc drive (ODD) semiconductor technology. The Company recognized an impairment loss of \$106,594 thousand in accordance with technology license fees.

Movements of the difference between the cost of investment and the Company’s share in investees’ net assets allocated to goodwill for the years ended December 31, 2011 and 2010 were as follows:

	<u>Year Ended December 31</u>	
	<u>2011</u>	<u>2010</u>
<u>Cost</u>		
Balance, beginning of year	\$ 291,381	\$ 257,449
Amount recognized on business combinations	7,704	46,824
Disposals	-	(6,916)
Impairment loss	(73,257)	-
Translation adjustments	<u>2,393</u>	<u>(5,976)</u>
Carrying amount	<u>\$ 228,221</u>	<u>\$ 291,381</u>

The Company revalued the carrying value of the goodwill on subsidiaries against the recoverable amount as of the year ended December 31, 2011 and recognized an impairment loss of \$73,257 thousand.

### 13. DEFERRED CHARGES AND OTHERS

	<u>December 31</u>	
	<u>2011</u>	<u>2010</u>
Software and system design, net	\$ 75,212	\$ 94,452
Refundable deposits	19,541	7,388
Certificates of golf club membership	<u>7,800</u>	<u>7,800</u>
	<u>\$ 102,553</u>	<u>\$ 109,640</u>

### 14. SHORT-TERM LOANS

	<u>December 31</u>	
	<u>2011</u>	<u>2010</u>
Working capital loans: Annual interest rate - 2.81%-2.98% in 2011 and 2.36%-2.71% in 2010	\$ 270,000	\$ 355,547
Working capital loans: 0.94%-0.99% annual interest rate	260,000	-
Working capital loans: US\$4,000 thousand, 0.98% annual interest rate in 2011; US\$6,000 thousand, 0.94%-0.99% annual interest rate in 2010	121,100	174,780
Working capital loans - US\$2,910 thousand, 0.84%-1.80% annual interest rate in 2011; US\$4,200 thousand, 0.8499% annual interest rate in 2010	88,100	122,346

(Continued)

	<u>December 31</u>	
	<b>2011</b>	<b>2010</b>
Working capital loans: Annual interest rate - 2.06%-2.71% in 2011 and 1.63% to 2.50% in 2010	\$ 166,700	\$ 106,700
Working capital loans - US\$1,246 thousand, 2.41% annual interest rate in 2011; US\$1,967 thousand, 2.194% annual interest rate in 2010	<u>37,712</u>	<u>57,597</u>
	<u>\$ 943,612</u>	<u>\$ 816,970</u> (Concluded)

## 15. LONG-TERM DEBTS

	<u>December 31</u>	
	<b>2011</b>	<b>2010</b>
Medium- to long-term credit bank loans:		
Repayable quarterly from February 2010 to February 2012; annual floating-rate interest - 1.7725% in 2011 and 1.5225% in 2010	\$ 102,500	\$ 330,000
Repayable quarterly from November 2009 to February 2012; annual floating-rate interest - 2.935% in 2011 and 2.715% in 2010	30,000	150,000
Repayable semiannually from February 2009 to February 2012; annual floating-rate interest - 2.17% in 2011 and 1.94% in 2010	30,000	60,000
Repayable quarterly from January 2010 to July 2012; annual floating-rate interest - 2.87% in 2011 and 2.65% in 2010	27,000	63,000
Medium- to long-term secured loans:		
Repayable semiannually from March 2010 to March 2014; annual floating-rate interest - 2.12% in 2011 and 1.9% in 2010	<u>75,500</u>	<u>230,500</u>
	265,000	833,500
Deduct: Current portion	<u>265,000</u>	<u>701,100</u>
	<u>\$ -</u>	<u>\$ 132,500</u>

Under the loan contracts, the Company provided buildings and shares of Giantplus Technology Co., Ltd. and Orise Technology Co., Ltd. as collaterals for the above loans (Note 23). The loan contracts require the Company to maintain certain financial ratios (debt ratio, current ratio, times interest-earned ratio and financing provided) on the basis of semiannual and annual consolidated financial statements. However, the Company's not being able to meet the ratio requirement is not deemed to be a violation of the contracts. As of December 31, 2011 and 2010, the Company was in compliance with these financial ratio requirements.

## 16. PENSION PLAN

The pension plan under the Labor Pension Act (LPA) is a defined contribution plan. Based on the LPA, the rate of the Company's monthly contributions to employees' individual pension accounts is at 6% of monthly salaries and wages. Related pension costs were \$67,498 thousand for 2011 and \$64,004 thousand for 2010.

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

The Company recognized pension costs of \$4,849 thousand in 2011 and pension benefits of \$5,226 thousand in 2010.

The pension costs related to the service periods of employees, who are spun off to Orise, Sunplus Innovation, and Sunplus mMobile from Sunplus, to Sunplus mMedia and HT mMobile from Sunplus mMobile, and to Generalplus, Sunplus Innovation, and iCatch from Sunplus mMedia, will be paid by Sunplus, Sunplus mMobile and Sunplus mMedia (collectively, the "seven companies") based on the proportion of the employees' service periods, terms of retirement, and the related rights and obligations to the seven companies.

Other information on the defined pension plan is as follows:

a. Components of net pension costs

	<b>Years Ended December 31</b>	
	<b>2011</b>	<b>2010</b>
Service costs	\$ 2,077	\$ 3,185
Interest costs	4,779	4,129
Projected return on plan assets	(2,880)	(2,588)
Amortization	688	230
Curtailement gain	<u>112</u>	<u>-</u>
Net pension costs	<u>\$ 4,776</u>	<u>\$ 4,956</u>

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

	<b>December 31</b>	
	<b>2011</b>	<b>2010</b>
Benefit obligation		
Vested benefit obligation	\$ -	\$ -
Non-vested benefit obligation	<u>106,708</u>	<u>91,047</u>
Accumulated benefit obligation	106,708	91,047
Additional benefits based on future salaries	<u>156,610</u>	<u>135,686</u>
Projected benefit obligation	263,318	226,733
Fair value of plan assets	<u>(148,709)</u>	<u>(137,129)</u>
Funded status	114,609	89,604
Unrecognized net transition obligation	(10,773)	332
Unrecognized net gain (loss)	(7,667)	2,349
Additional liability	<u>3,828</u>	<u>-</u>
Accrued pension liability	<u>\$ 99,997</u>	<u>\$ 92,285</u>
Vested benefit	<u>\$ -</u>	<u>\$ -</u>

	<b>Years Ended December 31</b>	
	<b>2011</b>	<b>2010</b>
c. Actuarial assumptions		
Discount rate used in determining present values	2.00%	2.00%
Future salary increase rate	3.25%-6.00%	3.25%-6.00%
Expected rate of return on plan assets	2.00%	2.00%
	<b>Years Ended December 31</b>	
	<b>2011</b>	<b>2010</b>
d. Contributions to the fund	<u>\$ 7,589</u>	<u>\$ 6,777</u>
e. Payments from the fund	<u>\$ -</u>	<u>\$ -</u>

## 17. PARENT'S SHAREHOLDERS' EQUITY

### a. Employee stock option plan

On September 11, 2007, the Securities and Futures Bureau approved the Company's adoption of an employee stock option plan ("2007 plan"). The plan provides for the grant of 25,000 thousand options in 2007 plan, with each unit representing one common share. The option rights are granted to qualified employees of the Company and subsidiaries. A total of 25,000 thousand common shares have been reserved for issuance. The options are valid for six years and exercisable at certain percentages after the second anniversary of the grant date. Stock option rights are granted at an exercise price equal to the closing price of the Company's common shares listed on the Taiwan Stock Exchange on the grant date. If the Company's paid-in-capital changes, the exercise price is adjusted accordingly. All options had been granted or canceled as of December 31, 2011.

Outstanding option rights were as follows:

	<b>2007 Option Plan</b>			
	<b>2011</b>		<b>2010</b>	
	<b>Unit (In Thousands)</b>	<b>Weighted- average Price (NT\$)</b>	<b>Unit (In Thousands)</b>	<b>Weighted- average Price (NT\$)</b>
Beginning outstanding balance	21,433	\$38.03	22,858	\$40.52
Options canceled	<u>(1,586)</u>	-	<u>(1,425)</u>	-
Ending outstanding balance	<u>19,847</u>		<u>21,433</u>	

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

As of December 31, 2011, the outstanding and exercisable options were as follows:

<b>2007 Option Plan</b>					
<b>Exercise Price (NT\$)</b>	<b>Options Outstanding</b>			<b>Options Exercisable</b>	
	<b>Number of Options (In Thousands)</b>	<b>Weighted- average Remaining Contractual Life (Years)</b>	<b>Weighted- average Exercise Price (NT\$)</b>	<b>Number of Options (In Thousands)</b>	<b>Weighted- average Exercise Price (NT\$)</b>
\$ 37.9	13,547	1.87	\$ 37.9	13,547	\$ 37.9
38.3	6,300	1.99	38.3	6,300	38.3

The pro forma information for the years ended December 31, 2011 and 2010 assuming employee stock options granted before December 31, 2007 were accounted for under Statement of Financial Accounting Standards No. 39 - "Share-based Payment" is as follows:

	<b>2011</b>	<b>2010</b>
Net income (loss) attributable to shareholders of the parent		
Net income (loss) as reported	<u>\$ (1,984,922)</u>	<u>\$ 773,711</u>
Pro forma net income (loss)	<u>\$ (1,985,090)</u>	<u>\$ 772,347</u>
Consolidated earnings per share (E/LPS; in New Taiwan dollars)		
Basic EPS as reported	<u>\$(3.37)</u>	<u>\$1.30</u>
Pro forma basic E/LPS	<u>\$(3.37)</u>	<u>\$1.30</u>
Diluted EPS as reported	<u>\$(3.37)</u>	<u>\$1.29</u>
Pro forma diluted E/LPS	<u>\$(3.37)</u>	<u>\$1.29</u>

b. Global depositary receipts

In March 2001, Sunplus issued 20,000 thousand units of global depositary receipts (GDRs), representing 40,000 thousand common shares that consisted 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, 2011, the outstanding 275 thousand units of GDRs represented 550 thousand common shares.

c. Capital surplus

Under the Company Law, capital surplus may be used to offset a deficit. The capital surplus from shares issued in excess of par (including the stock issued for new capital and mergers and surplus arising from treasury stocks transactions) may be capitalized within a certain percentage of the Company's paid-in capital. Under the revised Company Law issued on January 4, 2012, the foregoing capital surplus may also be distributed in cash. However, the capital surplus from long-term investments may not be used for any purpose.

d. Appropriation of earnings and dividends

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

Under an approved shareholders' resolution, 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. Sunplus' policy is that cash dividends should be at least 10% of total dividends distributed. However, cash dividends will not be distributed if these dividends are less than NT\$0.5 per share.

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

Sunplus should estimate the bonus to employees based on related laws and past experience, and the estimated amount was \$96,579 thousand for 2010. The remuneration to directors and supervisors would be 1.5% of the excess of net income after tax over legal reserve, special reserve and dividends, and the estimated amount for 2010 was \$2,204 thousand. However, to retain working capital, the bonus to employees and remuneration to directors and supervisors was zero for 2009. And for 2011, based on Sunplus' Articles of Incorporation, the bonus and remuneration should be appropriated only when there is remaining income after the appropriation of dividends. Thus, Sunplus did not accrue any bonus and remuneration expenses. Material differences between earlier estimates of bonuses and remuneration and the amounts subsequently proposed by the Board of Directors are adjusted for in the year of the proposal. If the actual amounts approved by the shareholders differ from the board of directors' proposed amounts, the differences are recorded in the year of shareholders' resolution as a change in accounting estimate.

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

Under the ROC Company Law, legal reserve should be appropriated until the reserve equals Sunplus' paid-in capital. This reserve may be used to offset a deficit. Under the revised Company Law issued on January 4, 2012, when the legal reserve exceeds 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

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 from the 2010 and 2009 earnings were approved at the shareholders' meetings on June 10, 2011 and June 14, 2010, respectively. The appropriations, including dividends, were as follows:

	<b>For Fiscal Year 2010</b>		<b>For Fiscal Year 2009</b>	
	<b>Appropriation of Earnings</b>	<b>Dividends Per Share (NT\$)</b>	<b>Appropriation of Earnings</b>	<b>Dividends Per Share (NT\$)</b>
Legal reserve	\$ 77,372	\$ -	\$ 38,151	\$ -
Special reserve	191,229	-	(428,914)	-
Cash dividend	<u>477,528</u>	0.8	<u>-</u>	-
	<u>\$ 746,129</u>		<u>\$ (390,763)</u>	

In their meeting on June 11, 2011, the Board of Directors proposed a bonus to employees of \$96,579 thousand and a remuneration to directors and supervisors of \$2,204 thousand.

The information on the appropriation of bonuses to employees, directors and supervisors is available on the Market Observation Post System website of the Taiwan Stock Exchange.

### Unrealized Gain or Loss on Financial Instruments

In 2011 and 2010 movement of unrealized gain or loss on financial instrument were as follows:

	Available- for-sale Financial Assets	Equity- method Investments	Total
<u>Year ended December 31, 2011</u>			
Balance, beginning of year	\$ (172,589)	\$ 22	\$ (172,567)
Recognized in shareholders' equity	(1,301,319)	(2)	(1,301,319)
Transferred to profit or loss	<u>283,573</u>	<u>-</u>	<u>283,573</u>
Balance, end of year	<u>\$ (1,190,335)</u>	<u>\$ 20</u>	<u>\$ (1,190,315)</u>
<u>Year ended December 31, 2010</u>			
Balance, beginning of year	\$ 116,335	\$ 114	\$ 116,449
Recognized in shareholders' equity	<u>(288,924)</u>	<u>(92)</u>	<u>(289,016)</u>
Balance, end of year	<u>\$ (172,589)</u>	<u>\$ 22</u>	<u>\$ (172,567)</u>

### 18. TREASURY STOCK (COMMON STOCK)

Status/Purpose of Purchase	Units: Shares in Thousands			
	Beginning Shares	Increase	Decrease	Ending Shares
<u>Year ended December 31, 2011</u>				
Stocks of Sunplus held by a subsidiary	3,560	-	-	3,560
For subsequent transfer to employees	<u>-</u>	<u>4,915</u>	<u>-</u>	<u>4,915</u>
	<u>3,560</u>	<u>4,915</u>	<u>-</u>	<u>8,475</u>
<u>Year ended December 31, 2010</u>				
For subsequent transfer to employees	<u>3,560</u>	<u>-</u>	<u>-</u>	<u>3,560</u>

Since January 2002, Sunplus has 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, 2011 and 2010, the book values of these shares were the same at \$63,401 thousand, and the market values of these shares were \$35,493 thousand and \$75,472 thousand, respectively.

Under the Securities and Exchange Act, Sunplus should neither pledge treasury stock nor exercise shareholders' rights on these shares, such as rights to dividends and to vote. On March 1, 2010, the Board of Directors approved a plan to repurchase shares up to 20,000 thousand shares of Sunplus between March 1, 2011 and April 30, 2011, with the buyback price ranging from NT\$16.00 to NT\$22.00. As of December 31, 2011, Sunplus had bought back 4,915 thousand shares for \$91,835 thousand. The subsidiaries holding treasury shares retain shareholders' rights, except the rights to participate in any share issuance for cash and to vote.

## 19. PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

	Years Ended December 31					
	2011			2010		
	Classified as Cost of Sales	Classified as Operating Expense	Total	Classified as Cost of Sales	Classified as Operating Expense	Total
Labor cost						
Salary	\$ 119,337	\$ 1,879,522	\$ 1,998,859	\$ 152,562	\$ 2,016,678	\$ 2,169,240
Labor/health insurance	9,220	164,290	173,510	9,148	141,058	150,206
Pension	6,169	66,178	72,347	6,456	62,774	69,230
Welfare benefit	2,131	24,997	27,128	3,685	37,191	40,876
Meal	2,732	26,738	29,470	2,936	27,908	30,844
Others	102	3,817	3,919	86	7,277	7,363
	<u>\$ 139,691</u>	<u>\$ 2,165,542</u>	<u>\$ 2,305,233</u>	<u>\$ 174,873</u>	<u>\$ 2,292,886</u>	<u>\$ 2,467,759</u>
Depreciation	\$ 52,274	\$ 151,663	\$ 203,937	\$ 42,196	\$ 147,521	\$ 189,717
Amortization	\$ 869	\$ 451,018	\$ 451,887	\$ 1,219	\$ 614,906	\$ 616,125

## 20. INCOME TAX

a. Income tax expense consisted of the following:

	2011	2010
Income tax expense before tax credits		
Domestic	\$ 21,781	\$ 32,359
Foreign	(7,747)	(9,534)
	<u>14,034</u>	<u>22,825</u>
Net change in deferred income taxes		
Domestic	139,101	423,820
Foreign	3,978	1,324
Adjustment in valuation allowance due to changes in tax laws	-	(43,562)
Investment tax credits used	(3,629)	(78,950)
Loss carry forwards used	(415)	-
Adjustment of prior years' income tax expense	135,953	16,226
Income tax (10%) on undistributed earnings	3,273	77,816
Additional income tax under the Alternative Minimum Tax Act	2,478	11,718
Other	45	(148)
	<u>\$ 294,818</u>	<u>\$ 431,069</u>

b. Deferred income tax assets consisted of the following:

	<b>December 31</b>	
	<b>2011</b>	<b>2010</b>
<b>Current:</b>		
Loss carryforwards	\$ 4,772	\$ 140,821
Investment tax credits	541,304	475,540
Temporary differences	34,060	61,014
Deduct: Valuation allowance	<u>542,963</u>	<u>553,246</u>
	<u>\$ 37,179</u>	<u>\$ 124,129</u>
<b>Noncurrent:</b>		
Loss carryforwards	\$ 723,427	\$ 581,552
Investment tax credits	419,881	1,194,920
Temporary differences	78,614	19,214
Deduct: Valuation allowance	<u>1,003,386</u>	<u>1,521,021</u>
	<u>\$ 218,536</u>	<u>\$ 274,665</u>

In 2011 and 2010, the Legislative Yuan passed the following amendments to tax laws:

Under Article 10 of the Statute for Industrial Innovation (SII) passed by the Legislative Yuan in April 2010, a profit-seeking enterprise may deduct up to 15% of its research and development expenditures from its income tax payable for the fiscal year in which these expenditures are incurred, but this deduction should not exceed 30% of the income tax payable for that fiscal year. This incentive is effective from January 1, 2010 till December 31, 2019.

In May 2010, the Legislative Yuan passed the amendment of Article 5 of the Income Tax Law, which reduced a profit-seeking enterprise's income tax rate from 20% to 17%, effective January 1, 2010.

As of December 31, 2011 investment tax credits (recorded as deferred tax assets) were as follows:

<b>Regulatory Basis of Tax Credits</b>	<b>Items</b>	<b>Total Creditable Amounts</b>	<b>Remaining Creditable Amounts</b>	<b>Expiry Year</b>
Income Tax Law	Loss carryforwards	\$ 7,818	\$ 7,818	2014
		97,439	97,439	2015
		29,952	29,952	2016
		131,474	131,474	2017
		72,646	72,231	2018
		108,802	108,802	2019
		110,192	110,192	2020
		<u>165,519</u>	<u>165,519</u>	2021
		<u>\$ 723,842</u>	<u>\$ 723,427</u>	
Statute for Upgrading Industries	Purchase of machinery and equipment	<u>\$ 1,035</u>	<u>\$ 1,035</u>	2013
Statute for Upgrading Industries	Research and development expenditures	\$ 541,073	\$ 541,073	2012
		<u>403,744</u>	<u>403,744</u>	2013
		<u>\$ 944,817</u>	<u>\$ 944,817</u>	

(Continued)

<b>Regulatory Basis of Tax Credits</b>	<b>Items</b>	<b>Total Creditable Amounts</b>	<b>Remaining Creditable Amounts</b>	<b>Expiry Year</b>
Statute for Upgrading Industries	Personnel training expenditures	\$ 231	\$ 231	2012
		<u>9</u>	<u>9</u>	2013
		<u>\$ 240</u>	<u>\$ 240</u>	
Statute for Upgrading Industries	Investments in important technology-based enterprise	<u>\$ 15,093</u>	<u>\$ 15,093</u>	2013

(Concluded)

As of December 31, 2011, Generalplus HK's information on loss carryforwards was as follows:

<b>Items</b>	<b>Total Creditable Amounts</b>	<b>Remaining Creditable Amounts</b>	<b>Expiry Year</b>
Loss carryforwards	<u>\$ 4,772</u>	<u>\$ 4,772</u>	Thereafter

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

<b>Project</b>	<b>Tax Exemption Period</b>
<u>Sunplus</u>	
Eighth expansion	January 1, 2010 to December 31, 2014
Ninth expansion	January 3, 2007 to January 2, 2012
Tenth expansion	August 31, 2006 to August 30, 2011
Eleventh expansion	January 1, 2008 to December 31, 2012
Twelfth expansion	January 1, 2009 to December 31, 2013
Thirteenth expansion	January 1, 2010 to December 31, 2014
<u>Generalplus</u>	
Second expansion	January 1, 2008 to December 31, 2012
Third expansion	January 1, 2009 to December 31, 2013
Fourth expansion	January 1, 2010 to December 31, 2014
<u>Sunext</u>	
Expansion	January 1, 2009 to December 31, 2013
<u>Sunplus Innovation</u>	
First expansion	January 1, 2009 to December 31, 2013

The income tax returns of Sunplus and Sunplus management Consulting through 2008; the income tax returns of Sunplus Innovation, Generalplus, Sunext, Wei-Yough, Lin Shih, Sunplus Venture and Sunplus mModia through 2009; Sunplus Core and iCatch Technology through 2010 had been assessed by the tax authorities. Sunplus disagreed with the tax authorities' assessment of its 2003, 2004 and 2005 tax returns and Generalplus disagreed with the tax authorities' assessment of its 2006 and 2007 tax returns; both companies had applied for administrative remedy. Nevertheless, for conservatism

purposes, Sunplus and Generalplus made provisions for the income tax assessed by the tax authorities. General plus has provided pledged time deposits \$31,000 thousands (restricted assets) as collateral of certificate of no pending tax.

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

	<b>2011</b>	<b>2010</b>
Shareholders' imputation credit account	<u>\$ 201,494</u>	<u>\$ 254,802</u>
Unappropriated earnings until 1997	<u>\$ -</u>	<u>\$ 452,310</u>

Sunplus had a deficit in 2011; thus, it did not distribute earnings. The actual creditable tax ratio of 2010 was 12.63%.

For the distribution of earnings generated after January 1, 1998, the imputation credits allocable to shareholders of Sunplus is based on the balance of the ICA as of the date of dividend distribution. The expected creditable ratio for the 2010 earnings may be adjusted, depending on the ICA balance on the date of dividend distribution.

## 21. CONSOLIDATED EARNINGS PER SHARE

	<u>Amounts (Numerator)</u>		Share (Denominator) (In Thousands)	<u>EPS (Dollars)</u>	
	Before Income Tax	After Income Tax		Before Income Tax	After Income Tax
<u>Year Ended December 31, 2011</u>					
Consolidated net income (loss)	<u>\$ (1,710,746)</u>	<u>\$ (2,005,564)</u>			
Consolidated basic and diluted Basic income per share Income attributable to common shareholders of the parent	<u>\$ (1,690,104)</u>	<u>\$ (1,984,922)</u>	<u>589,827</u>	<u>\$ (2.87)</u>	<u>\$ (2.87)</u>
<u>Year Ended December 31, 2010</u>					
Consolidated net income	<u>\$ 1,353,061</u>	<u>\$ 921,992</u>			
Basic income per share Income attributable to common shareholders of the parent	\$ 1,204,780	\$ 773,711	593,350	<u>\$ 2.03</u>	<u>\$ 1.30</u>
Effect of dilutive securities Stock options	-	-	<u>4,556</u>		
Diluted EPS Income attributable to common and potential common shareholders	<u>\$ 1,204,780</u>	<u>\$ 773,711</u>	<u>597,906</u>	<u>\$ 2.01</u>	<u>\$ 1.29</u>

The employee stock options stated in Note 17 represent potential common stock. Thus, the Company tested the effects of employee stock options by the treasury method in accordance with Statement of Financial Accounting Standards No. 24 - "Earnings Per Share." The test showed the stock options were anti-dilutive for 2011 and 2010. As a result, the potential common shares were excluded from the calculation of diluted E/LPS.

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

## 22. FINANCIAL INSTRUMENTS

a. Fair values of financial instruments were as follows:

	<b>December 31</b>			
	<b>2011</b>		<b>2010</b>	
	<b>Carrying Value</b>	<b>Fair Value</b>	<b>Carrying Value</b>	<b>Fair Value</b>
<u>Nonderivative instruments</u>				
Assets				
Financial assets at FVTPL- current	\$ 44,644	\$ 44,644	\$ 26,334	\$ 26,334
Available-for-sale financial assets (current and noncurrent portion)	2,181,334	2,181,334	3,987,335	3,987,335
Financial assets carried at lost	353,037	-	462,877	-
Liabilities				
Long term bank loans (including current portion)	265,000	265,000	833,500	833,500

b. Methods and assumptions used in determining fair values of financial assets and liabilities, based on quoted market prices or valuation techniques, were as follows:

- 1) For cash, certificate of deposit - restricted, notes and accounts receivable, other receivables, short-term loans, and notes and accounts payable, the carrying amounts reported in the balance sheets approximate their fair values because of their short maturities.
- 2) Fair values of financial assets at fair value through profit or loss and available-for-sale financial assets are based on their quoted prices in active markets. For instruments not traded in active markets and derivatives with no quoted market prices, their fair values are determined using valuation techniques incorporating estimates and assumptions that are consistent with prevailing market conditions.
- 3) Financial assets carried at cost had no quoted prices in an active market and entailed an unreasonably high cost to obtain verifiable fair values. Therefore, no fair value was presented.
- 4) The fair values of long-term bank loans are estimated using the present value of future cash flows discounted at interest rates the Company may obtain for similar loans (e.g., similar maturities). The fair values of long-term bank loans with floating interest rates are equivalent to their carrying values.

c. The Company did not use derivative contracts in 2011 and 2010.

- d. As of December 31, 2011 and 2010, financial assets exposed to cash flow interest rate risk amounted to \$2,077,914 thousand and \$1,629,174 thousand, respectively; financial assets exposed to fair value interest rate risk amounted to \$2,814,688 thousand and \$4,115,543 thousand, respectively; financial liabilities exposed to fair value interest rate risk amounted to \$776,912 thousand and \$710,270 thousand, respectively; and financial liabilities exposed to cash flow interest rate risk amounted to \$431,700 thousand and \$940,200 thousand, respectively.
- e. In 2011 and 2010, on financial assets other than financial assets at fair value through profit or loss, interest incomes were \$39,313 thousand and \$18,619 thousand, respectively, and interest expenses were \$29,399 thousand and \$44,729 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.
  - 2) Credit risk. The Company will incur a loss if the counter-parties or third-parties breach financial instrument contracts. Contracts with positive fair values on the balance sheet date are evaluated for credit risk. The counter-parties or third-parties to the foregoing contracts are reputable financial institutions and business organizations. Management believes that the Company's exposure to default by those parties is low.
  - 3) Liquidity risk. Investments in held-for-trading and available-for-sale security investments are expected to be settled readily at amounts approximating their fair values in active markets. However, the Company also has some equity-method investments with no quoted market prices in an active market, which are expected to have material liquidity risk.
  - 4) Interest rate risk. Some short-term bank loans and long-term bank loans bear floating interest rates. Thus, the fluctuations of market interest rates will affect the Company's future cash flows.

## 23. RELATED-PARTY TRANSACTIONS

The Company's related parties were as follows:

- a. Giantplus Technology Co., Ltd. ("Giantplus") - Same board chairman as with Sunplus Technology Co., Ltd.
- b. Kunshan Giantplus Optoelectronics Technology Co., Ltd. ("Kunshan Giantplus") - 100% indirect Subsidiary of Giantplus.
- c. Orise Technology Co., Ltd. ("Orise")- equity-method investee of Sunplus
- d. HT Mobile Inc. ("HT Mmobile") - equity-method investee of Sunplus
- e. Global View Co., Ltd. ("Global View") - a director of Sunplus and a supervisor of Waveplus
- f. Others - please refer to Note 27 for related parties that do 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:

	<b>Years Ended December 31</b>			
	<b>2011</b>		<b>2010</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Sales				
HT mMobile	\$ 89,447	1	\$ 35,886	-
Orise	34,345	-	49,970	1
Giantplus	122	-	115	-
Kunshan Giantplus	<u>95</u>	<u>-</u>	<u>61</u>	<u>-</u>
	<u>\$ 124,009</u>	<u>1</u>	<u>\$ 86,032</u>	<u>1</u>

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

	<b>Years Ended December 31</b>			
	<b>2011</b>		<b>2010</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Operating expenses				
HT mMobile	\$ 268	-	\$ 210	-
Synerchip	<u>5</u>	<u>-</u>	<u>59</u>	<u>-</u>
	<u>\$ 273</u>	<u>-</u>	<u>\$ 269</u>	<u>-</u>

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

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

	<b>Years Ended December 31</b>			
	<b>2011</b>		<b>2010</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Nonoperating income and gains				
HT mMobile	\$ 24,945	5	\$ 28,977	3
Orise	2,842	-	2,399	-
Global View	-	-	4,102	1
Giantplus	<u>-</u>	<u>-</u>	<u>168</u>	<u>-</u>
	<u>\$ 27,787</u>	<u>5</u>	<u>\$ 35,646</u>	<u>4</u>

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

	<b>December 31</b>			
	<b>2011</b>		<b>2010</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Notes and accounts receivable				
HT mMobile	\$ 55,437	-	\$ 18,664	1
Orise	4,730	-	9,968	1
Giantplus	40	-	38	-
Kunshan Giantplus	-	-	58	-
Deduct: Allowance for doubtful accounts	<u>51,130</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 9,077</u>	<u>-</u>	<u>\$ 28,728</u>	<u>2</u>
Other receivables				
Orise	\$ 1,322	1	\$ 25	-
HT mMobile	1,054	1	4,267	2
Synerchip Technology	<u>-</u>	<u>-</u>	<u>174</u>	<u>-</u>
	<u>\$ 2,376</u>	<u>2</u>	<u>\$ 4,466</u>	<u>2</u>

In 2011 and 2010, the Company provided financing to Sunplus mMobile, as follows:

	<b>Year Ended December 31, 2011</b>			
	<b>Maximum Balance</b>	<b>Ending Balance</b>	<b>Interest Rate</b>	<b>Interest Income</b>
HT mMobile	<u>\$ 400,000</u>	<u>\$ 400,000</u> (Note)	1.475%-1.655%	<u>\$ 1,497</u>

Note: Actual provided was \$400,000 thousand, and the Company recognized a full impairment loss as of December 31, 2011.

	<b>December 31</b>			
	<b>2011</b>		<b>2010</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Other current liabilities				
HT mMobile	<u>\$ 16</u>	<u>-</u>	<u>\$ -</u>	<u>-</u>
Deferred royalty income (including current and noncurrent)				
Orise	<u>\$ 2,897</u>	<u>43</u>	<u>\$ -</u>	<u>-</u>
			<b>December 31</b>	
		<b>2011</b>	<b>2010</b>	
Endorsement/guarantee provided				
HT mMobile		\$ 30,000	\$ 30,000	
Orise		<u>-</u>	<u>5,096</u>	
		<u>\$ 30,000</u>	<u>\$ 35,096</u>	

	<b>December 31</b>			
	<b>2011</b>		<b>2010</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Proceeds from disposal of properties				
Orise	\$ 1,201	32	\$ 8,500	48
HT mMobile	<u>-</u>	<u>-</u>	<u>3,659</u>	<u>21</u>
	<u>\$ 1,201</u>	<u>32</u>	<u>\$ 12,159</u>	<u>69</u>

Compensation of directors, supervisors and management personnel:

	<b>Years Ended December 31</b>	
	<b>2011</b>	<b>2010</b>
Salaries and Incentives	\$ 65,412	\$ 49,824
Special compensation	616	3,366
Bonus	<u>1,621</u>	<u>14,100</u>
	<u>\$ 67,649</u>	<u>\$ 67,290</u>

#### 24. PLEDGED OR MORTGAGED ASSETS

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

	<b>December 31</b>	
	<b>2011</b>	<b>2010</b>
Buildings, net (including assets leased to others)	\$ 752,516	\$ 772,336
Pledged time deposits	121,287	82,962
Subsidiary's holding of Sunplus' stock	<u>33,743</u>	<u>71,750</u>
	<u>\$ 907,546</u>	<u>\$ 927,048</u>

#### 25. SIGNIFICANT LONG-TERM OPERATING LEASES

##### Sunplus

Sunplus leases land from the Science-Based Industrial Park Administration (SBIPA) under renewable agreements expiring in July 2015, December 2020 and 2021, with annual rentals aggregating \$7,929 thousand. Sunplus deposited \$6,000 thousand (classified as restricted assets) as collateral for the land lease agreements.

Future annual minimum rentals under the leases are as follows:

<b>Year</b>	<b>Amount</b>
2012	\$ 7,929
2013	7,929
2014	7,929
2015	7,929
2016	7,929
2017 and thereafter	<u>21,462</u>
	<u>\$ 56,513</u>

### **Sunplus Innovation**

Sunplus Innovation leases office premises from Holy Stone Enterprise Co., Ltd. and from the Science-Based Industrial Park Administration (SBIPA), with the operating leases to expire in December 2012 and December 2016, respectively, and renewable upon expiration. The SBIPA has the right to adjust lease payments, of which the amount was \$9,961 thousand as of December 31, 2010.

The future lease payables are as follows:

<b>Year</b>	<b>Amount</b>
2012	\$ 10,081
2013	9,961
2014	4,502
2015	4,502
2016	<u>4,502</u>
	<u>\$ 33,548</u>

### **Generalplus**

Generalplus leases land from the Science-Based Industrial Park Administration under renewable agreements expiring in December 2020, with annual rentals aggregating \$1,356 thousand (classified as restricted assets) as collateral for land lease agreements.

Future annual minimum rentals under the leases are as follows:

<b>Year</b>	<b>Amount</b>
2012	\$ 1,356
2013	1,356
2014	1,356
2015	1,356
2016	1,356
2017 and thereafter	<u>5,424</u>
	<u>\$ 12,204</u>

## Sunext

Sunext leases an office premise from Prolific Technology Inc. and Global View Co., Ltd. under operating leases expiring in October 2012 and August 2012, respectively, and renewable upon expiration, and with annual lease payments of \$3,377 thousand and \$2,780 thousand, respectively

The future lease payments are as follows:

Year	Amount
2012	<u>\$ 4,783</u>

## i Catch Technology, Inc. (“i Catch”)

i Catch leases office premises from Siming Inc. and Siha Inc. The operating leases with both lessors will expire in February 2013 and are renewable upon expiration. The lease payments were \$1,611 thousand in 2010 and \$1,216 thousand in 2009.

The future lease payments are as follows:

Year	Amount
2012	\$ 2,827
2013	<u>471</u>
	<u>\$ 3,298</u>

## 26. OTHERS

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

	2011		2010	
	Foreign Currencies	Exchange Rate	Foreign Currencies	Exchange Rate
<u>Financial assets</u>				
Monetary items				
USD	\$ 70,110	30.28	\$ 108,133	29.13
EUR	583	39.18	971	38.92
JPY	683	0.391	462	0.3582
RMB	41,316	4.805	27,649	4.441
GBP	460	46.73	495	45.19
HKD	189	3.897	230	3.748
Nonmonetary items				
USD	500	30.28	500	29.13
BEF	894	32.18	1,000	30.179
<u>Financial liabilities</u>				
Monetary items				
USD	36,301	30.28	51,728	29.13
EUR	542	39.18	471	38.92
RMB	26,705	4.805	22,716	4.441
GBP	5	46.73	-	45.19
HKD	86	3.897	566	3.748

## 27. ADDITIONAL DISCLOSURES

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

- a. Endorsement/guarantee provided: Table 1 (attached)
- b. Financings provided: Table 2 (attached)
- c. Marketable securities held: Table 3 (attached)
- d. Marketable securities acquired and disposed of at costs or prices of at least NT\$100 million or 20% of the paid-in capital: Table 4 (attached)
- e. Acquisition of long-term investments at costs of at least NT\$100 million or 20% of the paid-in capital: Table 5 (attached)
- f. Names, locations, and related information of investees on which the Company exercises significant influence: Table 6 (attached)
- g. Information on investment in Mainland China: Table 7 (attached)
- h. Intercompany relationships and significant intercompany transactions: Table 8 (attached)

## 28. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on types of goods provided. Since all products have similar economic characteristics and product selling is centralized, the Company reports information as referring to one segment. Thus, the information of the operating segment is the same as that presented in the accompanying financial statements. That is, the revenue by subsegment and operating results in 2011 and 2010 are shown in the accompanying consolidated income statements and the assets by segment as of December 31, 2011 and 2010 are shown in the accompanying consolidated balance sheets.

- a. Revenue from major products and services

The following is an analysis of the Company's operating revenue from its major products and services:

	<b>Year Ended December 31</b>	
	<b>2011</b>	<b>2010</b>
IC	\$ 9,045,378	\$ 12,251,317
Rental revenue	115,776	105,348
Other	<u>90,809</u>	<u>408,475</u>
	<u>\$ 9,251,963</u>	<u>\$ 12,765,140</u>

b. Geographical Information

The Company's operating revenue from external customers and information about its noncurrent assets by geographical location are as follows:

	Revenue from External Customers		Noncurrent Assets	
	December 31		December 31	
	2011	2010	2011	2010
Asia	\$ 6,447,595	\$ 9,186,272	\$ 954,891	\$ 653,152
Taiwan	2,802,150	3,577,374	1,817,792	1,847,240
Others	<u>2,218</u>	<u>1,494</u>	<u>-</u>	<u>-</u>
	<u>\$ 9,251,963</u>	<u>\$ 12,765,140</u>	<u>\$ 2,772,683</u>	<u>\$ 2,500,392</u>

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

Customer	2011		2010	
	Amount	%	Amount	%
A	\$ 1,356,874	15	\$ 2,299,279	18
B	1,252,247	14	1,984,871	16
C	1,037,101	11	1,290,634	10

## 29. PLAN FOR THE ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

Under Rule No. 0990004943 issued by the Financial Supervisory Commission (FSC) on February 2, 2010, the Company discloses its plan on the adoption of International Financial Reporting Standards (IFRSs), as follows

- a. On May 14, 2009, the FSC announced the "Framework for the Adoption of International Financial Reporting Standards by Companies in the ROC." In this framework, starting 2013, companies with shares listed on the Taiwan Stock Exchange (TSE) or traded on the Taiwan GreTai Securities Market or Emerging Stock Market should prepare their financial statements in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, and the Interpretations as well as related guidances translated by the ARDF and issued by the FSC. To comply with this framework, the Company has set up a project team and made a plan to adopt the IFRSs. Leading the implementation of this plan is the assistant general manager of the finance division. The important plan items, responsible divisions and plan progress are listed as follows:

Plan Item	Responsible Division	Plan Progress
1. Establish the IFRSs task force	Finance and accounting division	Completed
2. Set up a work plan for IFRSs adoption	Finance and accounting division	Completed
3. Complete the identification of GAAP differences and their impact	Finance and accounting division	Completed
4. Complete the identification of consolidated entities under the IFRSs	Finance and accounting division	Completed

(Continued)

<b>Plan Item</b>	<b>Responsible Division</b>	<b>Plan Progress</b>
5. Complete the evaluation of the impact on the Company of the exemptions and adoptions under IFRS 1 - "First-time Adoption of International Financial Reporting Standards"	Finance and accounting division	Completed
6. Complete the evaluation of IT systems to be affected by IFRS adoption	Finance and accounting and information divisions	Completed
7. Complete modification of relevant internal controls	Finance and accounting, information and audit divisions	Completed
8. Determine IFRSs accounting policies	Finance and accounting division	Completed
9. Determine the IFRS 1 exemptions and adoptions to be used by the Company	Finance and accounting division	Completed
10. Complete the preparation of the opening date balance sheet based on the IFRSs	Finance and accounting division	In progress
11. Prepare comparative financial information under IFRSs for 2012	Finance and accounting division	In progress
12. Complete modification of the relevant internal controls (including the financial report procedures and the IT system)	Finance and accounting, information and audit divisions	In progress

(Concluded)

b. As of December 31, 2011, the Company had assessed the material differences, shown below, between its current accounting policies and the accounting policies to be adopted under IFRSs:

<b>Accounting Issues</b>	<b>Description of Differences</b>
Allowance for sales returns and accounts receivable	Under ROC GAAP, provisions for estimated sales returns and accounts receivable, which are based on historical experience, are recognized as reductions of revenue in the period the related revenue is recognized and of accounts receivable. Under IFRSs, the allowance for sales returns and is a provision recognized for a present obligation resulting from a past event, on which the timing of the settlement of the liability and the related amount are uncertain. This provision is classified under current liabilities.

(Continued)

<b>Accounting Issues</b>	<b>Description of Differences</b>
Classifications of deferred income tax asset/liability and valuation allowance	<p>1) Under ROC GAAP, a deferred tax asset or liability is classified as current or noncurrent in accordance with the classification of the related asset or liability for financial reporting. However, if a deferred income tax asset or liability does not relate to an asset or liability in the financial statements, it is classified as current or noncurrent on the basis of the expected length of time before it is realized or settled. Under IFRSs, a deferred tax asset or liability is classified as noncurrent asset or liability.</p> <p>2) Under ROC GAAP, a valuation allowance is provided to the extent, if any, that it is more likely than not that deferred income tax assets will not be realized. Under IFRSs, a deferred tax asset is recognized for an unused tax loss carryforwards or unused tax credits only when it is probable that taxable profits will be available against which the loss carryforward or unused tax credit can be used; thus, valuation allowance is not used.</p>
Land use rights	Under ROC GAAP, land use rights are classified as intangible assets. Under IFRSs, land use rights are classified as prepaid rents.
Rental assets	Under IFRSs, rental assets are reclassified from other assets to (1) property, plant and equipment and (2) investment property.
Employee benefits	<p>1) Under ROC GAAP, the recognition of actuarial gains and losses directly to equity is not allowed; instead, actuarial gains and losses should be recognized as deferred gains and losses. Under IFRSs, the Company will use one of the exemptions from IFRS 1 and should recognize all cumulative actuarial gains and losses as retained earnings on the date of transition to IFRSs. Under International Accounting Standards (IAS) No. 19 - "Employee Benefits" and IAS No. 26 - "Accounting and Reporting by Retirement Benefit Plans," actuarial gains and losses should be amortized to pension expense over subsequent periods.</p> <p>2) Under SFAS No. 18 - "Accounting for Pensions," unrecognized net transition obligation is amortized to net periodic pension cost over the expected average remaining service lives of the participating employees on a straight-line basis. Under IFRSs, unrecognized net transition obligation will no longer be amortized.</p>

(Continued)

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**Accounting Issues**

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**Description of Differences**

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- Increase or decrease in a parent's ownership interest
- 3) Under ROC GAAP, an entity usually recognizes short-term compensated absences as costs when payment is made. Under IFRSs, as employees render services that increase their entitlement to future compensated absences, an entity recognizes at the end of the reporting period the expected cost of accumulating compensated absences if no leaves are taken.
- 1) Do not loss of control: Under ROC GAAP, when a parent company sells long-term equity investment, the amount of additional paid-in capital should be transferred back to retained earnings at the percentage of ownership of the long-term equity investment sold and did not distinguish whether the ability loss. If an investee issues new shares and the parent company does not acquire new shares proportionately, the parent company's investment percentage and equity in the investee's net assets will change. This difference should be used to adjust additional paid-in capital. Under IFRSs, if the change in the equity in the investee does not lead to loss of control, the change should base on the interests of consolidated individual and does not affect profit and loss.
- 2) Loss of control: Under ROC GAAP, when a parent company sells long-term equity investment, additional paid-in capital or other equity adjustment items related to that long-term equity investment should be reclassified to profit or loss on a proportionate basis. The carrying amount on the date the entity ceases to control the subsidiary is regarded as the cost. Under IFRSs, when a parent company loses control over a subsidiary, The parent company should account for all amounts recognised in other comprehensive income (OCI) in relation to that subsidiary on the same basis as would be required if the parent company had directly disposed of the related assets or liabilities. In addition, this applies to the entire amount recognised in OCI, irrespective of whether the parent company retains any interest in the former subsidiary. The fair value of any investment retained in the former subsidiary at the date when control is lost should be regarded as the fair value on initial recognition of a financial asset.

(Continued)

<b>Accounting Issues</b>	<b>Description of Differences</b>
Loss of significant influence over an associate	<p>Under ROC GAAP, the carrying amount of the investment at the date that it ceases to be an associate will be its deemed cost for the purpose of the application of SFAS 34. If there is a balance of surplus or other equity items, the investor should coagulate its share when the investment is sold, so that the pro-rata gains or losses from the disposal can be accounted for. Under IFRSs, the investor should measure at fair value any investment the investor retains in the former associate. The investor should recognise in profit or loss any difference between: (1) the fair value of any retained investment and any proceeds from disposing of the part interest in the associate; and (2) the carrying amount of the investment at the date when significant influence is lost.</p> <p>In addition, the investor should account for all amounts recognised in OCI in relation to that associate on the same basis as would be required if the associate had directly disposed of the related assets or liabilities.</p>
Without loss of significant changes in equity interest in the associates and adjustment of capital surplus	<p>Under ROC GAAP, if an investee company issues new shares and original shareholders do not acquire new shares proportionately, the investment percentage and the investor's equity in net assets will change. This change will be used to adjust the additional paid-in capital and the long-term investments accounts. Under IFRSs, the change in ownership interest resulting from the issue of shares by the associate without losing of significant influence over an associate would be treated as a deemed disposal or acquisition. In addition, capital surplus arising from long-term investment that is inconsistent with IFRSs or not regulated by Ministry of Economic Affairs will be adjusted on transition date.</p>
Loss in excess of an investor's interest	<p>Under ROC GAAP, an investor should continue to recognize losses if an investee's return to profitable operations is imminent (even if the investor has not (1) guaranteed obligations of the investee or (2) otherwise committed to provide further financial support to the investee). Under IFRSs, if an investor's share of losses of an associate exceeds its interest in the associate, the investor discontinues recognising its share of further loss, even if the imminent return to profitable operations of the investee appears to be assured. However, additional losses are provided for, and a liability is recognised, to the extent that the investor has incurred legal or constructive obligations or made payments on behalf of the associate.</p>

(Continued)

<b>Accounting Issues</b>	<b>Description of Differences</b>
Investments accounted for by the equity method	In conformity with the Company’s transition to IFRSs, the Company’s associates accounted for using the equity method have also assessed and adjusted the significant differences between their respective present accounting policies and IFRSs. The associates’ area of major adjustments in employees’ benefits.
Functional currency	Under ROC GAAP, indicators to be considered in identifying functional currency are comprehensive judgment. Under IFRSs, according to IAS 21” the effects of changes in foreign exchange rates”. Each reporting entity should determine its functional currency first by primary indicators, and then takes addition evidence (secondary in priority) to support judgments.
Reclassification of line items in the statement of comprehensive income	Under ROC GAAP, impairment loss is recognized under non-operating expenses and losses. However, under IFRSs, impairment loss should be reclassified by its nature. Thus, it might be included in operating expenses.

(Concluded)

Some of the aforementioned accounting issues may not have significant effects on the Company as a result of the use of the exemptions from IFRS 1 - “First-time Adoption of International Financial Reporting Standards. ”

- c. The Company has prepared the above assessments in compliance with (a) the 2010 version of the IFRSs translated by the ARDF and issued by the FSC and (b) the Guidelines Governing the Preparation of Financial Reports by Securities Issuers amended and issued by the FSC on December 22, 2011. These assessments may be changed as the FSC may issue new rules governing the adoption of IFRSs, and as other laws and regulations may be amended to comply with the adoption of IFRSs. Actual results may differ from these assessments.

## SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

## ENDORSEMENT/GUARANTEE PROVIDED

YEAR ENDED DECEMBER 31, 2011

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

No.	Endorsement/Guarantee Provider	Counter-party		Limits on Each Counter-party's Endorsement/Guarantee Amounts	Maximum Balance for the Period	Ending Balance	Value of Collateral Property, Plant, or Equipment	Percentage of Accumulated Amount of Collateral to Net Equity of the Latest Financial Statement	Maximum Collateral/Guarantee Amounts Allowable
		Name	Nature of Relationship						
0	Sunplus Technology Company Limited	Sunplus mMobile Inc.	99% subsidiary	\$ 906,193 (Note 1)	\$ 820,000	\$ 620,000	\$ -	6.84%	\$ 1,812,386 (Note 2)
		Sunplus Core Technology Co., Ltd.	70% subsidiary	906,193 (Note 1)	290,000	250,000	-	2.76%	1,812,386 (Note 2)
		Sunplus Technology (Shanghai) Co., Ltd.	99% indirect subsidiary	906,193 (Note 1)	224,280	203,350	-	2.24%	1,812,386 (Note 2)
		Sunext Technology Co., Ltd.	61% subsidiary	906,193 (Note 1)	80,000	80,000	-	0.88%	1,812,386 (Note 2)
		HT mMobile Inc.	Equity-method investee	906,193 (Note 1)	30,000	30,000	-	0.33%	1,812,386 (Note 2)
		Generalplus Technology Inc.	Equity-method investee	906,193 (Note 1)	10,938	-	-	-	1,812,386 (Note 2)
		Sunplus Innovation Technology Inc.	64% subsidiary	906,193 (Note 1)	5,985	-	-	-	1,812,386 (Note 2)
		iCatch Technology Inc.	Equity-method investee	906,193 (Note 1)	5,007	-	-	-	1,812,386 (Note 2)
		Orise Technology Co., Ltd.	Equity-method investee	906,193 (Note 1)	5,096	-	-	-	1,812,386 (Note 2)

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

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

## SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

## FINANCINGS PROVIDED

YEAR ENDED DECEMBER 31, 2011

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

No.	Financing Company	Counter-party	Financial Statement Account	Maximum Balance for the Year	Ending Balance	Interest Rate	Type of Financing	Transaction Amount	Reason for Short-term Financing	Allowance for Doubtful Accounts	Collateral		Financing Limit for Each Borrowing Company	Financing Company's Financing Amount Limit
											Item	Value		
0	Sunplus Technology Company Limited (the "Company")	Sunplus mMobile Inc.	Other receivables	\$ 546,000	\$ 64,000 (Note 6)	1.475%-1.655%	Note 1	\$ -	Note 2	\$ -	-	\$ -	\$ 453,096 (Note 4)	\$ 906,193 (Note 5)
		HT mMobile Inc.	Other receivables	400,000	400,000 (Note 7)	1.475%-1.655%	Note 1		Note 3	400,000	Note 8	400,000	453,096 (Note 4)	906,193 (Note 5)

Note 1: Short-term financing.

Note 2: Sunplus Technology Company Limited provided cash for the repayment of Sunplus mMobile Inc.

Note 3: Sunplus Technology Company Limited provided cash for the operation of HT mMobile Inc.

Note 4: For each transaction entity, the amount should not exceed 5% of the Company's net equity as shown in latest financial statements.

Note 5: The amount should not exceed 10% of the Company's net equity based on the latest financial statements.

Note 6: Actual provided is \$25,000 thousand.

Note 7: Actual provided is \$400,000 thousand.

Note 8: Self-developed technology.

TABLE 3

## SUNPLUS TECHNOLOGY COMPANY LIMITED

## MARKETABLE SECURITIES HELD

DECEMBER 31, 2011

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

Holding Company Name	Type and Name of Marketable Security	Relationship with the Holding Company	Financial Statement Account	December 31, 2011				Note
				Shares or Units (Thousands)	Carrying Value	Percentage of Ownership (%)	Market Value or Net Asset Value	
Sunplus Technology Company Limited (the "Company")	<u>Stock</u>							
	Ventureplus Group Inc.	Equity-method investee	Equity-method investments	42,985	\$ 1,046,788	100	\$ 1,046,788	Note 1
	Orise Technology Co., Ltd.	Equity-method investee	Equity-method investments	47,290	870,358	34	870,358	Note 1
	Sunplus Venture Capital Co., Ltd.	Equity-method investee	Equity-method investments	100,000	652,884	100	652,884	Note 1
	Lin Shih Investment Co., Ltd.	Equity-method investee	Equity-method investments	70,000	654,033	100	654,033	Notes 1 and 4
	Generalplus Technology Inc.	Equity-method investee	Equity-method investments	37,324	659,141	34	659,141	Note 1
	Sunplus Innovation Technology Inc.	Equity-method investee	Equity-method investments	30,986	576,004	64	577,182	Notes 1 and 7
	Sunext Technology Co., Ltd.	Equity-method investee	Equity-method investments	38,837	432,445	61	298,250	Note 1
	Russell Holdings Limited	Equity-method investee	Equity-method investments	14,760	409,664	100	413,503	Notes 1 and 9
	iCatch Technology, Inc.	Equity-method investee	Equity-method investments	20,735	185,251	38	185,251	Note 1
	Magic Sky Limited	Equity-method investee	Equity-method investments	6,000	-	100	-	Note 1
	Sunplus mMedia Inc.	Equity-method investee	Equity-method investments	12,441	58,910	83	119,126	Notes 1 and 8
	Global Techplus Capital Inc.	Equity-method investee	Equity-method investments	200	6,882	100	6,882	Note 1
	Wei-Young Investment Inc.	Equity-method investee	Equity-method investments	1,400	6,184	100	6,184	Note 1
	Sunplus Technology (H.K.) Co., Ltd.	Equity-method investee	Equity-method investments	11,075	4,091	100	4,091	Note 1
	Sunplus Management Consulting Inc.	Equity-method investee	Equity-method investments	500	4,165	100	4,165	Note 1
	Sunplus mMobile Inc.	Equity-method investee	Equity-method investments	48,999	(333,455)	99	(315,562)	Notes 1 and 6
	Sunplus Core Technology Co., Ltd.	Equity-method investee	Equity-method investments	11,206	(138,357)	70	(110,499)	Notes 1 and 6
	HT mMobile Inc.	Equity-method investee	Equity-method investments	56,448	-	32	-	Note 1
	Giantplus Technology Co., Ltd.	Same board chairman	Available-for-sale financial assets	84,652	637,150	19	637,150	Notes 3 and 11
	Global View Co., Ltd.	The Company's supervisor	Available-for-sale financial assets	13,568	175,022	13	175,022	Note 3
	United Microelectronics Corp.	-	Available-for-sale financial assets	1,968	24,989	-	24,989	Note 3
	RITEK Corp.	-	Available-for-sale financial assets	5,000	22,848	-	22,848	Note 3
	<u>Fund</u>							
	Taishin Lucky Fund	-	Available-for-sale financial assets	12,852	137,962	-	137,962	Note 5
	Mega Diamond Bond Fund	-	Available-for-sale financial assets	8,326	100,453	-	100,453	Note 5
	Asian Total Return Bond	-	Available-for-sale financial assets	3,000	30,372	-	30,372	Note 5
Emerging Markets Debt Fund	-	Available-for-sale financial assets	3,000	30,130	-	30,130	Note 5	
JF Taiwan Growth Fund	-	Available-for-sale financial assets	2,033	29,799	-	29,799	Note 5	
TLG SOLOMON Money Market Fund	-	Available-for-sale financial assets	1,652	20,118	-	20,118	Note 5	
Manulife Wan Li Bond Fund	-	Available-for-sale financial assets	1,060	14,113	-	14,113	Note 5	
Network Capital Global Fund	-	Financial assets carried at cost	1,333	13,333	7	13,333	Note 2	
Technology Partners Venture Capital Corp.	-	Financial assets carried at cost	556	5,556	11	5,556	Note 2	

(Continued)

Holding Company Name	Type and Name of Marketable Security	Relationship with the Holding Company	Financial Statement Account	December 31, 2011				Note
				Shares or Units (Thousands)	Carrying Value	Percentage of Ownership (%)	Market Value or Net Asset Value	
Lin Shih Investment Co., Ltd.	Sunext Technology Co., Ltd.	Equity-method investee	Equity-method investments	3,360	\$ 25,842	5	\$ 25,842	Note 1
	Generalplus Technology Inc.	Equity-method investee	Equity-method investments	14,892	262,364	14	261,949	Note 1
	Sunplus Core Technology Co., Ltd.	Equity-method investee	Equity-method investments	2,308	(22,570)	15	(26,041)	Notes 1 and 6
	Sunplus mMobile Inc.	Equity-method investee	Equity-method investments	8	32	-	(53,092)	Note 1
	Sunplus mMedia Inc.	Equity-method investee	Equity-method investments	579	10,487	4	6,402	Note 1
	Sunplus Innovation Technology Inc.	Equity-method investee	Equity-method investments	1,059	17,240	2	19,449	Note 1
	HT mMobile Inc.	Equity-method investee	Equity-method investments	4,695	-	3	-	Note 1
	iCatch Technology, Inc.	Equity-method investee	Equity-method investments	965	8,618	2	8,618	Note 1
	Sunplus Technology Co., Ltd.	Parent Company	Available-for-sale financial assets	3,560	35,493	1	35,493	Note 3
	Ability Enterprise Co., Ltd.	-	Available-for-sale financial assets	5,274	137,125	1	137,125	Note 3
	RITEK Technology Co., Ltd.	-	Available-for-sale financial assets	833	3,808	-	3,808	Note 3
	Aiptek International Inc.	-	Available-for-sale financial assets	136	386	-	386	Note 3
	Radiant Innovation Inc.	-	Available-for-sale financial assets	2,378	41,733	8	41,733	Note 3
	Catcher Technology Co., Ltd.	-	Available-for-sale financial assets	35	4,918	-	4,918	Note 3
	TPK Holding Co., Ltd.	-	Available-for-sale financial assets	6	2,367	-	2,367	Note 3
	Largen Precision Co., Ltd.	-	Available-for-sale financial assets	4	2,264	-	2,264	Note 3
	ASE Inc.	-	Available-for-sale financial assets	87	2,259	-	2,259	Note 3
	King Silde Works Co., Ltd.	-	Available-for-sale financial assets	15	2,160	-	2,160	Note 3
	China Synthetic Rubber Corp.	-	Available-for-sale financial assets	60	1,710	-	1,710	Note 3
	E long Holdings Inc.	-	Available-for-sale financial assets	40	1,580	-	1,580	Note 3
	Quanta Computer Inc.	-	Available-for-sale financial assets	20	1,274	-	1,274	Note 3
	Cheng Shin Rubber Ind., Co., Ltd.	-	Available-for-sale financial assets	15	983	-	983	Note 3
	Taichong Commercial Bank Co., Ltd.	-	Available-for-sale financial assets	58	501	-	501	Note 3
	Young Tek Electronics Corp.	-	Financial assets at fair value through profit or loss	200	19,940	-	19,940	Note 3
	Sanjet Technology Corp.	-	Financial assets carried at cost	8	72	-	72	Note 2
	Minton Optic Industry Co., Ltd.	-	Financial assets carried at cost	4,272	-	7	-	Note 2
	GemFor Tech. Co., Ltd.	-	Financial assets carried at cost	353	4,007	6	4,007	Note 2
	MaxEmil Photonics Corp.	-	Financial assets carried at cost	426	4,136	2	4,136	Note 2
	WayTech Development Inc.	-	Financial assets carried at cost	1,500	-	5	-	Note 2
	Miracle Technology Co., Ltd.	-	Financial assets carried at cost	1,295	13,940	9	13,940	Note 2
	Socle Technology Corp.	-	Financial assets carried at cost	250	6,250	-	6,250	Note 2
	Glokie Technology Corp.	-	Financial assets carried at cost	2,300	-	14	-	Note 2
	Genius Vision Digital Co., Ltd.	-	Financial assets carried at cost	600	6,000	9	6,000	Note 2
Lingri Technology Co., Ltd.	-	Financial assets carried at cost	304	3,040	19	3,040	Note 2	
Russell Holdings Limited	<u>Stock</u>							
	Jet Focus Limited	Equity-method investee	Equity-method investments	4,794	US\$ (350) thousand	44	US\$ (350) thousand	Note 6
	Sunext Technology Co., Ltd.	Equity-method investee	Equity-method investments	442	US\$ 2,202 thousand	1	US\$ 113 thousand	Note 1
	King Yuan ECB	-	Available-for-sale financial assets	8	US\$ 816 thousand	-	US\$ 816 thousand	Note 3
	InveStar Excelsus Venture Capital (Int'l), Inc., LDC	-	Financial assets carried at cost	-	US\$ - thousand	19	US\$ - thousand	Note 2

(Continued)

Holding Company Name	Type and Name of Marketable Security	Relationship with the Holding Company	Financial Statement Account	December 31, 2011				Note
				Shares or Units (Thousands)	Carrying Value	Percentage of Ownership (%)	Market Value or Net Asset Value	
	OZ Optics Limited.	-	Financial assets carried at cost	1,000	US\$ - thousand	8	US\$ - thousand	Note 2
	Aicent, Inc.	-	Financial assets carried at cost	500	US\$ 250 thousand	1	US\$ 250 thousand	Note 2
	Ortega Info System, Inc.	-	Financial assets carried at cost	2,557	US\$ - thousand	-	US\$ - thousand	Note 2
	Asia B2B on Line Inc.	-	Financial assets carried at cost	1,000	US\$ - thousand	3	US\$ - thousand	Note 2
	Asia Tech Taiwan Venture L.P.	-	Financial assets carried at cost	-	US\$ 693 thousand	5	US\$ 693 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\$ 2,000 thousand	-	US\$ 2,000 thousand	Note 2
	Innobrige International Inc.	-	Financial assets carried at cost	4,000	US\$ 400 thousand	15	US\$ 400 thousand	Note 2
	VisualOn Inc.	-	Financial assets carried at cost	377	US\$ 200 thousand	3	US\$ 200 thousand	Note 2
	Aruba Networks, Inc.	-	Financial assets carried at cost	10	US\$ 230 thousand	-	US\$ 230 thousand	Note 2
	Synerchip Co., Ltd.	-	Financial assets carried at cost	5,524	US\$ 900 thousand	11	US\$ 900 thousand	Note 2
Sunplus Venture Capital Co., Ltd.	<u>Stock</u>							
	Sunext Technology Co., Ltd.	Equity-method investee	Equity-method investments	4,431	34,020	7	34,020	Note 1
	Han Young Technology Co., Ltd.	Equity-method investee	Equity-method investments	420	1,780	70	1,780	Note 1
	Generalplus Technology Inc.	Equity-method investee	Equity-method investments	4,301	88,302	4	75,045	Note 1
	Orise Technology Co., Ltd.	Equity-method investee	Equity-method investments	865	15,423	1	15,423	Note 1
	Sunplus Core Technology Co., Ltd.	Equity-method investee	Equity-method investments	1,855	(18,538)	12	(18,538)	Notes 1 and 6
	Sunplus mMobile Inc.	Equity-method investee	Equity-method investments	-	3	-	(2,258)	Note 1
	HT mMobile Inc.	Equity-method investee	Equity-method investments	9,111	-	5	-	Note 1
	Sunplus mMedia Inc.	Equity-method investee	Equity-method investments	1,909	17,481	13	17,222	Note 1
	Sunplus Innovation Technology Inc.	Equity-method investee	Equity-method investments	2,622	48,903	5	48,903	Note 1
	iCatch Technology, Inc.	Equity-method investee	Equity-method investments	3,182	28,428	6	28,428	Note 1
	Ability Enterprise Co., Ltd.	-	Available-for-sale financial assets	3,784	98,384	1	98,384	Note 3
	King Yuan Electronics Co., Ltd.	-	Available-for-sale financial assets	2,441	24,651	-	24,651	Note 3
	Radiant Innovation Inc.	-	Available-for-sale financial assets	913	16,021	3	16,021	Note 3
	AIPTEK International Inc.	-	Available-for-sale financial assets	803	2,271	1	2,271	Note 3
	UED Corp.	-	Financial assets carried at cost	500	30,000	-	30,000	Note 2
	Feature Integration Technology Inc.	-	Financial assets carried at cost	1,811	20,734	4	20,734	Note 2
	Miracle Technology Co., Ltd.	-	Financial assets carried at cost	1,303	14,025	9	14,025	Note 2
	Socle Technology Corp.	-	Financial assets carried at cost	550	13,750	1	13,750	Note 2
	Cyberon Corporation	-	Financial assets carried at cost	1,521	13,691	18	13,691	Note 2
	MaxEmil Photonics Corp.	-	Financial assets carried at cost	419	6,242	2	6,242	Note 2
	Aruba Networks, Inc.	-	Financial assets carried at cost	4	2,585	-	2,585	Note 2
	Sanjet Technology Corp.	-	Financial assets carried at cost	49	422	-	422	Note 2
	Minton Optic Industry Co., Ltd.	-	Financial assets carried at cost	5,000	-	8	-	Note 2
	Simple Act Inc.	-	Financial assets carried at cost	1,900	-	10	-	Note 2
	eWave System, Inc.	-	Financial assets carried at cost	1,833	-	22	-	Note 2

(Continued)

Holding Company Name	Type and Name of Marketable Security	Relationship with the Holding Company	Financial Statement Account	December 31, 2011				Note
				Shares or Units (Thousands)	Carrying Value	Percentage of Ownership (%)	Market Value or Net Asset Value	
	WayTech Development Inc.	-	Financial assets carried at cost	1,000	\$ -	4	\$ -	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
Ventureplus Group Inc.	<u>Stock</u> Ventureplus Mauritius Inc.	Subsidiary of Ventureplus Group Inc.	Equity-method investments	42,985	US\$ 34,583 thousand	100	US\$ 34,583 thousand	Note 1
Ventureplus Mauritius Inc.	<u>Stock</u> Ventureplus Cayman Inc.	Subsidiary of Ventureplus Mauritius Inc.	Equity-method investments	42,985	US\$ 34,587 thousand	100	US\$ 34,587 thousand	Note 1
Ventureplus Cayman Inc.	<u>Stock</u> Sunplus Technology (Shanghai) Co., Ltd.	Subsidiary of Ventureplus Cayman Inc.	Equity-method investments	-	US\$ 14,565 thousand	99	US\$ 14,565 thousand	Note 1
	Sunplus Pro-tek (Shenzhen) Co., Ltd.	Subsidiary of Ventureplus Cayman Inc.	Equity-method investments	-	US\$ 1,372 thousand	100	US\$ 1,372 thousand	Note 1
	SunMedia Technology Co., Ltd.	Subsidiary of Ventureplus Cayman Inc.	Equity-method investments	-	US\$ 17,736 thousand	100	US\$ 17,736 thousand	Note 1
	Sunplus App Technology Co., Ltd.	Subsidiary of Ventureplus Cayman Inc.	Equity-method investments	-	US\$ 318 thousand	80	US\$ 318 thousand	Note 1
	Ytrip Technology Co., Ltd.	Subsidiary of Ventureplus Cayman Inc.	Equity-method investments	-	US\$ 55 thousand	78	US\$ 55 thousand	Note 1
Global Techplus Capital Inc.	<u>Stock</u> Techplus Capital Samoa Inc.	Subsidiary of Global Techplus Capital Inc.	Equity-method investments	-	US\$ - thousand	100	US\$ - thousand	Note 1
Sunplus Technology (Shanghai) Co., Ltd.	ShenZhen Suntop Technology Co., Ltd.	Subsidiary of Sunplus Technology (Shanghai) Co., Ltd.	Equity-method investments	-	RMB (320) thousand	100	RMB (320) thousand	Note 1
	GF Money Market Fund class B shares	-	Available-for-sale financial assets	13,950	RMB 14,105 thousand	-	RMB 14,105 thousand	Note 1
Wei-Young Investment Inc.	<u>Stock</u> Elitergroup Computer Systems	-	Available-for-sale financial assets	508	3,225	-	3,225	Note 3
	Sunext Technology Co., Ltd.	Equity-method investee	Equity-method investments	18	304	-	138	Note 1
	Generalplus Technology Inc.	Equity-method investee	Equity-method investments	108	1,820	-	1,901	Note 1
Generalplus Technology Inc.	<u>Stock</u> Generalplus International (Samoa) Inc.	Subsidiary of Generalplus Technology Inc.	Equity-method investments	7,590	110,095	100	110,095	Note 1
	<u>Fund</u> ING Taiwan Money Market	-	Available-for-sale financial assets	4,570	54,044	-	54,044	Note 5
	Fuh Hwa Mouey Market Fund	-	Available-for-sale financial assets	2,740	43,080	-	43,080	Note 5
	Prudential Emerging Markets Fund	-	Available-for-sale financial assets	4,993	48,462	-	48,462	Note 5
	Polaris De-Li Money Market	-	Available-for-sale financial assets	1,983	31,187	-	31,187	Note 5

(Continued)

Holding Company Name	Type and Name of Marketable Security	Relationship with the Holding Company	Financial Statement Account	December 31, 2011				Note
				Shares or Units (Thousands)	Carrying Value	Percentage of Ownership (%)	Market Value or Net Asset Value	
Generalplus International (Samoa) Inc.	<u>Stock</u> Generalplus (Mauritius) Inc.	Subsidiary of Generalplus International (Samoa) Inc.	Equity-method investments	7,590	US\$ 3,636 thousand	100	US\$ 3,636 thousand	Note 1
Generalplus (Mauritius) Inc.	<u>Stock</u> Generalplus Technology (Shenzhen) Co., Ltd.	Subsidiary of Generalplus (Mauritius) Inc.	Equity-method investments	7,200	US\$ 3,483 thousand	100	US\$ 3,482 thousand	Note 1
	Generalplus Technology (Hong Kong) Co., Ltd.	Subsidiary of Generalplus (Mauritius) Inc.	Equity-method investments	390	US\$ 153 thousand	100	US\$ 153 thousand	Note 1
Sunext Technology Co., Ltd.	<u>Stock</u> Great Sun Corp.	Subsidiary of Sunext Technology Co., Ltd.	Equity-method investments	750	\$ 12,871	100	12,871	Note 1
	Great Prosperous Corp.	Subsidiary of Sunext Technology Co., Ltd.	Equity-method investments	1,800	3,355	100	3,355	Note 1
	<u>Fund</u> Yuanta Wan Tai Bond Fund	-	Available-for-sale financial assets	5,203	76,000	-	76,000	Note 5
	IBT 1699 Bond Fund	-	Available-for-sale financial assets	3,990	52,000	-	52,000	Note 5
	FSITC Taiwan Bond Fund	-	Available-for-sale financial assets	3,393	50,000	-	50,000	Note 5
	ING Taiwan Money Market	-	Available-for-sale financial assets	3,177	50,000	-	50,000	Note 5
	Polaris De-Bao Money Market	-	Available-for-sale financial assets	3,452	40,000	-	40,000	Note 5
	Great Sun Corp.	<u>Stock</u> Sunext (Mauritius) Inc.	Subsidiary of Great Sun Corp.	Equity-method investments	750	US\$ 25 thousand	100	US\$ 25 thousand
Sunext (Mauritius) Inc.	<u>Stock</u> Sunext Technology (Shanghai)	Subsidiary of Sunext (Mauritius) Inc.	Equity-method investments	-	US\$ 25 thousand	100	US\$ 25 thousand	Note 1
Sunplus mMobile Inc.	Sunplus mMobile SAS	Subsidiary of Sunplus mMobile Inc.	Equity-method investments	237	(16,886)	100	(16,886)	Note 1
	Sunplus mMobile Holding Inc.	Subsidiary of Sunplus mMobile Inc.	Equity-method investments	2,580	(3)	100	(3)	Notes 1 and 6
Sunplus mMobile Holding Inc.	Bright Sunplus mMobile Inc.	Subsidiary of Sunplus mMobile Holding Inc.	Equity-method investments	2,580	US\$ - thousand	100	US\$ - thousand	Note 1
Sunplus Innovation Technology Inc.	<u>Fund</u> Prudential Financial Bond Fund	-	Available-for-sale financial assets	4,636	\$ 70,760	-	70,760	Note 5
	FSITC Taiwan Bond Fund	-	Available-for-sale financial assets	6,023	88,767	-	88,767	Note 5
	Fuh-Hwa Bond Fund	-	Available-for-sale financial assets	14	200	-	200	Note 5
	<u>Stock</u> Advanced Silicon SA	-	Financial assets carried at cost	1,000	26,979	12	26,979	Note 2
	Advanced NuMicro System, Inc.	-	Financial assets carried at cost	2,000	15,993	9	15,993	Note 2

(Continued)

Note 1: The net asset value was based on audited financial data as of December 31, 2011.

Note 2: The market value is based on carrying value as of December 31, 2011.

Note 3: The market value is based on the closing price as of December 31, 2011.

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, 2011.

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

Note 7: Includes deferred credit \$1,178 thousand.

Note 8: Includes deferred credit \$72,878 thousand.

Note 9: Includes deferred credit \$3,839 thousand.

Note 10: As of December 31, 2011, the above marketable securities, except the holdings of Lin Shih Investment Co., Ltd. of the shares of Sunplus Technology Company Limited, with a market value \$33,743 thousand, had not been pledged or mortgaged.

Note 11: A Company's holding of 6,817 thousand shares acquired through private subscription was not allowed to be transacted freely in the public market, and the fair of this holding was valued are determined through valuation techniques.

(Concluded)

## SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
 YEAR ENDED DECEMBER 31, 2011  
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Type and Issuer of Marketable Security	Financial Statement Account	Beginning Balance		Acquisition		Disposal				Ending Balance	
			Units (Thousands)	Amount	Units (Thousands)	Amount	Unit (Thousands)	Amount	Carrying Value	Gain (Loss) on Disposal	Unit (Thousands)	Amount
Sunplus Technology Company Limited	Orise Technology Co., Ltd.	Equity-method investments	51,290	\$ 870,358	-	\$ -	4,000	\$ 252,740	\$ 82,467	\$ 176,171	47,290	\$ 870,358
	HT mMobile Inc.	Equity-method investments	37,261	29,790 (Note 3)	19,187	211,060	-	-	-	-	56,448	-
	Sunplus mMobile Inc.	Equity-method investments	20,090	(591,839) (Note 3)	48,900	489,000	-	-	-	-	48,999	(333,455)
	Taishin Bond Fund	Available-for-sale financial assets	12,383	132,086 (Note 2)	9,363	100,000	8,894	95,000	94,487	513	12,852	137,962
	FSITC Bond Fund	Available-for-sale financial assets	1,170	200,000 (Note 2)	-	-	1,170	200,272	200,000	272	-	-
	Mega Diamond	Available-for-sale financial assets	15,096	180,888 (Note 2)	12,493	150,000	19,263	231,071	230,000	1,071	8,326	100,453
	Cathay Bond Fund	Available-for-sale financial assets	4,182	50,130 (Note 2)	8,332	100,000	12,514	150,646	150,000	646	-	-
Generalplus Technology Inc.	Polaris De-Li Market	Available-for-sale financial assets	-	-	11,479	180,000	9,496	149,000	148,910	90	1,983	31,187
	PCA Wea Poll Bond Fund	Available-for-sale financial assets	-	-	12,861	168,000	12,861	168,106	168,000	106	-	-
	Yuanta Wn Tai Money Market	Available-for-sale financial assets	-	-	11,887	173,000	11,887	173,084	173,000	84	-	-
	Euh-Hwa Bond Fund	Available-for-sale financial assets	-	-	8,056	112,000	8,056	112,114	112,000	114	-	-
	ING Taiwan Money Market	Available-for-sale financial assets	3,516	55,001	4,014	63,000	7,530	118,162	118,000	162	-	-
	Polaris Bond Fund	Available-for-sale financial assets	-	-	10,492	121,000	10,492	121,139	121,000	139	-	-
Sunext Technology Company Limited	Yugnta Wan Tai Bond Fund	Available-for-sale financial assets	4,551	66,051	11,113	162,000	10,461	152,517	152,000	517	5,203	76,000
	IBT 1699 Bond Fund	Available-for-sale financial assets	3,093	40,027	7,990	104,000	7,093	92,263	92,000	263	3,990	52,000
	FSITC Taiwan Bond Fund	Available-for-sale financial assets	3,414	50,000	6,797	100,000	6,818	100,313	100,000	313	3,393	50,000
	ING Taiwan Money Market	Available-for-sale financial assets	-	-	6,362	100,000	3,185	50,115	50,000	115	3,177	50,000
	Prudential Financial Bond Fund	Available-for-sale financial assets	4,613	70,024	3,286	50,000	7,899	120,306	120,000	306	-	-
	Cathay Bond Fund	Available-for-sale financial assets	4,175	50,036	4,162	50,000	8,337	100,296	100,000	296	-	-
iCash Technology Inc.	Allianz Global Investors Money Market fund	Available-for-sale financial assets	-	-	8,317	100,000	8,317	100,205	100,000	205	-	-

Note 1: The ending balance includes the valuation gains on financial assets.

Note 2: The beginning balance includes the valuation gains on financial assets.

Note 3: The carrying value of the equity-method investment as of December 31, 2011.

Note 4: Includes an investment gain classified under capital surplus.

Note 5: The carrying value of the equity-method investment as of December 31, 2011.

Note 6: Shares after the cancellation of common stock.

## SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

ACQUISITION INDIVIDUAL REAL ESTATE COSTS OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
YEAR ENDED DECEMBER 31, 2011

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

Company Name	Types of Property	Transaction Date	Transaction Amount	(Payment)/Sale Term	Counter-party	Nature of Relationships	Prior Transaction of Company Related Counter-party				Price Reference	Purpose of Acquisition	Other Terms
							Ownership	Relationships	Transfer Date	Amount			
Generalplus Technology Inc.	Building Inc.	2011.07.28	\$ 258,000	\$ 258,000	AIPTEK International Inc.	-	-	-	-	\$ -	Appraisal	Operating purpose	-

TABLE 6

## SUNPLUS TECHNOLOGY COMPANY LIMITED

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCES  
 DECEMBER 31, 2011  
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2011			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note-Relationship of Investee with Investor
				December 31, 2011	December 31, 2010	Shares (Thousands)	Percentage of Ownership	Carrying Value			
Sunplus Technology Company Limited	Orise Technology Co., Ltd.	Hsinchu, Taiwan	Design of ICs	\$ 499,529	\$ 581,661	47,290	34	\$ 870,358	\$ 136,389	\$ 48,323	Investee
	Sunplus mMedia Inc.	Hsinchu, Taiwan	Design of ICs	307,565	307,565	12,441	83	58,910	6,429	41,771	Subsidiary
	Sunplus Venture Capital Co., Ltd.	Hsinchu, Taiwan	Investment	999,982	999,982	100,000	100	652,884	(64,945)	(64,945)	Subsidiary
	Lin Shih Investment Co., Ltd.	Hsinchu, Taiwan	Investment	699,988	699,988	70,000	100	654,033	(113,235)	(116,107)	Subsidiary
	Generalplus Technology Inc.	Hsinchu, Taiwan	Design of ICs	281,377	305,050	37,324	34	659,141	166,863	64,925	Subsidiary
	Ventureplus Group Inc.	Belize	Investment	US\$ 42,985	US\$ 41,900	42,985	100	1,046,788	(71,179)	(71,179)	Subsidiary
	Russell Holdings Limited	Cayman Islands, British West Indies.	Investment	US\$ 14,760	US\$ 14,760	14,760	100	409,664	4,111	4,111	Subsidiary
	Sunplus Innovation Technology Inc.	Hsinchu, Taiwan	Design of ICs	\$ 414,663	\$ 414,663	30,986	64	576,004	46,647	31,392	Subsidiary
	Sunext Technology Co., Ltd.	Hsinchu, Taiwan	Design and sale of ICs	924,730	924,730	38,836	61	432,445	(177,886)	(108,779)	Subsidiary
	Sunplus Core Technology Co., Ltd.	Hsinchu, Taiwan	Design of ICs	195,285	195,285	11,206	70	(138,357)	(117,574)	(87,085)	Subsidiary
	Global Techplus Capital Inc.	Seychelles	Investment	US\$ 200	US\$ 200	200	100	6,882	(77)	(77)	Subsidiary
	Wei-Young Investment Inc.	Hsinchu, Taiwan	Investment	30,157	30,157	1,400	100	6,184	35	35	Subsidiary
	Sunplus Technology (H.K.) Co., Ltd.	Kowloon Bay, Hong Kong	International trade	HK\$ 11,075	HK\$ 11,075	11,075	100	4,091	(64)	(64)	Subsidiary
	Sunplus Management Consulting Inc.	Hsinchu, Taiwan	Management	\$ 5,000	\$ 5,000	500	100	4,165	53	53	Subsidiary
	HT mMobile Inc.	Hsinchu, Taiwan	Design of ICs	583,668	372,608	56,448	32	-	(868,177)	(118,347)	Investee
	iCatch Technology, Inc.	Hsinchu, Taiwan	Design of ICs	207,345	207,345	20,735	38	185,251	(98,067)	(36,820)	Subsidiary
	Sunplus mMobile Inc.	Hsinchu, Taiwan	Design of ICs	2,196,392	1,707,392	49,000	99	(333,455)	(250,674)	(250,585)	Subsidiary
Magic Sky Limited	Samoa	Investment	US\$ 6,000	US\$ 6,000	6,000	100	-	(176,344)	(176,344)	Subsidiary	
Lin Shih Investment Co., Ltd.	Sunext Technology Co., Ltd.	Hsinchu, Taiwan	Design and sale of ICs	\$ 369,316	\$ 369,316	3,360	5	25,842	(177,886)	(9,411)	Subsidiary
	Sunplus Core Technology Co., Ltd.	Hsinchu, Taiwan	Design of ICs	36,773	36,800	2,308	15	(22,570)	(117,574)	(16,553)	Subsidiary
	Sunplus mMobile Inc.	Hsinchu, Taiwan	Design of ICs	38,450	38,450	8	-	32	(250,674)	(87)	Subsidiary
	Sunplus mMedia Inc.	Hsinchu, Taiwan	Design of ICs	19,171	19,171	579	4	10,487	6,429	248	Subsidiary
	Sunplus Innovation Technology Inc.	Hsinchu, Taiwan	Design of ICs	15,701	14,073	1,059	2	17,240	46,647	932	Subsidiary
	HT mMobile Inc.	Hsinchu, Taiwan	Design of ICs	46,948	46,948	4,695	3	-	(868,177)	(24,626)	Investee
	iCatch Technology, Inc.	Hsinchu, Taiwan	Design of ICs	9,645	9,645	965	2	8,618	(98,067)	(1,713)	Subsidiary
	Generalplus Technology Inc.	Hsinchu, Taiwan	Design of ICs	86,256	86,256	14,892	14	262,364	166,863	25,315	Subsidiary
Sunplus Venture Capital Co., Ltd.	Sunext Technology Co., Ltd.	Hsinchu, Taiwan	Design and sale of ICs	385,709	385,709	4,431	7	34,020	(177,886)	(12,410)	Subsidiary
	Han Young Technology Co., Ltd.	Taipei, Taiwan	Design of ICs	4,200	4,200	420	70	1,780	-	-	Subsidiary
	Sunplus Innovation Technology Inc.	Hsinchu, Taiwan	Design of ICs	52,952	45,597	2,622	5	48,903	46,647	2,167	Subsidiary
	HT mMobile Inc.	Hsinchu, Taiwan	Design of ICs	100,204	204	9,111	5	-	(868,177)	(7,532)	Investee
	iCatch Technology, Inc.	Hsinchu, Taiwan	Design of ICs	31,818	31,818	3,182	6	28,428	(98,067)	(5,650)	Subsidiary
	Orise Technology Co., Ltd.	Hsinchu, Taiwan	Design of ICs	10,800	10,800	865	1	15,423	136,389	856	Investee
	Sunplus Core Technology Co., Ltd.	Hsinchu, Taiwan	Design of ICs	33,846	33,846	1,885	12	(18,583)	(117,574)	(13,936)	Subsidiary
	Generalplus Technology Inc.	Hsinchu, Taiwan	Design of ICs	56,050	44,606	4,301	4	88,302	166,863	6,795	Subsidiary
	Sunplus mMobile Inc.	Hsinchu, Taiwan	Design of ICs	1,784	1,784	-	-	3	(250,674)	-	Subsidiary
Sunplus mMedia Inc.	Hsinchu, Taiwan	Design of ICs	44,878	44,878	1,909	13	17,481	6,429	818	Subsidiary	
Russell Holdings Limited	Jet Focus Limited	Cayman Islands, British West Indies	Investment	US\$ 6,050	US\$ 6,050	4,794	44	US\$ (350)	US\$ -	US\$ -	Investee
	Sunext Technology Co., Ltd.	Hsinchu, Taiwan	Design and sale of ICs	US\$ 2,119	US\$ 2,119	442	1	US\$ 2,202	\$ (177,886)	US\$ (42)	Subsidiary

(Continued)

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2011			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				December 31, 2011	December 31, 2010	Shares (Thousands)	Percentage of Ownership	Carrying Value			
Global Techplus Capital Inc.	Techplus Capital Samoa Inc.	Samoa	Investment	US\$ - thousand	US\$ - thousand	-	100	US\$ - thousand	US\$ - thousand	US\$ - thousand	Subsidiary
Wei-Young Investment Inc.	Generalplus Technology Inc. Sunext Technology Co., Ltd.	Hsinchu, Taiwan Hsinchu, Taiwan	Design of ICs	1,800	1,800	108	-	1,820	166,863	185	Subsidiary
			Design and sale of ICs	350	350	18	-	304	(177,886)	(51)	Subsidiary
Ventureplus Group Inc.	Ventureplus Mauritius Inc.	Mauritius	Investment	US\$ 42,985 thousand	US\$ 41,900 thousand	42,985	100	US\$ 34,583 thousand	US\$ (2,422) thousand	US\$ (2,422) thousand	Subsidiary
Ventureplus Mauritius Inc.	Ventureplus Cayman Inc.	Cayman Islands, British West Indies	Investment	US\$ 42,985 thousand	US\$ 41,900 thousand	42,985	100	US\$ 34,587 thousand	US\$ (2,422) thousand	US\$ (2,422) thousand	Subsidiary
Ventureplus Cayman Inc.	Sunplus Technology (Shanghai) Co., Ltd.	Shanghai, China	Research, development, manufacture and sale of ICs.	US\$ 17,000 thousand	US\$ 17,000 thousand	-	99	US\$ 14,565 thousand	US\$ 1,255 thousand	US\$ 1,210 thousand	Subsidiary
	Sunplus Prof-tek Technology (Shenzhen) Co., Ltd.	ShenZhen, China	Research, development, manufacture and sale of ICs.	US\$ 4,250 thousand	US\$ 4,250 thousand	-	100	US\$ 1,372 thousand	US\$ (1,467) thousand	US\$ (1,467) thousand	Subsidiary
	SunMedia Technology Co., Ltd.	Chengdu, China	Research, development, manufacture and sale of ICs.	US\$ 20,000 thousand	US\$ 20,000 thousand	-	100	US\$ 17,736 thousand	US\$ (1,637) thousand	US\$ (1,637) thousand	Subsidiary
	Sunplus App Technology Co., Ltd.	Beijing, China	Research, development, manufacture and sale of ICs.	US\$ 586 thousand	US\$ 586 thousand	-	80	US\$ 318 thousand	US\$ 44 thousand	US\$ 35 thousand	Subsidiary
	Ytrip Technology Co., Ltd.	Chengdu, China	Research, development, manufacture and sale of ICs.	US\$ 1,085 thousand	US\$ - thousand	-	78	US\$ 55 thousand	US\$ (795) thousand	US\$ (577) thousand	Subsidiary
Sunext Technology Co., Ltd.	Great Sun Corp.	Samoa	Investment	US\$ 750 thousand	US\$ 750 thousand	750	100	12,871	2,117	2,117	Subsidiary
	Great Prosperous Corp.	Mauritius	Investment	US\$ 1,800 thousand	US\$ 1,500 thousand	1,800	100	3,355	(15,747)	(15,747)	Subsidiary
Great Sun Corp.	Sunext (Mauritius) Inc.	Mauritius	Investment	US\$ 750 thousand	US\$ 750 thousand	750	100	US\$ 25 thousand	US\$ (85) thousand	US\$ (85) thousand	Subsidiary
Sunext (Mauritius) Inc.	Sunext Technology (Shanghai) Co., Ltd.	Shanghai, China	Design of software	US\$ 750 thousand	US\$ 750 thousand	-	100	US\$ 25 thousand	US\$ (85) thousand	US\$ (85) thousand	Subsidiary
Generalplus Technology Inc.	Generalplus International (Samoa) Inc.	Samoa	Investment	US\$ 7,590 thousand	US\$ 7,590 thousand	7,590	100	110,095	7,646	7,646	Subsidiary
Generalplus International (Samoa) Inc.	Generalplus (Mauritius) Inc.	Mauritius	Investment	US\$ 7,590 thousand	US\$ 7,590 thousand	7,590	100	US\$ 3,636 thousand	US\$ 260 thousand	US\$ 260 thousand	Subsidiary
Generalplus (Mauritius) Inc.	Generalplus Technology (Shenzhen) Co., Ltd.	Shenzhen, China	After-sales service	US\$ 7,200 thousand	US\$ 7,200 thousand	7,200	100	US\$ 3,482 thousand	US\$ 337 thousand	US\$ 337 thousand	Subsidiary
	Genralplus Technology (Hong Kong) Co., Ltd.	Hong Kong	Sales	US\$ 390 thousand	US\$ 390 thousand	390	100	US\$ 153 thousand	US\$ (77) thousand	US\$ (77) thousand	Subsidiary
Sunplus mMobile Inc.	Sunplus mMobile SAS	France	Design of ICs	EUR 237 thousand	EUR 237 thousand	237	100	(16,886)	4,357	4,357	Subsidiary
	Sunplus mMobile Holding Inc.	Samoa	Investment	US\$ 2,580 thousand	US\$ 2,580 thousand	2,580	100	(3)	US\$ - thousand	US\$ - thousand	Subsidiary
Sunplus mMobile Holding Inc.	Bright Sunplus mMobile Inc.	Mauritius	Research and development of intellectual property rights	US\$ 2,580 thousand	US\$ 2,580 thousand	2,580	100	US\$ - thousand	US\$ - thousand	US\$ - thousand	Subsidiary
Sunplus Technology Co., Ltd. (Shanghai)	ShenZhen Suntop Technology Co., Ltd.	Shenzheu, China	Design of software and hardware	RMB 2,000 thousand	RMB - thousand	-	100	US\$ (320) thousand	RMB (2,320) thousand	RMB (2,320) thousand	Subsidiary

(Concluded)

## SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

INFORMATION ON INVESTMENT IN MAINLAND CHINA  
 YEAR ENDED DECEMBER 31, 2011  
 (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, 2011	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2011	% Ownership of Direct or Indirect Investment	Investment Loss	Carrying Value as of December 31, 2010	Accumulated Inward Remittance of Earnings as of December 31, 2010
					Outflow	Inflow					
Sunplus Technology (Shanghai) Co., Ltd.	Manufacturing and sale of consumer ICs	US\$ 17,200 thousand	Note 1	US\$ 17,000 thousand	US\$ - thousand	US\$ - thousand	US\$ 17,000 thousand	99%	US\$ 1,210 thousand	US\$ 14,565 thousand	US\$ - thousand
Sunplus Prof-tek (Shenzhen) Co., Ltd.	Development and sale of computer software. System Integration services	US\$ 4,250 thousand	Note 1	US\$ 4,250 thousand	US\$ - thousand	US\$ - thousand	US\$ 4,250 thousand	100%	US\$ (1,467) thousand	US\$ 1,372 thousand	US\$ - thousand
Sun Media Technology Co., Ltd.	Manufacturing and sale of computer software and system integration services	US\$ 20,000 thousand	Note 1	US\$ 20,000 thousand	US\$ - thousand	US\$ - thousand	US\$ 20,000 thousand	100%	US\$ (1,637) thousand	US\$ 17,736 thousand	US\$ - thousand
Sunplus App Technology Co., Ltd.	Manufacturing and sale of computer software and system integration services and information management and education	RMB 5,000 thousand	Note 1	US\$ 586 thousand	US\$ - thousand	US\$ - thousand	US\$ 586 thousand	80%	US\$ 35 thousand	US\$ 318 thousand	US\$ - thousand
Ytrip Technology Co., Ltd.	Computer system integration services and supplying general advertising and other information services.	US\$ 4,844 thousand	Note 1	US\$ - thousand	US\$ 1,085 thousand	US\$ - thousand	US\$ 1,085 thousand	78%	US\$ (557) thousand	US\$ 55 thousand	US\$ - thousand

Accumulated Investment in Mainland China as of December 31, 2011	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
US\$42,921 thousand	US\$56,550 thousand	\$5,437,157

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

(Continued)

Generalplus Technology (Nature of Relationship: 1)

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type (e.g., Direct or Indirect)	Accumulated Outflow of Investment from Taiwan as of January 1, 2011	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2011	% Ownership of Direct or Indirect Investment	Investment Loss (Note 2)	Carrying Value as of December 31, 2011	Accumulated Inward Remittance of Earnings as of December 31, 2011
					Outflow	Inflow					
Generalplus Shenzhen	Data processing service	US\$ 7,200 thousand	Note 1	US\$ 7,200 thousand	US\$ - thousand	\$ - thousand	US\$ 7,200 thousand	100%	US\$ 337 thousand	US\$ 3,483 thousand	US\$ - thousand

Accumulated Investment in Mainland China as of December 31, 2011	Investment Amount Authorized by Investment Commission, MOEA	Upper Limit on Investment
US\$7,200 thousand	US\$7,200 thousand	\$1,150,875

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

Note 2: The investment loss is based on audited financial data as of December 31, 2011.

(Continued)

Sunext Technology (Nature of Relationship: 2)

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type (e.g., Direct or Indirect)	Accumulated Outflow of Investment from Taiwan as of January 1, 2011	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2011	% Ownership of Direct or Indirect Investment	Investment Loss (Note 2)	Carrying Value as of December 31, 2011	Accumulated Inward Remittance of Earnings as of December 31, 2011
					Outflow	Inflow					
Sunext Technology (Shanghai)	Design of magnetic disc and software	US\$ 750 thousand	Note 1	US\$ 750 thousand	\$ -	\$ -	US\$ 750 thousand	100%	US\$ (85) thousand	US\$ 25 thousand	US\$ - thousand

Accumulated Investment in Mainland China as of December 31, 2011	Investment Amount Approved by the Investment Commission, MOEA	Upper Limit on Investment
US\$750 thousand	US\$750 thousand	\$292,609

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

Note 2: The investment loss is based on audited financial data as of December 31, 2011.

(Concluded)

## SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

## INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS

YEARS ENDED DECEMBER 31, 2011 and 2010

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

## 1. Year ended December 31, 2011

Company Name	Counter-Party	Flow of Transactions (Note 5)	Intercompany Transactions			Percentage of Consolidated Total Gross Sales or Total Assets
			Financial Statements Account Item	Amount	Terms	
Sunplus Technology Co., Ltd.	Generalplus Technology Corp.	1	Sales	\$ 15,736	Note 1	0.17%
			Nonoperating income and gains	5,274	Note 2	0.06%
			Notes and accounts receivables	2,070	Note 1	0.01%
			Other receivables	608	Note 3	-
			Accounts payable	1,448	-	0.02%
	Sunext Technology Co., Ltd.	1	Sales	3,197	Note 1	0.03%
			Nonoperating income and gains	1,738	Note 2	0.02%
			Notes and accounts receivables	424	Note 1	-
	Sunplus Core Technology Co., Ltd.	1	Sales	152	Note 1	-
Marketing			468	Note 2	-	
Nonoperating income and gains			5,051	Notes 2 and 4	0.05%	
Other receivables			482	Note 3	-	
Deferred royalty income			28,000	-	0.3%	
Sunplus mMobile	1	Nonoperating income and gains	7,995	Notes 2	0.08%	
		Other receivables	25,490	Note 3	0.18%	
Sunplus Innovation Technology Inc.	1	Sales	1,181	Note 1	0.01%	
		Research and development	23	Note 2	-	
		Nonoperating income and gains	6,021	Note 2	0.06%	
		Notes and accounts receivables	44	Note 1	-	
Sunplus mMedia Inc.	1	Other receivables	979	Note 2	-	
		Nonoperating income and gains	90	Notes 2	-	
iCatch Technology, Inc.	1	Other receivables	9	Note 3	-	
		Sales	9,323	Note 1	0.01%	
		Nonoperating income and gains	12,408	Notes 2 and 4	0.13%	
		Notes and accounts receivables	885	Note 1	-	
Sunplus Technology (H.K.) Co., Ltd.	1	Other receivables	3,124	Note 3	0.02%	
		Marketing expenses	1,839	Note 2	0.02%	
Sunext Technology (Shanghai)	3	Research and development	\$ 5,838	Note 2	0.06%	
Great Sun Corp.	3	Other current liabilities	12,104	Note 3	0.09%	

(Continued)

Company Name	Counter-Party	Flow of Transactions (Note 5)	Intercompany Transactions			
			Financial Statements Account Item	Amount	Terms	Percentage of Consolidated Total Gross Sales or Total Assets
Sunplus Innovation Technology Inc.	SunMedia Technology Co., Ltd.	3	Research and development	409	Note 2	-
			Accrued Expense	409	Note 3	-
	Sunplus Technology (Shanghai) Co., Ltd.	3	Other current liabilities	9	Note 3	-
	Sunplus App Technology	3	Sales	74	Note 1	-
Sunplus Core Technology Co., Ltd.	SunMedia Technology Co., Ltd.	3	Research and development	987	Note 2	0.01%
Generalplus Technology Corp.	Generalplus Technology (H.K.) Corp.	3	Marketing expenses	15,964	Note 2	0.17%
			Accrued expense	2,870	Note 3	0.02%
	Sunplus Innovation Technology Inc.	3	Marketing expenses	7,467	Note 2	0.08%
			Accrued expense	7,166	Note 3	0.05%
			Intangible assets	12,578	Note 2	0.09%
	Sunplus mMedia Inc.	3	Marketing expenses	22,359	Note 2	0.24%
			Research and development	36,439	Note 2	0.39%
			Intangible assets	72,878	Note 2	0.52%
Generalplus Technology (Shenzhen) Corp.	3	Accrued expense	9,366	Note 3	0.07%	
		Research and development	123,696	Note 2	1.31%	
			Accrued expense	31,920	Note 3	0.23%
SunMedia Technology Co., Ltd.	Ytrip Technology Co., Ltd.	3	Other Receivables	971	Note 3	-
iCatch Technology, Inc.	Sunplus Pro-tek (Shenzhen) Co., Ltd.	3	Marketing Expense	15,969	Note 2	0.07%
			Accrued expense	1,362	Note 3	-
	SunMedia Technology Co., Ltd.	3	Marketing Expense	7,801	Note 2	0.08%
Sunplus Technology (Shanghai) Co., Ltd.	Sunext Technology (Shanghai)	3	Sales	887	Note 1	-
	Generalplus Technology (Shenzhen) Corp.	3	Sales	9,961	Note 1	0.11%

(Concluded)

2. Year ended December 31, 2010

Company Name	Counter-Party	Flow of Transactions (Note 5)	Intercompany Transactions			Percentage of Consolidated Total Gross Sales or Total Assets
			Financial Statements Account Item	Amount	Terms	
Sunplus Technology Co., Ltd.	Generalplus Technology Corp.	1	Sales	\$ 24,074	Note 1	0.19%
			General and administrative	12	Note 2	-
			Nonoperating income and gains	6,616	Note 2	0.05%
			Notes and accounts receivables	3,871	Note 1	0.02%
			Other receivables	533	Note 3	-
			Deferred royalty income	3,621	-	0.02%
	Waveplus Technology Co., Ltd.	1	Nonoperating income and gains	45	Note 2	-
	Sunext Technology Co., Ltd.	1	Sales	1,626	Note 1	0.01%
			Nonoperating income and gains	1,348	Note 2	0.01%
			General and administrative	9	Note 2	-
			Research and development	40	Note 2	-
			Notes and accounts receivables	54	Note 1	-
Other receivables			543	Note 3	-	
Sunplus Core Technology Co., Ltd.	1	Sales	10,161	Note 1	0.08%	
		Marketing	1,997	Note 2	0.02%	
		General and administrative	31	Note 2	-	
		Research and development	13,200	Note 2	0.10%	
		Nonoperating income and gains	8,354	Notes 2 and 4	0.06%	
		Notes and accounts receivables	50	Note 1	-	
Sunplus mMobile	1	Other receivables	643	Note 3	-	
		Deferred royalty income	28,000	-	0.15%	
Sunplus Innovation Technology Inc.	1	Nonoperating income and gains	7,159	Note 2	0.06%	
		Other receivables	262,857	Note 3	1.42%	
Sunplus mMedia Inc.	1	Sales	8,112	Note 1	0.06%	
		General and administrative	64	Note 2	-	
		Research and development	70	Note 2	-	
		Nonoperating income and gains	4,875	Note 2	0.04%	
		Notes and accounts receivables	856	Note 1	-	
		Other receivables	612	Note 3	-	
Sunplus Technology Co., Ltd.	1	General and administrative	197	Note 2	-	
		Nonoperating income and gains	127	Note 2	-	
		Other receivables	29	Note 3	-	
Sunplus Technology Co., Ltd.	1	Sales	12,932	Note 1	0.10%	
		Nonoperating income and gains	15,021	Notes 2 and 4	0.12%	
		Notes and accounts receivables	2,593	Note 1	0.01%	
		Other receivables	1,054	Note 3	0.01%	
Sunplus Technology (H.K.) Co., Ltd.	1	Marketing expenses	2,164	Note 2	0.02%	
Sunext Technology Co., Ltd.	Sunext Technology (Shanghai)	3	Research and development	11,436	Note 2	0.09%
	Great Sun Corp.	3	Research and development	43	Note 2	-
	Sunplus Innovation Technology Inc.	3	Other current liabilities	7,073	Note 3	0.04%
Sunplus mMedia Inc.	Sunplus Prof-tek (Shenzhen) Co., Ltd.	3	Marketing expenses	506	Note 2	-
Sunplus Innovation Technology Inc.	Sunplus Technology (Shanghai) Co., Ltd.	3	Marketing expenses	1,115	Note 2	0.01%
		3	Accrued expenses	236	Note 3	-
	Sunplus App Technology Co., Ltd.	3	Sales	9,998	Note 1	0.08%
			Notes and accounts receivable	4,539	Note 1	0.02%

(Continued)

Company Name	Counter-Party	Flow of Transactions (Note 5)	Intercompany Transactions			
			Financial Statements Account Item	Amount	Terms	Percentage of Consolidated Total Gross Sales or Total Assets
Sunplus Core Technology Co., Ltd.	SunMedia Technology Co., Ltd.	3	Research and development	\$ 441	Note 2	-
	Sunplus mMedia Inc.	3	Accrued expenses	408	Note 3	-
Generalplus Technology Corp.	Generalplus Technology (H.K.) Corp.	3	Research and development	1	Note 2	-
			Marketing expenses	18,338	Note 2	0.14%
	Generalplus Technology (Shenzhen) Corp.	3	Accrued expenses	4,650	Note 3	0.03%
			Research and development	118,108	Note 2	0.91%
	Sunplus Innovation Technology Inc.	3	Accrued expenses	59,845	Note 3	0.32%
			Cost of goods sold	2,708	Note 1	0.02%
			Marketing expenses	1,463	Note 2	0.01%
Research and development			192	Note 2	-	
iCatch Technology, Inc.	3	Accrued expenses	17,894	Note 3	0.10%	
		Intangible assets	16,088	Note 3	0.09%	
Generalplus Technology Corp.	3	General and administrative	39	Note 2	-	
		Cost of goods sold	6,155	Note 2	0.05%	
Generalplus Technology Corp.	3	Intangible assets	109,318	Note 2	0.59%	
		Accrued expenses	13,759	Note 3	0.07%	
		Marketing expenses	62,482	Note 2	0.48%	
Sunplus Technology (Shanghai) Co., Ltd.	Sunext Technology (Shanghai)	3	Sales	1,556	Note 4	0.01%
	Generalplus Technology (Shenzhen) Corp.	3	Sales	12,339	Note 1	0.10%
iCatch Technology, Inc.	Sunplus Prof-tek (Shenzhen) Co., Ltd.	3	Marketing expenses	13,801	Note 2	0.11%
			Accrued expenses	1,049	Note 3	0.01%
	SunMedia Technology Co., Ltd.	3	Marketing expenses	6,834	Note 2	0.05%
			Accrued expenses	486	Note 3	-

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

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

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

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

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

(Concluded)

## **7.6 Financial Difficulties**

Impact to the Company or subsidiaries if any turnover problems: None

## VIII. Financial Analysis

### 8.1 Financial Status

#### 8.1.1 Financial Analysis Comparison 2011 vs. 2010

Unit: NT\$K

Item	Year	2011	2010	Variation	
				Increased (Decrease)	YoY %
Current Assets		3,422,494	5,609,370	(2,186,876)	-39%
Investment and Fund		6,445,698	8,544,972	(2,099,274)	-25%
Property, Plant & Equipment		721,693	784,822	(63,129)	-8%
Intangible Assets		269,542	216,747	52,795	24%
Other Assets		407,443	443,536	(36,093)	-8%
Total Assets		11,266,870	15,599,447	(4,332,577)	-28%
Current Liabilities		2,012,399	2,547,924	(535,525)	-21%
Long-term Liabilities		0	75,500	(75,500)	-100%
Other Liabilities		192,543	212,099	(19,556)	-9%
Total Liabilities		2,204,942	2,835,523	(630,581)	-22%
Capital Stock		5,969,099	5,969,099	0	0%
Capital Surplus		1,730,465	1,969,595	(239,130)	-12%
Retained Earnings		2,617,410	5,079,860	(2,462,450)	-48%
Total Shareholder's Equities		9,061,928	12,763,924	(3,701,996)	-29%

Remark:

1. Current Assets declined due to decrease on sales, AR and inventories.
2. Investment and Fund declined due to increase on impairment loss of assets and loss on long-tem investment by equity method.
3. Intangible Assets grew due to purchase and licensing of new IPs.
4. Current Liabilities declined due to decrease on AP and long-term bank loans (1Year period)
5. Long-term Liabilities declined due to repayment of bank loans
6. Retained Earnings declined due to net losses after tax in 2011.

## 8.2 Operational Results

### 8.2.1 Operation Results Comparison 2011 vs. 2010

Unit: NT\$K

Item	Year	2011	2010	Variation	
				Increased (decrease)	YoY %
Gross Sale		3,734,610	6,269,635	(2,535,025)	-40%
Deduct: Sales Returns and Allowances		134,863	140,051	(5,188)	-4%
Net Sales		3,599,747	6,129,584	(2,529,837)	-41%
Deduct: Realized Gain on Inter-company Profit - Net		28,000	9,783	18,217	186%
Cost of Sales		2,669,673	3,884,048	(1,214,375)	-31%
Gross Profit		958,074	2,255,319	(1,297,245)	-58%
Operating Expenses		1,513,055	1,918,903	(405,848)	-21%
Income From Operating		(554,981)	336,416	(891,397)	-265%
Non-Operating Income		343,330	849,816	(506,486)	-60%
Non-Operating Expense		1,557,724	40,159	1,517,565	3779%
Income Before Tax		(1,769,375)	1,146,073	(2,915,448)	-254%
Income Tax Benefits (Expense)		215,547	372,362	156,815	-42%
Cumulative Effect of Changes in Accounting Principles		0	0	0	0%
Net Income		(1,984,922)	773,711	-2,758,633	-357%

Remarks:

1. Sales, cost, gross margin and expense all decreased because of low demand on consumer electronics and less shipment.
2. Realized Gain on Inter-company Profit increased due to realized income from selling IPs to subsidiary.
3. Non-operating income and profits decreased due to less disposal gain and less profits from long-term investment by equity method.
4. Non-operating expense and loss increased due to more losses on long-term investment by equity method and impairment of assets.
5. Income tax expense decreased due to less net change in deferred income tax assets.
6. Income before/after tax declined due to decrease in sales and increase on long-term investment by equity method and impairment of assets.

## 8.3 Cash Flow

### 8.3.1 Cash Flow Analysis

#### a) Cash Flow Analysis 2011 vs. 2010

Item	Year	2011	2010	YoY %
Cash flow adequacy ratio		151.87	158.44	-4.15
Cash flow reinvestment ratio		5.21	6.00	-13.17

#### b) Cash Flow Forecast

Unit: NT\$K

Cash Balance, beginning of the year (1)	Net Cash Flow from Operating Activities (2)	Net Cash in-flow (3)	Net Cash Balance (1)+(2)+(3)	Remedial Measure if cash not enough	
				Investment plan	Financial leverage plan
\$1,805,704	\$2,493	\$1,013,144	\$2,821,341	-	-

Analysis of Cash Flow:

1. From Operating: Cash flow in because of making profits in 2011.
2. From Investing: Cash flow in because of disposal and acquisition of equity-method investment, prepaid long-term investment and properties.
3. From Financing: Cash flow out because of the repayment of bank loans and new loans.

## 8.4 Major Capital Expenditure

### 8.4.1 Major Capital Expenditure and Sources

Unit: NT\$K

Item	Sources of Fund	Est. Due Date	Required Capital Amount	Capital Expenditure Plan			
				2010	2011	2012	2013
Testing Facility	Own	2010~2013	\$57,607	\$2,106	\$9,000	\$46,500	\$57,607

### 8.4.2 Benefits from the Capital Expenditure

The company could enhance the process of product certification and lower production costs.

## 8.5 Long-Term Investment

Unit: NT\$K

Analysis Item	Amount (Note)	Policy	Reason of Gain or Loss	Improvement Plan	Investment Plan in a year
Sunplus mMobile Inc.	\$489,000	Sunplus got shareholding in exchange of debts and loans to Sunplus mMobile.	Losses come from the huge amortization expense of 3G IPs.	To get licensing income or disposal gain	None

Note: The investment amount over 5% of the paid-in capital.

## 8.6 Risk Management

### 8.6.1 The Impact of Inflation, Foreign Exchange and Interest Rate Fluctuation and Measures to Cope With

- (1) Interest Rate: The Company will get more interest expenses when the interest rate rises. The finance division will collect information and evaluate the variation for hedge. Vice versa, the low interest rate will impact interest income. The company will put more cash on highly- returned short-term investment.
- (2) Exchange Rate: The selling products are quoted in US dollars. Most of the costs are quoted in US dollars but still some in NT dollars. So the New Taiwan Dollars appreciation will impact the company sales and gross margin. Our major foreign-currency assets are account receivable and time deposits. The company already utilizes mainly forward currency and option contracts to hedge its foreign exchange exposure, so the impact from floating exchange rate will be minimized.
- (3) Inflation: The material costs vary timely. The higher manufacture cost and selling pricing which would impact the consumers' budget for the high-end consumer electronic products. But Sunplus is working hard to develop new products for add-on value and cost-down, and expand the market shares in the emerging markets to relief the slow-down from developed countries.

### 8.6.2 Internal Policies and Procedure Exist with Respect to High Risk/High Leveraged Investment, Lending/Endorsements and Guarantees for Other Parties, Financial Derivatives Transaction

- (1) There is no high risk/high leveraged investment.
- (2) The company has made and followed "Sub-procedure of Extension of Monetary Loans to Others", and the loans will only be made to Sunplus affiliates with shareholding 20% and companies with business relations if necessary. The loans are made with risk evaluation and up limit as 10% of the Company net value.
- (3) The company has made and followed "Procedure of Endorsement and Guarantees", and the Endorsement and Guarantees will only be made to Sunplus affiliates with shareholding 20% and companies with business relations if necessary. The Endorsement and Guarantees are made with risk evaluation and up limit as 10% of the Company net value. The loan has to be under well evaluation before granted. After the loan is granted, the Company follows and traces financial status, business and credit status of the borrower and guarantor frequently, and asks equal collaterals or takes proper actions to secure.
- (4) The financial transactions of a derivatives nature that Sunplus enters into are strictly for hedging purposes and not for any trading or speculative purposes and under well evaluation.

### **8.6.3 R&D Plan and Execution**

Sunplus will keep investing in developing new products, such as IC solutions for BD player, HD Set-Top-Box, HDTV, IPTV etc.

Except developing core technology on our own, Sunplus is also looking for outside resources like purchasing or licensing IPs to speed up the mass-production schedule.

### **8.6.4 Political and Regulatory Environment:**

For the companies in Taiwan will adopt IFRSs officially instead of the original Taiwan GAAP from 2013, Sunplus has called a special committee in order to launching IFRSs. After evaluation, it shall impact lightly to the shareholders' equity and share price of the company. We will keep watch for any further updates and take actions to reduce the impacts on the company.

### **8.6.5 Advanced Technology**

The wafer process technology is moving to smaller geometry. The migrated process technology could keep the chip production cost down but R&D cost up. The company tries to develop higher add-on value and mainstream multimedia products, which mainstream means to produce in huge volume and to share the research and development cost.

### **8.6.6 Corporate Identify and Image Change**

The company takes corporate image seriously. Being people-oriented and having integrity are our top priorities when running our business. We disclose our operation and financial statements to public periodically and transparently in order to save the rights of our shareholders.

### **8.6.7 Mergers & Acquisitions**

None

### **8.6.8 Expansion of Facilities**

None

### **8.6.9 Suppliers & Customers**

The company purchases materials from several suppliers and subcontract to backend package and testing houses.

The major customers of the company are all distributors with fair due diligence and regular auditing. Besides asking guarantee, the accounting department will track the account receivable monthly.

### **8.6.10 Major Shareholding Change**

None

### **8.6.11 Ownership Change**

None

### **8.6.12 Litigation Proceedings**

None

### **8.6.13 Other Risks**

None

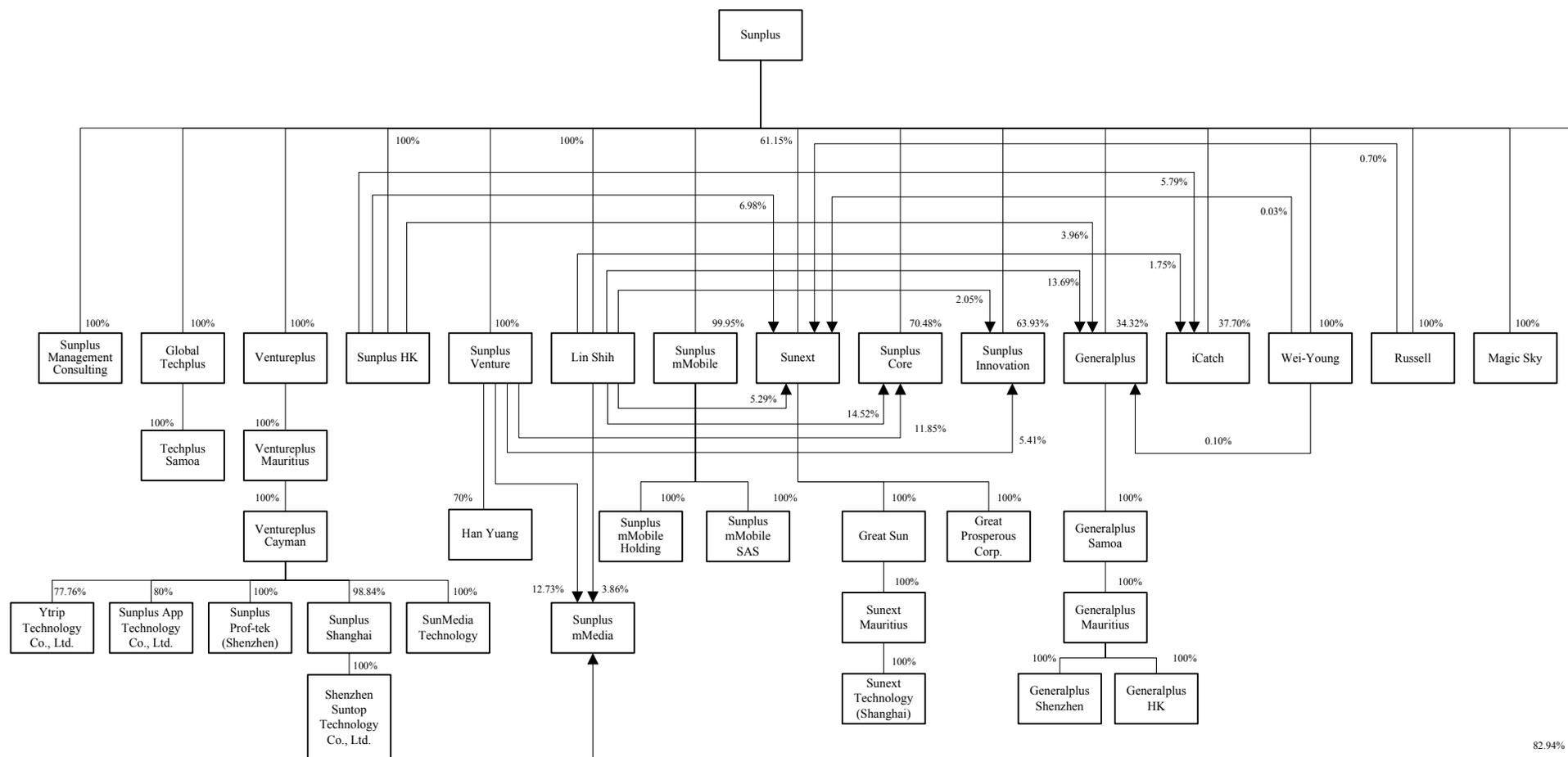
## **8.7 Other Remarks**

None

# IX. SPECIAL NOTES

## 9.1 Affiliates

### 9.1.1 Affiliated Chart



## 9.1.2 Affiliated Companies

Unit: NT\$K, unless other specified

Company	Date of Incorporation	Place of Registration	Paid-in Capital	Business Activities
Sunplus Technology (HK) Co., Ltd.	August 31, 1993	Kowloon, HK	HK\$11,075,000 (Note)	International Trading
Lin Shih Investment Co., Ltd.	July 2, 1998	Hsinchu, Taiwan	700,000	Investment
Russell Holdings Ltd.	March 11, 1998	Cayman	US\$14,760,000 (Note)	Investment
Sunplus Venture Capital Co., Ltd.	November 20, 1999	Hsinchu, Taiwan	1,000,000	Investment
Ventureplus Group Inc.	July 27, 2001	Belize	US\$42,985,000 (Note)	Investment
Ventureplus Mauritius Inc.	August 2, 2001	Mauritius	US\$42,985,000 (Note)	Investment
Ventureplus Cayman Inc.	September 14, 2001	Cayman	US\$42,985,000 (Note)	Investment
Shanghai Sunplus Technology Co., Ltd.	December 7, 2001	Shanghai, China	US\$17,200,000 (Note)	CE Products manufacture and sales
Sunplus Prof-tek Technology (Shenzhen) Co., Ltd.	October 20, 2007	Shenzhen, China	US\$4,250,000 (Note)	Software and System Design
Sunmedia Technology Co., Ltd.	January 8, 2008	Chengdu, China	US\$20,000,000 (Note)	IC Sales and After Service, Software and System Design
Sunplus App Technology Co., Ltd.	October 6, 2008	Beijing, China	RMB5,000,000 (Note)	IC Sales and After Service, Software and System Design
Ytrip Technology Co., Ltd.	February 18, 2011	Chengdu, China	RMB4,844,000(Note)	System and Web Service
ShenZhen Suntop Technology Co, Ltd.	April 18, 2011	Shenzhen, China	RMB2,000,000(Note)	Software and Hardware R&D
Global Techplus Capital Inc. (The original Name: Techplus Capital Niue Inc.)	October 15, 2001	Mahe, Seychelles	US\$200,000 (Note)	Investment
Techplus Capital Samoa Inc.	October 23, 2001	Samoa	US\$0 (Note)	Investment
Magic Sky Limited	September 22, 2010	Samoa	US\$6,000,000	Investment
Sunext Technology Co., Ltd.	March 13, 2003	Hsinchu, Taiwan	635,091	IC Design
Great Sun Corporation	January 28, 2003	Samoa	US\$750,000 (Note)	Investment
Sunext (Mauritius) Inc.	August 19, 2004	Mauritius	US\$750,000 (Note)	Investment
Sunext Optoelectronics Technology (Shanghai) Co., Ltd.	December 27, 2004	Shanghai, China	US\$750,000 (Note)	Software
Great Prosperous Corporation	February 13, 2009	Mauritius	US\$1,800,000 (Note)	Investment & Marketing
Sunplus Management Consulting Inc.	October 29, 2003	Taipei, Taiwan	5,000	Consulting
WeiYing Investment Co., Ltd.	February 13, 2004	Taipei, Taiwan	14,000	Investment
Generalplus Technology Inc.	March 30, 2004	Hsinchu, Taiwan	1,087,566	IC Design
Generalplus International (Samoa) Inc.	November 12, 2004	Samoa	US\$7,590,000 (Note)	Investment
Generalplus (Mauritius) Inc.	November 25, 2004	Mauritius	US\$7,590,000 (Note)	Investment
Generalplus Technology (Shenzhen) Inc.	March 24, 2005	Shenzhen, China	US\$7,200,000 (Note)	Sales Service
Generalplus Technology (HK) Inc.	March 21, 2007	Hong Kong	US\$390,000 (Note)	Sales Service
Sunplus mMobile Inc.	December 20, 2006	Hsinchu, Taiwan	490,000	IC Design
Sunplus mMobile SAS	April 22, 2008	Cannes, France	EUR\$237,000 (Note)	IC Design
Sunplus mMobile Holding Inc.	April 11, 2008	Samoa	US\$2,580,000 (Note)	Investment
Sunplus Innovation Technology Inc.	December 14, 2006	Hsinchu, Taiwan	485,012	IC Design
Sunplus mMedia Inc.	April 18, 2007	Hsinchu, Taiwan	150,000	IC Design
Sunplus Core Technology Co., Ltd.	September 29, 2007	Hsinchu, Taiwan	159,000	IC Design
iCatch Technology Inc.	December 4, 2009	Hsinchu, Taiwan	550,000	IC Design

Note: End of 2011, exchange rate as ref.:

HK\$1=NT\$3.897

US\$1=NT\$30.28

RMB\$1=NT\$4.807

EU\$1=NT\$39.18

### 9.1.3 Business Scope of Affiliated Companies

Company	Business Activities	Business Relationship
Sunplus Technology (HK) Co., Ltd.	Trading	N/A
Lin Shih Investment Co., Ltd.	Investment	N/A
Russell Holdings Ltd.	Investment	N/A
Sunplus Venture Capital Co., Ltd.	Investment	N/A
Ventureplus Group Inc.	Investment	N/A
Ventureplus Mauritius Inc.	Investment	N/A
Ventureplus Cayman Inc.	Investment	N/A
Shanghai Sunplus Technology Co., Ltd.	Manufacture and Sales Service	China branch
Sunplus Prof-tek Technology (Shenzhen) Co., Ltd.	Software and System Design	China branch
Sunmedia Technology Co., Ltd.	Manufacture and Sales Service Software and System Design	China branch
Sunplus App Technology Co., Ltd.	Sales and IT Education Service	China branch
Ytrip Technology Co., Ltd.	System and Web Service	China branch
ShenZhen Suntop Technology Co, Ltd.	Software and Hardware R&D	N/A
Global Techplus Capital Inc. (The original Name: Techplus Capital Niue Inc.)	Investment	N/A
Techplus Capital Samoa Inc.	Investment	N/A
Magic Sky Limited	Investment	N/A
Sunext Technology Co., Ltd.	IC Design	Subsidiary
Great Sun Corporation	Investment	N/A
Sunext (Maruitius) Inc.	Investment	N/A
Sunext Optoelectronics Technology (Shanghai) Co., Ltd.	Software	N/A
Great Prosperous Corporation	Investment & Marketing	N/A
Sunplus Management Consulting Inc.	Management Consulting	N/A
WeiYing Investment Co., Ltd.	Investment	Subsidiary
Generalplus Technology Inc.	IC Design	N/A
Generalplus International (Samoa) Inc.	Investment	N/A
Generalplus (Mauritius) Inc.	Investment	N/A
Generalplus Technology (Shenzhen) Inc.	Sales Service	N/A
Generalplus Technology (HK) Inc.	Sales Service	N/A
Sunplus mMobile Inc.	IC Design	Subsidiary
Sunplus mMobile SAS	IC Design	N/A
Sunplus mMobile Holding Inc.	Investment	N/A
Bright Sunplus mMobile Inc.	IP Licensing	N/A
Sunplus Innovation Technology Inc.	IC Design	Subsidiary
Sunplus mMedia Inc.	IC Design	Subsidiary
Sunplus Core Technology Co., Ltd.	IC Design	Subsidiary
iCatch Technology Inc.	IC Design	Subsidiary

## 9.1.4 Directors, Supervisors, and Presidents of Affiliated Companies

December 31, 2011

Company	Title	Name	Shareholding	
			Amount (shares)	Ratio (%)
Sunplus Technology (HK) Co., Ltd.		Sunplus Technology	*HK\$11,075,000	100%
	Chairman	Chou-Chye Huang (repr.)	-	-
	Director	Ming-Cheng Hsieh	-	-
Lin Shih Investment Co., Ltd.		Sunplus Technology	70,000,000	100%
	Chairman & President	Chou-Chye Huang (repr.)	-	-
	Director	Bing-Huang Shih	-	-
	Director	Wayne Shen	-	-
	Supervisor	Gow-Chin Su	-	-
Russell Holdings Ltd.		Sunplus Technology	*US\$14,760,000	100%
	Director	Chou-Chye Huang (repr.)	-	-
Sunplus Venture Capital Co., Ltd.		Sunplus Technology	100,000,000	100%
	Chairman & President	Chou-Chye Huang (repr.)	-	-
	Director	Wayne Shen	-	-
	Director	Bing-Huang Shih	-	-
	Supervisor	Gow-Chin Su	-	-
Ventureplus Group Inc.		Sunplus Technology	*US\$42,985,000	100%
	Director	Chou-Chye Huang (repr.)	-	-
Ventureplus Mauritius Inc.		Ventureplus Group	*US\$42,985,000	100%
	Director	Chou-Chye Huang (repr.)	-	-
Ventureplus Cayman Inc.		Ventureplus Mauritius	*US\$42,985,000	100%
	Director	Chou-Chye Huang (repr.)	-	-
Shanghai Sunplus Technology Co., Ltd.		Ventureplus Cayman	*US\$17,000,000	98.84%
	Director	Chou-Chye Huang (repr.)	-	-
	Director	Tang-Yi Huang	-	-
Sunplus Prof-tek Technology (Shenzhen) Co., Ltd.		Ventureplus Cayman	*US\$4,250,000	100%
	Director	Chou-Chye Huang (repr.)	-	-
Sunmedia Technology Co., Ltd.		Ventureplus Cayman	*US\$20,000,000	100%
	Director	Chou-Chye Huang (repr.)	-	-
Sunplus App Technology Co., Ltd.		Ventureplus Cayman	*RMB\$4,000,000	80%
	Director	Chou-Chye Huang (repr.)	-	-
	Director	Li-Min Lai	-	-
	Director & President	Ya-Fei Luo	*RMB\$438,000	8.75%
	Supervisor	Huan-Rui Lee	-	-
Ytrip Technology Co., Ltd.		Ventureplus Cayman	*RMB\$3,937,000	81.28%
	Director	Chou-Chye Huang (repr.)	-	-
	Supervisor	Shu-Lan Wang	-	-
ShenZhen Suntop Technology Co, Ltd.		Shanghai Sunplus	*RMB\$2,000,000	100%
	Director	Chou-Chye Huang (repr.)	-	-
	Director	Xing-De Lo	-	-
	Supervisor	Zai-De Wang	-	-
Global Techplus Capital Inc. (The original name: Techplus Capital Niue Inc.)		Sunplus Technology	*US\$200,000	100%
	Director	Chou-Chye Huang (repr.)	-	-
Techplus Capital Samoa Inc.		Global Techplus Capital	*US\$0	100%
	Director	Chou-Chye Huang (repr.)	-	-
Magic Sky Limited		Sunplus Technology	US\$6,00,000	100%
	Director	Chou-Chye Huang (repr.)	-	-

(Continued)

Company	Title	Name	Shareholding	
			Amount (shares)	Ratio (%)
Sunext Technology Co., Ltd.	Chairman	Sunplus Technology	38,836,391	61.15%
	Director	Chou-Chye Huang (repr.)	-	-
		Wen-Shiung Jan (repr.)	-	-
	Director	Sunplus Venture Capital	4,430,654	6.98%
	Director	Wayne Shen (repr.)	-	-
	Independent Director	Shou-Shan Chen	77,564	0.12%
	Independent Director	Ze-Ren Haung	-	-
	Independent Director	Neng-Chieh Yang	-	-
	Supervisor	Yao-Ching Hsu	-	-
	Supervisor	Chao-Hsien Chen	-	-
	Supervisor	Kuei-Ling Min	-	-
	Supervisor	Wen-Hui Lu	650,000	1.02%
Great Sun Corporation	Director	Sunext Technology Chou-Chye Huang (repr.)	*US\$750,000 -	100% -
Sunext (Mauritius) Inc.	Director	Great Sun Corp. Chou-Chye Huang (repr.)	*US\$750,000 -	100% -
Sunext Optoelectronics Technology (Shanghai) Co., Ltd.	Director	Sunext (Mauritius)	*US\$750,000	100%
	Director	Chou-Chye Huang (repr.)	-	-
	Director	Shou-Shan Chen	-	-
	Director	Kuang-Pu Mai	-	-
Great Prosperous Corporation	Director	Sunext Technology Chou-Chye Huang (repr.)	*US\$1,800,000	100%
Sunplus Management Consulting Inc.	Director	Sunplus Technology	500,000	100%
	Director	Chou-Chye Huang (repr.)	-	-
	Director	Wayne Shen	-	-
	Supervisor	Bing-Huang Shih Gow-Chin Su	- -	- -
WeiYing Investment Co., Ltd.	Director	Sunplus Technology	1,400,000	100%
	Director	Chou-Chye Huang (repr.)	-	-
	Director	Wayne Shen	-	-
	Supervisor	Bing-Huang Shih Gow-Chin Su	- -	- -
Generalplus Technology Inc.	Chairman	Sunplus Technology	37,324,304	34.32%
	Director	Chou-Chye Huang (repr.)	-	-
	Director	Han-Hwa Lu	-	-
	Director & President	Hou-Shien Chu	1,141,752	1.05%
	Director	Chih-I Yang	1,504,935	1.38%
	Director	Chu-Chien Feng	-	-
	Director	Shi-Hao Liu	-	-
	Independent Director	Chia-Ming Chai	-	-
	Independent Director	Nai-Shin Lai	-	-
	Independent Director	Jing-Min Chen	1,000,000	1.03%
	Supervisor	De-Zhong Liu	-	-
	Supervisor	Wei-Min Lin	-	-
	Supervisor	Chi-Ying Chiu	-	-
Generalplus International (Samoa) Inc.	Director	Generalplus Technology Chou-Chye Huang (repr.)	*US\$7,590,000 -	100% -
Generalplus (Mauritius) Inc.	Director	Generalplus International (Samoa) Chou-Chye Huang (repr.)	*US\$7,590,000 -	100% -

(Continued)

Company	Title	Name	Shareholding	
			Amount (shares)	Ratio (%)
Generalplus Technology (Shenzhen) Inc.	Director	Generalplus International (Mauritius) Chou-Chye Huang (repr.)	*US\$7,200,000 -	100% -
Generalplus Technology (HK) Inc.	Director	Sunplus Technology Chih-I Yang (repr.)	*US\$390,000 -	100% -
Sunplus mMobile Inc.	Chairman & President Director Director Supervisor	Sunplus Technology Chou-Chye Huang (repr.) Wayne Shen Sunplus Venture Capital Lin-Shih Investment	48,999,914 - - 1 40	99.98% - - 0.00% 0.04%
Sunplus mMobile SAS	Director	Sunplus mMobile Technology Chou-Chye Huang (repr.)	*EUR 237,000 -	100% -
Sunplus mMobile Holding Inc.	Director	Sunplus mMobile Technology Chou-Chye Huang (repr.)	*US\$2,580,000 -	100% -
Sunplus Innovation Technology Inc.	Chairman Director Director Director & President Director Supervisor Supervisor	Sunplus Technology Chou-Chye Huang (repr.) Bing-Huang Shih Wayne Shen Chih-Hao Kung Lin-Shih Investment Chi-Ying Chiu Wen-Chin Li	30,985,542 - - - 1,437,040 1,058,802 514,670 -	63.93% - - - 2.96% 2.18% 1.06% -
Sunplus mMedia Inc.	Chairman Director Director Supervisor Supervisor	Sunplus mMobile Chou-Chye Huang (repr.) Wen-Shiung Jan Ho-Jung Ou Lin-Shih Investment Chi-Ying Chiu	12,440,723 - - - 578,729 -	82.94% - - - 3.86% -
Sunplus Core Technology Co., Ltd.	Chairman & President Director Director Supervisor	Sunplus Technology Chou-Chye Huang (repr.) Bing-Huang Shih Lin Shih Investment Sunplus Venture Capital	11,206,039 - - 2,307,971 1,884,615	70.48% - - 14.52% 11.85%
iCatch Technology Inc.	Chairman Director Director Director Director Supervisor Supervisor	Sunplus Technology Chou-Chye Huang (repr.) Wen-Shiung Jan Lin Shih Investment Chia Nine Investment Shuttle Inc. Li-Na Yu (repr.) Chi-Ying Chiu Sunplus Venture Capital	20,734,546 - - 964,545 900,000 2,500,000 - - 3,181,818	37.70% - - 1.75% 1.64% 4.55% - - 5.79%

\*Note: the invested companies are listed the capital paid-in amount of investment

## 9.1.5 Common Shareholders of Sunplus and Its Subsidiaries or Its Affiliates with Actual of Deemed Control

Not Applicable

## 9.1.6 Operation Highlights of Sunplus Affiliates

December 31, 2011  
Unit: NT\$K, except EPS (NT\$)

Company	Capital	Assets	Liabilities	Net Worth	Net Sales	Operation Income	Net Income (After Tax)	EPS (After Tax)
Sunplus Technology (HK) Co., Ltd.	43,159	4,161	70	4,091	1,473	(44)	(64)	N/A
Lin Shih Investment Co., Ltd.	700,000	745,358	55,833	689,525	113,017	(113,235)	(113,235)	(1.62)
Russell Holdings Ltd.	446,859	424,266	10,763	413,503	75,317	3,679	4,111	N/A
Sunplus Venture Capital Co., Ltd.	1,000,000	704,358	51,474	652,884	102,406	(65,175)	(64,944)	(0.65)
Ventureplus Group Inc.	1,301,371	1,047,034	246	1,046,788	0	(71,180)	(71,179)	N/A
Ventureplus Mauritius Inc.	1,301,371	1,047,158	144	1,047,014	0	(71,180)	(71,180)	N/A
Ventureplus Cayman Inc.	1,301,371	1,047,314	180	1,047,134	0	(71,183)	(71,180)	N/A
Shanghai Sunplus Technology Co., Ltd.	520,730	512,439	66,314	446,125	157,550	43,962	35,991	N/A
Sunplus Prof-tek Technology (Shenzhen) Co., Ltd.	128,669	78,528	36,991	41,537	183,839	(43,116)	(43,129)	N/A
Sunmedia Technology Co., Ltd.	605,500	560,818	23,879	536,939	150,370	(38,548)	(48,110)	N/A
Sunplus App Technology Co., Ltd.	24,024	31,132	19,088	12,044	46,826	1,242	1,302	N/A
Ytrip Technology Co., Ltd.	23,276	25,951	4,919	21,032	676	(20,477)	(21,040)	N/A
ShenZhen Suntop Technology Co, Ltd.	9,610	3,754	5,292	(1,538)	0	(10,562)	(10,553)	N/A
Global Techplus Capital Inc. (The original name: Techplus Capital Niue Inc.)	6,055	6,882	0	6,882	0	(78)	(77)	N/A
Techplus Capital Samoa Inc.	0	0	0	0	0	0	0	N/A
Han-Yuang	6,000	2,544	0	2,544	0	0	0	N/A
Magic Sky Limited	181,650	0	0	0	0	(56,137)	(176,344)	N/A
Sunext Technology Co., Ltd.	635,091	556,308	68,626	487,682	208,933	(117,046)	(177,886)	(2.80)
Great Sun Corporation	22,706	12,871	0	12,871	0	(2,497)	2,117	N/A
Sunext (Mauritius) Inc.	22,706	765	0	765	0	(2,497)	(2,497)	N/A
Sunext Optoelectronics Technology (Shanghai) Co., Ltd.	22,706	756	0	756	5,930	(2,378)	(2,497)	N/A
Great Prosperous Corporation	54,495	3,355	0	3,355	0	(15,748)	(15,747)	N/A
Sunplus Management Consulting Inc.	5,000	4,165	0	4,165	79	25	53	0.11
WeiYing Investment Co., Ltd.	14,000	6,255	71	6,184	134	85	35	0.03
Generalplus Technology Inc.	1,087,566	2,530,321	612,196	1,918,125	3,263,786	177,485	166,863	1.68
Generalplus International (Samoa) Inc.	229,787	110,095	0	110,095	7,646	7,646	7,646	N/A
Generalplus (Mauritius) Inc.	229,787	110,095	0	110,095	7,646	7,646	7,646	N/A
Generalplus Technology (Shenzhen) Inc.	217,980	117,927	12,499	105,428	124,294	12,491	9,901	N/A
Generalplus Technology (HK) Inc.	11,807	6,856	2,214	4,642	16,045	(1,754)	(2,255)	N/A
Sunplus mMobile Inc.	490,000	36,568	370,024	(333,456)	333	(100,437)	(250,675)	(5.12)
Sunplus mMobile SAS	9,286	19,661	36,547	(16,886)	49,079	(54,945)	(52,816)	N/A
Sunplus mMobile Holding Inc.	78,110	0	3	(3)	0	0	0	N/A
Sunplus Innovation Technology Inc.	485,012	1,153,384	250,173	903,211	1,145,676	43,688	46,648	0.97
Sunplus mMedia Inc.	150,000	145,687	8,551	137,136	22,700	3,537	6,429	0.43
Sunplus Core Technology Co., Ltd.	159,000	10,214	167,000	(156,786)	1,664	(66,164)	(117,575)	(7.39)
iCatch Technology Inc.	550,000	632,756	141,365	491,391	517,806	(107,000)	(98,067)	(1.78)

## 9.1.7 Consolidated Financial Statement of Sunplus Affiliates

### REPRESENTATION LETTER

The entities to be included in the combined financial statements of Sunplus Technology Company Limited and subsidiaries as of and for the year ended December 31, 2011, which will be prepared in conformity with the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises, are the same as the entities included in the consolidated financial statements prepared in conformity with the revised R.O.C. Statement of Financial Accounting Standards No. 7 - "Consolidated Financial Statements." In addition, the information needed to be disclosed in the combined financial statements is included in the consolidated financial statements. Thus, Sunplus Technology Company Limited and subsidiaries did not prepare a separate set of combined financial statements.

Very truly yours,

SUNPLUS TECHNOLOGY COMPANY LIMITED

By



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CHOU-CHIEH HUANG  
Chairman

March 21<sup>st</sup>, 2012

## 9.2 Private Placement Securities

Not Applicable

## 9.3 Status of Sunplus Common Shares/GDRs Acquired, Disposed of, or Held by Subsidiaries

Unit: NT\$K, shares

Company	Capital	Source of Fund	% Owned by Sunplus	Transaction Date	Amount of Acquisition	Amount of Disposal	Investment Income	Balance (by the Date of this Report Printed)	Balance of Pledged Shares	Balance of Guarantee Provided by Sunplus	Balance of Financing Provided by Sunplus
Lin Shih Investment Co., Ltd.	\$700,000	Self-owned reserves	100%	2001.12.25	3,870,196 shares & \$95,605	-	-	-	None	None	None
				2002.07.02	967,549 shares Capital increase from profits and capital surplus	-	-	-	None	None	None
				2003.07.13	483,774 shares Capital increase from profits and capital surplus	-	-	-	None	None	None
				2004.08.23	532,151 shares Capital increase from profits and capital surplus	-	-	-	None	None	None
				2005.08.23	290,614 shares Capital increase from profits and capital surplus	-	-	-	2,503,705 shares Pledged	None	None
				2006.08.05	306,132 shares Capital increase from profits and capital surplus	-	-	-	500,741 shares Pledged	None	None
				2007.03.26	-3,220,429 shares decreased for capital reduction	-	-	-	None	None	None
				2007.09.05	160,538 shares Capital increase from profits and capital surplus	-	-	-	380,000 shares Pledged	None	None
				2008.09.08	169,471 shares Capital increase from profits and capital surplus	-	-	-	None	None	None
				2011.10.06	Cash dividend NT\$2,872	-	-	-	None	None	None
				By the date of this report printed	-	-	-	3,559,996 shares \$63,401	3,384,446 shares Pledged	None	None

#### **9.4 Special Notes**

None

#### **9.5 Any Events Impact to Shareholders' Equity and Share Price**

None