

**Sunplus Technology Company Limited  
and Subsidiaries**

**Consolidated Financial Statements for the  
Years Ended December 31, 2011 and 2010 and  
Independent Auditors' Report**

## REPRESENTATION LETTER

The entities to be included in the combined financial statements of Sunplus Technology Company Limited and subsidiaries as of and for the year ended December 31, 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					
Total current assets	8,682,455	61	11,486,582	62	Total current liabilities	3,069,970	22	3,752,814	20
<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
Total long-term investments	2,394,980	17	4,239,553	23	Guarantee deposits	256,016	2	245,706	1
<b>PROPERTIES (Notes 2, 11 and 24)</b>					Total other liabilities	363,108	2	349,169	2
Cost					Total liabilities	3,433,078	24	4,234,483	23
Buildings	1,211,350	9	986,182	5	<b>SHAREHOLDERS' EQUITY</b>				
Auxiliary equipment	96,182	1	208,184	1	Capital stock - NTS\$10.00 par value (parent company's equity; Notes 2, 17 and 18)				
Machinery and equipment	192,422	1	419,640	2	Authorized - 1,200,000 thousand shares				
Testing equipment	267,661	2	514,012	3	Issued and outstanding - 596,910 thousand shares	5,969,099	42	5,969,099	32
Transportation equipment	10,217	-	10,865	-	Capital surplus				
Furniture and fixtures	217,749	1	265,718	2	Additional paid-in capital - share issuance in excess of par	709,215	5	709,215	4
Leasehold improvements	30,950	-	57,876	-	Treasury stock transactions	71,228	-	68,357	-
Other equipment	8,509	-	424	-	Merger and others	950,022	7	1,192,023	7
Total cost	2,035,040	14	2,462,901	13	Retained earnings				
Less: Accumulated depreciation	759,734	5	1,335,232	7	Legal reserve	2,450,003	18	2,372,631	13
Construction in progress and prepayments for equipment	374,253	3	46,104	-	Special reserve	191,229	1	-	-
Net properties	1,649,559	12	1,173,773	6	Unappropriated earnings (deficit)	(23,822)	-	2,707,229	14
<b>INTANGIBLE ASSETS, NET (Notes 2 and 12)</b>					Others				
	676,915	5	891,766	5	Cumulative translation adjustments	90,505	1	(18,662)	-
<b>OTHER ASSETS</b>					Unrealized loss on financial assets	(1,190,315)	(9)	(172,567)	(1)
Rental assets, net (Notes 2, 23 and 24)	363,197	3	332,601	2	Treasury stock (at cost) - 8,475 thousand shares in 2011 and 3,560 thousand shares in 2010	(155,236)	(1)	(63,401)	-
Deferred charges and others (Notes 2 and 13)	102,553	1	109,640	1	Total equity attributed to shareholders of the parent	9,061,928	64	12,763,924	69
Deferred income tax assets - noncurrent (Notes 2 and 20)	218,536	1	274,665	1	<b>MINORITY INTEREST (Note 2)</b>				
Restricted assets (Notes 4, 24 and 25)	9,778	-	1,457	-		1,602,967	12	1,511,630	8
Total other assets	694,064	5	718,363	4	Total shareholders' equity	10,664,895	76	14,275,554	77
<b>TOTAL</b>	<b>\$ 14,097,973</b>	<b>100</b>	<b>\$ 18,510,037</b>	<b>100</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 INCOME

YEARS ENDED DECEMBER 31, 2011 AND 2010

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

	2011		2010	
	Amount	%	Amount	%
INCOME (LOSS) BEFORE INCOME TAX	\$ (1,710,746)	(19)	\$ 1,353,061	10
INCOME TAX EXPENSE (Notes 2 and 20)	<u>294,818</u>	<u>3</u>	<u>431,069</u>	<u>3</u>
CONSOLIDATED NET INCOME (LOSS)	<u>\$ (2,005,564)</u>	<u>(22)</u>	<u>\$ 921,992</u>	<u>7</u>
ATTRIBUTABLE TO:				
Shareholders of the parent	\$ (1,984,922)	(22)	\$ 773,711	6
Minority interest	<u>(20,642)</u>	<u>-</u>	<u>148,281</u>	<u>1</u>
	<u>\$ (2,005,564)</u>	<u>(22)</u>	<u>\$ 921,992</u>	<u>7</u>
	2011		2010	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
CONSOLIDATED EARNINGS (LOSS) PER SHARE IN NEW TAIWAN DOLLARS (Note 21)				
Basic	<u>\$ (2.87)</u>	<u>\$ (3.37)</u>	<u>\$ 2.03</u>	<u>\$ 1.30</u>
Diluted	<u>\$ (2.87)</u>	<u>\$ (3.37)</u>	<u>\$ 2.01</u>	<u>\$ 1.29</u>

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

(Concluded)

**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)

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# 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>

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# 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 TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2011 AND 2010

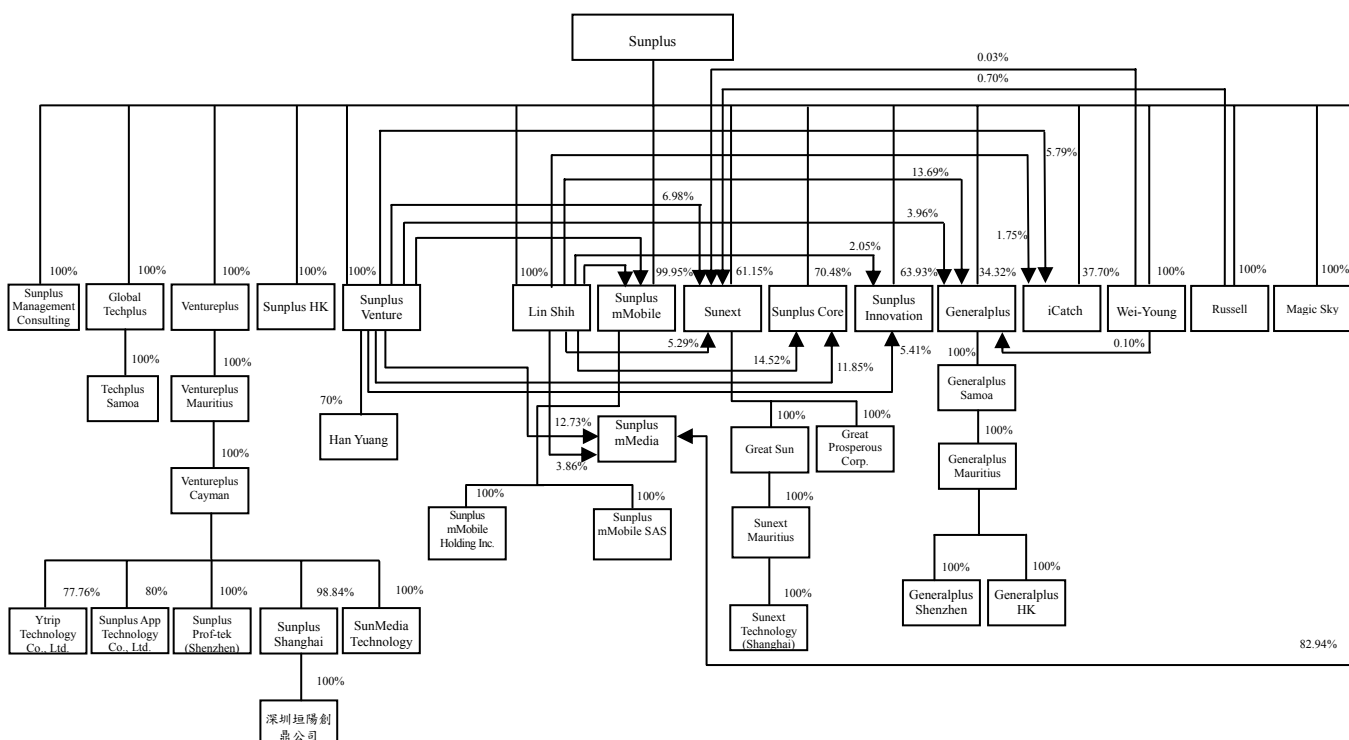
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

### 1. ORGANIZATION AND OPERATIONS

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

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

Following is a diagram of the relationship and ownership percentages between Sunplus and its investees (collectively, the “Company”) as of December 31, 2011:



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:

Exercise Price (NT\$)	2007 Option Plan				
	Options Outstanding			Options Exercisable	
	Number of Options (In Thousands)	Weighted-average Remaining Contractual Life (Years)	Weighted-average Exercise Price (NT\$)	Number of Options (In Thousands)	Weighted-average Exercise Price (NT\$)
\$ 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:

	2011	2010
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>
Current:		
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>
Noncurrent:		
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.

TABLE 1

## 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	Note 1
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)

TABLE 4

## SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
 YEAR ENDED DECEMBER 31, 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 Design and sale of ICs	1,800	1,800	108	-	1,820	166,863	185	Subsidiary
				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)

TABLE 7

## 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	-	
Sunplus Core Technology Co., Ltd.	1	Other receivables	543	Note 3	-	
		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%	
		Sales	8,112	Note 1	0.06%	
		General and administrative	64	Note 2	-	
		Research and development	70	Note 2	-	
Sunplus mMedia Inc.	1	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	-	
		Sales	12,932	Note 1	0.10%	
		Nonoperating income and gains	15,021	Notes 2 and 4	0.12%	
Sunplus Technology (H.K.) Co., Ltd.	1	Notes and accounts receivables	2,593	Note 1	0.01%	
		Other receivables	1,054	Note 3	0.01%	
Sunext Technology Co., Ltd.	3	Marketing expenses	2,164	Note 2	0.02%	
		Research and development	11,436	Note 2	0.09%	
		Research and development	43	Note 2	-	
Sunplus mMedia Inc.	3	Other current liabilities	7,073	Note 3	0.04%	
		Marketing expenses	506	Note 2	-	
Sunplus Innovation Technology Inc.	3	Marketing expenses	1,115	Note 2	0.01%	
		Accrued expenses	236	Note 3	-	
	Sunplus App Technology Co., Ltd.	3	Sales	9,998	Note 1	0.08%
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	-
			Accrued expenses	408	Note 3	-
	Sunplus mMedia Inc.	3	Research and development	1	Note 2	-
Generalplus Technology Corp.	Generalplus Technology (H.K.) Corp.	3	Marketing expenses	18,338	Note 2	0.14%
			Accrued expenses	4,650	Note 3	0.03%
	Generalplus Technology (Shenzhen) Corp.	3	Research and development	118,108	Note 2	0.91%
			Accrued expenses	59,845	Note 3	0.32%
	Sunplus Innovation Technology Inc.	3	Cost of goods sold	2,708	Note 1	0.02%
			Marketing expenses	1,463	Note 2	0.01%
			Research and development	192	Note 2	-
			Accrued expenses	17,894	Note 3	0.10%
		Intangible assets	16,088	Note 3	0.09%	
iCatch Technology, Inc.	3	General and administrative	39	Note 2	-	
Sunplus mMedia Inc.	3	Cost of goods sold	6,155	Note 2	0.05%	
Generalplus Technology Corp.		3	Intangible assets	109,318	Note 2	0.59%
			Accrued expenses	13,759	Note 3	0.07%
			Marketing expenses	62,482	Note 2	0.48%
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)