

TSE : 2401

LSE : SUPD



SUNPLUS

SUNPLUS TECHNOLOGY

THE CONSUMER IC DESIGN COMPANY

2005 ANNUAL REPORT

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Please read following notice before using this report:

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

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

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

I. Letter to Shareholders

Dear Shareholders,

Sunplus was on the way of recovery from recession in 2005. Although our revenue reached NT\$18.78 billion in 2005, which slightly declined compared with the revenue NT\$18.94 billion in 2004, the gross margin increased to 36.76% in the fourth quarter when it was only 25.38% in the first quarter by the continuous effort of developing new products to lift gross margin. The average gross margin 32.58% of 2005 is even higher than 31.38% of the previous year. The R&D expense reached NT\$2.46 billion as 13.12% of total revenue in 2005; the administration expense was NT\$1.73 billion; as a result, the operating income reached NT\$2.58 billion in 2005.

In terms of non-operating gain (loss), our affiliated investments in Giantplus Technology recorded profit growth, while Waveplus Technology and Sunext Technology still had deficits. According to equity method, Sunplus recognized a long-term investment loss of NT\$171 million in 2005. Besides, the inventory loss was NT\$225 million in 2005. Summing up with other expenses like interests, the net non-operating expenses totaled NT\$403 million. In terms of our non-operating income, the foreign exchange earned NT\$58 million in 2005. Summing up with the disposal of both long-term and short-term investments, dividend income, and interest revenue, our net non-operating income was about NT\$197 million. As the result, the profit before tax reached 2.38 billion, and the profit after tax totaled 2.4 billion.

Concerning products development, the Company's revenue was mainly contributed by three product line, including multimedia ICs, micro-controller, and LCD ICs. The segment of multimedia ICs involves DVD/VCD player, digital still camera, mobile phone processor, and digital TV controller. In the last year, we also successfully launched PHS base band ICs and enter mobile communication market. Besides, Sunplus merged the 3G team of information & communication research lab, ITRI, and started to develop 3G cell-phone ICs. The division of micro-controller includes TV game, electronic learning aids. Most importantly, Sunplus took the lead in announcing the first 32-bit processor core S⁺core[®] with Sunplus-owned instruction set architecture. We not only authorized the academy to promote S⁺core[®], but actively conducted it to the application of high-end interactive TV game. The division of LCD ICs involves all kinds of applications both in middle size and small size. Especially, we obtain a leading position in LTPS TFT LCD technology. All the product lines will launch new products to bring more growth energy for our business.

In terms of organization, Sunplus reorganized by altering functional unit system to product unit system in the end of 2005, and completed the spin-off of LCD IC business unit approved by the Shareholders' Board Meeting. The new organization is divided by product applications into four business units, which are home entertainment, personal entertainment, controller & PC peripherals, and advanced business units. We hope the operation under the new organization system would be more competitive and effective. The total employees were 1129 persons by the end of 2005 with year growth 12%. Among all the employees, 75% were R&D staff, and we are still expanding their scale. By the end of this year, the amount of our human resources is expected to reach 1300 persons.

A review of our marketing and sales data indicated that 63.5% of 2005 sales revenue came from our top ten customers, with sales evenly distributed amongst these customers. In 2005, our major markets are Taiwan and Hong Kong, while the end-product markets are still North America and Europe. Mainland China is also a high growth market due to inner demands increasing constantly. Moreover, because the proportion of multimedia consumer products to total product shipments is getting higher, Japan and other developing countries are also very important potential markets for end-products.

Referring to production, the Company has had a long-term and strategic cooperative relationship with the worldwide leading foundries. We actively improve the gross margin by increasing advanced production process to enhance the extra-value of products and lower the cost. In 2005, over 80% of our total products were the use of 8-inch wafers. The mainstream production processes in 2005 were below or equal to 0.18 μ m, which made up to 49% of our total production. This indicated that our products are oriented towards more precise and highly integrated. In this year, we will conduct 90-nanometer process due to the demands for high-end production increasing. In terms of in-house wafer testing, the capacity reached 18,000 pieces 8-inch wafer per month. We also keep a fine cooperative relationship with IC testing vendors to ensure sufficient production capacity during the peak season. Regarding to packaging and final testing, the Company holds a consistent outsourcing policy.

Please refer to page31-37 of the 2005 annual report for our sales report/analysis, long-term business policy/strategy, external competition, legislation, and overall economy.

Since the Company continuously invests in R&D to develop new products/markets and additionally, the benefit of new organization is expected to reveal, we are very optimistic for the operation of this year. We would like to thank all of our shareholders for your support and encouragement with better profits.

All the best,

A handwritten signature in black ink, reading "Chou-Chye Huang". The signature is written in a cursive, flowing style with a large, stylized loop at the end of the name.

Chairman & CEO, Chou-Chye Huang

II. Brief Introduction to Sunplus

2.1 Company Profile

Sunplus was established in August 1990.

The major events & achievement are listed below :

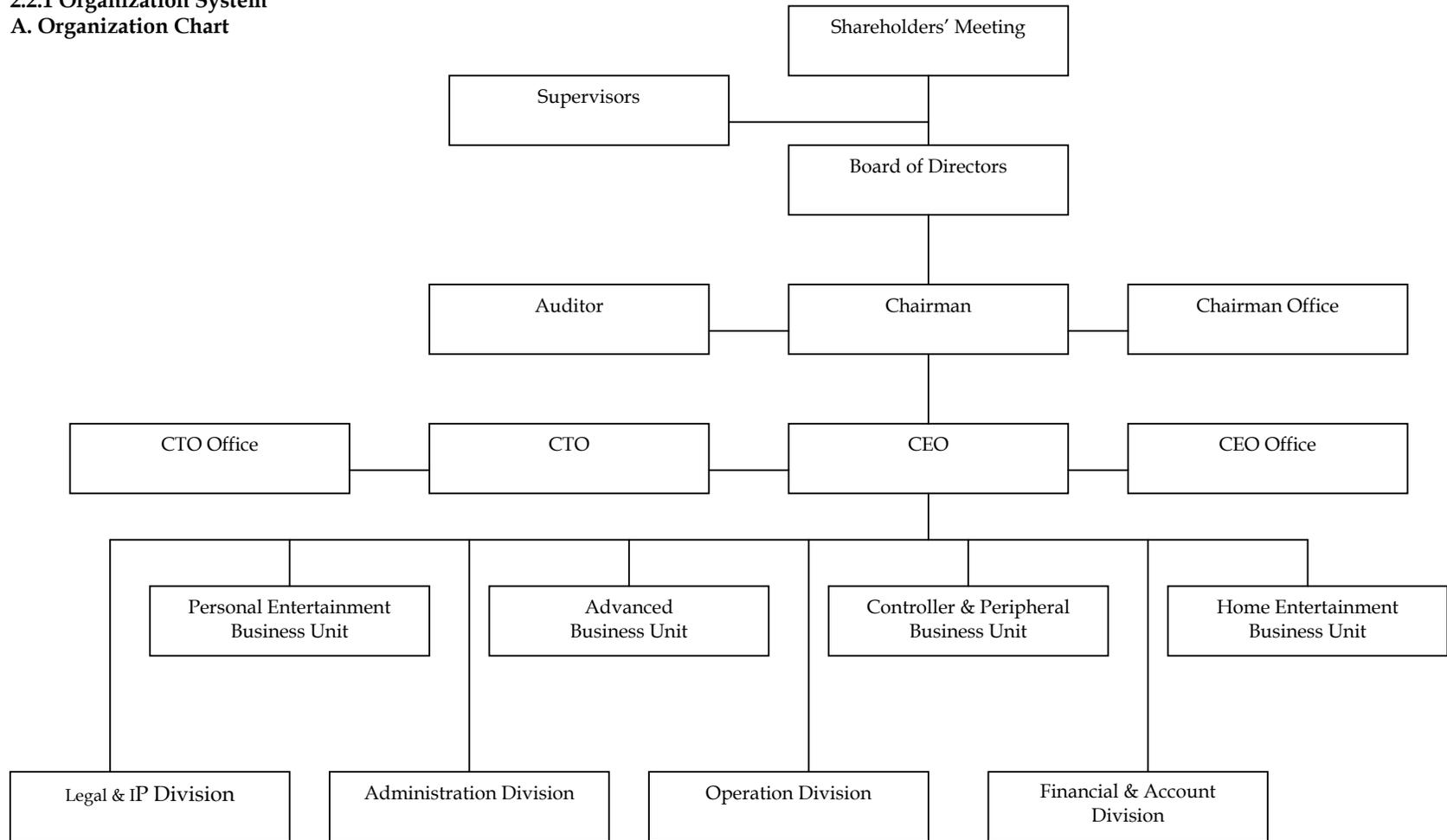
- Aug.1990 Sunplus Technology was founded.
- May.1992 Obtained approval from the SIPA to set up company in Science Park.
- Oct.1992 Company moved into Science Park.
- Sep.1993 Company started in-house wafer circuit probe testing.
- Jun.1995 100% stock dividends rose from NT\$198 million to NT\$396 million.
- Dec.1995 Contracted for building the factory located in 19, Innovation First Road, Hsinchu Science Park and started the construction.
- Apr.1996 Evaluated as "The most productive IC design company" by Hsinchu SIPA.
- Jan.1997 Grand opening of Sunplus building with 10Kpcs 6" Wafer/Month in-house wafer circuit probe testing capability.
- Sep.1997 Sunplus Technology was IPO on the Over-The-Counter stock market
- Jan.2000 Sunplus was listed on the main board of the Taiwan Stock Exchange (TSE).
- Jun.2000 Received certificate of ISO 9001 Quality Assessment by RWTUV.
- Sep.2000 Company reorganized, set Consumer and Multimedia Business Units for company's long-term development and the board meeting appointed Mr. Yang Chen Chen as the president.
- Dec.2000 Sunplus received the Distinguished Achieved Award from the Hsinchu SIPA for its outstanding achievement in technology research and development.
- Mar.2001 Sunplus successfully launched its Global Depository Receipts on the London Stock Exchange.
- Dec.2001 Completed the Grandtech merger and announced the company's reorganization.
- Feb.2002 Launched the ERP system successfully to enhance company's operating efficiency and competence.
- Jan.2002 Established a sub-company at Shanghai, China to provide better service to customers in Mainland.
- Jun.2002 Purchased a new office building (B-building) at Science Park.
- Jul.2002 Sponsored the new Innovation Park and Parking Lot at Science Park, Hsinchu.
- Feb.2003 32-bit core IP licensed from MIPS Technology for next-generation consumer electronic products.
- Apr.2003 Completed acquisition of Oak Optical Storage Business and spin-off a new venture, Sunext Technology.
- May.2003 Licensed MPEG-4 video compression technology from DivXNetworks to create DivX certified IC solution for consumer electronic products.
- Jun.2003 Announced reorganization by altering the Product Business Unit Systems to Functional Business Unit Systems including IC Design Unit, System Application Unit, Sales & Marketing Unit and Operation Unit.
- Jul.2003 Licensed PanelLink DVI core IP from Silicon Image to develop dual-mode LCD controller solutions.
- Aug.2003 Aligned to joint-develop System-on-the-chips (SoC) solutions and deliver broad portfolio of digital media solutions with Silicon Image.

- Aug.2003 Established a new milestone for monthly sales over NT\$1 billion.
- Dec.2003 Won "Innovation Product Award 2003" and "R&D Performance Award 2003" from Hsinchu SIPA
- Dec.2003 The net sales for 2003 added up to NT11.1 billion as landmark.
- Sep.2004 Received certificate of ISO 14000 Quality Assessment.
- Dec.2004 MFP SoC with 4800dpi super high photo image quality won "Innovation Product Award 2004" from Hsinchu SIPA.
- Dec.2004 Won "R&D Performance Award 2004" from Hsinchu SIPA.
- Jun.2005 Announced the first 32-bit processor core S⁺core[®] with Sunplus-owned instruction set architecture
- Jun.2005 Launched USB2.0-to-Serial ATA bridge solution.
- Aug.2005 Announced the joint-development of the next-generation of optical mouse solution with Agilent Technology.
- Aug.2005 Applied MPEG-4 image controlling technology to the first IP cam with resolution up to 1M pixel in the worldwide.
- Aug.2005 Completed the merger with the 3G team of information & communication research lab ITRI and started the development of 3G cellular communication ICs.
- Sep.2005 Established a new milestone of monthly sales up to NT\$1.899 billion as record high.
- Oct.2005 Mass production of the PHS mobile baseband processor.
- Nov.2005 Sunplus announced the first DVD ICs certificated by DivX Ultra in the worldwide.
- Dec.2005 Announced reorganization by altering the Functional Business Unit System to Product Business Unit System and the spin-off the LCD IC business; the new organization is divided into four business units, including Home Entertainment, Personal Entertainment, Controller & Peripheral, and Advanced.
- Jan.2006 Annual sales added up to 18.78 billion.
- Mar.2006 The spin-off the LCD IC business into its subsidiary Orise Technology Co., Ltd officially.

2.2 Organization

2.2.1 Organization System

A. Organization Chart



B. Department Function Description

Chairman Office	(1)Planning company's strategic alliance (2)Planning and executing investment plan (3)Arranging Board meeting
CEO Office	(1)Establishing company's operational policy, strategies, and goals (2)Auditing and improving the operation performance (3)Communicating with investor/ public and press (4)Executing and managing the strategic alliance worldwide (5)Planning company's business plans and strategic investments
CTO Office	(1)Planning company's technologic strategies
Internal Auditor	(1)Executing internal routine auditing plan (2)Routine audit of subsidiaries (3)Case Auditing (4)Re-certification audit of self-examination (5)Establishment of internal control system
Personal Entertainment BU	(1)Developing competitive integrated circuit product (2) In charge of all sales channels (3) Marketing and developing business worldwide
Home Entertainment BU	(1)Developing world-class audio and video solution (2) In charge of all sales channels (3) Marketing and developing business worldwide
Controller & Peripheral BU	(1)Developing total solution for PC peripherals (2) In charge of all sales channels (3) Marketing and developing business worldwide
Advanced BU	(1)Developing 3G mobile phone solution (2) In charge of all sales channels (3) Marketing and developing business worldwide
Operation Division	(1) Product testing and testing engineering software & hardware facilities development (2) Production& material control, managing import/export affairs (3) Developing and follow-up Quality Assurance System
Administration Division	(1) General services (2) Human resources management (3)Establishing, integrating, and managing information service, and promoting employees' productivity (4)Assisting corporation in the automating and reengineering of business process, and promoting competitiveness (5)Providing strategy management to support the growth and transformation of corporation
Finance & Accounting Division	(1) Finance, accounting operation and capital, assets management (2) Arranging annual shareholders meeting
Legal & IP Division	Law and IP management, including contract review, consulting, lawsuits, IP strategy, management of patent, trademark and technology information

2.2.2 Directors and Supervisors

Title	Name	Date Elected/ term of office	Initial Date elected	Share holding When Elected		Current Shareholding		Spouse & Minor Shareholding		Education	Position currently held with other company (Note1)
				Amount	%	Amount	%	Amount	%		
Chairman	Chou-Chye Huang	2003.5.06 / 3 years	1990.7.09	126,023,083	18.13	160,058,422	16.85	3,945,962	0.42	M.S. Electrical Engineering National Tsing Hua University	Chairman of Sunplus Technology Co. Ltd., Russell Holdings, Techplus Capital Niue INC., Techplus Capital(Samoa) INC., Ventureplus Group INC., Ventureplus Mauritius INC., Ventruelplus Cayman INC., Shanghai Sunplus Technology, Sunplus HK Technology, Sunplus Venture Capital, Lin Shih Investment, Weiyung Investment, Sunplus Management Consulting, Giantplus Holding, Giantplus(Samoa)Holding, Kunshan Giantplus, Waveplus Technology, Waveplus Holding, Generalplus International(Samoa), Generalplus(Mauritius), Linco Technology (Shenzhen), Sunext Optoelectronics Technology (Shanghai) Co. Ltd., Sunext Design, Great Sun, Sunext(Mauritius), Orise Technology Co. Ltd. Director of Jet Focus Limited, Goldkey Technology, Ritek Corp., SimpleAct Incorporated, Taiwan NapoElectro-Optical, Minton, Avi Technologies, Hsinchu Golf Club, Spring Foundation of NCTU, Li Shin Hospital Research Foundation, Pan Wen Yuan Foundation, Grand Plan Development Co. Ltd. President of Giantplus, Generalplus, Orise Technology Co. Ltd. Supervisor of NCTU Spring Venture Capital
Director & President	Yarn-Chen Chen	2003.5.06 / 3 years	1990.7.09	25,511,377	3.67	32,673,433	3.44	5,473,621	0.58	M.S. Computer & Electrical Engineering University of California Santa Barbara	Director & CTO & BU President of Sunplus Technology Co. Ltd. Director of Jet Focus Limited, Shanghai Sunplus Technology, Sunplus Venture Capital, Lin Shih Investment, Weiyung Investment, Sunplus Management Consulting, Waveplus Technology, Generalplus Technology, Linco Technology (Shenzhen), Sunext Technology, Sunext Optoelectronics Technology (Shanghai) Co. Ltd., Sunext Design, Goldkey Technology, Global View Technology, Ability Enterprise Co., Ltd.
Director	Bing-Huang Shih	2003.5.06 / 3 years	1990.7.09	18,845,417	2.71	15,503,360	1.63	3,381,104	0.36	M.S. Electrical Engineering National Taiwan University	Director of Sunplus Technology Co. Ltd., Sunplus Venture Capital, Lin Shih Investment, Weiyung Investment, Sunplus Management Consulting, Shanghai Sunplus Technology, Beijing Golden Global View Technology, Global View Technology, Orise Technology Co. Ltd.

Title	Name	Date Elected/ term of office	Initial Date elected	Share holding When Elected		Current Shareholding		Spouse & Minor Shareholding		Education	Position currently held with other company
				Amount	%	Amount	%	Amount	%		
Director	Hou-Shien Chu	2003.5.06 / 3 years	1994.9.28	7,466,531	1.07	8,065,677	0.85	1,735,140	0.18	M.S. Application Physics National Tsing Hua University	Director of Sunplus Technology Co. Ltd., Sunplus VC, Giantplus Technology, Gerenalplus Technology
Director	Chwei Jing Yhe (Ritek Corp. Representative of Legal Entity)	2003.5.06 / 3 years	2000.5.31	3,946,350	0.57	5,012,149	0.53	-	-	M.S. Steven Institute of Technology	Chairman of Chungyuan Investments, Chungfu Investments, Chungyuan Venture Capital & Investment International, Kuo Fu Development Venture, Ritek Display Director of U-Tech Media Co., Giantplus Technology, Sunplus Technology Co. Ltd., Gigastorage Co., Prorit Corporation Supervisor of China Television Co.
Supervisor	Feng, Chu-Chien (Global View Technology Co., Ltd. Representative of Legal Entity)	2003.5.06 / 3 years	1990.7.09	24,987,831	3.6	24,774,377	2.61	-	-	B.S. EE of National Chiao-Tung University	Chairman & President of Global View Director of HK Global View, Kunshan Global View, Radiant Innovation Inc. Beijing Golden Global View, Giantplus Technology, Global View Holding(Samoa), Global View Holding(BVI), Supervisor of Sunplus Technology Co. Ltd., Giantplus Technology, Waveplus Technology
Supervisor	Liang-Chung Chang	2003.5.06 / 3 years	2000.5.31	30,000	-	50,000	0.01	-	-	B.A. Accounting Fu-Jen Unversity	-

Note1: Please refer to the investment lists about full names of other companies

Note2: None of the Company's shareholders and supervisors holds shares by using another person's name

Note3: None of the Company's shareholders and supervisors is first-or-second degree relative to other superiors, directors, or supervisors

2.2.3 Information about Directors and Supervisors

As of March 31, 2006

Name	criteria With over 5 years of experience in business, law affairs, finance, or areas required by the company	Independent status(Note1)							Note (Note2)
		1	2	3	4	5	6	7	
Chou-Chye Huang	✓			✓	✓		✓	✓	
Yarn-Chen Chen	✓			✓	✓		✓	✓	
Bing-Huang Shih	✓			✓	✓		✓	✓	
Hou-Shien Chu	✓			✓	✓		✓	✓	
Chwei Jing Yhe (Ritek Corp. Representative of Legal Entity)	✓			✓	✓		✓		
Feng, Chu-Chien (Global View Technology Co., Ltd. Representative of Legal Entity)	✓			✓	✓		✓		
Liang-Chung Chang	✓	✓	✓	✓	✓	✓	✓	✓	

Note1: "✓" indicates shareholders or supervisors meeting specified criteria

- (1) Neither an employee of the Company nor a director, supervisor or employee of affiliated companies; the person concurrently acting as a shareholder or supervisor is not to apply
- (2) Neither a natural person shareholder directly or indirectly owning more than 1% Company's outstanding shares nor one of the Company's top10 natural person shareholders
- (3) Neither a spouse nor the first-or-second degree relative to any person specified in prior two items
- (4) Neither a shareholder, supervisor, or employee of a juridical person shareholder directly or indirectly owning more than 5% of the Company's outstanding shares nor one of the Company's top 5 juridical person shareholders
- (5) Neither a director, supervisor, manager of certain companies or institutions that have financial or business relationship with Company nor a shareholder holding more than 5% of the Company's outstanding shares
- (6) In the past year, the director, supervisor, manager or his/her spouse did not provide finance, commerce, legal consultation and services to the Company as an expert, nor was an owner, partner, director, supervisor, manager of any sole proprietorship, partnership, company or institution that provide such services
- (7) Neither a juridical person nor its representative as defined in Article 27 of Company Law

Note2: The director or supervisor of Company who concurrently acts as a director or supervisor of other companies should disclose the details

2.2.4 Major Shareholders of Institution Shareholders

As of April 11, 2006

Institution Shareholders	Major shareholders or Institution shareholders holding more than 10% of shares
Global View Technology Co., Ltd.	Sunplus Technology Co,Ltd., Meng-Hui Lin, Chih-Yuan Chou, HSBC Securities Asia Nominees Ltd, Chu-Chien Feng, Kun-Ting Huang, Hsin-Fei Ma, Lin Hua Laio, ING Asia Private Bank Ltd0, Yun-Lung Huang
Ritek Corporation	Platinum Asset Management Limited in its capacity as Responsible Entity for the Platinum Asia Fund, The Northern Trust Company as trustee for Sanford C. Bemstein & Co. Delaware Business Trust-Emerging Markets Value Series, California Public Employees' Retirement System, JPMorgan Chase Bank, N.A.,Taipei Branch in Custody for T.Rowe Price Emerging Markets Stock Fund, Managed by T.Rowe Price International.Inc., Yeh, Chwei-Jing, GIC-Government of Singapore Investment Corporation PteLtd, Representative for Citibank Taipei Branch trusted Kai-Chi Financial Asian Co., Ltd. Customers, JPMorgan Chase Bank, N.A.,Taipei Branch in Custody for T.Rowe Price International,Inc.in Management for Emerging Markets Equity Trust, Chung-Fu Investments Ltd., Chung-Fu Investments Ltd.; HSBC Taipei Branch trusted investment accounts for Swiss Creidt Loans Invesmtnet Service (Camon) Company

2.2.5 Major Shareholders of Institution Shareholders

Institution Shareholders	Major Shareholders
Chungfu Investment Co., Ltd.	Ritek Corp.

2.2.6 Management

As of March 31, 2006

Title	Name	Date Effective	Current Shareholding		Spouse & Minor Shareholding		Education	Position currently held with other company
			Amount	%	Amount	%		
CEO	Chou-Chye Huang	94.12.01	160,058,422	16.85%	3,945,962	0.42%	M.S. Electrical Engineering National Tsing Hua University	<p>Chairman of Sunplus Technology Co. Ltd., Russell Holdings, Techplus Capital Niue INC., Techplus Capital(Samoa) INC., Ventureplus Group INC., Ventureplus Mauritius INC., Ventrueplus Cayman INC., Shanghai Sunplus Technology, Sunplus HK Technology, Sunplus Venture Capital, Lin Shih Investment, Weiying Investment, Sunplus Management Consulting, Giantplus Holding, Giantplus(Samoa)Holding, Kunshan Giantplus, Waveplus Technology, Waveplus Holding, Generalplus International(Samoa), Generalplus(Mauritius), Linco Technology (Shenzhen), Sunext Optoelectronics Technology (Shanghai) Co. Ltd., Sunext Design, Great Sun, Sunext(Mauritius), Orise Technology Co. Ltd.</p> <p>Director of Jet Focus Limited, Goldkey Technology, Ritek Corp., SimpleAct Incorporated, Taiwan NapoElectro-Optical, Minton, Avl Technologies, Hsinchu Golf Club, Spring Foundation of NCTU, Li Shin Hospital research foundation, Pan Wen Yuan Foundation, Grand Plan Development Co. Ltd.</p> <p>President of Giantplus, Generalplus, Orise Technology Co. Ltd.</p> <p>Supervisor of NCTU Spring Venture Capital</p>
CTO&BU President	Yarn-Chen Chen	89.09.01	32,673,433	3.44%	5,473,621	0.58%	M.S. Computer & Electrical Engineering University of California Santa Barbara	<p>Director& CTO& BU President of Sunplus Technology Co. Ltd.</p> <p>Director of Jet Focus Limited, Shanghai Sunplus Technology, Sunplus Venture Capital, Lin Shih Investment, Weiying Investment, Sunplus Management Consulting, Waveplus Technology, Generalplus Technology, Linco Technology (Shenzhen), Sunext Technology, Sunext Optoelectronics Technology (Shanghai) Co. Ltd., Sunext Design, Goldkey Technology, Global View Technology, Ability Enterprise Co., Ltd.</p>

Title	Name	Date Effective	Current Shareholding		Spouse & Minor Shareholding		Education	Position currently held with other company
			Amount	%	Amount	%		
BU president	Oh-Jung Ou	90.12.25	5,348,136	0.56%	881,273	0.09%	B.S. Electrical Engineering Chung Yuan Christian University	BU president of Sunplus Technology Co. Ltd.
BU president	Chih-Hao Kung	92.06.02	16,346,389	1.72%	1,331,444	0.14%	M.S. Electronic Engineering National Chiao-Tung University	BU president of Sunplus Technology Co. Ltd.
VP	Kuo-Bin Huang	92.06.02	2,202,774	0.23%	1,043,589	0.11%	B.S. Electronic Engineering Chung Yuan Christian University	VP of Sunplus Technology Co. Ltd., Director of Miracle Technology Co., Ltd.
VP	Steven Huang	93.05.07	460,838	0.05%	15,953	0.00%	EMBA of Graduate Institute of Technology & Innovation Management (TIM) in College of Commerce at National Chengchi University	VP of Sunplus Technology Co. Ltd.
VP	Gwo-Chin Su	93.05.07	274,980	0.03%	0	0	M.S. Electrical Engineering, Missouri University	VP of Sunplus Technology Co. Ltd.
VP	Wayne Shen	94.12.01	2,036,690	0.21%	1,108,695	0.11%	EMBA in Technology Management, National Chiao-Tung University	VP of Sunplus Technology Co. Ltd., Supervisor of Sunplus Venture Capital
VP	Den-Jen Hwung	94.11.07	727,259	0.08%	109,499	0.01%	M.S. Electronic Engineering National Chiao-Tung University	VP of Sunplus Technology Co. Ltd.
VP	Wen-Kuan Chen	94.11.07	151,216	0.02%	244,268	0.03%	M.S. Electrical Engineering, National Cheng Kung University	VP of Sunplus Technology Co. Ltd.
VP	Da-Chang Chuang	94.12.01	43,517	0.00%	0	0	B.S. Electrical Engineering, National Taiwan Ocean University	VP of Sunplus Technology Co. Ltd.
Director of Finance & Accounting Division	Ming-Cheng Liao	89.10.02	135,470	0.01%	35,562	0.00%	BA, Business Administration Fu Jen Catholic University	Director of Finance & Accounting Division in Sunplus Technology Co. Ltd., Director of Harvatek

Note1: Please refer to the investment lists about full names of other companies

Note2: None of the Company's shareholders and supervisors holds shares by using another person's name

Note3: None of the Company's shareholders and supervisors is first-or-second degree relative to other superiors, directors, or supervisors

2.2.7 Rewards for Directors, Supervisors & President and Vice President

Rewards for Directors, Supervisors & President and Vice President

a) Rewards for Directors

As of Dec. 31, 2005

Title	Name (Note1)	(1)Transportation Allowance (Note2)		(2)Rewards (Note2)		(3)Honorarium from Profit Distribution (Note3)		(4)Employee Bonus from Profit Distribution (Note3)						Subtotal of (1)+(2)+(3)+(4)		% of Net Income (Note3)		Stock Options (shares) (Note4)		Other Payments (Note5)			
		Sunplus	Consolidated Subsidiaries of Sunplus	Sunplus	Consolidated Subsidiaries of Sunplus	Sunplus	Consolidated Subsidiaries of Sunplus	Sunplus			Consolidated Subsidiaries of Sunplus (Note6)			Sunplus	Consolidated Subsidiaries of Sunplus	Sunplus	Consolidated Subsidiaries of Sunplus	Sunplus	Consolidated Subsidiaries of Sunplus	Sunplus	Consolidated Subsidiaries of Sunplus		
								Cash Bonus	Stock Bonus		Cash Bonus	Stock Bonus											
									Amount of Shares	Market Price*		Total Amount	Amount of Shares									Market Price*	Total Amount
Chairman& CEO	Chou-Chye Huang																					a car: cost\$ 3,110; actual value rental of dormitory \$298	
CTO&BU President	Yam-Chen Chen	114	0	0	0	17,942	34	111	100	37.78	3,778	0	0	0	0	21,945	34	0.92	0.00	606	0	actual value rental of dormitory \$305	0
Director	Bing-Huang Shih																						
Director	Hou-Shien Chu																						
Director	Hsien-Cheng Liu																						
Director	Chwei Jing Yhe (Ritek Corp. Representative of Legal Entity)																						

Remuneration Paid to Directors	Number of Directors	
	2005	
	Sunplus (Note7)	Consolidated Subsidiaries of Sunplus (Note8)
Under NT\$2,000,000	2	1
NT\$2,000,000~5,000,000	3	0
NT\$5,000,000~10,000,000	1	0
NT\$10,000,000~50,000,000	0	0
Over NT\$50,000,000	0	0
Total	6	1

Note1: Names of directors shall be notified individually(both the title of juridical person shareholder and its representative) and the remunerations shall be disclosed collectively; if a director concurrently acts as a president or vice president, his/her remuneration shall be disclosed separately according to his/her position

Note2: Transportation allowances and rewards paid to directors in the most recent fiscal year

Note3: The honorarium from profit distribution paid to directors in the most recent fiscal year; if a director concurrently acts as an employee (manager or other employee) his/her employee bonus from profit distribution (both stock and cash bonus) shall be disclosed in table2-2; for public companies, the market price of the stock bonus shall be the average closing-price of the last month in the most recent fiscal year; for the other companies, the market price is the net value at the fiscal year end

Note4: If a director concurrently acting as an employee (manager or other employee) receives the employee stock option, the information shall be disclosed in this table and table15

Note5: For the payments relating to provision of car, house/apartment and other exclusive personal expenses, the following information shall be disclosed: nature and cost of the provided property/asset, the actual or fair-market-value-calculated rental, and any other payments

Note6: The total amount of rewards paid to directors by all consolidated subsidiaries of Sunplus shall be disclosed

Note7: The number of directors according to the classification of remuneration

Note8: The number of directors according to the classification of remuneration (including: transportation allowance, rewards, and employee bonus)

b) Rewards for supervisors

Title	Name (Note1)	(1)Transportation Allowance (Note2)		(2)Rewards (Note2)		(3)Honarium from Profit Distribution (Note3)		Subtotal of (1)+(2)+(3)		% of Net Income (Note3)		Other Payments (Note5)	
		Sunplus	Consolidated Subsidiaries of Sunplus	Sunplus	Consolidated Subsidiaries of Sunplus	Sunplus	Consolidated Subsidiaries of Sunplus	Sunplus	Consolidated Subsidiaries of Sunplus	Sunplus	Consolidated Subsidiaries of Sunplus	Sunplus	Consolidated Subsidiaries of Sunplus
Supervisor	Feng, Chu-Chien (Global View Technology Co., Ltd. Representative of Legal Entity)												
Supervisor	Liang-Chung Chang	57	0	0	0	6,061	34	6,118	34	0.26	0.00	0	0
Supervisor	Duen-Chian Cheng												

Remuneration Paid to supervisors	Number of Supervisors	
	2005	
	Sunplus (Note7)	Consolidated Subsidiaries of Sunplus (Note8)
Under NT\$2,000,000	2	1
NT\$2,000,000~5,000,000	1	0
NT\$5,000,000~10,000,000	0	0
NT\$10,000,000~50,000,000	0	0
Over NT\$50,000,000	0	0
Total	3	1

Note1: Names of supervisors shall be notified separately (both the title of juridical person shareholder and its representative) and the remunerations shall be disclosed collectedly

Note2: Transportation allowances and rewards paid to supervisors in the most recent fiscal year

Note3: The honorarium from profit distribution paid to supervisors in the most recent fiscal year

Note4: For the payments relating to provision of car, house/apartment and other exclusive personal expenses, the following information shall be disclosed: nature and cost of the provided property/asset, the actual or fair-market-value-calculated rental, and any other payments

Note5: The total amount of rewards paid to supervisors by all consolidated subsidiaries of Sunplus shall be disclosed

Note6: The number of supervisors according to the classification of remuneration

Note7: The number of supervisors according to the classification of remuneration (including: transportation allowance, reward)

c) Rewards for President and Vice President

Title	Name (Note1)	(1) Wages (Note2)		(2) Bonus, Special Allowance (Note2)		(3) Employee Bonus from Profit Distribution (Note3)						Subtotal of (1)+(2)+(3)		% of Net Income (Note3)		Amount of Employee Stock Option (Note4)		Other Payments (Note5)			
		Sunplus	Consolidated Subsidiaries of Sunplus	Sunplus	Consolidated Subsidiaries of Sunplus	Sunplus			Consolidated Subsidiaries of Sunplus			Sunplus	Consolidated Subsidiaries of Sunplus	Sunplus	Consolidated Subsidiaries of Sunplus	Sunplus	Consolidated Subsidiaries of Sunplus	Sunplus	Consolidated Subsidiaries of Sunplus		
						Cash Bonus	Stock Bonus		Cash Bonus	Stock Bonus											
							Amount of Shares	Market Price*		Total Amount	Amount of Shares									Market Price*	Total Amount
CEO	Chou-Chye Huang	41,894	0	0	0	998	898	37.78	33,926	0	0	0	0	76,818	0	3.20	0	2,560	0	0	0
CTO&BU President	Yarn-Chen Chen																				
BU president	Oh-Jung Ou																				
BU president	Chih-Hao Kung																				
VP	Kuo-Bin Huang																				
VP	Steven Huang																				
VP	Gwo-Chin Su																				
VP	Wayne Shen																				
VP	Den-Jen Hwung																				
VP	Wen-Kuan Chen																				
VP	Da-Chang Chuang																				

Remuneration Paid to President and Vice President	Number of President and Vice President	
	2005	
	Sunplus (Note7)	Consolidated Subsidiaries of Sunplus (Note8)
Under NT\$2,000,000	0	0
NT\$2,000,000~5,000,000	10	0
NT\$5,000,000~10,000,000	1	0
NT\$10,000,000~50,000,000	0	0
Over NT\$50,000,000	0	0
Total	11	0

Note1: Names of supervisors shall be notified individually; the remuneration shall be disclosed collectively

Note2: Wages, bonus, special allowance paid to president and vice president for the most recent fiscal year

Note3: Employee bonus from profit distribution (both stock and cash bonus) paid to president and vice president for the most recent fiscal year; these information shall also be disclosed in table2-2; the market price of the stock bonus shall be the average closing-price of the last month in the most recent fiscal year; for the other companies, the market price is the net value at the fiscal year end

Note4: If a president and vice president receives employee stock option, the information shall be disclosed in this table and table15

Note5: For the payments relating to provision of car, house/apartment and other exclusive personal expenses, the following information shall be disclosed: nature and cost of the provided property/asset, the actual or fair-market-value-calculated rental, and any other payments

Note6: The total amount of rewards paid to presidents and vice presidents by all consolidated subsidiaries of Sunplus shall be disclosed

Note7: The number of presidents and vice presidents according to the classification of remuneration

Note8: The number of presidents and vice presidents according to the classification of remuneration (including: wages, bonus, special allowance, employee bonus)

2.2.8 Analysis for the Proportion of Rewards Paid to Directors, Supervisors, President and Vice President to Net Income in Previous Two Years, and the Policy, Standard, Combination, Procedure of Determining the Rewards, Relation between Rewards and Performance

The total amount of the rewards paid to directors, supervisors, president, and vice president by all the consolidated subsidiaries of Sunplus is less than 1% of the net income after tax. The standard of remuneration is referred to crafts and Company's rules.

2.2.9 Net Change of Director, Supervisor, Management & Major Shareholder

Unit: Thousand Shares

Title	Name	2005		Ended to March 31, 2006	
		Change in Shareholding	Shareholding Change in Shares Pledged	Change in Shareholding	Shareholding Change in Shares Pledged
Chairman	Chou-Chye Huang	7,570	17,500	0	0
Director & President	Yarn-Chen Chen	1,640	0	0	0
Director	Bing Huang Shih	(3,538)	0	(300)	0
Director	Hou Shien Chu	(149)	0	(10)	0
Director	Hsien Cheng Liu (Note1)	0	0	0	0
Director	Chwei Jing Yhe (Ritek Corp. Representative of Legal Entity)	237	0	0	0
Supervisor	Feng, Chu-Chien (Global View Technology Co., Ltd Representative of legal Entity)	(572)	0	(340)	0
Supervisor	Liang Chung Chang	2	0	4	0
Supervisor	Duen-Chian Cheng	0	0	0	0
VP	Oh-Jung Ou	(12)	0	(261)	0
VP	Chih-Hao Kung	678	0	(81)	0
VP	Kuo-Bin Huang	(44)	0	0	0
VP	Steven Huang	90	0	0	0
VP	Gwo-Chin Su	(78)	0	(124)	0
VP	Den-Jen Hwung (Note2)	0	0	0	0
VP	Wen-Kuan Chen (Note2)	0	0	0	0
VP	Da-Chang Chuang (Note3)	0	0	0	0
VP	Wayne Shen (Note3)	0	0	0	0
Director of Finance & Accounting Division	Ming-Cheng Liao	(44)	0	0	0

Note1: No disclosure after relief on 2005.Jan.1

Note2: Disclosure after appointing on 2005.Nov.07

Note3: Disclosure after appointing on 2005.Dec.1

2.2.10 Stock Trade with Related Party

Name	Transfer Reason	Transaction Date	Name of Counter Party	Nature of Relationship	Amount of Shares	Transaction Price
-	-	-	-	-	-	-

2.2.11 Stock Pledge with Related Party

Name (Note1)	Reason of Pledge (Note2)	Date of Change	Name of Counter Party	Nature of Relationship	Amount of Shares	Percentage of Shareholding	Percentage of Shares Pledge	Transaction Price
-	-	-	-	-	-	-	-	-

Note1: Names of directors, supervisors, managers and shareholders owning more than 10% of the Company's outstanding shares

Note2: Both pledge and redemption

2.2.12 Sunplus Long-term Investments Ownership

As of Mar.31, 2006; unit: NT\$ thousand, thousand shares

Investee Company (Note)	Sunplus Investment		Shareholding of Sunplus Director, Supervisor, management, or subsidiary		Synthetic Shareholding	
	Amount of Shares	Holding Ratio %	Amount of Shares	Holding Ratio %	Amount of Shares	Holding Ratio %
Giantplus Technology	64,203	35	27,289	15	91,492	50
Lin Shih Investment	69,994	100	5	0	69,999	100
Sunplus Venture Capital	99,994	100	4	0	99,998	100
Harvetek Corp.	4,169	3	6,116	5	10,285	8
Goldkey Technology	6,568	15	7,343	17	13,911	32
Ritek Corp.	5,000	0	2,506	0	7,506	0
Waveplus Technology	2,856	10	11,424	38	14,280	48
WPG Holdings Limited	1,076	0	240	0	1,316	0
Generalplus Technology	15,851	53	8,994	30	24,845	83
Globe View Technology	13,568	10	0	0	13,568	10
Alpha Imagng Technology	1,833	8	0	0	1,833	8
Sunext Technology	9,600	24	17,436	44	27,036	68
UMC	2,673	0	247	0	2,920	0

Note1: Except the listed companies above, other investee companies are held separately by Sunplus or Sunplus 100% held subsidiaries

2.3 Capital and Shares

2.3.1 History of Capitalization

Month/ Year	Price	Authorized capital		Issued capital		Note		
		Shares (Thousand Shares)	Amount (NT\$K)	Shares (Thousand Shares)	Amount (NT\$K)	Shares (Thousand Shares)	Shares (Thousand Shares)	Amount (NT\$K)
08/1990	10	2,300	23,000	620	6,200	Cash Offering 6,200	None	Not IPO yet
08/1990	10	2,300	23,000	1,150	11,500	Cash Offering 5,300	None	Not IPO yet
03/1992	10	2,300	23,000	2,300	23,000	Cash Offering 11,500	None	Not IPO yet
12/1993	10	6,000	60,000	6,000	60,000	Cash Offering 20,900 Capitalization of Profits 16,100	None	Not IPO yet
09/1994	10	19,800	198,000	19,800	198,000	Cash Offering 60,000 Capitalization of Profits 78,000	None	Not IPO yet
06/1995	10	39,600	396,000	39,600	396,000	Capitalization of Profits 198,000	None	28/06/1995 SFC No. 37335
06/1996	10	64,360	643,600	64,360	643,600	Capitalization of Profits 247,600	None	06/26/1996 SFC No. 40155
06/1997	10	105,500	1,055,000	105,500	1,055,000	Capitalization of Profits 411,400	None	06/10/1997 SFC No.46641
06/1998	10	184,000	1,840,000	184,000	1,840,000	Capitalization of Profits 785,000	None	06/ 08/1998 SFC No.49408
06/1999	10	269,120	2,691,200	269,120	2,691,200	Capitalization of Profits 851,200	None	06/23/1999 SFC No.57760
06/2000	10	600,000	6,000,000	370,000	3,700,000	Capitalization of Profits 1,008,800	None	06/03/2000 SFC No.48003
09/2000	10	600,000	6,000,000	390,000	3,900,000	Cash Offering for GDR 200,000	None	09/18/2000 SFC No 72620
06/2001	10	700,000	7,000,000	534,000	5,340,000	Capitalization of Profits 1,440,000	None	06/27/2001 SFC No 40791
12/2001	10	700,000	7,000,000	544,742	5,447,424	Merger from Grandtech 10,742	None	12/12/2001 SFC No 173137
06/2002	10	1,000,000	10,000,000	694,950	6,949,500	Capitalization of Profits 957,334 And capital surplus 544,742	None	05/30/2002 SFC No.129546

07/2003	10	1,000,000	10,000,000	777,504	7,775,040	Capitalization of Profits 130,590 And capital surplus 694,950	None	05/22/2003 SFC No.0920122560
06/2004	10	1,000,000	10,000,000	875,254	8,752,544	Capitalization of Profits 355,500 And capital surplus 622,004	None	06/15/2004 SFC No.0930126644
07/2005	10	1,050,000	10,500,000	945,570	9,455,700	Capitalization of Profits 487,576 And capital surplus 175,051 Employee stock option 40,529	None	07/11/2005 FSC No. 0940127940 TSE No.09400288741
11/2005	10	1,050,000	10,500,000	948,147	9,481,472	Employee stock option 25,772	None	TSE No.09400340711
03/2006	10	1,050,000	10,500,000	948,730	9,487,297	Employee stock option 5,825	None	TSE No.09500052761

Unit:Shares

Type	Shares	Authorized Capital			Note
		Issued Shares	Un-issued Shares	Total	
Common shares		948,729,656	101,270,344	1,050,000,000	

Summing-up of Related Information

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

2.3.2 Status of Shareholders

As of April 11, 2006

Shareholder	Government Agencies	Financial Institutions	Others Juridical Person	Domestic Natual Persons	Foreign Insititions & Natural Persons	Total
Amount						
Person	2	11	129	33,410	203	33,755
Holding shares	1,302	9,634	76,307	553,446	309,407	950,096
Holding ratio%	0.14	1.01	8.04	58.24	32.57	100.00

2.3.3 Distribution Profile of Shareholding Ownership

Par value @ NT\$10, As of April 11, 2006

Shareholding Classification	Amount of Shareholders	Amount of Shares	Holding %
1~ 999	12,342	2,992,901	0.32
1,000~ 5,000	14,372	31,852,813	3.35
5,001~ 10,000	3,114	22,788,536	2.40
10,000~ 15,000	1,188	25,536,110	1.53
15,001~ 20,000	627	11,151,151	1.17
20,001~ 30,000	654	16,154,027	1.70
30,001~ 40,000	325	11,321,050	1.19
40,001~ 50,000	219	10,034,565	1.06
50,001~ 100,000	406	28,292,412	2.98
100,001~ 200,000	189	27,169,187	2.86
200,001~ 400,000	117	33,602,731	3.54
400,001~ 600,000	45	22,537,456	2.37
600,001~ 800,000	23	15,885,335	1.67
800,001~ 1,000,000	20	18,144,721	1.91
More than 1,000,000	114	683,633,764	71.95
Total	33,755	950,096,759	100.00

2.3.4 Distribution Profile of Preferred Shareholding Ownership: Not Suitable

2.3.5 Major Shareholder

As of April 11, 2006

Name	Shares	Amount of Shares	Holding %
Chou-Chye Huang		160,058,422	16.85%
JPMorgan Chase Bank, N.A., Taipei Branch in Custody for Oppenheimer Developing Markets Funds managed by OppenheimerFunds, Inc.		50,919,000	5.36%
Yarn-Chen Chen		32,673,433	3.44%
Global View Technology Co., Ltd.		24,774,377	2.61%
De-Zhong Liu		22,170,869	2.33%
JPMorgan Chase Bank, N.A., Taipei Branch in Custody for Templeton Developing Markets Trust		19,916,866	2.10%
Chih-Hao Kung		16,346,389	1.72%
Bing Huang Shih		15,503,360	1.63%
Wen-Qin Lee		12,996,890	1.37%
Smallcap World Fund Co., Inc.		12,301,000	1.29%

2.3.6 Net Worth, Earnings, Dividends and Market Price Per Share

Item		Year		2004	2005	End to Mar.31,2006	
Market price per share (Note1)	Highest market price			82.0	52.2	45.8	
	Lowest market price			40.1	26.1	35.05	
	Average market price			58.09	39.83	41.02	
Net value per share(Note2)	Before distribution			17.44	16.85	-	
	After distribution			15.38	-	-	
Earnings per share	Weighted average shares			869,400,729	938,606,729	940,579,025	
	Earnings per share(Note3)	Before adjustment		3.15	2.56	1.10	
		After Adjustment		2.83	-	-	
Dividends per share	Cash dividends	Before adjustment		-	-	-	
		After Adjustment		1.9859	-	-	
	Stock dividends	From retained earnings	Before adjustment		-	-	-
		After Adjustment		0.2980	-	-	
	From capital surplus	Before adjustment		-	-	-	
		After Adjustment		0.1986	-	-	
Unpaid Dividend(Note4)			-	-	-		
Return on investment	Price/ Earning ratio(Note5)			18.44	15.56	37.29	
	Price/Dividend ratio(Note6)			29.25	-	-	
	Cash Dividends yield Ratio(Note7)			3.42%	-	-	

* if stock dividends are from retained earnings or capital surplus, the information of the retroactive adjusted market price and cash dividends shall be disclosed according to the issued shares

Note1: highest/lowest market price of common stocks; the average market price per year is weighted according to trading value and trading volume

Note2: shares issued by the end of the year and the distribution decided by the board of shareholders

Note3: if stock dividends are required to retroactive adjustment, both before/after adjusted earnings per share shall be disclosed

Note4: if unpaid dividend is regulated to be accumulated and distributed in profited-years, the accumulated unpaid dividend shall be disclosed

Note5: price/Earning ratio = Average market price / Earnings per share

Note6: price/Dividends ratio = Average market price / Cash dividends per share

Note7: cash dividends yield rate = cash dividend per share / Average market price per share

2.3.7 Dividend Policy

(a) Dividend policy according to regulations in the company law and the article of incorporation

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

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

(b) The proposal for distribution of 2004 profits on this shareholders' meeting

Stock dividends: Each shareholder of common shares will be entitled to receive a stock dividend of 30 common shares (from profits distribution of 2004) and 20 common shares (from capital surplus) for each 1,000 shares.

Cash dividends: Each shareholder of common shares will receive cash dividend of NT\$ 2.0 per common share.

2.3.8 Impact on Business Performance and EPS from Dividend Distribution This Year

Due to no official financial guidance for 2004, there is no related information this year.

2.3.9 Bonus to Employees, Directors and Supervisors

(a) Company Articles of Incorporation about bonus to employees, directors & supervisors

The Company's Articles of Incorporation provides that Company appropriates earnings every year as follows: (1) legal reserve equivalent to 10% of the net income of the latest completed year less any accumulated deficit in prior years except the amount of legal reserve are over the capital, and (2) special reserve equivalent to the debit balance of any accounts shown in the shareholders' equity section of the balance sheet, other than the deficit. In addition, any distribution of the remaining earnings will be made as follow: (i) up to 6% of the par value of the outstanding capital stock will first be paid/distributed as dividends, (ii) 1.5% and at least 1% of the remaining distributable earnings after (i) is distributed as remuneration to directors and supervisors and as bonus to employees, respectively.

The balance of the current year net income after all the foregoing appropriations and distributions plus the accumulated balance of the un-appropriated prior years' earnings may be distributed as additional dividend. It is the Company's policy that cash dividends shall be at least 10% of total dividends paid/distributed. Stock dividend will be distributed in lieu of cash dividends when the minimum cash dividend distributable is less than NT\$0.5 per share.

A special reserve equivalent to the debit balance of any account shown in the shareholder equity section of the balance sheets, other than the deficit, is made from retained earnings pursuant to existing regulations promulgated by the ROC Securities and Futures Commission (SFC). The special reserve is adjusted accordingly based on the balance of such accounts at year-end.

(b) BOD proposal for 2005 bonus to employees, directors and supervisors

A. BOD proposal (resolution by Board meeting at April 21, 2006)

	<u>Amount (NT\$K)</u>	<u>Ratio of capital increase from profits</u>
Employee Bonus in Stock	225,000	44.22%
Employee Bonus in Cash	25,000	
Directors & Supervisors Bonus in Cash	24,517	
Total	<u>274,517</u>	

B. If foregoing bonus was cash and be expensed in 2005, the EPS in 2005 would be NT\$2.29 (EPS in 2004 are NT\$2.56)

(c) Bonus to Employees, Directors & Supervisors for last year

Approval by shareholders' meeting at June 13, 2005, about distribution of bonus to employees, directors and supervisors

	<u>Amount (NT\$K)</u>
Employee Bonus in Stock	225,000
Employee Bonus in Cash	25,000
Directors & Supervisors Bonus in Cash	24,004
Total	<u>274,004</u>

The distribution tallied with the proposal by BOD at April 28, 2005.

2.3.10 Buyback Shares Program

Buyback Shares Program

As of Mar.31, 2006

Time/Period	First Time(period)
Purpose	Transferring the shares to employees
Period	Nov.8,2005 ~ Jan.6,2006
Price	NT\$21.5~44.2
Type and Amount of shares be bought	Common shares 2,582,000
Sum of Money	NT\$80,961,062
Amount of Shares Be Eliminated and Transferred	0
Accumulated Amount of Shareholdings	To protect the benefit of all shareholders, Company buyback shares in batches according to the change of stock price. The ratio of execution is 12.91%.
% of the Total Amount of Issued Shares	0.27%

2.4 Issuance of Corporate Bonds: None

2.5 Preferred Shares: None

2.6 GDR Issuance

As of Mar.31, 2006

Item	Issuing Date	March 16, 2001
Issuing Date		March 16, 2001
Issuance & Listing		FTSE (London Stock Exchange)
Total Amount		US\$191,400,000
Offering Price per Unit		US\$9.57
Issued Units		29,287,525.5
Underlying Securities		Offering 20,000,000 new shares of common stock of par value NT\$10
Common Shares Represented		Common shares 58,575,051
Rights and Obligations of GDR holders		Same as those of common share holders
Trustee		N/A
Depository Bank		The Bank of New York
Custodian Bank		International Commercial Bank of China
GDRs Outstanding		1,486,361.5units
Apportionment of the expenses for the issuance and maintenance		All fees and expenses related to issuance of GDRs were borne to the selling shareholders and Sunplus, while the maintenance expenses such as annual listing fees, information disclosure fees and other expenses were borne by Sunplus
Terms and Conditions in the Deposit Agreement and Custody Agreement		-

Closing price per GDRs	2005	Highest	US\$3.0966
		Lowest	US\$1.84
		Average	US\$2.494
	01/01/2006~ 03/31/2006	Highest	US\$2.65
		Lowest	US\$2.10
		Average	US\$2.4167

2.7 Employee Stock Options Plan

2.7.1 Issuance of Employee Stock Option & Impact to Shareholders' Equity

As of Mar.31, 2006

Employee Stock Option Plan	1 st Grant	2 nd Grant
Approval Date by the Securities & Future Commission	March 06, 2003	
Issue (Grant) Date	May 06, 2003	August 28, 2003
Number of Shares Issued	27,288,553	9,193,550
Percentage of Issued Shares to Outstanding Common Shares	2.87%	0.97%
Option Duration	2005/05/06~2009/05/05	2005/08/28~2009/08/27
Source of Option Shares	New common shares	
Vesting Schedule	2 nd Year 50% 3 rd Year 75% 4 th Year 100%	
Shares Exercised	8,250,308	16,927
Value of Shares Exercised (Note)	NT\$23.9	NT\$41.5
Shares Unexercised	15,344,444	7,942,199
Grant Price per Unexercised Shares	NT\$23.9	NT\$41.5
Percentage of Unexercised Shares to Outstanding Common Shares	1.62%	0.84%
Impact to Shareholders' Equity	Dilution to shareholders' equity is limited	

Note: Rights and obligations of employee stock option are the same those of common shares holders

2.7.2 Option Plan to Management Team and to Top 10 Employees with and Individual Grant Value over NT\$30,000,000:

As of Mar. 31, 2006

Title	Name	Number of Shares Grant (Shares)	Percentage of Grant Shares to Outstanding Common Shares (%)	Unexercised			
				Number of Shares Unexercised (Shares)	Grant Price per Unexercised Shares (NT\$)	Value of Shares Exercised (NT\$K)	Percentage of Unexercised Shares to Outstanding Common Shares
CEO	Chou-Chye Huang	2,694,343	0.28368	2,694,343	23.9	64,395	0.28368
CTO& BU President	Yarn-Chen Chen						
BU President	Oh-Jung Ou						
BU President	Chih-Hao Kung						
VP	Kuo-Bin Huang						
VP	Steven Huang						
VP	Gwo-Chin Su						
VP	Wayne Shen						
VP	Den-Jen Hwung						
VP	Wen-Kuan Chen						
Director of Finance & Accounting Division	Ming-Cheng Liao						

Note1: Managers don't title any option at 1st Grant

Note2: Management don't title any option at 2nd Grant

2.8 Mergers and Acquisitions

Disclosure of the merger in 2005 and till the date of annual report printed: None

III. Operational Highlights

3.1 Business Activities

3.1.1 Business Scope

(A) Major business

- . CC01080 Manufacturing of electronic component
- . I501010 Product Designing
- . F401010 International Tradin
- . I301010 Software Design Services
- . I301020 Data Processing Services
- . ICs R&D, Manufacture, Test, Sale
- . ICs module R&D, Manufacture, Test, Sale
- . Application software R&D, Sale
- . IPs R&D, Sale
- . Trading Business and Agency Business of ICs.

(B) Product segments and sales percentage

Unit: NT\$K;%

Product Categories	Sales of 2005	
	Amount	Percentage (%)
LCD IC	3,022,956	16.10
Micro controller IC	3,265,232	17.39
Multimedia IC	10,904,322	58.05
Others	1,588,612	8.46
Total	18,781,122	100.00

(C) Products

- LCD IC: LCD controllers and drivers, for TN, STN, TFT, OLED Type. Product examples: Electronic dictionary, Handheld game, Watch, Mobile phone, PDA, Educational toys, Display for DSC, Notebook, Monitor, etc.
- Micro controller IC: applied to interactive toys, TV games, PC peripherals, Home appliances, etc.
- Multimedia IC: applied to VCD, DVD, MP3 player, DSC, Camera phone, PHS mobile phone, Multi-functional print, DTV, etc.
- Others: including Memory, RF IC, Smart card IC and ASIC.

(D) New products

- . Media processor for handset
- . DVD recordable player IC
- . High resolution DVD player IC
- . MPEG decoder for STB
- . Portable media player (PMP) IC
- . High resolution digital video camera solution
- . TFT LCD drivers and controller IC
- . Controller for high-end interactive toys
- . TV game IC
- . MCU for home appliance
- . 3G communication solution

3.1.2 Industry overview

A. Industry supply-chain

In the product development flow, Sunplus focus on IC design, system design, wafer testing and sales services but out-sources most aspects of the manufacturing including mask making, wafer fabrication, wafer sawing, packaging and final testing. The infrastructure of semiconductor industry in Taiwan is very efficient; we have foundries like TSMC, UMC, etc., and backend assembly and testing houses such ASE, SPIL and KYEC. Since those factories are located in Hsinchu Science Park or nearby, the "Cluster" effect could make higher production efficiency. Our major customers are distributors, which means our products are shipped to end customers via distributors. The end customers' manufactories are located in Taiwan, HK and Mainland

China, and the end products after assembly are sold to North America and Europe or other emerging countries per different applications.

B. Product developing trend and competition

LCD IC: LCD controller/driver ICs such as TN, STN, ECB, TFT, and OLED, can be applied to LCD products with a full range of resolution and colors (black-and-white, grayscale, and full-color). Our major competitors for LCD IC include local IDM and design houses like Novatek, Himax, Solomon Systech and international IDM manufacturers as well.

MCU: Our micro-controllers have been applied to products like toys, gift items, TV games, digital recorders, language learning machines, e-Books, audio electronic dictionaries and digital home appliance and Sunplus is one of the leading IC suppliers. The core technology of our micro controller IC products includes 8-bit and 16-bit RISC with complicated mathematic algorithm, such as voice encoding/decoding, voice recognition, image recognition, and communication protocol. It allows us to meet the customers’ demand by choosing the most appropriate instruction set. As a result, not only is the performance satisfactory, but the cost will also become more competitive. Competitors include Holtek, Sonix, Windbond, Elan, and etc. We are also aggressive to promote our 32-bit Micro- processor to high-end interactive toys and TV games.

Multimedia IC: The main technology of our multimedia IC products is based on DSP and RISC hardware. In accordance with different image processing and voice processing algorithm, this technology can handle complicated mathematic operations. It can be used on products like digital cameras, VCD/SVCD/DVD players, and Multi-function printers. At present, our main competitors are ESS, ZORAN, Mediatek and Cheertek.

3.1.3 Overview of technology and R&D

A. R&D expenditure in 2004 and 2005 YTD

Unit: NT\$K

Year	2005	2006 end at March 31
Expense	2,463,810	678,507
Percentage of sales	13%	14%

B. R&D accomplishments

- a. MPEG4 decoding technology for DSC, DVD player.
- b. MPEG2 decoding and servo control technology for DVD player SoC.
- c. MP3 decoding technology for MP3 player.
- d. TFT-LCD driver for mobile phone, PDA, DSC, laptop, LCD monitor, LCD TV, etc.
- e. Multi-function Printer SoC
- f. MPEG decoding Technology for Set Top Box
- g. 27MHz RF technology for remote controllers of home appliance, interactive toys, games and wireless products.
- h. Embedded Flash controller for such as GSM SIM card, Telephone IC card, financial IC card and smart card
- i. 16-bit DSP technology for human intonation electronic dictionary, handwriting input recognition devices, electronic storybooks and digital recording product
- j. 16-bit RISC micro controller for SOC Caller ID telephone with voice recognition function toys and digital telephone answering machine
- k. TV encoding technology for video player, TV game consoles and digital TV
- l. the first 32-bit processor core S+core® with Sunplus-owned instruction set architecture
- m. baseband processor for PHS mobile.

3.1.4 Business plan

Sunplus’ R&D technology is oriented toward consumer electronic products. The potential of this market is infinite. The future product development plan is still focused on consumer electronics market for mobile imaging terminal, intelligent toys and connected home appliance, etc. The goal is looking forward to being worldwide silicon creator for digital life.

3.2 Sales and Marketing

3.2.1 Market Outlook

(A) Market distribution

Unit: NT\$ K

Sales Area	2005	
	Amount	Percentage (%)
Hong Kong	10,851,414	57.78
Taiwan	5,562,683	29.62
Others	2,367,025	12.60
Total	18,781,122	100.00

(B) Market Share

The production value of worldwide fables IC design Industry in 2005 is US\$40.0 billion roughly. Sunplus 2005 sales were NT\$18.78billion (equals to US\$590million) and we took around 1.5 % of the total market.

(C) Market supply, demand and growth in the future

a. Micro-controller

Most end product applications for of Sunplus micro-controllers are for toys and gifts, and we also started to promote Sunplus 32-bit microprocessor to high-end interactive toys. There are various applications and huge demands for micro-controller, which the estimated worldwide market for micro-controller in 2009 could reach 6 billion pieces. Besides the toys and gifts applications, the company will keep going to develop more products targeting the home appliance and IT market.

MCU Market Estimation

MCU Market Estimation		Unit : thousand pieces		
Applications	8-bit			
	2004	2009(f)	CAGR%	
PC peripherals	368,136.9	563,360.0	8.88	
Audio for automotive	103,092.0	141,680.7	6.57	
Automotive control and instrumentation	450,879.9	572,804.9	4.90	
Smart card	638,907.1	1,437,861.6	17.61	
Digital music(MP3)	1,572.1	6,303.2	32.01	
Toys, learning aids	83,160.0	249,480.0	24.57	
LCD TV	1,540.5	4,040.3	21.27	
Remote controls	171,555.0	356,140.6	15.37	
Cable TV set-tops	6,293.0	17,471.6	22.66	

Source: In-Stat(2005/11)

MCU Market Estimation		Unit : thousand pieces		
Applications	16-bit			
	2004	2009(f)	CAGR%	
PC peripherals	95,003.1	291,740.0	25.16	
Hard disks	193,764.1	356,273.3	12.95	
Audio for automotive	2,677.7	9,176.5	27.93	
Automotive control and instrumentation	37,240.3	173,398.1	36.02	
Smart card	410,726.0	489,347.4	3.57	
Digital music(MP3)	712.8	3,888.0	40.40	
Toys, learning aids	2,970.0	8,910.0	24.57	
Digital cameras	1,650.5	6,418.8	31.21	

Source: In-Stat(2005/12)

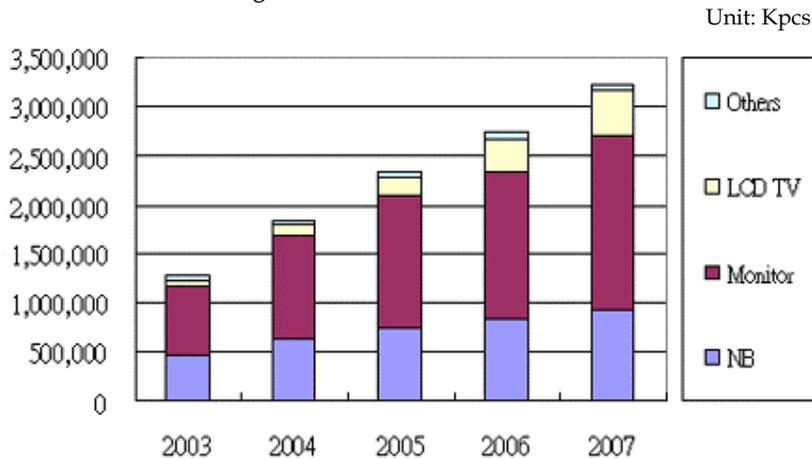
MCU Market Estimation		Unit : thousand pieces	
Applications	32-bit		
	2004	2009(f)	CAGR%
Wireless digital	24,959.3	421,541.5	76.00
Monitors	6,365.7	25,903.5	32.40
PC DVDs	887.7	4,230.2	36.65
Air bag, brakes collision avoidance	4,434.8	15,723.4	28.81
Smart cards	94,902.1	260,305.0	22.36
Digital music(MP3)	150.5	733.4	37.27
Digital cameras	12,756.3	54,750.1	33.82

Source: In-Stat(2005/12)

b. LCD IC

The growing demand of LCD monitor, notebooks LCD TV and smart phone triggers the market demand of LCD ICs. The worldwide market demand will reach 3.0 billion pieces for large panel LCD drivers until 2007 according to IEK research, and the driver ICs for handset could be one billion pieces referring to Toplogy research. There are coming huge demands for LCD drivers IC. The major suppliers of LCD drivers are Japanese and Korean, but Taiwan IC design house also are well-positioned and have opportunity to gain more market share with completed supply-chain in Taiwan. The going down cost triggered the demand for TFT-LCD panel and ICs for panel as well. The infrastructure of TET-LCD industry in Taiwan is getting efficient. As panel cost keeps dropping, there will be more and more consumer electronic products with colorful TFT-LCD display.

Estimated Demand for Large Panel LCD Drivers



Source: IEK(2004/12)

Driver IC for Handset Panel

DDI of Display Type/ Year	MSTN	CSTN	TFT	LTPS	OLED	Total
2003	531	232	48	2	0	813
2004	362	383	212	14	0	971
2005	226	307	410	68	0	1010
2006	199	199	517	163	2	1080
2007	150	186	410	273	27	1044
2008	105	0	550	340	116	1110
CAGR	-27.7%	n/a	62.7%	171.8%	n/a	6.4%

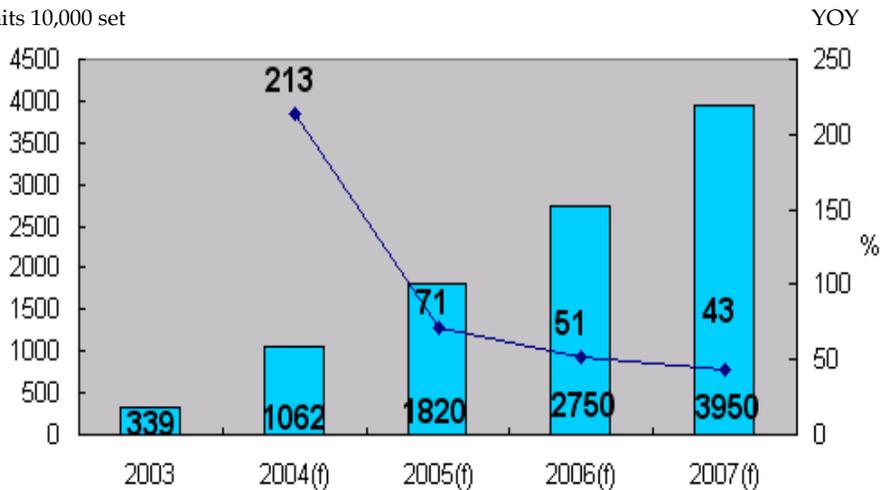
Source: Topology(2005/02)

c. Multimedia IC

The product applications of Sunplus multimedia ICs include DVD/VCD player, DSC, handset media processor, MP3 player, LCD TV controller and etc. Consumers are asking for higher quality and more features for their home entertainment system, which it will come with more features like recording and the demand is still strong in the few years. The handsets will also come out with more and more multimedia features integrated such as camera, polyphonic, MP3, games, and etc. The demands for consumer electronics, especially for multimedia products are highly growing.

Worldwide Demand for DVD Recordable

Units 10,000 set



Source: Topology(2004/08)

Shipment Estimation for Smart Phone and 3G handset 2003-2008



Source: Topology(2004/12)

(D) Advantages& disadvantages of competitive advantage & long-term development

A. Competitive advantages:

(1).Accumulation and impartation of the experience of the R&D team

Eight engineers established Sunplus in 1990. They are the center of Sunplus' operational team. Each of them has accumulated almost twenty years of experience in new product development, technology management, and marketing. This invaluable experience has been deliberately passed on to the next generation of engineers at Sunplus. This continuity in the conveyance of experience has resulted in fewer complaints from customers and more rapid professional growth in our new employees. Consequently, the labor turn over rate remains relatively low compared to other IC design houses. End of Mar.31, 2006, Sunplus has total 193 patents in ROC, 56 patents in PRC, 65 patents in US, and has more than three hundred products for sale. No other company has come close to this exemplary record.

(2).Focus on high-level consumptive IC market, enlarge the distance from competitors

Since the IC market is extremely competitive and stagnation is an ever-present trap, we keep on bringing in a large number of R&D resources to develop new high-level consumer products and widening the distance between us and other local competitors.

Sunplus' numerous product lines give us a tremendous advantage over our competitors. We are the kind of customer that prized by most wafer foundries because our wafer demand does not fluctuate when a few products are eliminated. Due to our steady stream orders to our wafer suppliers, we enjoy more consistent wafer supply during peak seasons over our competitors. This also allows us to keep our wafer costs at a competitive rate.

(3).Strategic cooperation with upper stream and down stream factories

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

(4).Maintain long-term and stable cooperative relationship with customers

Customer electronic products rely on IC to raise their add-on value; consequently the customer electronic product manufacturers always pick their IC design houses with extreme caution. The IC design house needs to meet the customers' demand for original products. Furthermore, the end-product manufacturers also pay much attention to delivery, good quality ratings and service. Due to the demands in this relationship, it is clear that both sides need to operate in coordination in the long run and to establish a permanent cooperative relationship.

Sunplus is always devoted itself to research and development. We use the real experience that we have accumulated over many years to continually exploit new markets and channels. We also adopted an exclusive agency system to provide the down stream customers with a more

complete service. We have sustained a good long-term cooperative relationship with a lot of end-product manufacturers worldwide.

B. Advantages

- (1) Sunplus will continue to promote high value-added chips for consumer electronic products in order to gain an ever-increasing distance ahead of our competitors.
- (2) Our next generation semiconductor process technology will accelerate the replacement of IC products and expand our consumer electronic markets.
- (3) Higher entry barrier due to more complicated products R&D, it is more favorable to companies, which have larger economic scale.
- (4) Robust design and integrated development capability will speed up development of new products and cut down production costs, which demonstrates the strong hold Sunplus has on the market and its unmatched ability to respond to new market changes.
- (5) Long-term cooperation with major foundry sources and steady demand with economic scale, we have more plentiful wafer supply compared with competitors.

C. Disadvantages

- (1) Due to the high performance of the IC industrial infrastructure, more competitors will be drawn into the industry since an IC design house is a high profit industry.
- (2) Products change fast, and each one has a short life cycle of no more than one year.
- (3) IC design is more integrated and complex so development cost is much higher.

D. Response Strategies

- (1) Actively developing quality products that raise the market value of all our products.
- (2) Process migration to make per wafer productivity higher and drive cost down.
- (3) Expanding strategic partnership with clients to make win-win situation.
- (4) Collaboration with partners to broaden IP licensing sources.

3.2.2 Product Application and Development Flow

(1) Product Application

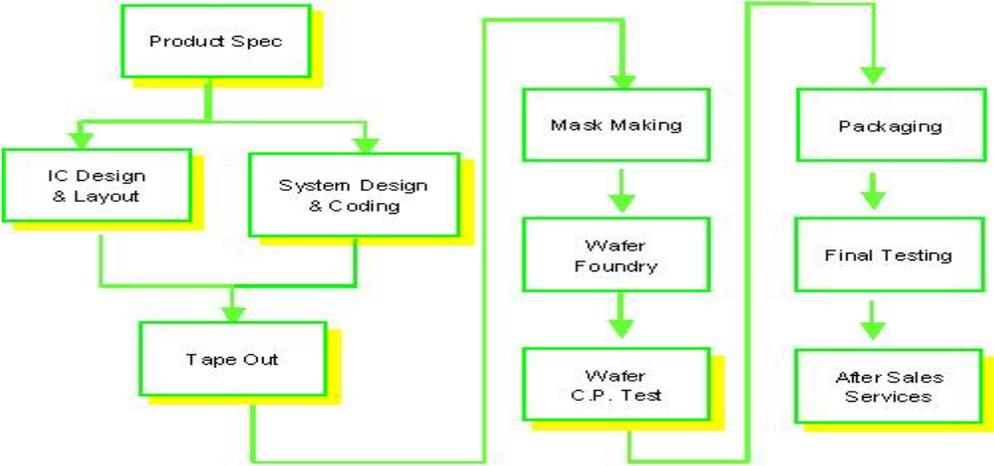
A. LCD IC : LCD TV, Monitor, Electronic dictionary, Handheld game, Mobile phone, PDA, DSC, etc

B. Micro-controller IC : Interactive Toys, Educational products, TV game, Mouse, Keyboard, Remote controller, etc

C. Multimedia IC : Digital Still Camera, Digital audio/video player, MP3 player, MFP, etc

D. Others : Communication product, Memory and ASICs

(2) Product development flow



* Blocks w/ shadows are in-house activities, and w/o shadows are subcontracted out.

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

3.2.3 Key Suppliers

The major materials are Wafer to Sunplus' products. Sunplus' main foundries are TSMC and UMC. Wafers supplement are sufficient and stable.

3.2.4 Key Customers and Suppliers over the last two years

(1) Major customers

NT\$ K

2004			2005		
Customer	Sales Amount	Percentage of Total Sales	Customer	Sales Amount	Percentage of Total Sales
ZI-HUAN	3,833,567	20.24	ZI HUAN	2,903,533	15.46

(2) Major Suppliers

NT\$ K

2004			2005		
Company	Purchasing Value	%	Company	Purchasing Value	%
Company A	5,689,624	55.69	Company A	4,968,389	55.54
Company B	2,263,541	22.16	Company B	1,468,595	16.42
Company C	979,310	9.59	Company C	909,415	10.17

3.2.5 Production over the last two years

Kpcs/NT\$K

Product categories	2004			2005		
	Quantity	Amount	Value	Quantity	Amount	Value
LCD controller/driver IC	-	125,660	2,609,625	-	131,057	2,132,963
Micro controller IC	-	363,681	2,487,984	-	195,477	1,909,206
Multi media IC	-	171,373	8,261,796	-	141,293	7,557,698
Others	-	93,207	1,246,497	-	80,604	939,432
Total	-	753,921	14,605,902	-	548,431	12,539,299

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

3.2.6 Sales Figures over the last two years

Kpcs/NT\$K

Product categories	2004				2005			
	Local		Export		Local		Export	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
LCD IC	82,833	2,027,437	26,031	656,978	74,474	1,478,640	57,933	1,544,316
Micro-controller	172,384	2,231,889	171,139	2,024,582	105,233	1,663,020	97,705	1,602,212
Multi media IC	15,804	1,758,956	136,793	8,646,894	20,978	1,490,338	120,372	9,413,984
Others	55,640	1,072,619	34,572	520,701	43,139	925,839	45,448	662,773
Total	326,661	7,090,901	368,535	11,849,155	243,824	5,557,837	321,458	13,223,285

3.3 Employees

Year		2004	2005	Ended of 3.31.2006
Personnel	R & D	746	856	805
	Production	125	133	115
	Administration	133	140	129
	Total	1,004	1,129	1,049
Average Age		31.91	32.28	32.24
Average Working Experience (Years)		6.49	6.97	6.93
Distribution of Education Level among personnel by percentage	Ph.D.	2%	2%	2%
	MS/MA	62%	65%	66%
	BS/BA	23%	21%	21%
	College	10%	9%	8%
	High School	3%	3%	3%
	Total	100%	100%	100%

3.4 Environmental Protection & Expenditures

3.4.1 Environmental Protection

Sunplus is an IC design company focusing on the research and development of semiconductor products located in the Hsinchu Science based Industrial Park. We entrust notable local and foreign foundries to manufacture our wafers. We do not violate any EPA' regulations regarding pollutants and environmental protection.

3.4.2 Working Environment

- Allocate sole-duty organization and employees to execute the matters concerning to environment security and sanitation management according to Laws.
- Examine the working environment regularly to maintain the security of environment and equipments.
- Review the working environment and set up related devices with a standard higher than regulation.
- Hold the physical examination for new employees and the regular health examination for employees on the job with higher perception than laws.

3.5 Labor-Capital Relation

3.5.1 Employee Welfare

We strive to provide a clean and supportive environment for our employees. To create this environment we established an Employee Welfare Committee. It operates a variety of welfare activities including emergency aid, educational grants, book purchase subsidies, social club activities and overseas trips. We also comply with the Labor Standards Law to conduct labor insurance and retirement system programs, and participation with the National Health Insurance plan according to the National Health Insurance Act. Moreover, we also handle group insurance and insurance for family dependants to ensure security for our employees. In 1996 we adopted a new system, which allowed our employees to be awarded with company stock.

3.5.2 Pension Plan

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

3.5.3 Other Affairs

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

3.5.4 On the Job Training of Employees

The Company provides 484 courses of external training in total. 17 major courses are listed below:

Title(external training)	Attendances	Hours
Japanese(1 st -4 th term)	215	408
English(1 st -2 nd term)	164	374
Semiconductor Memory and Circuit Design	6	180
Windows CE 5.0 (including ARM9 operation)	4	177
Digital IC Design—BEUT subsidizes half of the course	1	150
Object-Oriented System Analyst	1	135
Introduction of RFID System Structure and Potential Applications	10	135
Color and Image Processing	4	129
Power Management IC Design	6	125
Extension education for Institute of Technology Law, NCTU	1	112
2005 Mixed-signal Circuit Design Seminar	7	106
ISO 9000:2000 Auditor Training	3	105
Digital Music Integration	1	105
Embedded Software Design	3	102
Civil Defense Training 2005, SIPA	20	100
ISO 9001:2000, Auditor Training	2	100
Institute of Technology Law, NCTU	1	100

3.5.5 Controversy between Labor and Capital: None

3.6 Important Contracts

Nature of Agreement	Counter Party	Term	Content	Restriction
Lease of Land	Hsinchu Science Park Administration	1995/8/01-2015/07/31	Lease for constructing own-use only	Own use

IV. Financing Plan and Implementation: NA

V. Financial Statements

5.1 Brief Balance Sheets, Statements of Income and Auditors Opinion

5.1.1 Brief Balance Sheets

Unit: NT\$K

Item	Year	The Last Five Years(Note1)					2006(end of Mar.31) (Note2)
		2001	2002	2003	2004	2005	
Current Assets		8,138,674	8,465,575	9,455,961	10,854,116	12,545,989	11,154,441
Long-term Stock Investment		4,044,403	4,263,196	4,212,722	3,812,212	3,990,655	5,757,992
Fixed Assets(Note2)		658,954	1,380,456	1,382,124	1,480,297	1,587,454	1,602,578
Intangible Assets		0	160,572	1,164,980	1,122,172	1,044,784	1,136,026
Other Assets		280,337	339,629	407,184	837,852	1,203,116	705,931
Total Assets		13,122,368	14,609,428	16,622,971	18,106,649	20,371,998	20,356,968
Current Liabilities	Before Distribution	818,021	1,100,332	2,178,068	2,337,695	3,749,300	2,598,882
	After Distribution	1,658,791	2,512,007	3,365,301	4,137,208	-	-
Long-term Liabilities		4,336	2,168	0	0	0	0
Other Liabilities		189,647	245,185	415,220	504,820	633,679	549,821
Total Liabilities	Before Distribution	1,012,004	1,347,685	2,593,288	2,842,515	4,382,979	3,148,703
	After Distribution	1,852,744	2,759,360	3,780,521	4,642,028	-	-
Capital Stock		5,447,424	6,949,500	7,775,040	8,752,544	9,487,296	9,497,843
Capital Surplus		3,323,153	2,784,723	2,202,804	1,604,261	1,520,461	1,535,622
Retain Earnings	Before Distribution	3,363,546	3,681,758	4,146,464	5,341,422	5,452,688	6,486,795
	After Distribution	1,565,442	2,139,493	2,603,731	3,054,333	-	-
Unrealized Gain (Loss) on Financial Merchandise(Note3)		0	0	0	0	0	(114,672)
Cumulative translation adjustments		36,459	34,397	10,888	(49,030)	(9,775)	(20,757)
Unrealized Net Loss on the Costs of Pensions		0	0	0	0	0	0
Total Equity	Before Distribution	12,110,364	13,261,743	14,029,683	15,264,134	15,989,019	17,208,265
	After Distribution	11,269,594	11,850,068	12,842,450	13,464,621	-	-

Note1: All financial data for the last years were audited

Note2: The financial data for the first season 2006 were audited

Note3: Since Jan.1, 2006, the Company adopted the newly published Statement of Auditing Standards No. 34 and No. 36; the unrealized loss on long-term investment is according to the auditing standards originally adopted

5.1.2 Brief Statements of Income

Unit : NT\$K

Item \ Year	The Last five years(Note1)					2006 (end of Mar. 31, 2006) (Note2)
	2001	2002	2003	2004	2005	
Net sales	6,639,352	8,635,911	11,097,653	18,940,056	18,781,122	5,015,000
Gross profit	2,696,841	3,141,066	3,822,309	5,943,206	6,120,397	1,575,942
Income from operation	1,817,854	1,807,004	1,978,627	2,926,528	2,584,005	592,455
Non-operating income	449,739	430,452	284,488	235,259	196,783	709,400
Non-operating expense	197,991	143,206	308,088	528,358	403,094	143,147
Income from operations of continued segments-before tax	2,069,602	2,094,250	1,955,027	2,633,429	2,377,694	1,158,708
Income from operations of continued segments-after tax	2,132,300	2,115,735	2,006,971	2,737,691	2,398,355	1,066,716
Income from operations of discontinued segments	0	0	0	0	0	0
Extraordinary gain (loss)	0	0	0	0	0	0
Cumulative effect of changes in accounting principles	0	0	0	0	0	(32,609)
Net Income	2,132,300	2,115,735	2,006,971	2,737,691	2,398,355	1,034,107
Earnings per share	4.03	3.07	2.60	3.15	2.56	1.10
EPS after dilution	0	0	2.58	3.10	2.53	1.09

Note1: All financial data for the last years were audited

Note2: The financial data for the first season 2006 were audited

5.1.3 Auditors Opinion from 2000 to 2004

Year	CPA	Audit Opinion
2001	Ricky Lin & S.C. Huang	An Unqualified Opinion
2002	Ricky Lin & S.C. Huang	An Unqualified Opinion
2003	Ricky Lin & S.C. Huang	An Unqualified Opinion
2004	Ricky Lin & S.C. Huang	An Unqualified Opinion
2005	Ricky Lin & S.C. Huang	An Unqualified Opinion

5.2 Financial Analysis

Item		Year	The Last Five Years					2006(end of Mar.31,2006)
			2001	2002	2003	2004	2005	
Capital Structure Analysis	Debts ratio (%)	7.71	9.22	15.60	15.70	21.51	15.47	
	Long-term fund to fixed assets (%)	1,838.47	960.84	1,015.08	1,031.15	1,007.21	1,073.79	
Liquidity Analysis	Current ratio (%)	994.92	769.59	434.14	473.80	334.62	429.20	
	Quick ratio (%)	892.47	683.98	343.73	329.25	243.74	326.75	
	Times interest earned (times)	9,451.24	7,173.09	4,169.50	589.21	401.76	2,111.58	
Operating Performance Analysis	Average collection turnover (times)	5.36	6.83	5.57	6.81	5.80	6.28	
	Average collection days	68	53	66	54	63	58	
	Average inventory turnover (times)	4.51	6.77	5.67	5.33	4.10	5.04	
	Average payment turnover (times)	4.92	6.30	4.37	5.88	3.78	4.13	
	Average inventory turnover days	81	54	64	68	89	72	
	Fixed assets turnover (times)	10.08	6.26	8.03	12.79	11.83	12.52	
	Total assets turnover (times)	0.51	0.59	0.67	1.05	0.92	0.99	
Profitability Analysis	Return on total assets (%)	20.06	15.26	12.85	15.79	12.49	5.08	
	Return on stockholders' equity (%)	22.18	16.68	14.71	18.69	15.35	6.23	
	Operating income to capital stock (%)	33.37	26.00	25.45	33.44	27.24	6.24	
	Profit before tax to capital stock (%)	37.99	30.14	25.14	30.09	25.06	12.20	
	Profit after tax to net sales (%)	32.12	24.50	18.08	14.45	12.77	20.62	
	Earnings per share (NT\$)	2.33	2.26	2.15	2.93	2.56	1.10	
	EPS after dilution	-	-	2.13	2.88	2.53	1.09	
Cash Flow	Cash flow ratio (%)	324.80	193.90	56.5	74.10	116.80	8.30	
	Cash flow adequacy ratio (%)	318.09	205.74	134.68	101.15	121.83	101.86	
	Cash flow reinvestment ratio (%)	17.97	9.41	-	3.57	15.84	1.17	
Leverage	Operating leverage	1.34	1.49	1.68	1.62	1.80	2.06	
	Financial leverage	1.00	1.00	1.00	1.00	1.00	1.00	
<p>Remarks of the reasons for the changes of financial analysis in the last two years(Changes less than 20% are not to apply)</p> <ol style="list-style-type: none"> 1. Debts ratio gets higher because inventory increases. 2. Current ratio and quick ratio drop due to account receivable growing. 3. Times interest earned drops since income decreases 4. Average inventory turnover dropping because the average inventory of this year is higher than 2004 5. Return on total assets drop due to income decreasing 6. Cash flow ratio raises because of net cash inflow from operation increasing 								

1. Capital Structure Analysis

- (1) Debts ratio $= \text{Total Liabilities} / \text{Total Assets}$
(2) Long term fund to fixed assets $= (\text{Shareholders equity} + \text{Long term Liabilities}) / \text{Net Properties}$

2. Liquidity Analysis

- (1) Current Ratio $= \text{Current Assets} / \text{Current Liabilities}$
(2) Quick Ratio $= (\text{Current Assets} - \text{Inventories} - \text{Prepaid Expenses}) / \text{Current Liabilities}$
(3) Times Interest Earned $= \text{Earnings before Interest and Taxes} / \text{Interest Expenses}$

3. Operating Performance Analysis

- (1) Average Turnover Collection Turnover $= \text{Net Sales} / \text{Average Trade Receivables}$
(2) Average Turnover Collection Days $= 365 / \text{Receivables Turnover rate}$
(3) Average Inventory Turnover $= \text{Cost of Sales} / \text{Average Inventory}$
(4) Average Inventory Turnover Days $= 365 / \text{Average Inventory Turnover}$
(5) Average Payment Turnover $= \text{Cost of Sales} / \text{average Trade Payables}$
(6) Fixed Assets Turnover $= \text{Net sales} / \text{Net Properties}$
(7) Total Assets Turnover $= \text{Net Sales} / \text{Total Assets}$

4. Profitability Analysis

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

5. Cash Flow

- (1) Cash Flow Rate $= \text{Net Cash Provided by Operating Activities} / \text{Current Liabilities}$
(2) Cash Flow Adequacy Ratio $= \text{Five-Year Cash from Sum of Operations} / (\text{Five-Year capital expenditure} + \text{inventory increase} + \text{cash dividend})$
(3) Cash flow reinvestment ration $= (\text{Net operation cash Flow} - \text{cash dividend}) / (\text{Fixed Assets} + \text{Long-term Investment} + \text{Other assets} + \text{working capital})$

6. Leverage

- (1) Operating Leverage $= (\text{Net Sales} - \text{Operating expenses} \& \text{ cost}) / \text{Operating Benefit}$
(2) Financial Leverage $= \text{Operating Benefit} / (\text{Operating benefit} - \text{Interest cost})$

5.3 Consolidated Financial Analysis

The Company started the consolidated financial report in 2005, so there are no former data to be analyzed.

5.4 Supervisors' Report

The Board of Directors have prepared and submitted to us the Company's 2005 business report, balance sheet, inventories of major assets, statement of profit and loss, statements of changes in shareholders' equity, statements of cash flow, and proposal for allocating profit. The CPAs of T.N. SOONG & CO. were retained to audit the balance sheet, inventories of major assets, statement of profit and loss, statements of changes in shareholders' equity and statements of cash flow and have submitted a report relating there to. The above reports, statements and proposal have been further examined as being correct and accurate by the undersigned, the supervisors of Sunplus Technology Co., Ltd. According to Article 219 of the Company Law, we hereby submit this report.

Sunplus Technology Co., Ltd.



Feng, Chu-Chien
Supervisor (Representative of Global View Technology Co., Ltd.)



Liang Chung Chang
Supervisor

April 21, 2006

5.5 Financial Statements and Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Sunplus Technology Company Limited

We have audited the accompanying balance sheets of Sunplus Technology Company Limited as of December 31, 2005 and 2004, and the related statements of income, changes in shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sunplus Technology Company Limited as of December 31, 2005 and 2004, and the results of its operations and its 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.

We have also audited the consolidated financial statements of Sunplus Technology Company Limited and subsidiaries as of and for the years ended December 31, 2005 and have expressed an unqualified opinion thereon in our report dated January 27, 2006.

January 27, 2006

Notice to Readers

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

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

SUNPLUS TECHNOLOGY COMPANY LIMITED

BALANCE SHEETS

DECEMBER 31, 2005 AND 2004

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

ASSETS	2005		2004		LIABILITIES AND SHAREHOLDERS' EQUITY	2005		2004	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents (Notes 2 and 3)	\$ 4,514,419	22	\$ 3,430,142	19	Accounts payable	\$ 3,036,497	15	\$ 1,700,027	10
Short-term investments (Notes 2 and 4)	1,070,905	5	780,578	4	Income taxes payable (Notes 2 and 15)	63,759	1	64,193	-
Notes and accounts receivable					Other current liabilities (Notes 6 and 17)	614,773	3	545,787	3
Third parties, net of allowance for doubtful accounts of \$88,988 thousand in 2005 and \$70,854 thousand in 2004 (Note 2)	3,476,536	17	2,788,368	15	Deferred intercompany profit (Note 2)	12,100	-	5,517	-
Related parties (Notes 2 and 17)	68,326	-	139,137	1	Deferred royalty income - current (Notes 2, 8 and 17)	22,171	-	22,171	-
Other financial assets - current (Note 20)	8,216	-	336,670	2	Total current liabilities	3,749,300	19	2,337,695	13
Inventories, net (Notes 2 and 5)	3,009,588	15	3,168,888	18	OTHER LIABILITIES				
Deferred income taxes - current (Notes 2 and 15)	214,020	1	71,813	-	Deferred royalty income - noncurrent (Notes 2, 8 and 17)	45,088	-	67,259	-
Other current assets	183,979	1	138,520	1	Accrued pension liability (Notes 2 and 11)	182,563	1	152,586	1
Total current assets	12,545,989	61	10,854,116	60	Guarantee deposits	406,028	2	284,975	2
LONG-TERM INVESTMENTS (Notes 2 and 6)					Total other liabilities	633,679	3	504,820	3
Equity method	3,450,395	17	3,175,007	18	Total liabilities	4,382,979	22	2,842,515	16
Cost method	519,260	3	584,528	3	SHAREHOLDERS' EQUITY (Notes 2 and 12)				
Convertible bonds	20,000	-	52,677	-	Capital stock - \$10 par value				
Prepayment	1,000	-	-	-	Authorized - 1,000,000 thousand shares				
Total long-term investments	3,990,655	20	3,812,212	21	Issued - 948,730 thousand shares in 2005 and 875,254 thousand shares in 2004	9,487,296	46	8,752,544	48
PROPERTIES (Notes 2 and 7)					Capital surplus				
Cost					Additional paid-in capital	890,447	4	945,304	5
Buildings	974,935	5	952,952	5	Merger and others	594,930	3	635,496	4
Auxiliary equipment	146,868	1	134,248	1	Treasury stock transactions	35,084	-	23,461	-
Machinery and equipment	491,535	2	450,402	2	Retained earnings				
Testing equipment	986,409	5	701,402	4	Legal reserve	1,590,387	8	1,316,618	7
Transportation equipment	8,400	-	8,400	-	Special reserve	338,488	2	-	-
Furniture and fixtures	143,065	1	124,459	1	Unappropriated earnings	3,523,813	17	4,024,804	22
Leasehold improvements	459	-	459	-	Other				
Total cost	2,751,671	14	2,372,322	13	Unrealized loss on long-term investments	(285,085)	(1)	(289,458)	(2)
Less: Accumulated depreciation	1,174,091	6	912,713	5	Cumulative translation adjustments	(9,775)	-	(49,030)	-
Advance payments and construction in progress	9,874	-	20,688	-	Treasury stock (at cost) - 8,726 thousand shares in 2005 and 5,854 thousand shares in 2004 (Note 13)	(176,566)	(1)	(95,605)	-
Net properties	1,587,454	8	1,480,297	8	Total shareholders' equity	15,989,019	78	15,264,134	84
INTANGIBLE ASSETS, NET (Notes 2 and 8)	1,044,784	5	1,122,172	6					
OTHER ASSETS									
Other financial assets-noncurrent (Notes 9)	656,662	3	221,970	1					
Deferred income taxes - noncurrent (Notes 2 and 15)	526,255	3	584,810	4					
Deferred charges and others (Notes 2 and 10)	20,199	-	31,072	-					
Total other assets	1,203,116	6	837,852	5					
TOTAL	\$ 20,371,998	100	\$ 18,106,649	100	TOTAL	\$ 20,371,998	100	\$ 18,106,649	100

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

SUNPLUS TECHNOLOGY COMPANY LIMITED

STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2005 AND 2004

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

	2005		2004	
	Amount	%	Amount	%
GROSS SALES	\$ 18,918,687		\$ 19,185,935	
SALES RETURNS AND ALLOWANCES	<u>137,565</u>		<u>245,879</u>	
NET SALES (Notes 2, 8 and 17)	18,781,122	100	18,940,056	100
REALIZED (UNREALIZED) INTERCOMPANY PROFIT, NET (Note 2)	(6,583)	-	3,123	-
COST OF SALES (Note 14)	<u>12,654,142</u>	<u>67</u>	<u>12,999,973</u>	<u>68</u>
GROSS PROFIT	<u>6,120,397</u>	<u>33</u>	<u>5,943,206</u>	<u>32</u>
OPERATING EXPENSES (Notes 14 and 17)				
Marketing	528,741	3	538,165	3
General and administrative	543,841	3	432,277	2
Research and development	<u>2,463,810</u>	<u>13</u>	<u>2,046,236</u>	<u>11</u>
Total operating expenses	<u>3,536,392</u>	<u>19</u>	<u>3,016,678</u>	<u>16</u>
OPERATING INCOME	<u>2,584,005</u>	<u>14</u>	<u>2,926,528</u>	<u>16</u>
NONOPERATING INCOME AND GAINS				
Interest revenue	70,925	1	34,687	-
Gain on sale of investments, net (Note 2)	41,114	-	90,436	1
Income from counter-party default	23,600	-	-	-
Foreign exchange gain, net (Notes 2 and 20)	15,179	-	-	-
Subsidies (Note 2)	11,471	-	23,000	-
Dividend income (Notes 2 and 17)	4,822	-	24,554	-
Others (Note 17)	<u>29,672</u>	<u>-</u>	<u>62,582</u>	<u>-</u>
Total nonoperating income and gain s	<u>196,783</u>	<u>1</u>	<u>235,259</u>	<u>1</u>
NONOPERATING EXPENSES AND LOSSES				
Loss on inventory (Note 2)	224,520	1	175,990	1
Investment loss recognized by the equity method, net (Notes 2and 6)	170,556	1	278,206	2
Interest expense	5,933	-	4,477	-
Foreign exchange loss, net (Notes 2 and 20)	-	-	51,182	-
Permanent loss on long-term investments (Note 2)	-	-	7,036	-
Others	<u>2,085</u>	<u>-</u>	<u>11,467</u>	<u>-</u>
Total nonoperating expenses and losses	<u>403,094</u>	<u>2</u>	<u>528,358</u>	<u>3</u>

(Continued)

	<u>2005</u>		<u>2004</u>	
	Amount	%	Amount	%
INCOME BEFORE INCOME TAX	\$ 2,377,694	13	\$ 2,633,429	14
INCOME TAX BENEFIT (Notes 2 and 15)	<u>20,661</u>	<u>-</u>	<u>104,262</u>	<u>-</u>
NET INCOME	<u>\$ 2,398,355</u>	<u>13</u>	<u>\$ 2,737,691</u>	<u>14</u>

	<u>2005</u>		<u>2004</u>	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
EARNINGS PER SHARE (Note 16)				
Basic	<u>\$ 2.53</u>	<u>\$ 2.56</u>	<u>\$ 2.82</u>	<u>\$ 2.93</u>
Diluted	<u>\$ 2.51</u>	<u>\$ 2.53</u>	<u>\$ 2.77</u>	<u>\$ 2.88</u>

The pro forma net income and earnings per share (EPS) on the assumption that the stock of parent company held by its subsidiary is treated as an investment and not as treasury stock are shown as follows (Notes 2 and 13):

	<u>2005</u>		<u>2004</u>	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
NET INCOME				
BASIC EPS	<u>\$ 2,389,317</u>	<u>\$ 2,409,978</u>	<u>\$ 2,656,890</u>	<u>\$ 2,761,152</u>
Based on weighted-average shares				
Outstanding – 944,751 thousand shares in 2005 and 941,517 thousand shares in 2004	<u>\$2.53</u>	<u>\$2.55</u>	<u>\$2.82</u>	<u>\$2.93</u>
DILUTED EPS				
Based on weighted-average shares				
Outstanding – 952,651 thousand shares in 2005 and 955,554 thousand shares in 2004	<u>\$2.51</u>	<u>\$2.53</u>	<u>\$2.78</u>	<u>\$2.89</u>

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

(Concluded)

SUNPLUS TECHNOLOGY COMPANY LIMITED

**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2005 AND 2004
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

	Capital Stock Issued		Capital Surplus (Note 2)				Retained Earnings (Note 10)				Unrealized Loss on Long-term Investments (Note 2)	Cumulative Translation Adjustments (Note 2)	Treasury Stock (Notes 2 and 13)	Total Shareholders' Equity	
	Shares (Thousands)	Amount	Additional paid-in Capital	From long-term Investments	From Merger	Treasury Stock Transactions	Total	Legal Reserve	Special Reserve	Unappropriated Earnings					Total
BALANCE, JANUARY 1, 2004	777,504	\$ 7,775,040	\$ 1,567,308	\$ 478,073	\$ 157,423	\$ -	\$ 2,202,804	\$ 1,115,921	\$ 58,633	\$ 2,971,910	\$ 4,146,464	\$ (9,908)	\$ 10,888	\$ (95,605)	\$ 14,029,683
Appropriation of prior year's earnings															
Legal reserve	-	-	-	-	-	-	-	200,697	-	(200,697)	-	-	-	-	-
Reversal of special reserve	-	-	-	-	-	-	-	-	(58,633)	58,633	-	-	-	-	-
Bonus to employees - stock	20,000	200,000	-	-	-	-	-	-	-	(200,000)	(200,000)	-	-	-	-
Remuneration to directors and supervisors	-	-	-	-	-	-	-	-	-	(20,977)	(20,977)	-	-	-	(20,977)
Stock dividends - NT\$0.2 per share	15,550	155,500	-	-	-	-	-	-	-	(155,500)	(155,500)	-	-	-	-
Cash dividends - NT\$1.5 per share	-	-	-	-	-	-	-	-	-	(1,166,256)	(1,166,256)	-	-	-	(1,166,256)
Capital stock transferred from capital surplus	62,200	622,004	(622,004)	-	-	-	(622,004)	-	-	-	-	-	-	-	-
Net income in 2004	-	-	-	-	-	-	-	-	-	2,737,691	2,737,691	-	-	-	2,737,691
Unrealized losses on long-term investment	-	-	-	-	-	-	-	-	-	-	-	(231,832)	-	-	(231,832)
Adjustment due to changes in investees' equity in long-term investments	-	-	-	-	-	-	-	-	-	-	-	(47,718)	-	-	(47,718)
Stock dividends received by subsidiaries from the Company	-	-	-	-	-	23,461	23,461	-	-	-	-	-	-	-	23,461
Translation adjustments on long-term investments	-	-	-	-	-	-	-	-	-	-	-	-	(59,918)	-	(59,918)
BALANCE, DECEMBER 31, 2004	875,254	8,752,544	945,304	478,073	157,423	23,461	1,604,261	1,316,618	-	4,024,804	5,341,422	(289,458)	(49,030)	(95,605)	15,264,134
Appropriation of prior year's earnings:															
Legal reserve	-	-	-	-	-	-	-	27,3769	-	(273,769)	-	-	-	-	-
Special reserve	-	-	-	-	-	-	-	-	338,488	(338,488)	-	-	-	-	-
Bonus to employees - stock	22,500	225,000	-	-	-	-	-	-	-	(225,000)	(225,000)	-	-	-	-
Bonus to employees - cash	-	-	-	-	-	-	-	-	-	(25,000)	(25,000)	-	-	-	(25,000)
Remuneration to directors and supervisors	-	-	-	-	-	-	-	-	-	(24,004)	(24,004)	-	-	-	(24,004)
Stock dividends - \$0.2980 per share	26,258	262,576	-	-	-	-	-	-	-	(262,576)	(262,576)	-	-	-	-
Cash dividends - \$1.9859 per share	-	-	-	-	-	-	-	-	-	(1,750,509)	(1,750,509)	-	-	-	(1,750,509)
Capital stock transferred from capital surplus	17,505	175,051	(175,051)	-	-	-	(175,051)	-	-	-	-	-	-	-	-
Issuance of shares upon exercise of employee stock options	7,213	72,125	120,194	-	-	-	120,194	-	-	-	-	-	-	-	192,319
Net income in 2005	-	-	-	-	-	-	-	-	-	2,398,355	2,398,355	-	-	-	2,398,355
Adjustment arising from changes in ownership percentage in investees	-	-	-	(44,097)	-	-	(44,097)	-	-	-	-	-	-	-	(44,097)
Adjustment for changes in shareholders' equities in equity-method investees	-	-	-	3,531	-	-	3,531	-	-	-	-	31,880	-	-	35,411
Unrealized losses on long-term investment	-	-	-	-	-	-	-	-	-	-	-	(27,507)	-	-	(27,507)
Treasury stock repurchased by the Company -2,582 thousand shares	-	-	-	-	-	-	-	-	-	-	-	-	-	(80,961)	(80,961)
Stock dividends received by subsidiaries from the Company	-	-	-	-	-	11,623	11,623	-	-	-	-	-	-	-	11,623
Translation adjustments on long-term investments	-	-	-	-	-	-	-	-	-	-	-	-	39,255	-	39,255
BALANCE, DECEMBER 31, 2005	948,730	\$ 9,487,296	\$ 890,447	\$ 437,507	\$ 157,423	\$ 35,084	\$ 1,520,461	\$ 1,590,387	\$ 338,488	\$ 3,523,813	\$ 5,452,688	\$ (285,085)	\$ (9,775)	\$ (176,566)	\$ 15,989,019

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

SUNPLUS TECHNOLOGY COMPANY LIMITED

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2005 AND 2004 (In Thousands of New Taiwan Dollars)

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 2,398,355	\$ 2,737,691
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	704,951	571,974
Investment loss recognized by the equity method	170,556	278,206
Gain on sale of long-term investments, net	(35,166)	(44,394)
Permanent loss on long-term investments	-	7,036
Unrealized (realized) intercompany profit, net	6,583	(3,123)
Unrealized (realized) royalty income	(22,171)	31,430
Loss on disposal of properties	60	8
Deferred income taxes	(83,652)	(182,906)
Accrued pension liabilities	29,977	43,788
Net changes in operating assets and liabilities		
Notes and accounts receivable		
Third parties	(688,168)	(369,172)
Related parties	70,811	78,685
Other financial assets - current	328,454	(124,034)
Inventories	159,300	(1,459,407)
Other current assets	(44,988)	19,590
Accounts payable	1,336,470	(77,251)
Income tax payable	(434)	(11,195)
Other current liabilities	<u>48,869</u>	<u>235,004</u>
Net cash provided by operating activities	<u>4,379,807</u>	<u>1,731,930</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in short-term investments	(290,327)	2,661,094
Proceeds from disposal of:		
Long-term investments	107,454	175,716
Properties	1,043	712
Acquisition of:		
Long-term investment	(409,404)	(336,188)
Properties	(371,672)	(333,067)
Increase in intangible assets	(335,173)	(278,529)
Increase in other financial assets - noncurrent	(434,692)	(85,960)
Decrease (increase) in deferred charges and others	<u>4,343</u>	<u>(2,521)</u>
Net cash provided by (used in) investing activities	<u>(1,728,428)</u>	<u>1,801,257</u>

(Continued)

	2005	2004
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in guarantee deposits	\$ 121,053	\$ 24,756
Cash dividends paid for common stock	(1,750,509)	(1,166,256)
Remuneration paid to directors and supervisors	(49,004)	(20,977)
Proceeds from exercise of sock options	192,319	-
Repurchase of treasury stock	<u>(80,961)</u>	<u>-</u>
Net cash used in financing activities	<u>(1,567,102)</u>	<u>(1,162,477)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,084,277	2,370,710
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>3,430,142</u>	<u>1,059,432</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 4,514,419</u>	<u>\$ 3,430,142</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Income tax paid	<u>\$ 60,281</u>	<u>\$ 89,838</u>
Interest paid	<u>\$ 6,056</u>	<u>\$ 3,757</u>
NONCASH INVESTING AND FINANCING ACTIVITIES:		
Reclassification of other current liabilities to long-term investments	<u>\$ 2,331</u>	<u>\$ 4,127</u>
PARTIAL CASH INVESTING AND FINANCING ACTIVITIES:		
Acquisition of properties	\$ (394,120)	\$ (343,012)
Increase (decrease) in payables to contractors and equipment suppliers	<u>22,448</u>	<u>9,945</u>
Cash paid	<u>\$ (371,672)</u>	<u>\$ (333,067)</u>
Proceeds from sale of long-term investment	\$ 107,925	\$ 175,716
Receivable from sale of long-term investment	<u>(471)</u>	<u>-</u>
Cash received	<u>\$ 107,454</u>	<u>\$ 175,716</u>

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

(Concluded)

SUNPLUS TECHNOLOGY COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2005 AND 2004

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

1. ORGANIZATION AND OPERATIONS

Sunplus Technology Company Limited (the "Company"), established in August 1990, started its operations in October 1991 and moved into the Hsinchu Science-Based Industrial Park in October 1993. It researches, develops, designs, tests, and sells high-quality, high value-added consumer integrated circuits (ICs). Its products are based on core technology in such areas as multimedia audio/video, single-chip microcontroller and digital signal processor. These technologies are used to develop hundreds of products including various ICs: Liquid crystal display, microcontroller, multimedia and application specific.

The Company's shares have been listed on the Taiwan Stock Exchange since January 2000.

As of December 31, 2005 and 2004, the Company had 1,131 and 1,004 employees, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements are 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). Under these guidelines and principles, the Company is required to make certain estimates and assumptions that could affect the amounts of allowance for doubtful accounts, allowance for inventory devaluation, property depreciation, amortization of intangible assets, impairment loss on assets and pension expenses. Actual results could differ from these estimates.

The Company's significant accounting policies are summarized as follows:

Current/Noncurrent Assets and Liabilities

Current assets are those to be converted to cash and cash equivalents or consumed within one year. Current liabilities are those to be paid off or settled within one year. All other assets and liabilities are classified as noncurrent.

Cash Equivalents

Commercial paper purchased with maturities of three months or less are cash equivalents. The carrying amount of cash equivalents approximates their fair value.

Short-term Investments

Short-term investments are open-end funds, which are carried at the lower of aggregate cost or market value. Declines in market value are recognized as a loss in the period of occurrence. An allowance for losses is provided when the aggregate carrying value of the investments exceeds their total market value. Any recovery of the market value to the extent of the original carrying value is recognized as income. Costs of the investments sold are determined using the weighted-average method. The market value of the open-end funds is their net asset value on the last trading day of the reporting period.

Allowance for Doubtful

Allowance for doubtful accounts is provided on the basis of a periodic review of the collectibility of receivables, taking into account the age of receivables and the financial condition of the debtors.

Inventories

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

Long-term Investments

Investments in share of stock of companies in which the Company owns at least 20% of the outstanding voting shares or exercises significant influence on their operating and financial policy decisions are accounted for by the equity method. The difference between the investment cost and the Company's equity in the investees' net assets on the acquisition date is amortized over five years using the straight-line method. This amortization and the Company's equity in the investees' net income or net loss are recognized as equity-method investment income (loss), net,

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

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.

Gains or losses on sales to equity-method investees in which the Company owns less than a controlling interest are deferred in proportion to the Company's percentage of investee ownership. However, the entire gains or losses on the Company's sales to subsidiaries are deferred. Gains or losses from sales by investees to the Company are deferred in proportion to the Company's percentage of investee ownership. All of these deferred gains and losses are realized upon resale of products to third parties.

The Company recognizes a reduction of shareholders' equity if it incurs an unrealized loss on a long-term investment as a result of the investee's application of the lower of cost or market valuation method as reported in the financial statements of its equity-method investee. A reversal of the unrealized loss will result from a recovery of the market value.

Investments in which the Company owns less than 20% of the outstanding voting shares are accounted for by the cost method. Shares of stock with no quoted market prices are stated at cost. An other than temporary decline either in carrying value or in market value below carrying value is charged to current income, and the carrying amount of these investments after recognizing losses will become the new cost of the investment. Cash dividends received within a year of investment acquisition are accounted for as a reduction of the carrying value of the investment, while cash dividends received in subsequent years are recognized as investment income.

For both equity-method and cost-method investments, stock dividends received are recognized only as an increase in the number of shares held rather than investment income. Investment cost per share is then recalculated on the basis of the new number of shares. The cost of investments sold or transferred is determined using the weighted-average method.

Since January 2002, the Company has recorded its stocks held by its subsidiaries as treasury stocks. The recorded costs of treasury stocks are based upon the carrying values of the long-term investments in subsidiaries' books as of January 2002. Monthly, treasury stocks are separated from other investments and evaluated for the lower of cost or market value. The resulting gain on investment from cash dividends appropriated to subsidiaries is credited to capital surplus.

Convertible bonds are stated at cost, and the costs of mature or sold investments are determined using the weighted- average method.

Properties

Properties are stated at cost less accumulated depreciation. Major additions, renewals and betterments are capitalized, while maintenance and repairs are expensed in the period incurred.

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

Depreciation is computed using the straight-line method over service lives initially estimated as follows: buildings - 3 to 55 years; auxiliary equipment - 3 to 10 years; machinery and equipment - 3 to 5 years; testing equipment - 3 to 5 years; transportation equipment - 3 to 5 years; furniture and fixtures - 3 to 10 years; and leasehold improvements - 3 years.

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

Intangible Assets

Intangible assets consist of technology license fees and patents, which are booked at the acquisition cost and amortized using the straight-line method over 2 to 5 years and 5 to 18 years, respectively.

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

Deferred Charges

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

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

Revenue Recognition

The Company recognizes net sales when the earnings process is complete, as evidenced by an agreement with the customer, transfer of title and acceptance, if applicable, the price is fixed or determinable and the collectibility is reasonably assured. The Company does not recognize sales on transactions involving the delivery of materials to subcontractors since there is no transfer of ownership of materials.

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

Government Subsidies

Amounts received by the Company from the government for the sponsorship of the development of certain products are recognized as subsidy income when realized or as deferred income when unrealized.

Pension Costs

For employees under defined benefit pension plans net periodic pension costs are recorded on the basis of actuarial calculations. For employees under defined contribution pension plans, unrecognized net transition obligation and unrecognized net gains or losses are amortized over 15 years and the employee's residual length of service, respectively, using the straight-line method.

Income Tax

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

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

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

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

Foreign-currency Transactions

Foreign-currency transactions (except derivative transactions) are recorded in New Taiwan dollars at the rates of exchange in effect when the transactions occur. Gains or losses from the settlement of foreign-currency transactions or conversion of cash in foreign currency into New Taiwan dollars at prevailing rates are recognized as current income. At the end of each period, foreign-currency assets and liabilities are revalued at the prevailing exchange rate, with the resulting gains or losses recognized as current income. If an investee's functional currency is a foreign currency, gains or losses resulting from translation of the foreign currency financial statements are recognized as a translation adjustment under shareholders' equity.

Derivative Transactions

The Company enters into forward contracts to manage currency exposures in cash flows and foreign-currency assets and liabilities. Premiums or discounts, which are the differences between the spot rates at the start of the contracts and the contracted forward rates, are recognized in the current year and amortized over the terms of the forward contracts. On the balance sheet date, the receivables or payables arising from forward contracts are restated at the prevailing spot rates, and the resulting differences between these balance sheet date rates and spot rates on the contract starting dates are recognized and charged to income. Also, the receivables and payables on the forward contracts are netted out, and the resulting amount is presented as an asset or a liability.

For the currency option contracts, which are entered into for nontrading purposes, the premiums paid are amortized over the contract term and recorded as gain or loss on the balance sheet dates. The difference in foreign currency on the contract starting dates and on settlement will also be recognized as an adjustment to income. The carrying value of liabilities or assets is adjusted to its fair value on the balance sheet date, with the resulting gain or loss recognized as current income.

Reclassifications

Certain 2004 accounts have been reclassified to be consistent with the financial statements as of and for the year ended December 31, 2005.

3. CASH AND CASH EQUIVALENTS

	2005	2004
Cash and bank deposits	\$ 4,313,406	\$ 3,430,142
Bonds acquired under repurchase agreements	<u>201,013</u>	<u>-</u>
	<u>\$ 4,514,419</u>	<u>\$ 3,430,142</u>

4. SHORT-TERM INVESTMENTS

	2005	2004
Open-end funds	<u>\$ 1,070,905</u>	<u>\$ 780,578</u>
Market value	<u>\$ 1,075,612</u>	<u>\$ 780,613</u>

5. INVENTORIES, NET

	2005	2004
Finished goods	\$ 1,465,642	\$ 1,866,007
Work in process	1,294,008	962,955
Raw materials	<u>550,163</u>	<u>520,088</u>
	3,309,813	3,349,050
Less: Allowance for losses	<u>300,225</u>	<u>180,162</u>
	<u>\$ 3,009,558</u>	<u>\$ 3,168,888</u>

6 LONG-TERM INVESTMENTS

	2005		2004	
	Carrying Amount	% of Owner- ship	Carrying Amount	% of Owner- ship
Shares:				
Equity method				
Giantplus Technology Co., Ltd.	\$ 975,765	36	\$ 785,757	37
Sunplus Venture Capital Co., Ltd.	679,277	100	763,518	100
Russell Holdings Limited	477,614	100	442,314	100
Lin Shih Investment Co., Ltd.	444,152	100	542,808	100
Ventureplus Group Inc.	395,119	100	209,748	100
Generaplus Technology Corp.	202,940	53	149,984	60
Wei-Young Investment Inc.	183,843	100	188,759	100
Goldkey Technology Corp.	49,906	15	66,407	15
Sunext Technologoy Co., Ltd.	28,452	24	-	-
Techplus Capital Niue Inc.	6,587	100	6,326	100
Sunplus Management Consulting Inc.	4,418	100	4,573	100
Sunplus Technology (H.K.) Co., Ltd	1,458	100	-	-
Waveplus Technology Co., Ltd.	864	10	14,813	10
	<u>3,450,395</u>		<u>3,175,007</u>	
Cost method				
Listed stocks				
RITEK Corp.	335,069	-	335,069	-
Global View Co., Ltd.	223,455	10	223,455	10
United Microelectronics Corp.	45,887	-	45,887	-
Harvatek Corp.	37,488	3	37,488	3
Silicon Application Corp.	26,700	-	26,700	1
Broadcom Corp.	-	-	37,608	-
Unlisted stocks				
Network Capital Global Fund	60,000	7	60,000	7
Technology Partners Venture Capital Corp.	50,000	11	50,000	11
	<u>778,599</u>		<u>816,207</u>	
Less: Allowance for losses	<u>259,339</u>		<u>231,679</u>	
	<u>519,260</u>		<u>584,528</u>	
Convertible bonds:				
AIPTEK International Inc.	20,000	-	20,000	-
Sin Bon Electronics Co., Ltd.	-	-	16,642	-
Action Electionics Co., Ltd.	-	-	16,188	-
	<u>20,000</u>		<u>52,830</u>	
Less: Allowance for loss	<u>-</u>		<u>153</u>	
	<u>20,000</u>		<u>52,677</u>	
Prepayment for long-term investment				
ORISE Technology Co., Ltd.	1,000		-	
	<u>\$ 3,990,655</u>		<u>\$ 3,812,212</u>	
Credit balance of long-term investments (recorded as other current liabilities)				
Sunplus Technology (H.K.) Co., Ltd.	\$ -	-	\$ 2,331	100

As of December 31, 2005 and 2004, the Company and its subsidiaries collectively owned 32% and 43% of Goldkey Technology Corp., Ltd and Waveplus Technology Co., Ltd, respectively. Thus, these investment were accounted for by the equity method. In August 2005, the Company acquired 24% of Sunext Technology Co., Ltd. ("Sunext"); thus, the Company and its subsidiaries owned 68% of Sunext. Sunext develops, designs, and sells optical electronic and SOC (system on chip) ICs.

The consolidated financial statements as of and for the year ended December 31, 2005 included all of the Company's subsidiaries. The Company did not have to prepare consolidated financial statements for the year ended December 31, 2004.

The financial statements used as basis for calculating the carrying values of the equity-method investments and the related investment gains and losses in 2005 and 2004 had all been audited, except those of Sunplus Management Consulting Inc. (SMCI). The Corporation's management believed that had SMCI's financial statements been audited, there would have been no material effect on the Company's financial statements. The equity-method investment amounts were as follows:

	2005	2004
Giantplus Technology Co., Ltd.	\$ 207,019	\$ 127,359
Sunplus Venture Capital Co., Ltd.	(103,036)	(99,709)
Russell Holdings Limited	(46,680)	(116,519)
Lin Shih Investment Co., Ltd.	(121,268)	(134,269)
Ventureplus Group Inc.	(52,599)	(64,472)
Generaplus Technology Corp.	45,602	30,049
Wei-Young Investment Inc.	(4,916)	(11,241)
Goldkey Technology Corp.	(16,508)	2,199
Sunext Technolgy Co., Ltd.	(67,874)	-
Techplus Capital Niue Inc.	33	(4)
Sunplus Management Consulting Inc.	(155)	(427)
Sunplus Technology (H.K.) Co., Ltd.	3,788	4,245
Waveplus Technology Co., Ltd.	<u>(13,962)</u>	<u>(15,417)</u>
	<u>\$ (170,556)</u>	<u>\$ (278,206)</u>

The lower of the aggregate cost or market value of long-term investment was as follows:

	2005	2004
Listed stocks		
RITEK Corp.	\$ 53,695	\$ 57,995
Global View Co., Ltd.	149,787	186,419
United Microelectronics Corp.	50,715	48,673
Harvatek Corp.	142,667	100,266
Silicon Application Corp.	12,396	17,166
Broadcom Corp.	-	64,009
Convertible bonds		
AIPTEK International Inc.	20,744	19,164
Sin Bon Electronics Co., Ltd.	-	17,658
Action Electronics Co., Ltd.	-	15,855

7. PROPERTIES

	2005	2004
Accumulated depreciation:		
Buildings	\$ 88,336	\$ 68,584
Auxiliary equipment	92,641	80,530
Machinery and equipment	350,493	292,132
Testing equipment	549,588	401,611
Transportation equipment	5,613	4,287
Furniture and fixtures	87,190	65,444
Leasehold improvements	<u>230</u>	<u>125</u>
	<u>\$ 1,174,091</u>	<u>\$ 912,713</u>

8. INTANGIBLE ASSETS, NET

	2005	2004
Technology license fee	\$ 962,045	\$ 1,033,888
Patents	<u>82,739</u>	<u>88,284</u>
	<u>\$ 1,044,784</u>	<u>\$ 1,122,172</u>

Intangible assets consisted of fee 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.

The Company also authorized Sunext Technology to research, design and manufacture products using the said technology in exchange for royalty income (shown under “gross sales” in the income statements and as “deferred royalty income” on the balance sheets.).

9. OTHER FINANCIAL ASSETS – NONCURRENT

	Investment (In Thousands of US\$)	Book Value	Maturity Period
<u>December 31, 2005</u>			
Inverse floaters: Time deposits with floating interest rates indexed to LIBOR rates	\$ <u>6,000</u>	\$ 197,100	Sep 2010-Apr, 2014
Credit-linked investment contract		<u>459,562</u>	Jul 2007-Aug 2007
		<u>\$ 656,662</u>	
<u>December 31, 2004</u>			
Inverse floaters: Time deposits with floating interest rates indexed to LIBOR rates	\$ <u>7,000</u>	\$ <u>221,970</u>	Sep 2010-Apr, 2014

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

10. DEFERRED CHARGES AND OTHERS

	2005	2004
Software and system design	\$ 9,588	\$ 16,095
Electricity installation	-	23
Golf evidence	7,800	7,800
Refundable Deposits	<u>2,811</u>	<u>7,154</u>
	<u>\$ 20,199</u>	<u>\$ 31,072</u>

11. PENSION PLAN

The Labor Pension (the "Act") took effect on July 1, 2005. The employees subject to the Labor Standards Law before July 1, 2005 were allowed to choose to be subject to the pension mechanism under the Act or to continue being subject to the pension mechanism under the Labor Standards Law. For Company employees who were subject to the Labor Standards Law before July 1, 2005 and choose to be subject to the Act, their service years as of July 1, 2005 will be retained. Those hired on or after July 1, 2005 are automatically subject to the Act. Based on the Act, the Company's monthly contributions to employees' individual pension accounts starting from July 1, 2005 have been at 6% of employees' salaries. Thus, the pension cost recognized by the Company in the second half of 2005 was \$22,733 thousand.

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

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

	2005	2004
a. Components of net pension costs		
Service costs	\$ 33,810	\$ 48,097
Interest costs	9,933	6,026
Projected return on plan assets	(1,751)	(1,025)
Amortization	<u>3,798</u>	<u>3,607</u>
Net pension costs	<u>\$ 45,790</u>	<u>\$ 56,705</u>
b. Reconciliation of the fund status of the plan and accrued pension costs		
Benefit obligation		
Vested benefit obligation	\$ -	\$ -
Non-vested benefit obligation	<u>114,454</u>	<u>110,518</u>
Accumulated benefit obligation	114,454	110,518
Additional benefits based on future salaries	<u>206,026</u>	<u>177,767</u>
Projected benefit obligation	320,480	288,285
Fair value of plan assets	<u>(71,196)</u>	<u>(54,483)</u>

(Continued)

	2005	2004
Funded status	\$ 249,284	\$ 233,802
Unrecognized net transition obligation	(3,819)	(4,309)
Unrecognized net loss	<u>(62,902)</u>	<u>(76,907)</u>
Accrued pension liability	<u>\$ 182,563</u>	<u>\$ 152,586</u>
Vested benefit	<u>\$ -</u>	<u>\$ -</u>

c. Actuarial assumptions

	2005	2004
Discount rate used in determining present values	3.50%	2.5%
Future salary increase rate	5.75%	5.0%
Expected rate of return on plan assets	3.50%	2.5%

(Concluded)

12. SHAREHOLDERS' EQUITY

a. Employee Stock Option Plan

On March 7, 2003, the Securities and Futures Bureau (SFB; known as "Securities and Futures Commission" before July 1, 2004) approved the Company's adoption of an employee stock option plan. The plan provides for the grant of 30,000 thousand options, with each unit representing one common share. The option rights are granted to qualified employees of the Company and subsidiaries. A total of 30,000 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 right are granted at an exercise price equal to the closing price of the Company's common shares listed on the Taiwan Stock Exchange on the grant date. All options had been granted or canceled as of December 31, 2005.

Outstanding option rights were as follows:

	<u>2005</u>		<u>2004</u>	
	Unit (In Thousands)	Weighted- Average Price (NT\$)	Unit (In Thousands)	Weighted- Average Price (NT\$)
Beginning outstanding balance	\$ 32,589	\$ 32.34	\$ 31,049	39.90
Options granted	1,281	29.63	3,014	32.25
Options exercised	(7,213)	26.66	-	-
Options canceled	<u>(1,461)</u>		<u>(1,474)</u>	
Ending outstanding balance	<u>\$ 25,196</u>		<u>\$ 32,589</u>	

Note: The number of outstanding options and exercise prices have been adjusted to reflect the appropriations of dividends based on the plan.

As of December 31, 2005, the outstanding and exercisable options were as follows:

Exercise Price (NT\$)	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\$)
\$23.90	16,764	3.35	\$23.90	8,382	\$23.90
41.50	8,432	3.66	41.50	4,216	41.50

b. Global Depositary Receipts (GDRs)

In March 2001, the Company issued 20,000 thousand units of Global Depositary Receipts (GDRs), representing 40,000 thousand common shares consisting of newly issued and originally outstanding shares. The GDRs are listed on the London Stock Exchange (code: SUPD) with an issuance price of US\$9.57 per unit. In 2005, the GDRs have been redeemed into 83,679 thousand of common shares amounting to US\$226,535 thousand. The outstanding GDRs, representing 4,556 thousand common shares, are accounted for 0.48% of outstanding common stock.

c. Capital Surplus

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

d. Appropriation of Earnings and Dividend Policy

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

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

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 long-term investments and cumulative translation adjustments) should be made from unappropriated retained earnings. The special reserve is allowed to be appropriated to the extent that the debit balance of such accounts is reversed.

Under the ROC Company Law, legal reserve should be appropriated until the reserve equals the Company's paid-in capital. This reserve may be used to offset a deficit. In addition, when the reserve exceeds 50% of the Company's paid-in capital, the portion of up to 25% of the excess can be distributed as stock dividend and bonus.

The appropriation of earnings should be approved by the shareholders in the year following the year of

earnings generation and given effect to in the financial statements of that following year.

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

The appropriations for the earnings of 2004 and 2003 were approved in the shareholders' meetings on June 13, 2005 and June 1, 2004, respectively. The appropriations, including dividends, were as follows:

	<u>For Fiscal Year 2004</u>		<u>For Fiscal Year 2003</u>	
	<u>Appropriation of Earnings</u>	<u>Dividends Per Share (NT\$)</u>	<u>Appropriation of Earnings</u>	<u>Dividends Per Share (NT\$)</u>
Legal reserve	\$ 273,769		\$ 200,697	
Special reserve	338,488		-	
Bonus to employees – stock	225,000		200,000	
Bonus to employees – cash	25,000		-	
Remuneration of directors and supervisors	24,004		20,977	
Stock dividends	262,576	\$ 0.2980	155,500	\$ 0.2
Cash dividends	<u>1,750,509</u>	1.9859	<u>1,166,256</u>	1.5
	<u>\$ 2,899,346</u>		<u>\$ 1,743,430</u>	

The above appropriation of the earnings is consistent with the resolutions passed at the meetings of the board of directors on April 28, 2005 and March 15, 2004. Had the above employee stock bonus been paid in cash and had all of the bonus to employees and remuneration to directors and supervisors been charged against income for 2004 and 2003, the after-tax basic earnings per share in 2004 and 2003 would have decreased from NT\$3.15 and NT\$2.60 to NT\$2.83 and NT\$2.31. The shares distributed as a bonus to employees represented 2.6% of the Company's total outstanding common shares as of December 31, 2004 and 2003.

As of January 27, 2006, the date of the accompanying auditors' report, the board of directors had not resolved the appropriation of the 2005 earnings. The earnings appropriation can be accessed online through the Market Observation Post System on the Web site of the Taiwan Stock Exchange.

13. TREASURY STOCK (COMMON STOCK)

(Units: Shares in Thousands)

<u>Purpose of Purchase</u>	<u>Beginning Shares</u>	<u>Increase</u>	<u>Ending Shares</u>
<u>2005</u>			
Company stocks held by subsidiaries	5,854	290	6,144
For subsequent transfer to employees	<u>-</u>	<u>2,582</u>	<u>2,582</u>
	<u>5,854</u>	<u>2,872</u>	<u>8,726</u>
<u>2004</u>			
Company stocks held by subsidiaries	<u>5,322</u>	<u>532</u>	<u>5,854</u>

Starting in January 2002, the Company accounted for its issued shares amounting to \$95,605 thousand held by a subsidiary, Lin Shin Investment Co., Ltd., as treasury stock. As of December 31, 2005 and 2004, the book values of these stocks were both \$95,605 thousand, and the market values of these stocks were \$232,131 thousand and \$257,444 thousand, respectively.

Under the regulation of the Securities and Futures Bureau, the Company should acquire no more than 10% of all its issued shares. It should not pledge treasury shares and should not exercise shareholders' rights on these shares before their transfer. In addition, the aggregate reacquisition cost should not exceed the combined balance of the retained earnings and certain capital surplus. However, the subsidiaries holding Sunplus' issued shares retain shareholders' rights and privileges on these shares, except for the right to participate in the Company's capital increase. Further, under the revised Company Law, the subsidiaries holding Sunplus's issued shares will no longer be entitled, effective June 24, 2005, to the voting right.

14. PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

	2005			2004		
	Classified as Cost of Sales	Classified as Operating Expense	Total	Classified as Cost of Sales	Classified as Operating Expense	Total
Labor cost						
Salary	\$ 110,970	\$ 1,018,802	\$ 1,129,772	\$ 108,876	\$ 929,179	\$ 1,038,055
Labor/health insurance	7,561	58,399	65,960	6,200	47,443	53,643
Pension	7,788	60,735	68,523	5,438	51,267	56,705
Welfare benefit	3,687	25,774	29,461	3,969	25,534	29,503
Meal	<u>2,893</u>	<u>19,942</u>	<u>22,835</u>	<u>2,546</u>	<u>16,506</u>	<u>19,052</u>
	<u>\$ 132,899</u>	<u>\$ 1,183,652</u>	<u>\$ 1,316,551</u>	<u>\$ 127,029</u>	<u>\$ 1,069,929</u>	<u>\$ 1,196,958</u>
Depreciation	<u>\$ 69,380</u>	<u>\$ 216,480</u>	<u>\$ 285,860</u>	<u>\$ 78,966</u>	<u>\$ 165,153</u>	<u>\$ 244,119</u>
Amortization	<u>\$ 1,354</u>	<u>\$ 417,737</u>	<u>\$ 419,091</u>	<u>\$ 856</u>	<u>\$ 326,999</u>	<u>\$ 327,855</u>

15. INCOME TAX

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

	2005	2004
Income tax expense on income before income tax at statutory rate (25%)	\$ 594,424	\$ 658,357
Tax effects of adjustments:		
Tax-exempt income	(431,742)	(543,319)
Permanent difference	38,751	52,782
Temporary difference	<u>45,947</u>	<u>59,910</u>
Income tax expense before tax credits	<u>\$ 247,380</u>	<u>\$ 227,730</u>

(Continued)

	2005	2004
b. Income tax benefit consisted of the following:		
Income tax expense before tax credits	\$ (247,380)	\$ (227,730)
Additional tax at 10% on unappropriated earnings	(21,541)	(57,774)
Investment tax credits	185,871	218,189
Net change in deferred income taxes	83,652	182,906
Nondeductible tax credits - income from overseas	-	(14,015)
Adjustment of prior years' income tax expense	<u>20,059</u>	<u>2,686</u>
	<u>\$ 20,661</u>	<u>\$ 104,262</u>

c. Deferred income tax assets consisted of the following:

Current:

Investment tax credits	\$ 179,834	\$ 57,219
Temporary difference	<u>34,186</u>	<u>14,594</u>
	<u>\$ 214,020</u>	<u>\$ 71,813</u>

Noncurrent:

Investment tax credits	\$ 845,070	\$ 612,596
Temporary difference	21,670	40,443
Valuation allowances	<u>(340,485)</u>	<u>(68,229)</u>
	<u>\$ 526,255</u>	<u>\$ 584,810</u>

(Concluded)

The effective tax rate for calculating deferred income tax as of December 31, 2005 and 2004 was 25%.

As of December 31, 2005, investment tax credits were as follows:

Regulatory Basis of Tax Credits	Items	Total Creditable Amounts	Remaining Creditable Amounts	Expiry Year
Statute for Upgrading Industries	Purchase of machinery and Equipment	\$ 55,263	\$ -	2005
		2,360	2,360	2006
		2,432	2,432	2007
		8,952	8,952	2008
		<u>1,319</u>	<u>1,319</u>	2009
		<u>\$ 70,326</u>	<u>\$ 15,063</u>	
Research and development expenditures		\$ 177,474	\$ 177,474	2006
		189,636	189,636	2007
		323,664	323,664	2008
		<u>453,442</u>	<u>319,067</u>	2009
				<u>\$1,144,216</u>

The income from separate expansion projects on the design, manufacture, test and sale of ICs for voice and music applications, telephone answering equipment, multimedia systems, wireless communications systems, digital signal processing controllers and special applications is exempt from income tax. The related tax-exemption periods are as follows:

Project	Tax Exemption Period
Fourth expansion	January 1, 2002 to December 31, 2005
Fifth expansion	January 1, 2003 to December 31, 2006

Income from separate projects on the design, manufacture and sale of control chips for digital cameras, scanners and PC cameras is exempt from income tax for five years from January 1, 2002.

The income tax returns through 2002 had been examined and cleared by the tax authorities. However, the Company is contesting the assessment of the tax authority for 1998 and the relevant valuation allowance had been recognized for deferred income tax assets.

d. Integrated income tax information is as follows:

	2005	2004
Shareholders' imputation credit account	\$ 22,441	\$ 32,799
Unappropriated earnings until 1997	<u>\$ 452,310</u>	<u>\$ 452,310</u>

The expected and actual creditable tax ratios for 2005 and 2004 were 2.81% and 2.11%, respectively.

The imputation credits allocated to the shareholders are based on the balance as of the date of dividend distribution. The expected creditable ratio for distribution of earnings of 2005 may be adjusted when the allocation of the imputation credits is made.

e. As the Alternative Minimum Tax (AMT) becomes effective on January 1, 2006, the Corporation would be required to pay at least the minimum income tax calculated in accordance with AMT annually. Such effect has already been taken into consideration in the evaluation of whether the unused deferred tax assets could be realized.

16. EARNINGS PER SHARE

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

	<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>2005</u>					
Net income	<u>\$ 2,377,694</u>	<u>\$ 2,398,355</u>			
Basic EPS					
Income of common shareholders	\$ 2,377,694	\$ 2,398,355	938,607	<u>\$ 2.53</u>	<u>\$ 2.56</u>
Effect of dilutive securities	-	-	<u>7,900</u>		
Diluted EPS					
Income of common shareholders	<u>\$ 2,377,694</u>	<u>\$ 2,398,355</u>	<u>946,507</u>	<u>\$ 2.51</u>	<u>\$ 2.53</u>
<u>2004</u>					
Net income	<u>\$ 2,633,429</u>	<u>\$ 2,737,691</u>			
Basic EPS					
Income of common shareholders	\$ 2,633,429	\$ 2,737,691	935,373	<u>\$ 2.82</u>	<u>\$ 2.93</u>

Effect of dilutive securities	-	-	<u>14,037</u>		
Diluted EPS					
Income of common shareholders	<u>\$ 2,633,429</u>	<u>\$ 2,737,691</u>	<u>949,410</u>	<u>\$ 2.77</u>	<u>\$ 2.88</u>

The weighted-average number of shares outstanding for EPS calculation was adjusted retroactively for stock dividends and stock bonuses issued subsequently (see Note 12). As a result of this adjustment, the basic EPS and diluted EPS after income tax in 2004 decreased from NT\$3.15 to NT\$2.93 and from NT\$3.10 to NT\$2.88, respectively.

17. RELATED-PARTY TRANSACTIONS

The Company's related parties were as follows:

- a. Global View Co., Ltd. ("Global View") - the Company's supervisor
- b. Giantplus Technology Co., Ltd. ("Giantplus") - equity-method investee
- c. Goldkey Technology Corp. ("Goldkey") - equity-method investee
- d. Waveplus Technology Co., Ltd. ("Waveplus") - equity-method investee
- e. Sunext Technology Co., Ltd. ("Sunext") - equity-method investee
- f. Sunplus Technology (H.K.) Co., Ltd. ("Sunplus H.K.") - 100% subsidiary
- g. Generaplus Technology Inc. ("Generaplus") - 53% subsidiary
- h. Sunplus Technology (Shanghai) Co., Ltd. ("Sunplus Shanghai") - 99% indirect subsidiary
- i. Others - please refer to Note 21 for related parties that did not have business transactions with the Company in the current period.

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

<u>For the year</u>	<u>2005</u>		<u>2004</u>	
	Amount	%	Amount	%
Sales:				
Giantplus	\$ 252,595	1	\$ 407,031	2
Generaplus	131,080	1	99,764	1
Waveplus	119,840	1	108,416	1
Global View	64,409	-	146,330	1
Sunext	22,171	-	73,361	-
Goldkey	7,240	-	41,957	-
Sunplus H.K.	<u>-</u>	<u>-</u>	<u>9,126</u>	<u>-</u>
	<u>\$ 597,335</u>	<u>3</u>	<u>\$ 885,985</u>	<u>5</u>

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

	<u>2005</u>		<u>2004</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Commission expense:				
Waveplus	<u>\$ 14,011</u>	<u>-</u>	<u>\$ 3,399</u>	<u>-</u>

Under the development and sales agreement with Waveplus and A Company, Sunplus should pay commission expenses based on the agreement.

	<u>2005</u>		<u>2004</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Market services expense				
Sunplus H.K	<u>\$ 13,756</u>	<u>-</u>	<u>\$ 13,095</u>	<u>-</u>
Nonoperating income				
Dividend income				
Global View	<u>\$ -</u>	<u>-</u>	<u>\$ 10,962</u>	<u>45</u>
Other:				
Sunext	\$ 3,700	13	\$ 3,600	6
Giantplus	1,609	5	-	-
Generaplus	420	1	-	-
Global View	-	-	1,959	3
Joing	-	-	1,317	2
	<u>\$ 5,729</u>	<u>19</u>	<u>\$ 6,876</u>	<u>11</u>

The above lease transaction prices were negotiated and thus not comparable with those in the market. The transactions between the Company and the above related parties were at normal terms

	<u>2005</u>		<u>2004</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Notes and accounts receivable:				
Giantplus	\$ 36,347	1	\$ 86,053	3
Generaplus	17,795	1	2,161	-
Waveplus	8,275	-	21,122	1
Global View	5,452	-	23,363	1
Sunext	457	-	14	-
Sunplus H.K.	-	-	6,424	-
	<u>\$ 68,326</u>	<u>2</u>	<u>\$ 139,137</u>	<u>5</u>
Other current liabilities:				
Waveplus	<u>\$ 204</u>	<u>-</u>	<u>\$ 1,446</u>	<u>-</u>
Deferred royalty income (including current and noncurrent)				
Sunext	<u>\$ 67,259</u>	<u>100</u>	<u>\$ 89,430</u>	<u>100</u>
Endorsement/guarantee provided:				
Sunext	\$ 380,000		\$ -	
Sunplus Shanghai	164,950		164,950	
Generaplus	62,995		-	
Waveplus	20,000		-	
Giantplus	-		636,495	
Sunplus H.K.	-		17,252	
	<u>\$ 627,945</u>		<u>\$ 818,697</u>	

18. SIGNIFICANT LONG-TERM OPERATING LEASES

The Company leases land from the Science-Based Industrial Park Administration under renewable agreements expiring in July 2015, December 2020 and 2021, with annual rentals aggregating \$7,522 thousand.

Future annual minimum rentals under the leases are as follows:

Year	Amount
2006	\$ 7,522
2007	7,522
2008	7,522
2009	7,522
2010	7,522
2011 and thereafter	<u>61,371</u>
	<u>\$ 98,981</u>

19. SUBSEQUENT EVENT

To enhance the Company's competitiveness, the shareholders resolved in their meeting on January 1, 2006 to divide Sunplus' net operating assets amounting to \$1,099,800 thousand to establish ORISE. On March 31, 2006, the Company acquired 90,000 thousand at NT\$12.22 per share on March 31, 2006, and ORISE became the Company's 100% subsidiary.

20. ADDITIONAL DISCLOSURES

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

- a. Endorsement/guarantee provided: Table 1 (attached)
- b. Marketable securities held: Table 2 (attached)
- c. Marketable securities acquired and disposed of at costs or prices of at least NT\$100 million or 20% of the paid-in capital: Table 3 (attached)
- d. Total purchase from or sale to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 4 (attached)
- e. Receivable from related parties amounting to at least NT\$100 million or 20% of the paid-in capital : Please see Table 5 (attached)
- f. Names, locations, and related information of investees on which the Company exercises significant influences: Table 6 (attached)
- g. Investment in Mainland China: Table 7 (attached)
- h. Financial instrument transactions
 - 1) Derivative transactions

The Company and Giantplus entered into derivative contracts in 2005 and 2004 to hedge the effect of exchange rate fluctuations on net foreign currency-denominated assets and liabilities. The strategy is to hedge most of the market price risks to which the Company is exposed. Other information on these contracts is as follows:

a) Forward exchange contracts

Sunplus (No. 0)

As of December 31, 2005, all of the Company's forward contract had been settled.

Outstanding forward exchange contracts in 2004 were as follows:

Item	<u>December 31, 2004</u>	
	<u>Contract Amount (In Thousands)</u>	<u>Credit Risk</u>
Sell forward exchange contracts	US\$ 85,000 (US\$ to NT\$)	\$ 69,358

As of December 31, 2004, receivables on forward exchange contracts (shown in the balance sheets as part of "other financial assets - current") aggregated \$93,848 thousand.

In 2005 and 2004, the net exchange gain on settled forward exchange contracts was \$65,039 thousand and \$50,423 respectively, presented under nonoperating income and gain.

Giantplus (No. 1)

Items	<u>December 31, 2004</u>	
	<u>Contract Amount (in Thousands)</u>	<u>Credit Risk</u>
Sell forward exchange contracts	US\$ 3,000 (US\$ to NT\$)	\$ -

As of December 31, 2005, all of the Company's forward contracts had been settled. As of December 31, 2004, receivables from forward exchange contracts aggregated \$6,251 thousand. The net exchange losses on settled forward exchange contracts were \$188 thousand in 2005 and \$2,460 thousand in 2004, presented under nonoperating expenses and losses.

b) Stock and currency option contracts

Sunplus (No. 0)

As of December 31, 2005 and 2004, all of the Company's options had been settled. The net exchange gain on settled option was \$842 thousand in 2005 and the net exchange loss was \$115 thousand in 2004.

Giantplus (No. 1)

Giantplus entered into currency option contracts to hedge risks from exchange rate fluctuations of its anticipated U.S. dollar cash receipts on export sales. In 2004, the net exchange gain on settled currency option contracts was \$39,183 thousand, presented under nonoperating income and gain.

In 2004, Giantplus recognized on its currency option contracts a net premium income of \$7,673 thousand and a loss of \$52,629 thousand, presented under nonoperating income and gains and nonoperating expenses and losses, respectively.

2) Fair value of financial instruments

	<u>2005</u>		<u>2004</u>	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
<u>Nonderivative financial instruments</u>				
Assets				
Cash and cash equivalent	\$ 4,514,419	\$ 4,514,419	\$ 3,430,142	\$ 3,430,142
Short-term investments	1,070,905	1,075,612	780,578	780,613
Notes and accounts receivable				
Third parties	3,476,536	3,476,536	2,788,368	2,788,368
Related Parties	68,326	68,326	139,137	139,137
Other financial assets - current	8,216	8,216	336,670	336,670
Long-term investments	3,990,655	3,991,399	3,812,212	3,812,212
Other financial asset-noncurrent	656,662	656,662	221,970	221,970
Guarantee deposits	2,811	2,811	7,154	7,154
Liabilities				
Accounts payable	3,036,497	3,036,497	1,700,027	1,700,027
Guarantee deposits	406,028	406,028	284,975	284,975
<u>Derivative financial instruments</u>				
Forward exchange contracts (sell)	-	-	93,848	69,056

Fair values of financial instruments were based on the following assumptions and methods:

- a) For cash, notes and accounts receivable, other financial assets-current, accounts payable, carrying amounts on the balance sheets approximate their fair values because of their short maturities.
- b). Fair values of short-term investments are their quoted market prices.
- c). Fair values of long-term investments are based on quoted market values. If quoted market values are unavailable, fair values are based on net asset values or book values of the investments.
- d) For other financial assets, refundable deposits and guarantee deposits, fair value are based on carrying values.
- e) For derivative instruments, fair values are the estimated net receivables (payables) if the contracts are terminated on the balance sheet date.

The fair values of some financial and nonfinancial instruments were not included in the fair values disclosed above. Thus, the sum of the fair values of the financial instruments listed above does not represent the Company's fair value as a whole.

21. SEGMENT INFORMATION

- a. Industry : The Company researches, develops, designs, tests, and sells high-quality, high value-added consumer integrated circuits
- b. Geographic information: Not applicable °
- c. Export sales:

Area	2005	2004
Southeast Asia	\$ 12,572,367	\$ 11,177,782
Northeast Asia	328,512	253,956
Others	<u>418,985</u>	<u>417,417</u>
	<u>\$ 13,319,864</u>	<u>\$ 11,849,155</u>

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

Customer	<u>2005</u>		<u>2004</u>	
	Amount	%	Amount	%
A	\$ 2,903,533	15	\$ 3,833,567	20
B	2,200,947	12	1,524,717	8

SUNPLUS TECHNOLOGY COMPANY LIMITED

ENDORSEMENT/GUARANTEE PROVIDED

YEAR ENDED DECEMBER 31, 2005

(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	Giantplus Technology Co., Ltd.	Equity-method investee	\$ 1,598,902 (Note 1)	\$ 636,495	\$ -	\$ -	-	\$ 3,197,804 (Note 2)
		Sunext Technology Co., LTD.	Equity-method investee	1,598,902 (Note 1)	380,000	380,000	-	2.38%	3,197,804 (Note 2)
		Generaplus Technology Inc.	Equity-method investee	1,598,902 (Note 1)	62,995	62,995	-	0.39%	3,197,804 (Note 2)
		Sunplus Technology (Shanghai) Co., Ltd.	Indirect subsidiary	1,598,902 (Note 1)	164,950	164,950	-	1.03%	3,197,804 (Note 2)
		Waveplus Technology Co., Ltd.	Equity-method investee	1,598,902 (Note 1)	20,000	20,000	-	0.13%	3,197,804 (Note 2)
		Sunplus Technology (H.K.) Co., Ltd.	Subsidiary	1,598,902 (Note 1)	17,252	-	-	-	3,197,804 (Note 2)
1	Giantplus Technology Co., Ltd	Giantplus Holding L.L.C.	100% indirect subsidiary	545,808 (Note 3)	166,600	166,600	-	6.1%	818,713 (Note 4)
2	Giantplus Holding L.L.C.	Kunshan Giantplus Optoelectronics Technology Co., Ltd.	Subsidiary of Giantplus Holding L.L.C.	545,808 (Note 3)	166,600	166,600	-	6.1% (Note 5)	818,713 (Note 4)

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.

Note 3: For each transaction entity, the amount should not exceed 20% of Giantplus' net equity as of the latest financial statements.

Note 4: The amount should not exceed 30% of Giantplus' net equity based on its latest financial statements.

Note 5: The percentage calculation is based on the net equity of Giantplus Technology Co., Ltd.

SUNPLUS TECHNOLOGY COMPANY LIMITED

MARKETABLE SECURITIES HELD

DECEMBER 31, 2005

(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, 2005				Note
				Shares or Units (Thousands)	Carrying Value	Percentage of Ownership (%)	Market Value or Net Asset Value	
Sunplus Technology Company Limited	<u>Stock</u>							
	Giantplus Technology Co., Ltd.	Equity-method investee	Long-term investments	64,716	\$ 975,765	36	\$ 975,765	
	Sunplus Venture Capital Co., Ltd.	Subsidiary	Long-term investments	99,994	679,277	100	679,277	Note 1
	Russell Holdings Limited	Subsidiary	Long-term investments	19,260	477,614	100	477,614	Note 1
	Lin Shih Investment Co., Ltd.	Subsidiary	Long-term investments	69,994	444,152	100	444,152	Notes 1 and 4
	Ventureplus Group Inc.	Subsidiary	Long-term investments	17,000	395,119	100	395,119	Note 1
	Generaplus Technology Inc.	Subsidiary	Long-term investments	15,851	202,940	53	202,940	Note 1
	Wei-Young Investment Inc.	Subsidiary	Long-term investments	20,000	183,843	100	183,843	Note 1
	Goldkey Technology Corp.	Equity-method investee	Long-term investments	6,568	49,906	15	49,906	Note 1
	Techplus Capital Niue Inc.	Subsidiary	Long-term investments	200	6,588	100	6,588	Note 1
	Sunplus Management Consulting Inc.	Subsidiary	Long-term investments	500	4,418	100	4,418	Note 1
	Sunplus Technology (H.K.) Co., Ltd.	Subsidiary	Long-term investments	11,075	1,457	100	1,457	Note 1
	Waveplus Technology Co., Ltd.	Equity-method investee	Long-term investments	2,856	864	10	864	Note 1
	Electric Energy Application Technology Inc.	Equity-method investee	Long-term investments	9,600	-	24	-	Note 1
	Sunext Technology Co., Ltd.	Equity-method investee	Long-term investments	9,600	28,452	24	28,452	Note 1
	RITEK Corp.	Cost-method investee	Long-term investments	5,000	335,069	-	53,695	
	Global View Co., Ltd.	Cost-method investee	Long-term investments	13,568	223,455	10	149,787	
	United Microelectronics Corp.	Cost-method investee	Long-term investments	2,673	45,887	-	50,715	
	Harvatek Corp.	Cost-method investee	Long-term investments	4,169	37,488	3	142,667	
	Silicon Application Corp.	Cost-method investee	Long-term investments	1,076	26,700	1	12,396	
	Technology Partners Venture Capital Corp.	Cost-method investee	Long-term investments	5,000	50,000	11	50,000	Note 2
	Quality Test System Inc.	Cost-method investee	Long-term investments	648	-	2	-	Note 1
	Network Capital Global Fund	Cost-method investee	Long-term investments	6,000	60,000	7	60,000	Note 2
	ORISE Technology Co., Ltd.	-	Prepayment Long-term investments	-	1,000	-	1,000	Note 2
		<u>Convertible bond</u>						
		AIPTEK International Inc.	Investee	Long-term investments	200	20,000	-	20,744
	<u>Fund</u>							
	Fuh Hwa Bond Fund	-	Short-term investments	2,466	32,094	-	32,428	
	Jan-Ho Taiwan Bond Fund	-	Short-term investments	14,627	201,294	-	203,318	
	Jan-Hwa NAM Fund	-	Short-term investments	1,837	837,517	-	839,866	

(Continued)

Holding Company Name	Type and Name of Marketable Security	Relationship with the Holding Company	Financial Statement Account	December 31, 2005				Note
				Shares or Units (Thousands)	Carrying Value	Percentage of Ownership (%)	Market Value or Net Asset Value	
Giantplus Technology Co., Ltd.	<u>Stock</u> Giantplus (SAMOA) Holding Co., Ltd.,	Subsidiary of Giantplus Technology Co., Ltd.	Long-term investments	20,000	1,353,219	100	1,353,219	Note 1
	Public Gallant House Fund	-	Short-term investments	8,657	93,000	-	93,009	
	Ian-Ho Taiwan Boand Fund	-	Short-term investments	6,117	85,000	-	85,020	
	First Bond Fund	-	Short-term investments	4,761	66,000	-	66,016	
Giantplus (SAMOA) Holding Co., Ltd.	<u>Stock</u> Giantplus Holding L.L.C.	Subsidiary of Giantplus Technology Co., Ltd.	Long-term investments	-	US\$ 41,148 Thousand	100	US\$ 41,148 thousand	Note 1
Giantplus Holding L.L.C.	<u>Stock</u> Kunshan Giantplus Optoelectronics Technology Co., Ltd.	Subsidiary of Giantplus Holding L.L.C.	Long-term investments	-	US\$ 41,108 thousand	100	US\$ 41,108 thousand	Note 1
Lin Shih Investment Co., Ltd.	<u>Stock</u> Goldkey Technology Corp.	Equity-method investee	Long-term investments	7,200	\$ 54,721	17	\$ 54,721	Note 1
	Waveplus Technology Co., Ltd.	Equity-method investee	Long-term investments	5,742	1,737	19	1,737	Note 1
	Sunext Technology Co., Ltd.	Equity-method investee	Long-term investments	10,936	32,412	27	32,412	Note 1
	Generaplus Technology Inc.	Equity-method investee	Long-term investments	7,178	91,895	32	91,895	Note 1
	Sunplus Technology Company Limited	Parent company	Long-term investments	6,144	95,605	1	232,131	
	Ability Enterprise co., Ltd	Cost-method investee	Long-term investments	4,550	54,914	1	136,957	
	Taiwan Cellular Corp.	Cost-method investee	Long-term investments	275	6,529	-	7,965	
	WPG Holding Limited	Cost-method investee	Long-term investments	240	3,869	-	2,764	
	Minton Optic Industry Co., Ltd.	Cost-method investee	Long-term investments	4,272	79,643	7	79,643	Note 2
	NCTU Spring Venture Capital Co., Ltd.	Cost-method investee	Long-term investments	2,000	20,000	6	20,000	Note 2
	RITEK Corp.	Cost-method investee	Long-term investments	833	53,822	-	8,949	
	GemFor Tech. Co., Ltd.	Cost-method investee	Long-term investments	831	10,685	6	10,685	Note 2
	Elite Advanced Laser Corp.	Cost-method investee	Long-term investments	1,703	15,000	2	15,000	Note 2
	AIPTEK International Inc.	Cost-method investee	Long-term investments	313	5,930	-	3,343	
	MaxEmil Photonics Corporation	Cost-method investee	Long-term investments	609	10,100	2	10,100	Note 2
	Taiwan Nano Electro-Optical Technology Co., Ltd.	Cost-method investee	Long-term investments	756	11,325	1	11,325	Note 2
	WayTech Development Inc.	Cost-method investee	Long-term investments	1,500	15,000	5	15,000	Note 2
Miracle Technology Co., Ltd.	Cost-method investee	Long-term investments	1,295	13,940	9	13,940	Note 2	
AVAC system, Inc.	Cost-method investee	Long-term investments	2,112	22,080	12	22,080	Note 2	
Radiant Innovation Inc.	Cost-method investee	Long-term investments	1,200	13,903	10	13,903	Note 2	
Socle Technology Corp.	Cost-method investee	Long-term investments	250	6,250	1	6,250	Note 2	

(Continued)

Holding Company Name	Type and Name of Marketable Security	Relationship with the Holding Company	Financial Statement Account	December 31, 2005				Note
				Shares or Units (Thousands)	Carrying Value	Percentage of Ownership (%)	Market Value or Net Asset Value	
Russell Holdings Limited	<u>Stock</u> Jet Focus Limited	Equity-method investee of Russell Holdings Limited	Long-term investments	4,794	US\$ 1,773 thousand	44	US\$ 1,773 thousand	Note 2
	Synerchip	Equity-method investee of Russell Holdings Limited	Long-term investments	700	US\$ 700 thousand	58	US\$ 700 thousand	Note 2
	InveStar Excelsus Venture Capital (Int'l), Inc., LDC	Cost-method investee	Long-term investments	6,105	US\$ 3,856 thousand	19	US\$ 3,856 thousand	Note 2
	Shang-Hai Fudan Microelectronics Company Limited	Cost-method investee	Long-term investments	7,280	US\$ 1,009 thousand	-	US\$ 226 thousand	
	OZ Optics Ltd.	Cost-method investee	Long-term investments	1,000	US\$ 500 thousand	8	US\$ 500 thousand	Note 2
	Aicent, Inc.	Cost-method investee	Long-term investments	1,000	US\$ 500 thousand	-	US\$ 500 thousand	Note 2
	Ortega InfoSystem, Inc.	Cost-method investee	Long-term investments	2,557	US\$ 1,000 thousand	-	US\$ 1,000 thousand	Note 2
	Asia B2B on line Inc.	Cost-method investee	Long-term investments	1,000	US\$ 1,000 thousand	3	US\$ 1,000 thousand	Note 2
	Asia Tech Taiwan Venture Fund	Cost-method investee	Long-term investments	-	US\$ 3,000 thousand	5	US\$ 3,000 thousand	Note 2
	Ether Precision Inc.	Cost-method investee	Long-term investments	1,250	US\$ 500 thousand	3	US\$ 500 thousand	Note 2
	Synerchip	Synerchip Inc.	-	Prepayment Long-term investment	-	US\$ 50 thousand	-	US\$ 50 thousand
Sunplus Venture Capital Co., Ltd.	<u>Stock</u> Joing Technology Co., Ltd.	Equity-method investee	Long-term investments	3,400	-	39	-	Note 1
	Waveplus Technology Co., Ltd.	Equity-method investee	Long-term investments	4,271	1,292	14	1,292	Note 1
	Sunext Technology Co., Ltd.	Equity-method investee	Long-term investments	6,500	19,264	16	19,264	Note 1
	Han Young Technology Co., Ltd.	Equity-method investee	Long-term investments	420	1,780	70	1,780	Note 1
	Generaplus Technology Inc.	Equity-method investee	Long-term investments	1,656	21,202	6	21,202	Note 1
	eWave System, Inc.	Cost-method investee	Long-term investments	1,833	69,740	22	69,740	Note 2
	Softchina Venture Capital Corp.	Cost-method investee	Long-term investments	407	4,073	8	4,073	Note 2
	YOUNGTEK Electronic Corp.	Cost-method investee	Long-term investments	1,344	95,814	2	92,051	
	SimpleAct Inc.	Cost-method investee	Long-term investments	1,900	19,000	19	19,000	Note 2
	Taiwan Nano Electro-Optical Technology Co., Ltd.	Cost-method investee	Long-term investments	3,263	46,595	3	46,596	Note 2
	King Yuan Electronics Co., Ltd.	Cost-method investee	Long-term investments	1,969	70,000	-	60,052	
	AIPTEK International Inc.	Cost-method investee	Long-term investments	1,841	36,000	1	19,677	
	Ability Enterprise Co., Ltd.	Cost-method investee	Long-term investments	3,265	100,914	1	98,264	
	VenGlobal International Fund	Cost-method investee	Long-term investments	500	11,284	-	11,284	Note 2
	Cyberon Corporation	Cost-method investee	Long-term investments	780	13,691	19	13,691	Note 2
	WayTech Development Inc.	Cost-method investee	Long-term investments	1,000	10,000	4	10,000	Note 2
	Miracle Technology Co., Ltd.	Cost-method investee	Long-term investments	1,303	14,025	9	14,025	Note 2
	Feature Integration Technology Inc.	Cost-method investee	Long-term investments	3,700	46,250	16	46,250	Note 2
	Radiant Innovation Inc.	Cost-method investee	Long-term investments	573	11,460	5	11,460	Note 2
	Chiabon Venture Capital Co., Ltd.	Cost-method investee	Long-term investments	5,000	50,000	5	50,000	Note 2
Socle Technology Corp.	Cost-method investee	Long-term investments	550	13,750	2	13,750	Note 2	
MaxEmil Photonics Corp.	Cost-method investee	Long-term investments	598	14,280	2	14,280	Note 2	
AVAC system, Inc.	Cost-method investee	Long-term investments	500	5,750	3	5,750	Note 2	

(Continued)

Holding Company Name	Type and Name of Marketable Security	Relationship with the Holding Company	Financial Statement Account	December 31, 2005				Note
				Shares or Units (Thousands)	Carrying Value	Percentage of Ownership (%)	Market Value or Net Asset Value	
	Minton Optic Industry Co., Ltd.	Cost-method investee	Long-term investments	5,000	\$ 75,000	8	\$ 75,000	Note 2
	Elite Advanced Laser Corp.	Cost-method investee	Long-term investments	341	7,500	-	7,500	Note 2
	Capella Micro System, Inc.	Cost-method investee	Long-term investments	630	9,450	3	9,450	Note 2
Wei-Young Investment Inc.	UNIWILL Co., Ltd	Cost-method investee	Long-term investments	100	12,811	-	12,881	Note 2
	Jan-Ho Family Bond Fund	-	Short-term investments	604	98,000	-	98,004	
Generaplus Technology Inc.	<u>Stock</u> Generaplus International Samoa Inc.	Subsidiary of Generaplus Technology Inc.	Long-term investments	-	15,118	100	15,118	Note 1
Generaplus International Samoa Inc.	<u>Stock</u> Generaplus (Mauritius) Inc.	Subsidiary of Generaplus International Samoa Inc.	Long-term investments	-	US\$ 460 thousand	100	US\$ 460 thousand	Note 1
Generaplus (Mauritius) Inc.	<u>Stock</u> Generaplus Tecnology (Shenzhen) Co., Ltd.	Subsidiary of Generaplus (Mauritius) Inc.	Long-term investments	-	US\$ 460 thousand	100	US\$ 460 thousand	Note 1
Sunext Technology Co., Ltd.	<u>Stock</u> Great Sun Corp.	Subsidiary of Sunext Technology Co., Ltd.	Long-term investments	-	26,595	100	26,595	Note 1
Great Sun Corp.	<u>Stock</u> Sunext Design	Subsidiary of Great Sun Corp.	Long-term investments	-	US\$ 685 thousand	100	US\$ 685 thousand	Note 1
	Sunext (Mauritius) Inc.	Subsidiary of Great Sun Corp.		-	US\$ 125 thousand	100	US\$ 125 thousand	Note 1
Sunext Mauritius Inc.	<u>Stock</u> Sunext Technology (Shanghai) Co., Ltd.	Subsidiary of Sunext Mauritius Inc.	Long-term investments	-	US\$ 125 thousand	100	US\$ 125 thousand	Note 1
Waveplus Technology Co., Ltd.	<u>Stock</u> Waveplus Holding Ltd.	Subsidiary of Waveplus Technology Co., Ltd.	Long-term investments	-	\$ 2,083	100	\$ 2,083	Note 1
Waveplus Holding Ltd.	<u>Stock</u> Waveplus Design, Inc.	Subsidiary of Waveplus Holding Ltd.	Long-term investments	-	US\$ 65 thousand	100	US\$ 65 thousand	Note 1

(Continued)

Holding Company Name	Type and Name of Marketable Security	Relationship with the Holding Company	Financial Statement Account	December 31, 2005				Note
				Shares or Units (Thousands)	Carrying Value	Percentage of Ownership (%)	Market Value or Net Asset Value	
Techplus Capital Niue Inc.	<u>Stock</u> Techplus Capital Samoa Inc.	Subsidiary of Techplus Capital Niue Inc.	Long-term investments	-	US\$ 150 thousand	100	US\$ 150 thousand	Note 1
Techplus Samoa Inc.	Techplus Belize Inc.	Subsidiary of Techplus Capital Samoa Inc.	Long-term investments	-	US\$ 150 thousand	4	US\$ 150 thousand	Note 1
Jet Focus Limited	<u>Stock</u> Coolsands Technology	Subsidiary of Jet Focus Limited	Long-term investments	-	EUR\$ 255 thousand	100	EUR\$ 255 thousand	Note 1
Ventureplus Group Inc.	<u>Stock</u> Ventureplus Mauritius Inc.	Subsidiary of Ventureplus Group Inc.	Long-term investments	-	US\$ 12,031 thousand	100	US\$ 12,031 thousand	Note 1
Ventureplus Mauritius Inc.	<u>Stock</u> Ventureplus Cayman Inc.	Subsidiary of Ventureplus Mauritius Inc.	Long-term investments	-	US\$ 12,034 thousand	100	US\$ 12,034 thousand	Note 1
Ventureplus Cayman Inc.	<u>Stock</u> Sunplus Technology (Shanghai) Co., Ltd.	Subsidiary of Ventureplus Cayman Inc.	Long-term investments	-	US\$ 12,002 thousand	99	US\$ 12,002 thousand	Note 1
Sunplus Technology (Shanghai) Co.,Ltd	Cmfchina Fund	-	Short-term investments	-	RMB 28,400 thousand	-	RMB 31,037 thousand	

Note 1: Market value was based on net equity value.

Note 2: For stocks with no quoted market prices, market value was based on book value.

Note 3: As of December 31, 2005, the above marketable securities, except for the stock of Lin Shin Investment Co., Ltd., had not been pledged or mortgaged.

Note 4: The investment carrying value excluded the carrying value (\$95,605 thousand) of Sunplus Technology Company Limited held by its subsidiary.
(Concluded)

SUNPLUS TECHNOLOGY COMPANY LIMITED

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
 YEAR ENDED DECEMBER 31, 2005
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Type and Name of Marketable Security	Financial Statement Account	Counter-party	Nature of Relationship	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	Jan-Hwa NAM Fund	Short-term investments	-	-	-	\$ -	2,884	\$ 1,274,192	1,047	\$ 437,596	\$ 436,675	\$ 921	1,837	\$ 837,517
	Jan-Ho Taiwan Bond Fund	Short-term investments	-	-	14,627	200,605	14,627	201,294	14,627	201,294	200,605	689	14,627	201,294
	Fuh Hwa Bond Fund	Short-term investments	-	-	17,415	225,814	17,415	226,280	32,364	422,682	420,402	2,282	2,466	32,094
	Fuhwa Bond Fund	Short-term investments	-	-	16,843	209,721	16,843	210,470	33,686	421,397	420,191	1,206	-	-
	Chung-Shin Peaceful Fund	Short-term investments	-	-	13,867	144,438	13,867	144,937	27,734	290,188	289,375	813	-	-
	Ventureplhs Group In.c	Long-term investments	-	Subsidiary	10,000	209,748	7,000	223,230	-	-	-	-	17,000	395,119 (Note)
Giantplus Technology Co., Ltd.	Public Bond Fund	Short-term investments	-	-	-	-	19,521	248,400	19,521	248,508	248,400	108	-	-
	Jan-Ho Taiwan Bond Fund	Short-term investments	-	-	-	-	17,382	240,000	11,265	155,094	155,000	94	6,117	85,000
	Jan-Ho Family Bond Fund	Short-term investments	-	-	-	-	873	140,000	873	140,105	140,000	105	-	-
	Public Gallant Hourse Fund	Short-term investments	-	-	-	-	25,527	273,000	16,870	180,098	180,000	98	8,657	93,000
Sunplus Venture Capital Co., Ltd	Ability Enterprise Co., Ltd	Long-term investments	-	-	3,080	68,250	3,449	101,649	3,264	100,902	68,985	31,917	3,265	100,914
Russell Holding Limited	Jet Focus	Long-term investments	-	Subsidiary	2,294	(US\$ 164) thousand	2,500	US\$ 3,300 thousand	-	-	-	-	4,794	US\$ 1,773 thousand

Note: Includes the equity-method investment gain and cumulative translation adjustments.

SUNPLUS TECHNOLOGY COMPANY LIMITED

**TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
YEAR ENDED DECEMBER 31, 2005**

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

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Note/Account Payable or Receivable		Note
			Purchase/Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
Sunplus Technology Company Limited	Giantplus Technology Co., Ltd.	Equity-method investee	Sale	\$ 252,595	1%	Net 45 days from monthly closing dates in principle.	-	-	\$ 36,347	1%	-
	Generaplus Technology Inc.	53% direct subsidiary	Sale	131,080	1%	Net 45 days from monthly closing dates in principle.	-	-	17,795	1%	-
	Waveplus Technology Co., Ltd.	Equity-method investee	Sale	119,840	1%	Net 45 days from monthly closing dates in principle.	-	-	8,275	-	-
Gaintplus Technology Co., Ltd	Kunshan Gaintplus Optoelectronics Technology Co., Ltd	100% indirect subsidiary	Sale	397,874	6%	Net 45 days from monthly closing dates in principle.	-	-	312,020	24%	-
	Sunplus Technology Company Limited	Equity-method investee	Purchase	252,608	8%	Net 90 days from monthly closing dates in principle.	-	-	(36,310)	(3%)	-
Kunshan Gaintplus Optoelectronics Technology Co., Ltd	Kunshan Gaintplus (Shen Zhen) Optoelectronics	Same general manager	Sale	357,856	10%	Net 90 days from monthly closing dates in principle.	-	-	129,871	15%	-

SUNPLUS TECHNOLOGY COMPANY LIMITED

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

DECEMBER 31, 2005

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

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts and Sales Discounts
					Amount	Action Taken		
Gaintplus Technolgoy Co., Ltd.	Kunshan Ginantplus Optoelectronics Technology Co., Ltd.	100% indirect subsidiary	\$ 312,020	3.56	\$ -	-	\$ 129,082	\$ -
Kunshan Giantplus Optoelectronics Technology Co., Ltd.	Giantplus (Shenzhen) Optoelectrinics	Same general manager	129,871	2.59	2,947	Receivable on demand	38,548	-

TABLE 6

SUNPLUS TECHNOLOGY COMPANY LIMITED

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

YEAR ENDED DECEMBER 31, 2005

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

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2005			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				December 31, 2005	December 31, 2004	Shares (Thousands)	Percentage of Ownership	Carrying Value			
Sunplus Technology Company Limited	Giantplus Technology Co., Ltd.	Tofen Chen, Miaoli, Taiwan	Manufacture of TN/STN LCDs and LCD modules	\$ 660,220	\$ 662,481	64,716	36	\$ 975,765	\$ 569,606	\$ 207,019	Subsidiary
	Sunplus Venture Capital Co., Ltd.	Hsinchu, Taiwan	Investment	999,940	999,940	99,994	100	679,277	(103,046)	(103,046)	Subsidiary
	Lin Shih Investment Co., Ltd.	Hsinchu, Taiwan	Investment	699,940	699,940	69,994	100	444,152	(109,655)	(121,268)	Subsidiary
	Russell Holdings Limited	Cayman Islands, British West Indies.	Investment	646,610	583,436	19,260	100	477,614	(46,680)	(46,680)	Subsidiary
	Ventureplus Group Inc.	Belize	Investment	570,808	347,578	17,000	100	395,119	(52,599)	(52,599)	Subsidiary
	Wei-Young Investment Inc.	Taipei, Taiwan	Investment	200,000	200,000	20,000	100	183,843	(4,916)	(4,916)	Subsidiary
	Generaplus Technology Inc.	Hsinchu, Taiwan	Design of ICs	146,000	120,000	15,851	53	202,940	78,803	45,602	Subsidiary
	Goldkey Technology Corp.	Hsinchu, Taiwan	Design of ICs	52,538	52,538	6,568	15	49,906	(107,476)	(16,508)	Investee
	Waveplus Technology Co., Ltd.	Taipei, Taiwan	Design and sale of ICs	31,272	31,272	2,856	10	864	(146,669)	(13,962)	Investee
	Sunext Technologoy Co., Ltd.	Hsinchu, Taiwan	Design and sale of ICs	96,000	-	9,600	24	1,000	(400,042)	(67,874)	Subsidiary
	ORISE Technology Co., Ltd.	Hsinchu, Taiwan	Design and sale of ICs	1,000	-	100	100	21,000	-	-	Subsidiary
	Techplus Capital Niue Inc.	Niue	Investment	6,896	6,896	200	100	6,587	33	33	Subsidiary
	Sunplus Management Consulting Inc.	Hsinchu, Taiwan	Investment	5,000	5,000	500	100	4,418	(157)	(155)	Subsidiary
	Sunplus Technology (H.K.) Co., Ltd.	Kowloon Bay, Hong Kong	International trade	41,616	41,616	11,075	100	1,458	3,788	3,788	Subsidiary
Electric Energy Application Technology Inc.	Hsinchu, Taiwan	Design and manufacture of environmental - friendly batteries	103,200	103,200	9,600	24	-	-	-	Investee	
Lin Shih Investment Co., Ltd.	Goldkey Technology Corp.	Hsinchu, Taiwan	Design of ICs	48,000	48,000	7,200	17	54,721	(107,476)	(18,102)	Investee
	Sunext Technology Co., Ltd.	Hsinchu, Taiwan	Design and sale of ICs	305,365	245,000	10,936	27	32,413	(400,042)	(102,245)	Investee
	Waveplus Technology Co., Ltd.	Taipei, Taiwan	Design and sale of ICs	90,178	90,178	5,742	19	1,737	(146,669)	(28,071)	Investee
	Generaplus Technology Inc.	Hsinchu, Taiwan	Design of ICs	65,000	65,000	7,178	24	91,895	78,803	23,796	Investee
Sunplus Venture capital Co., Ltd.	Joing Technology Co., Ltd.	Hsinchu, Taiwan	Design of ICs	51,000	51,000	3,400	39	-	-	-	Investee
	Sunext Technology Co., Ltd.	Hsinchu, Taiwan	Design and sale of ICs	265,000	250,000	6,500	16	19,264	(400,042)	(86,872)	Investee
	Han Young Technology Co., Ltd.	Taipei, Taiwan	Design of ICs	4,200	4,200	420	70	1,780	(45)	(31)	Subsidiary
	Waveplus Technology Co., Ltd.	Taipei, Taiwan	Design and Sale of ICs	74,869	74,869	4,271	14	1,292	(146,669)	(20,886)	Investee
	Gereraplus Technology Inc.	Hsinchu, Taiwan	Design of ICs	15,000	15,000	1,656	6	21,202	78,803	5,489	Investee
Russell Holdings Limited	Jet Focus Limited	Cayman Islands, British West Indies	Investment	US\$ 6,050 thousand	US\$ 2,750 thousand	4,794	44	US\$ 1,773 thousand	US\$ (2,508) Thousand	US\$ (1,664) thousand	Subsidiary
	Synerchip	Cayman Islands, British West Indies	Investment	US\$ 700 thousand	-	700	58	US\$ 700 thousand	-	-	Subsidiary
Jet Focus Limited	Coolsand	France	Design of ICs	EUR\$ 1,000 thousand	EUR\$ 1,000 thousand	-	100	EUR\$ 27 thousand	EUR\$ (94) Thousand	EUR\$ (94) thousand	Subsidiary
Synerchip	Synerchip Inc.	Korea	Design of Ics	US\$ 50 thousand	-	-	-	US\$ 50 thousand	-	-	Subsidiary
Giantplus Technologoy Co., Ltd	Giantplus (SAMOA) Holding Co., Ltd.	SAMOA	Investment	US\$ 20,000 thousand	US\$ 20,000 thousand	20,000	100	1,353,219	359,745	359,745	Subsidiary
Giantlus (SAMOA) Holding Co., Ltd.	Giantplus Hloding L.L.C	U.S.A.	Investment	US\$ 20,000 thousand	US\$ 20,000 thousand	-	100	US\$ 41,148 thousand	US\$ 11,222 Thousand	US\$ 11,222 thousand	Subsidiary
Giantpus Holding L.L.C	Kunshan Giantplus Optoelectronics Technologoy Co., Ltd.	Kunshan, China	Manufacture of TN/STN LCDs and LCD modules	US\$ 20,000 thousand	US\$ 12,206 thousand	-	100	US\$ 41,108 thousand	US\$ 11,215 Thousand	US\$ 11,215 thousand	Subsidiary
Sunext Technology Co., Ltd.	Great Sun Corp.	SAMOA	Investment	44,684	44,684	1,300	100	26,595	(19,449)	(19,449)	Subsidiary

Great Sun Corp.	Sunext (Mauritius) Inc.	Mauritius	Investment	US\$ 300 thousand	US\$ 300 thousand	-	100	US\$ 125 thousand	US\$ (180) Thousand	US\$ (180) thousand	Subsidiary
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(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2005			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				December 31, 2005	December 31, 2004	Shares (Thousands)	Percentage of Ownership	Carrying Value			
Great Sun Corp.	Sunext Design, Inc.	U.S.A.	Design of ICs	US\$ 1,000 thousand	US\$ 1,000 thousand	-	100	US\$ 685 thousand	US\$ (425) Thousand	US\$ (425) thousand	Subsidiary
Ventureplus Group Inc.	Ventureplus Mauritius Inc.	Belize	Investment	US\$ 17,000 thousand	US\$ 10,000 thousand	-	100	US\$ 12,032 Thousand	US\$ (1,631) thousand	US\$ (1,631) Thousand	Subsidiary
Ventureplus Mauritius Inc.	Ventureplus Cayman Inc.	Cayman Islands, British West Indies	Investment	US\$ 17,000 thousand	US\$ 10,000 thousand	-	100	US\$ 12,034 thousand	US\$ (1,629) thousand	US\$ (1,629) thousand	Subsidiary
Ventureplus Cayman Inc.	Sunplus Technology (Shanghai) Co., Ltd.	Shanghai, China	Design, manufacture and sale of ICs.	US\$ 17,000 thousand	US\$ 10,000 thousand	-	99	US\$ 12,002 thousand	US\$ (1,623) thousand	US\$ (1,623) thousand	Subsidiary
Waveplus Technology Co., Ltd.	Waveplus Holding Ltd.	Mauritius	Investment	17,205	-	500	100	2,083	(4,223)	(4,223)	Subsidiary
Waveplus Holding Ltd.	Waveplus Design, Inc.	U.S.A.	Design of WLANs	17,205	-	-	100	US\$ 65	US\$ (82)	US\$ (82)	Subsidiary
Techplus Capital Niue Inc.	Techplus Samoa Inc.	SAMOA	Investment	US\$ 150 thousand	US\$ 150 thousand	150	100	US\$ 150 thousand	-	-	Subsidiary
Generapplus Technology Corp.	Generapplus International (.SAMOA) INC.	SAMOA	Investment	US\$ 700 thousand	US\$ 200 thousand	700	100	\$ 15,188	(\$ 7,735)	(\$ 7,735)	Investee
Giantplus Technology Co., Ltd.	Giantplus (SAMOA) Holding Co., Ltd.	SAMOA	Investment	US\$ 700 thousand	US\$ 700 thousand	700	100	15,118	(7,735)	(7,735)	Subsidiary
Giantplus (SAMOA) Holding Co., Ltd.	Giantplus Holding L.L.C.	U.S.A.	Investment	US\$ 700 thousand	US\$ 700 thousand	700	100	US\$ 460 thousand	US\$ (240) thousand	US\$ (240) thousand	Subsidiary
Giantplus Holding L. L. C.	Kunshan Giantplus Optoelectronics Technology Co., Ltd.	Kunshan, China	Manufacture of TN/STN LCDs and LCD modules	US\$ 700 thousand	US\$ 700 thousand	700	100	US\$ 460 thousand	US\$ (240) thousand	US\$ (240) thousand	Subsidiary

(Concluded)

TABLE 7

SUNPLUS TECHNOLOGY COMPANY LIMITED

INVESTMENT IN MAINLAND CHINA

YEAR ENDED DECEMBER 31, 2005

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

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, 2005	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2005	% Ownership of Direct or Indirect Investment	Investment Loss	Carrying Value as of December 31, 2005	Accumulated Inward Remittance of Earnings as of December 31, 2005	Accumulated Investment in Mainland China as of December 31, 2005	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
					Outflow	Inflow								
Sunplus Technology (Shanghai) Co., Ltd.	Research, development, design, manufacturing and sale of consumer ICs	US\$17,200 thousand	Note 1	US\$10,000 thousand	\$7,000	\$ -	US\$17,000 thousand	99	US\$(1,623) thousand	US\$12,002 thousand	\$ -	US\$17,000 thousand	US\$17,000 thousand	\$4,697,804

Accumulated Investment in Mainland China as of December 31, 2005	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
US\$17,000 thousand	US\$17,000 Thousand	\$4,697,804

Note 1: Indirect investments in Shanghai.

5.6 Financial Statement with Parent Company

REPRESENTATION LETTER

The entities included in the combined financial statements of Sunplus Technology Company as of and for the year ended December 31, 2005, which were 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 and Subsidiaries did not prepare a separate set of combined financial statements.

Very truly yours,

SUNPLUS TECHNOLOGY COMPANY

By

CHOU-CHIEH HUANG
Chairman

January 27, 2006

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 as of December 31, 2005 and 2004, 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Sunplus Technology Company Limited as of December 31, 2005 and 2004, and the results of its operations and its 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.

As disclosed in Note 2 to the accompanying consolidated financial statements, effective January 1, 2005, the Group adopted the amended Statement of Financial Accounting Standards No. 7 "Consolidated Financial Statements" in the Republic of China (the "SFAS No. 7"). Thus, the consolidating entities for the year ended December 31, 2005 included all investees in which the Group has virtual control. The Group was not required to retroactively restate the consolidated financial statements for the year ended December 31, 2004. In accordance with SFAS No. 7 prior to amendment, all majority-owned subsidiaries of Sunplus Technology Company were not required to be consolidated. Thus, the consolidated financial statements of the Group for the year ended December 31, 2004 are the same as the non-consolidated financial statements of Sunplus Technology Company.

January 27, 2006

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 financial statements shall prevail.

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2005 AND 2004

(In Thousands of New Taiwan Dollars, except Per value)

ASSETS	2005		2004		LIABILITIES AND SHAREHOLDERS' EQUITY	2005		2004	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents (Notes 2 and 3)	\$ 5,862,432	22	\$ 3,430,142	19	Short-term loan (Notes 11 and 21)	\$ 670,122	3	\$ -	-
Certificate of deposit – restricted (Note 21)	13,114	-	-	-	Commercial paper payable (Note 12)	84,889	1	-	-
Short-term investments (Notes 2 and 4)	1,533,875	6	780,578	4	Notes and accounts payable (Note 20)	4,835,965	18	1,700,027	10
Notes and accounts receivable					Income taxes payable (Notes 2 and 18)	73,085	-	64,193	-
Third parties, net of allowance for doubtful accounts of \$96,818 thousand in 2005 and \$70,854 thousand in 2004 (Note 2)	5,362,647	20	2,788,368	15	Long-term loans payable - current portion (Notes 13 and 21)	524,500	2	-	-
Related parties (Notes 2 and 20)	159,570	1	139,137	1	Deferred intercompany profit (Note 2)	2,806	-	5,517	-
Other financial assets - current	155,672	-	336,670	2	Deferred royalty income - current (Notes 2 and 20)	-	-	22,171	-
Inventories, net (Notes 2 and 5)	4,203,275	16	3,168,888	18	Other current liabilities (Note 20)	1,138,363	4	545,787	3
Deferred income taxes - current (Notes 2 and 18)	248,551	1	71,813	-					
Other current assets	312,101	1	138,520	1	Total current liabilities	7,329,730	28	2,337,695	13
Total current assets	17,851,237	67	10,854,116	60					
LONG-TERM INVESTMENTS (Notes 2 and 6)					LONG-TERM LOANS PAYABLE				
Equity method	104,627	-	3,175,007	18	Long-term loans payable (Notes 13 and 21)	830,833	3	-	-
Cost method	1,809,472	7	584,528	3					
Convertible bonds	20,000	-	52,677	-	OTHER LIABILITIES				
Prepayment	2,651	-	-	-	Accrued pension liability (Notes 2 and 14)	189,556	1	152,586	1
Total long-term investments	1,936,750	7	3,812,212	21	Guarantee deposits	433,948	1	284,975	2
					Deferred royalty income - noncurrent (Notes 2 and 20)	-	-	67,259	-
PROPERTIES (Notes 2, 7 and 21)					Total other liabilities	623,504	2	504,820	3
Cost					Total liabilities	8,784,067	33	2,842,515	16
Land	279,956	1	-	-					
Buildings	2,195,859	8	952,952	5	SHAREHOLDERS' EQUITY (Notes 2 and 15)				
Auxiliary equipment	146,867	1	134,248	1	Capital stock - \$10 per value				
Machinery and equipment	2,161,527	8	450,402	2	Authorized - 1,000,000 thousand shares				
Testing equipment	1,148,361	4	701,402	4	Issued - 948,730 thousand shares in 2005 and 875,254 thousand shares in 2004	9,487,296	36	8,752,544	48
Transportation equipment	16,310	-	8,400	-	Capital surplus				
Furniture and fixtures	348,384	1	124,459	1	Additional paid-in capital	890,447	4	945,304	5
Leasehold improvements	16,659	-	459	-	Merger and others	594,930	2	635,496	4
Other equipment	142,171	1	-	-	Treasury stock transactions	35,084	-	23,461	-
Total cost	6,456,094	24	2,372,322	13	Retained earnings				
Less: Accumulated depreciation	2,409,285	9	912,713	5	Legal reserve	1,590,387	6	1,316,618	7
Advance payments and construction in progress	290,699	1	20,688	-	Special reserve	338,488	1	-	-
Net properties	4,337,508	16	1,480,297	8	Unappropriate earnings	3,523,813	13	4,024,804	22
					Other				
INTANGIBLE ASSETS, NET (Notes 2 and 8)	1,345,722	5	1,122,172	6	Unrealized loss on long-term investments	(285,085)	(1)	(289,458)	(2)
					Cumulative translation adjustments	(9,775)	-	(49,030)	-
OTHER ASSETS					Treasury stock (at cost) - 8,726 thousand shares in 2005 and 5,854 thousand shares in 2004 (Note 16)	(176,566)	(1)	(95,605)	-
Other financial assets - noncurrent (Note 9)	656,662	3	221,970	1	Total equity attributed to shareholder's of the parent	15,989,019	60	15,264,134	84
Deferred income taxes - noncurrent (Notes 2 and 18)	534,428	2	584,810	4	Minority interest (Note 2)	1,961,221	7	-	-
Deferred charges and others (Notes 2 and 10)	72,000	-	31,072	-	Total shareholders' equity	17,950,240	67	15,264,134	84
Total other assets	1,263,090	5	837,852	5					
TOTAL	\$ 26,734,307	100	\$ 18,106,649	100	TOTAL	\$ 26,734,307	100	\$ 18,106,649	100

The accompanying notes are an integral part of the consolidated financial statements.
(With Deloitte Touch audit report dated January 27, 2006)

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME YEARS ENDED DECEMBER 31, 2005 AND 2004

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

	2005		2004	
	Amount	%	Amount	%
NET SALES (Notes 2 and 20)	\$ 27,084,510	100	\$ 18,940,056	100
REALIZED (UNREALIZED) INTERCOMPANY PROFIT, NET (Note 2)	(75)	-	3,123	-
COST OF SALES (Notes 17 and 20)	19,455,144	72	12,999,973	68
GROSS PROFIT	7,629,291	28	5,943,206	32
OPERATING EXPENSES (Notes 17 and 20)				
Marketing	732,963	3	538,165	3
General and administrative	1,306,241	5	432,277	2
Research and development	2,829,226	10	2,046,236	11
Total operating expenses	4,868,430	18	3,016,678	16
OPERATING INCOME	2,760,861	10	2,926,528	16
NON-OPERATING INCOME AND GAINS				
Foreign exchange gain, net (Note 2)	129,987	1	-	-
Interest revenue	83,687	-	34,687	-
Gain on sale of investments, net (Note 2)	46,655	-	90,436	1
Income from counter-party default	23,600	-	-	-
Dividend income (Notes 2 and 20)	13,879	-	24,554	-
Subsidies (Note 2)	11,471	-	23,000	-
Others	48,582	-	62,582	-
Total nonoperating income and gains	357,861	1	235,259	1
NON-OPERATING EXPENSES AND LOSSES				
Loss on inventory (Note 2)	477,613	2	175,990	1
Interest expense	83,231	-	4,477	-
Investment loss recognized by equity method, net (Notes 2 and 6)	34,610	-	278,206	2
Loss on disposal of properties (Note 2)	21,342	-	-	-
Depreciation on lease	10,710	-	-	-
Permanent loss on long-term investments (Note 2)	8,588	-	7,036	-
Foreign exchange loss, net (Note 2)	-	-	51,182	-
Others	3,439	-	11,467	-
Total non-operating expenses and losses	639,533	2	528,358	3

(Continued)

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2005 AND 2004
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

	Capital Stock Issued		Capital Surplus (Note 2)				Retained Earnings (Note 15)				Unrealized Loss on Long-term Investments (Note 2)	Cumulative Translation Adjustments (Note 2)	Treasury Stock (Notes 2 and 16)	Total Shareholders' Equity	Minority Interest (Note 2)	Total Shareholder's Equity	
	(Thousands)	Amount	Additional Paid-in Capital	From Long-term Investments	From Merger	Treasury Stock Transactions	Total	Legal Reserve	Special Reserve	inappropriate Earnings							Total
BALANCE, JANUARY 1, 2004	777,504	\$ 7,775,040	\$ 1,567,308	\$ 478,073	\$ 157,423	\$ -	\$ 2,202,804	\$ 1,115,921	\$ 58,633	\$ 2,971,910	\$ 4,146,464	\$ (9,908)	\$ 10,888	\$ (95,605)	\$ 14,029,683	\$ -	\$ 14,029,683
Appropriation of prior year's earnings:																	
Legal reserve	-	-	-	-	-	-	-	200,697	-	(200,697)	-	-	-	-	-	-	-
Reversal of special reserve	-	-	-	-	-	-	-	-	(58,633)	58,633	-	-	-	-	-	-	-
Bonus to employees - stock	20,000	200,000	-	-	-	-	-	-	-	(200,000)	(200,000)	-	-	-	-	-	-
Remuneration to directors and supervisors	-	-	-	-	-	-	-	-	-	(20,977)	(20,977)	-	-	-	(20,977)	-	(20,977)
Stock dividends - \$0.2 per share	15,550	155,500	-	-	-	-	-	-	-	(155,500)	(155,500)	-	-	-	-	-	-
Cash dividends - \$1.5 per share	-	-	-	-	-	-	-	-	-	(1,166,256)	(1,166,256)	-	-	-	(1,166,256)	-	(1,166,256)
Capital stock transferred from capital surplus	62,200	622,004	(622,004)	-	-	-	(622,004)	-	-	-	-	-	-	-	-	-	-
Net income in 2004	-	-	-	-	-	-	-	-	-	2,737,691	2,737,691	-	-	-	2,737,691	-	2,737,691
Unrealized losses on long-term investment	-	-	-	-	-	-	-	-	-	-	-	(231,832)	-	-	(231,832)	-	(231,832)
Adjustment due to changes in investees' equity in long-term investments	-	-	-	-	-	-	-	-	-	-	-	(47,718)	-	-	(47,718)	-	(47,718)
Stock dividends received by subsidiaries from the Company	-	-	-	-	-	23,461	23,461	-	-	-	-	-	-	-	23,461	-	23,461
Translation adjustments on long-term investments	-	-	-	-	-	-	-	-	-	-	-	-	(59,918)	-	(59,918)	-	(59,918)
BALANCE, DECEMBER 31, 2004	875,254	8,752,544	945,304	478,073	157,423	23,461	1,604,261	1,316,618	-	4,024,804	5,341,422	(289,458)	(49,030)	(95,605)	15,264,134	-	15,264,134
Appropriation of prior year's earnings:																	
Legal reserve	-	-	-	-	-	-	-	273,769	-	(273,769)	-	-	-	-	-	-	-
Special reserve	-	-	-	-	-	-	-	-	338,488	(338,488)	-	-	-	-	-	-	-
Bonus to employees - stock	22,500	225,000	-	-	-	-	-	-	-	(225,000)	(225,000)	-	-	-	-	-	-
Bonus to employees - cash	-	-	-	-	-	-	-	-	-	(25,000)	(25,000)	-	-	-	(25,000)	-	(25,000)
Remuneration to directors and supervisors	-	-	-	-	-	-	-	-	-	(24,004)	(24,004)	-	-	-	(24,004)	-	(24,004)
Stock dividends - \$0.2980 per share	26,258	262,576	-	-	-	-	-	-	-	(262,576)	(262,576)	-	-	-	-	-	-
Cash dividends - \$1.9859 per share	-	-	-	-	-	-	-	-	-	(1,750,509)	(1,750,509)	-	-	-	(1,750,509)	-	(1,750,509)
Capital stock transferred from capital surplus	17,505	175,051	(175,051)	-	-	-	(175,051)	-	-	-	-	-	-	-	-	-	-
Issuance of shares upon exercise of employee stock options	7,213	72,125	120,194	-	-	-	120,194	-	-	-	-	-	-	-	192,319	61,404	192,319
Net income in 2005	-	-	-	-	-	-	-	-	-	2,398,355	2,398,355	-	-	-	2,398,355	-	2,459,759
Adjustment arising from changes of ownership in investees	-	-	-	(44,097)	-	-	(44,097)	-	-	-	-	-	-	-	(44,097)	-	(44,097)
Adjustment for changes in shareholders' equities of equity accounted investees	-	-	-	3,531	-	-	3,531	-	-	-	-	31,880	-	-	35,411	-	35,411
Unrealized losses on long-term investment	-	-	-	-	-	-	-	-	-	-	-	(27,507)	-	-	(27,507)	-	(27,507)
Treasury stock repurchased by the company - 2,582 thousand shares	-	-	-	-	-	-	-	-	-	-	-	-	-	(80,961)	(80,961)	-	(80,961)
Stock dividends received by subsidiaries from the Company	-	-	-	-	-	11,623	11,623	-	-	-	-	-	-	-	11,623	-	11,623
Increase in minority interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	300,105	300,105
Subsidiaries effect of first combination	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,587,021	1,587,021
Translation adjustments on long-term investments	-	-	-	-	-	-	-	-	-	-	-	-	39,255	-	39,255	12,691	51,946
BALANCE, DECEMBER 31, 2005	948,730	9,487,296	890,447	437,507	157,423	35,084	1,520,461	1,590,387	338,488	3,523,813	5,452,688	(285,085)	(9,775)	(176,566)	15,989,019	1,961,221	17,950,240

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

(With Deloitte Touch audit report dated January 27, 2006)

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2005 AND 2004 (In Thousands of New Taiwan Dollars)

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income attributable to shareholders of the parent	\$ 2,389,355	\$ 2,737,691
Net income attributable to minority of the parent	61,404	-
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,122,359	571,974
Investment loss recognized by equity method	34,610	278,206
Gain on sale of long-term investments, net	(33,715)	(44,394)
Permanent loss on long-term investments	8,588	7,036
Unrealized (realized) intercompany profit, net	75	(3,123)
Unrealized (realized) royalty income	-	31,430
Loss on disposal of properties	21,342	8
Deferred income taxes	(80,807)	(182,906)
Accrued pension liabilities	29,157	43,788
Changes in operating assets and liabilities		
Notes and accounts receivable		
Third parties	(1,088,032)	(369,172)
Related parties	(152,383)	78,685
Other financial assets – current	317,108	(124,034)
Inventories	530,478	(1,459,407)
Other current assets	(62,717)	19,590
Notes and accounts payable	1,965,575	(77,251)
Income tax payable	(13,525)	(11,195)
Other current liabilities	21,077	235,004
Net cash provided by operating activities	<u>5,078,949</u>	<u>1,731,930</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease in certificate of deposit – restricted	8,863	-
Decrease (increase) in short-term investments	(268,570)	2,661,094
Acquisition of:		
Long-term investment	(126,831)	(336,188)
Properties	(846,436)	(333,067)
Proceeds from disposal of:		
Long-term investments	199,173	175,716
Properties	1,992	712
Increase in other financial assets – noncurrent	(434,692)	(85,960)
Increase in intangible assets	(345,785)	(278,529)
Increase in deferred charges and others	(37,546)	(2,521)
Net cash provided by (used in) investing activities	<u>(1,849,832)</u>	<u>1,801,257</u>

(Continued)

	2005	2004
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term loan	\$ (611,465)	\$ -
Decrease in commercial paper payable	(284,798)	-
Increase in long-term loan	686,920	-
Increase in guarantee deposits	140,519	24,756
Cash dividends paid for common stock	(1,750,509)	(1,166,256)
Remuneration paid to directors and supervisors	(49,004)	(20,977)
Proceeds from exercise of sock options	192,319	-
Dividends received by subsidiaries from the company	11,623	-
Repurchase of treasury stock	(80,961)	-
Increase in minority interest	<u>259,539</u>	<u>-</u>
Net cash used in financing activities	<u>(1,485,817)</u>	<u>(1,162,477)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,743,300	2,370,710
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,430,142	1,059,432
EFFECT OF EXCHANGE RATES	(62,225)	-
EFFECT OF CHANGES CONSOLIDATED ENTITIES	<u>751,215</u>	<u>-</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 5,862,432</u>	<u>\$ 3,430,142</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Income tax paid	\$ <u>110,859</u>	\$ <u>89,838</u>
Interest paid	\$ <u>75,288</u>	\$ <u>3,757</u>
NONCASH INVESTING AND FINANCING ACTIVITIES:		
Reclassification of other current liabilities to long-term investments	\$ -	\$ <u>4,127</u>
Current portion of other long-term payables	<u>\$ 524,500</u>	<u>\$ -</u>
PARTIAL CASH INVESTING AND FINANCING ACTIVITIES:		
Increase in long-term investments	\$ (236,908)	\$ (336,188)
Long-term investments payable	<u>110,077</u>	<u>-</u>
Cash paid	\$ (126,831)	\$ (336,188)
Proceeds from sale of long-term investment	\$ 305,326	\$ 175,716
Receivable from sale of long-term investment	<u>(106,153)</u>	<u>-</u>
Cash received	\$ <u>199,173</u>	\$ <u>175,716</u>
Acquisition of properties	\$ (847,636)	\$ (343,012)
Increase in payables to contractors and equipment suppliers	<u>1,200</u>	<u>9,945</u>
Cash paid	<u>\$ (846,436)</u>	<u>\$ (333,067)</u>

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

(With Deloitte Touch audit report dated January 27, 2006)

(Concluded)

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2005 AND 2004

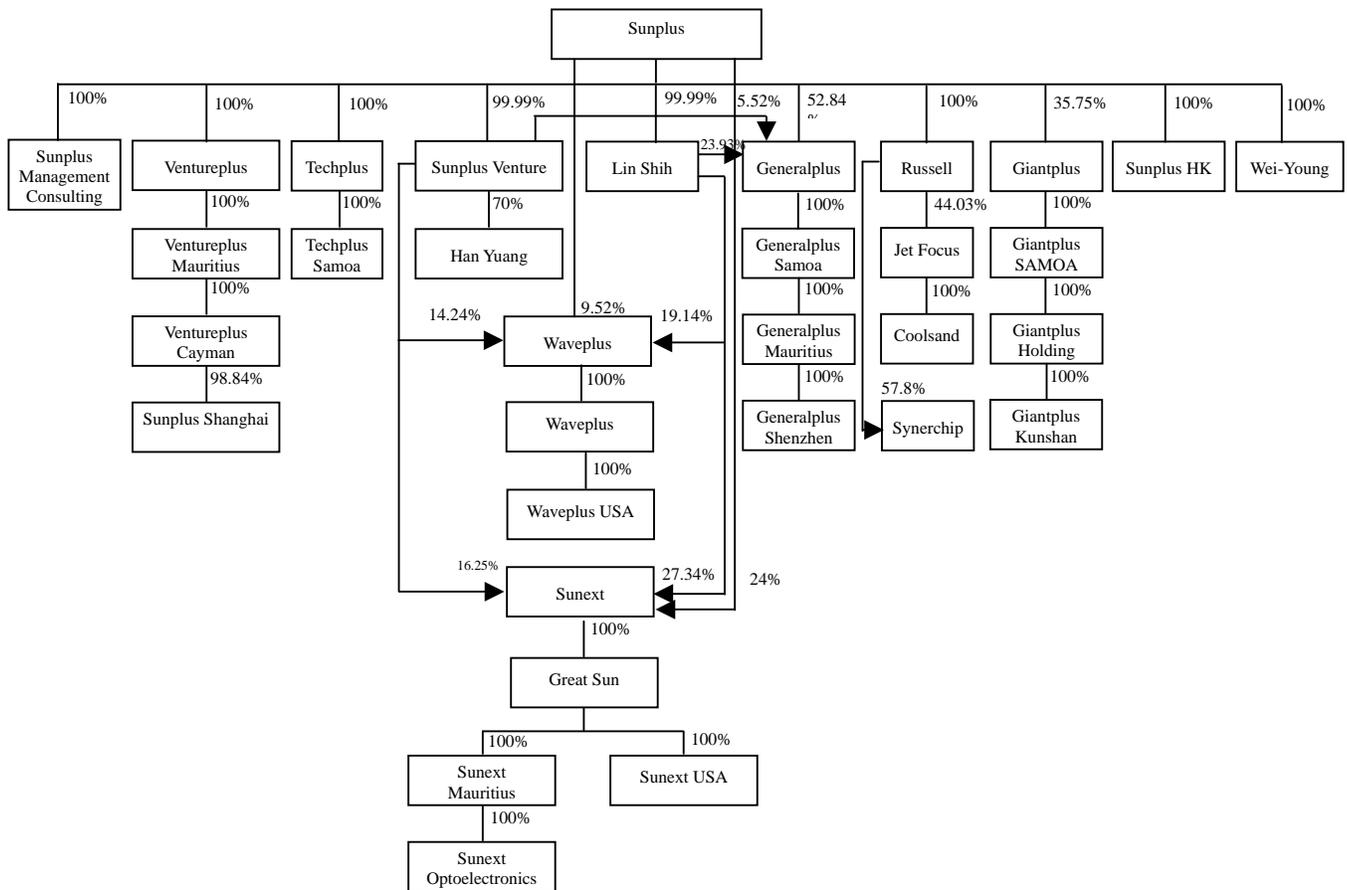
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL

Sunplus Technology Company Limited (Sunplus), established in August 1990, started its operations in October 1991 and moved into Hsinchu Science-Based Industrial Park in October 1993. It researches, develops, designs, tests and sells high quality, high value-added consumer integrated circuits (ICs). Its products are based on core 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.

The following diagram presents information regarding the relationship and ownership percentages among Sunplus and their affiliates as of December 31, 2005:



Sunplus Technology (Shanghai) is engaged in design, manufacture and sell of Integrated circuits (ICs) . Han Young is engaged mainly in design of ICs . Waveplus and Waveplus-USA are engaged in design and sell of Wireless LAN (WLAN) . Sunext and Sunext-USA are engaged mainly in develop, design and sell optical electronic and SOC(system on chip) ICs . Generalplus is engaged in design, manufacture and sell of customer ICs . Coolsand is engaged in the development and design multimedia ICs . Giantplus and Giantplus-Kunshan is engaged in the research, development, manufacture and sale of TN/STD LCDS and LCD modules . All other subsidiaries are engaged in investing activities .

Sunplus together with its consolidated entities hereinafter referred to collectively as the “Company” . As of December 31,2005 and 2004 , the company had 5,251 and 1,004 employees respectively .

2. SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated financial statements are 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). Under these guidelines and principles, Sunplus and the subsidiaries should reasonably estimate the amounts of allowance for doubtful accounts; allowance for sales discounts; allowance for loss on inventories and spare parts; depreciation of properties; amortization of deferred charges; and pension expenses. However, actual results could differ from those estimates because of the uncertainty of circumstances.

For the convenience of readers, 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 consolidated financial statements shall prevail.

Significant accounting policies are summarized as follows:

Consolidation

Effective January 1, 2005, the Group adopted the revised Statement of Financial Accounting Standards No. 7 “Consolidated Financial Statements”, (the “SFAS No. 7”). As a result, the consolidated financial statements, as of and for the year ended December 31, 2005, include the accounts of Sunplus and the subsidiaries which are directly and indirectly majority owned by Sunplus or Sunplus has control. All significant inter-company balances and transactions have been eliminated in consolidation.

The consolidating entities as of December 31, 2005 were as follows:

Name of Investor	Name of Investees	% of Ownership	Remark
		as of December 31, 2005	
Sunplus	Sunplus	100.00	-
	Management Consulting		
	Ventureplus	100.00	-
	Techplus	100.00	-
	Sunplus Venture	99.99	-
	Lin Shih	99.99	-
	Russell	100.00	-
	Sunplus HK	100.00	-
	Wei-Young	100.00	-

	Generalplus	52.84	-	
	Sunext	24.00		Sunplus and Subsidiaries held 67.59% ownership of Sunext
	Giantplus	35.75		Sunplus is the most shareholder of Giantplus and the chairmen of Sunplus that is the general manager of Giantplus. Thus, Sunplus has control over the financial, operating and personal hiring decision of Giantplus.
	Waveplus	9.52		Sunplus and the subsidiaries occupied 2 of 3 Waveplus' Board of Directors. Thus Sunplus has control over the financial, operating and personal hiring decision of Waveplus.
Ventureplus	Ventureplus Mauritius	100.00	-	
Ventureplus Mauritius	Ventureplus Cayman	100.00	-	
Ventureplus Cayman	Sunplus Shanghai	98.84	-	
Techplus	Techplus Samoa	100.00	-	
Sunplus Venture	Han Yuang	70.00	-	
	Sunext	16.25		Sunplus and Subsidiaries held 67.59% ownership of Sunext
	Waveplus	14.24		Sunplus and the subsidiaries occupied 2 of 3 Waveplus' Board of Directors. Thus Sunplus has control over the financial, operating and personal hiring decision of Waveplus.
Sunplus Venture	Generalplus	5.52		

(Continued)

Name of Investor	Name of Investees	% of Ownership as of December 31, 2005	Remark
Lin Shih	Generalplus	23.93	Sunplus and the subsidiaries held 82.29% ownership of Generalplus.
	Sunext	27.34	Sunplus and Subsidiaries held 67.59% ownership of Sunext
	Waveplus	19.14	Sunplus is the most shareholder of Giantplus and the chairmen of Sunplus that is the general manager of Giantplus. Thus, Sunplus has control over the financial, operating and personal hiring decision of Giantplus.
Russell	Jet Focus	44.03	Thus, Sunplus and the Subsidiaries have control over the financial, operating and personal hiring decision of Jet Focus.
	Synerchip	57.80	-
Jet Focus	Coolsand	100.00	-
Generalplus	Generalplus Samoa	100.00	-
Generalplus Samoa	Generalplus Mauritius	100.00	-
Generalplus Mauritius	Generalplus Shenzhen	100.00	-
Giantplus	Giantplus SAMOA	100.00	-
Giantplus SAMOA	Giantplus Holding	100.00	-
Giantplus Holding	Giantplus Kunshan	100.00	-
Waveplus	Waveplus	100.00	-
Waveplus	Waveplus USA	100.00	-
Sunext	Great Sun	100.00	-
Great Sun	Sunext Mauritius	100.00	-
	Sunext USA	100.00	-
Sunext Mauritius	Sunext Optoelectronics	100.00	-

2. SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated financial statements are 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). Under these guidelines and principles, Sunplus and subsidiaries should reasonably estimate the amounts of allowance for doubtful receivables, decline in market value of inventories, depreciation of property, plant and equipment, amortization of intangible assets, impairment loss on assets, and pension expenses. Actual results could differ from those estimates because of the uncertainty of circumstances.

In accordance with the rule regulated by the ROC Securities and Futures Bureau (SFB), beginning in 2005, CMO is required to file their semi-annual consolidated financial statements. The rule also states that single period presentation of consolidated financial statements is permitted at the initial adoption of the rule.

For the convenience of readers, the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the ROC. 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 financial statements shall prevail.

Significant accounting policies are summarized as follows:

Current and Noncurrent Assets and Liabilities

Current assets are those to be converted to cash or consumed within one year from the balance sheet date. Current liabilities are those to be paid off or settled within one year from the balance sheet date. Assets and liabilities that are not classified as current are noncurrent assets and liabilities, respectively.

Short-term Investments

Short-term investments are open-end funds, which are carried at the lower of aggregate cost or market value. Declines in market value are recognized as losses in the period of occurrence.

An allowance for decline in value is provided when the aggregate carrying value of the investments exceeds their total market value. Any recovery of the market value to the extent of the original carrying value is recognized as income. Costs of the investments sold are determined using the weighted-average method. The market value of the open-end funds is their net asset value on the last trading day of the reporting period.

Allowance for Doubtful Receivables

An allowance for doubtful receivables is provided based on a review of the collectibility of accounts receivables. Sunplus and its subsidiaries determine the amount of allowance for doubtful receivables by examining the historical collection experience and current trends in the credit quality of its customers as well as its internal credit policies.

Inventories

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

Long-term Investments

Investments in share of stock of companies in which the Company owns at least 20% of the outstanding voting shares or exercises significant influence on their operating and financial policy decisions are accounted for by the equity method. An impairment loss is recognized if the carrying amount exceeds the expected recoverable amount, and this loss is charged to current income.

The unrealized gains on sales to equity-method investees (except subsidiaries) are deferred in proportion to the Corporation's equity in the investees until sales are made to third parties.

The Company recognizes a reduction of shareholders' equity if it incurs an unrealized loss on a long-term investment as a result of the investee's application of lower of cost or market valuation method as reported in the separate financial statements of its equity-method investee. A reversal of the unrealized loss will result from a subsequent recovery of the market value.

Investments in which the Company owns less than 20% of the outstanding voting shares or does not exercise significant influence are accounted for by the cost method. For investments with readily ascertainable fair market value, an allowance is recognized for any decline in the market value of investments with the corresponding amount recorded as an unrealized loss, a component of shareholders equity. Shares of stock with no quoted market prices are stated at cost. An other than temporary decline either in carrying value or in market value below carrying value is charged to current income, and the carrying amount of such investments after recognizing losses will become the new cost of the investment. For both equity-method and cost-method investments, stock dividends received are recognized only as an increase in the number of shares held rather than investment income. Investment cost per share is then recalculated on the basis of the new number of shares. Cash dividends received within a year of investment acquisition are accounted for as a reduction of the carrying value of the investment; while cash dividends received in subsequent years are recognized as investment income on the declaration date. The cost of investments sold or transferred is determined using the weighted-average method.

The Company has recorded its stocks held by its subsidiaries as treasury stocks since January 2002. The recorded costs of treasury stocks are based upon the carrying values of the long-term investments in subsidiaries' books as of January 2002. When comparing lower of cost or market value, treasury stocks are separated from other investments and evaluated alone. The resulting gain on investment from cash dividends appropriated to subsidiaries is credited to capital surplus-treasury stock transactions.

Convertible bonds are stated at cost, and the costs of investments sold are determined using the weighted-average method.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Major additions, renewals and betterments are capitalized, while maintenance and repairs are expensed in the period incurred.

On the balance sheet date, the Company evaluates property, plant and equipment for any impairment. If impairment is identified, the Company should evaluate the recoverable amount of the assets. An impairment loss should be recognized for any carrying amount in excess of the expected recoverable amount. An impairment loss recognized in prior years can be reversed only if there is a change in the estimates used to determine recoverable amount since the last impairment loss was recognized. However, the loss reversal is only to the extent that the increased carrying amount of an asset would not exceed the asset carrying amount (net of depreciation) had no impairment loss been recognized in prior years. Under certain regulations, an impairment loss of a revalued asset should be treated as a revaluation increment decrease. A reversal of an impairment loss on a revalued asset is credited directly to equity under the heading revaluation increment. However, to the extent that an impairment loss on the same revalued asset was previously recognized as profit or loss, a reversal of that impairment loss is also recognized as profit or loss.

Depreciation is computed using the straight-line method over service lives initially estimated as follows: buildings - 3 to 55 years; auxiliary equipment - 3 to 35 years; machinery and equipment - 2 to 10 years; testing equipment - 3 to 5 years; transportation equipment - 3 to 5 years; furniture and fixtures - 3 to 10 years; leasehold improvements - 3 to 10 years; and miscellaneous equipment - 3 to 5 years. Property, plant and equipment still in use beyond their initially estimated service lives are depreciated over their newly estimated service lives.

Upon the sale or disposal of property, plant and equipment, the related cost and accumulated depreciation are removed from the accounts, and any gain or loss is credited or charged to current income.

Intangible Assets

Intangible assets consist of technology license fee, technological Know-how, patents, land grant, and others booked at the acquisition cost, which are amortized using the straight-line method over 2 to 5 years, 5 years,

5 to 18 years, 50 years, and 3 years, respectively.

On the balance sheet date, the Company evaluates intangible assets for any impairment. If impairment is identified, the Company should evaluate the recoverable amount of the assets. An impairment loss should be recognized for any carrying amount in excess of the expected recoverable amount, and this loss should be charged to current income. An impairment loss recognized in prior years can be reversed only if there is a change in the estimates used to determine recoverable amount since the last impairment loss was recognized. However, the loss reversal is only to the extent that the increased carrying amount of an asset would not exceed the asset carrying amount (net of depreciation) had no impairment loss been recognized in prior years.

Deferred Charges

Deferred charges are mainly costs of electricity installation and software and system design, which are booked at the installation or acquisition cost. The amounts are amortized over 5 and 5 to 10 years, using the straight-line method.

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

Employee Stock Option

Compensatory employee stock option plans that are granted or amended on or after January 1, 2004 must be accounted for in accordance with the interpretations issued by Accounting Research and Development Foundation of the Republic of China. Giantplus adopted the intrinsic value method and any compensation cost is charged to expense over the employee vesting period specified in the stock option plans.

Revenue Recognition

The Company recognizes net sales when the earnings process is complete, as evidenced by an agreement with the customer, transfer of title and acceptance, if applicable, the price is fixed or determinable and the collectibility is reasonably assured. The Company does not recognize sales on transactions involving the delivery of materials to subcontractors since there is no transfer of ownership of materials.

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

Government Subsidies

Amounts received by the Company from the government for the sponsorship of the development of certain products are recognized as subsidy income when realized or as deferred income when unrealized.

Pension Costs

For employees under defined benefit pension plans net periodic pension costs are recorded on the basis of actuarial calculations. For employees under defined contribution pension plans, unrecognized net transition obligation and unrecognized net gains or losses are amortized over 15 years and the employee's residual length of service, respectively, using the straight-line method.

Income Tax

The Company applies the inter-period income tax allocation method. Under this method, deferred income taxes are recognized for the tax effects of deductible temporary differences and unused tax credits. A valuation allowance is recognized if it is more likely than not that some portion or the entire deferred tax asset will not be realized. A deferred tax asset or liability is classified as current or noncurrent according

to the classification of the related asset or liability. If a deferred tax asset or liability cannot be related to an asset or liability in the financial statements, it is classified as current or noncurrent based on the expected realization date.

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

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

Income tax (10%) on inappropriate earnings is recorded as expense in the year when the shareholders approve the retention of earnings.

Foreign-currency Transactions

Foreign-currency transactions (except derivative transactions) are recorded in New Taiwan dollars at the rates of exchange in effect when the transactions occur. Gains or losses from the settlement of foreign-currency transactions or conversion of cash in foreign currency into New Taiwan dollars at prevailing rates are recognized as current income. At the end of each period, foreign-currency assets and liabilities are revalued at the prevailing exchange rate, with the resulting gains or losses recognized as current income. If an investee's functional currency is a foreign currency, gains or losses resulting from translation of the foreign currency financial statements are recognized as a translation adjustment under shareholders' equity.

Derivative Transactions

The Company enters into forward contracts to manage currency exposures in cash flows and foreign-currency assets and liabilities. Premiums or discounts, which are the differences between the spot rates at the start of the contracts and the contracted forward rates, are recognized in the current year and amortized over the terms of the forward contracts. On balance sheet dates, the receivables or payables arising from forward contracts are restated at the prevailing spot rates, and the resulting differences between these balance sheet date rates and spot rates on the contract starting dates are recognized and charged to income. Also, the receivables and payables related to the forward contracts are netted out, and the resulting amount is presented as an asset or a liability.

For the foreign currency option contracts entered into for non-trading purposes, the premiums paid would be amortized over the contract period, and recorded as gain or loss on the balance sheet dates. The difference in foreign currency on contract dates and on the settlement would also be recognized as an adjustment to income. For the foreign currency option contracts entered into for non-trading purposes, the premiums received or paid are recorded as liability or assets and amortized over the contract term. The carrying value of such liabilities or assets shall be adjusted to its fair value on the balance sheet dates with the resulting gains or losses recognized as current income.

Reclassifications

Certain 2004 accounts have been reclassified to be consistent with the financial statements as of and for the year ended December 31, 2005.

3. CASH AND CASH EQUIVALENTS

	2005	2004
Cash and bank deposits	\$ 5,661,419	\$ 3,430,142
Bonds acquired under repurchase agreements	<u>201,013</u>	<u>-</u>
	<u>\$ 5,862,432</u>	<u>\$ 3,430,142</u>

4. SHORT-TERM INVESTMENTS

	2005	2004
Open-end funds	<u>\$ 1,533,875</u>	<u>\$ 780,578</u>
Market value	<u>\$ 1,543,998</u>	<u>\$ 780,613</u>

5. INVENTORIES, NET

	2005	2004
Finished goods	\$ 2,006,955	\$ 1,866,007
Work in process	1,520,633	962,955
Raw materials	<u>1,140,720</u>	<u>520,088</u>
	4,668,308	3,349,050
Less: Allowance for losses	<u>465,033</u>	<u>180,162</u>
	<u>\$ 4,203,275</u>	<u>\$ 3,168,888</u>

6 LONG-TERM INVESTMENTS

	2005		2004	
	Carrying Amount	% of Owner- ship	Carrying Amount	% of Owner- ship
Shares:				
Equity method				
Goldkey Technology Corp.	\$ 104,627	32	\$ 66,407	15
Giantplus Technology Co., Ltd.	-	-	785,757	37
Sunplus Venture Capital Co., Ltd.	-	-	763,518	100
Russell Holdings Limited	-	-	442,314	100
Lin Shih Investment Co., Ltd.	-	-	542,808	100
Ventureplus Group Inc.	-	-	209,748	100
Generalplus Technology Corp.	-	-	149,984	60
Wei-Young Investment Inc.	-	-	188,759	100
Techplus Capital Niue Inc.	-	-	6,326	100
Sunplus Management Consulting Inc.	-	-	4,573	100
Waveplus Technology Co., Ltd.	<u>-</u>	<u>-</u>	<u>14,813</u>	10
	<u>104,627</u>		<u>3,175,007</u>	
Cost method				
Listed stocks				
RITEK Corp.	388,891	-	335,069	-
Global View Co., Ltd.	223,455	10	223,455	10
Ability Enter Prise Co., Ltd.	126,978	2	-	-
King Yuan Electronics Co., Ltd.	70,000	-	-	-
United Microelectronics Corp.	45,887	-	45,887	-
AIPTEK International Inc.	41,930	1	-	-
Harvatek Corp.	37,488	3	37,488	3

(Continued)

	2005		2004	
	Carrying Amount	% of Ownership	Carrying Amount	% of Ownership
Shang-Hai Fudan Microelectronics Co., Ltd.	\$ 33,149	-	\$ -	-
Silicon Application Corp.	26,700	1	26,700	1
Young Tek Electronic Corp.	95,814	2	-	-
Taiwan Cellular Corp.	6,529	-	-	-
WPG Holding Limited	3,869	-	-	-
Broadcom Corporation	-	-	37,608	-
Unlisted stocks				
Minton Optic Industry Co., Ltd.	154,643	15	-	-
InveStar Excelsus Venture Capital (Int'l), Inc.	126,654	19	-	-
Asia Tech Taiwan Venture, L.P.	98,550	-	-	-
eWave System, Inc.	69,740	22	-	-
Network Capital Global Fund	60,000	7	60,000	7
Technology Partners Venture Capital Corp.	50,000	11	50,000	11
Chiabon Venture Capital Co., Ltd.	50,000	5	-	-
Feature Integration Technology In.	46,250	16	-	-
Taiwan Nano Electro-Optical Technology Co., Ltd.	57,920	4	-	-
Asia B2B on Line Inc.	32,850	3	-	-
Ortega InfoSystem Inc.	32,850	-	-	-
Miracle Technology Co., Ltd.	27,965	18	-	-
AvAc system, Inc.	27,830	15	-	-
Radiant Innovation Inc.	25,363	15	-	-
WayTech Development Inc.	25,000	9	-	-
MaxEmil Photonics Corp.	20,061	4	-	-
Elite Advanced Laser Corp.	22,500	3	-	-
Socle Technology Corp.	20,000	3	-	-
NCTU Spring Venture Capital Co., Ltd.	20,000	6	-	-
Simple Act Inc.	19,000	19	-	-
OZ optics Limited.	16,425	8	-	-
Aicent, Inc.	16,425	-	-	-
Ether Precision Inc.	16,425	3	-	-
Softchina Venture Capital Corp.	4,073	8	-	-
Cyberon Corp.	13,691	19	-	-
UNIWILL CO., Ltd.	12,811	-	-	-
VenGlobal International Fund	11,284	-	-	-
GemFor Tech Co., Ltd.	10,685	6	-	-
Capella Microsystems Inc.	9,450	3	-	-
Techplus Belize Inc.	4,928	4	-	-
	<u>2,204,133</u>		<u>816,207</u>	
Deferred income	109,576		-	
Less: Allowance for loss	<u>285,085</u>		<u>231,679</u>	
	<u>1,809,472</u>		<u>584,528</u>	
Convertible bonds:				
AIPTEK International Inc.	20,000	-	20,000	-
Sin Bon Electronics Co., Ltd.	-	-	16,642	-
Action Electronics Co., Ltd.	-	-	<u>16,188</u>	-
	<u>20,000</u>		<u>52,830</u>	

(Continued)

	2005	% of	2004	% of
	Carrying Amount	Owner- ship	Carrying Amount	Owner- ship
Less: Allowance for loss	\$ -		\$ 153	
	<u>20,000</u>		<u>52,677</u>	
Prepayments for long-term investment				
Synerchip Inc.	1,651		-	
ORISE Technology Co., Ltd.	<u>1,000</u>		<u>-</u>	
	<u>2,651</u>		<u>-</u>	
	<u>\$ 1,936,750</u>		<u>\$ 3,812,212</u>	
Credit balance of long-term investments (recorded as other current liabilities)				
Sunplus Technology (H.K.) Co., Ltd.	\$ -	-	\$ 2,331	100

The financial statements used as basis for calculating the carrying values of the equity-method investments and the related investment gains and losses in 2005 and 2004 had all been audited, except those of Sunplus Management Consulting Inc. (SMCI). The Corporation's management believed that had SMCI's financial statements been audited, there would have been no material effect on the Company's financial statements. The equity-method investment amounts were as follows:

Listed Stock	2005	2004
Goldkey Technology Corp.	\$ (34,610)	\$ 2,199
Giantplus Technology Co., Ltd.	-	127,359
Sunplus Venture Capital Co., Ltd.	-	(99,709)
Russell Holdings Limited	-	(116,519)
Lin Shih Investment Co., Ltd.	-	(134,269)
Ventureplus Group Inc.	-	(64,472)
Generalplus Technology Corp.	-	30,049
Wei-Young Investment Inc.	-	(11,241)
Sunext Technology Co., Ltd.	-	-
Techplus Capital Niue Inc.	-	(4)
Sunplus Management Consulting Inc.	-	(427)
Sunplus Technology (H.K.) Co., Ltd.	-	4,245
Waveplus Technology Co., Ltd.	<u>-</u>	<u>(15,417)</u>
	<u>\$ (34,610)</u>	<u>\$ (278,206)</u>

Information on the lower of aggregate cost or market value of long-term investment was as follows:

	2005	2004
RITEK Corp.	\$ 62,644	\$ 57,995
Global View Co., Ltd.	149,787	186,419
Ability Enterprise Co., Ltd.	235,221	-
King Yuan Electronics Co., Ltd.	60,052	-
United Microelectronics Corp.	50,715	48,673
AIPTEK International Inc.	23,020	-

(Continued)

	2005	2004
Harvatek Corp.	\$ 142,667	\$ 100,266
Shang-Hai Fudan Microelectronics Co., Ltd.	7,403	-
Silicon Application Corp.	15,160	17,166
Young Tek Electronic Corp.	92,051	-
Taiwan Cellular Corp.	7,965	-
Broadcom Corp.	-	64,009
AIPTEK International Inc. convertible bond	20,744	19,164
Sin Bon Electronics Co., Ltd	-	17,658
Action Electronics Co., Ltd	-	15,855

7. PROPERTIES

	2005	2004
Accumulated depreciation:		
Buildings	\$ 286,985	\$ 68,584
Auxiliary equipment	92,640	80,530
Machinery and equipment	1,079,087	292,132
Testing equipment	665,963	401,611
Transportation equipment	9,237	4,287
Furniture and fixtures	228,423	65,444
Leasehold improvements	3,301	125
Other equipment	<u>43,649</u>	<u>-</u>
	<u>\$ 2,409,285</u>	<u>\$ 912,713</u>

8. INTANGIBLE ASSETS, NET

	2005	2004
Technology license fee	\$ 1,006,975	\$ 1,033,888
Technological Know-how	174,868	-
Patents	82,739	88,284
Land grant	81,124	-
Others	<u>16</u>	<u>-</u>
	<u>\$ 1,345,722</u>	<u>\$ 1,122,172</u>

Intangible assets consisted of fees paid to Oak Technology for the Company to acquire royalty and technology on light storage solutions for developing SOC DVD/VCD (system on a chip digital compact disk/video compact disk) players. Technological know-how includes the knowledge of CD-RW, Combo, Recordable-DVD, WLAN and Gate Way SOC.

9. OTHER FINANCE ASSETS – NONCURRENT

	Investment (In thousand US\$)	Book Value	At maturity
<u>December 31, 2005</u>			
Time deposits with floating interest rates indexed to LIBOR rates	<u>\$ 6,000</u>	\$ 197,100	September 2010~April, 2014 July 2007~August 2007
Credit-linked investment contract		<u>459,562</u>	
		<u>\$ 656,662</u>	
<u>December 31, 2004</u>			
Time deposits with floating interest rates indexed to LIBOR rates	<u>\$ 7,000</u>	<u>\$ 221,970</u>	September 2010~April, 2014

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

10. DEFERRED CHARGES AND OTHERS

	2005	2004
Software and system design	\$ 9,588	\$ 16,095
Electricity installation	13,305	23
Golf evidence	7,800	7,800
Refundable Deposits	<u>41,307</u>	<u>7,154</u>
	<u>\$ 72,000</u>	<u>\$ 31,072</u>

11. SHORT-TERM BANK LOANS

	2005	2004
Credit loan - US\$10,000 thousand. Repayable by June 2006; annual interest rate from 4.86% to 5.36%	\$ 328,500	\$ -
Working capital loans - RMB\$39,705 thousand, repayable by April 2006; annual interest rate from 4.31% to 5.0%	161,622	-
Working capital loans - Repayable by November 2006; annual interest rate from 2.25% to 3.25%	130,000	-
Working capital loans - Repayable by January 2006; annual interest rate at 2.425%	<u>50,000</u>	<u>-</u>
	<u>\$ 670,122</u>	<u>\$ -</u>

12. COMMERCIAL PAPER

	2005		2004	
	Rate	Amount	Rate	Amount
Secured by guarantees issued by financial institutions and annual interest at 1.41%	1.41	\$ 85,000	-	\$ -
Less: Discount on commercial paper		<u>111</u>		<u>-</u>
		<u>\$ 84,889</u>		<u>\$ -</u>

13. LONG-TERM LOANS

	2005	2004
Secured loans:		
Repayable in quarterly installments starting from December 2004 to September 2007, annual interest rate at 2.95%	\$ 58,333	\$ -
Repayable in monthly installments starting from December 2002 to November 2007, annual interest rate at 2.95%	38,333	-
Repayable in monthly installments starting from July 2001 to June 2006, annual interest rate at 2.95%.	12,000	-
Unsecured loans:		
Repayable in quarterly installments starting from June 2006 to March 2008, annual interest rate at 2.97%	700,000	-
Repayable in quarterly installments starting from August 2005 to May 2008, annual interest at 2.86%	166,667	-
Repayable by May 2008, annual interest at 2.24%	150,000	-
Repayable in quarterly installments starting from August 2006 to May 2007, annual interest rate at 2.94%	100,000	-
Repayable in semiannual installments starting from September 2005 to March 2007, annual interest rate at 2.90%	75,000	-
Repayable in quarterly installments starting from May 2004 to May 2008, annual interest rate at 3.10%	<u>55,000</u>	<u>-</u>
	1,355,333	-
Less: Current portion	<u>524,500</u>	<u>-</u>
	<u>\$ 830,833</u>	<u>\$ -</u>

The long-term unsecured loans were obtained several financial institutions as syndicated loan. In accordance with the syndicated loan agreements, Giantplus technology is required, among others, to maintain certain financial ratios in annual financial statements. As of December 31, 2005, Giantplus Technology was in compliance with those financial covenants.

14. PENSION PLAN

The Labor Pension (the "Act") took effect on July 1, 2005. The employees subject to the Labor Standards Law before July 1, 2005 were allowed to choose to be subject to the pension mechanism under the Act or to continue being subject to the pension mechanism under the Labor Standards Law. For Company employees who were subject to the Labor Standards Law before July 1, 2005 and choose to be subject to the Act, their service years as of July 1, 2005 will be retained. Those hired on or after July 1, 2005 are automatically subject to the Act. Based on the Act, the Company's monthly contributions to employees' pension accounts starting from July 1, 2005 have been at 6% of employees' salaries. Thus, the pension cost recognized by the Company in the second half of 2005 was \$31,569 thousand.

Before the promulgation of the Act, the Company has had a defined benefit pension plan under the Labor Standards Law. Under this plan, employees should receive either a series of pension payments with a defined annuity or a lump sum that is payable immediately on retirement and is equivalent to 2 base unites 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 months' unit. The pension plan provides benefits based on the length of service and the average basic salary of the employee's final six months of service. In addition, the Company makes monthly contributions, equal to 2% of salaries, to a pension fund, which is administered by a fund monitoring committee. The contributions are deposited in the committee's name in the Central Trust or China.

Other information on the defined pension plan including Sunplus and Giantplus are as follows:

	2005	2004
a. Components of net pension costs		
Service cost	\$ 37,045	\$ 48,097
Interest cost	10,912	6,026
Projected return on plan assets	(2,528)	(1,025)
Amortization	<u>3,833</u>	<u>3,607</u>
Net pension cost	<u>\$ 49,262</u>	<u>\$ 56,705</u>
b. Reconciliation of the fund status of the plan and accrued pension costs		
Benefit obligations		
Vested benefit obligation	\$ -	\$ -
Non-vested benefit obligation	133,743	110,518
Accumulated benefit obligation	<u>133,743</u>	<u>110,518</u>
Additional benefits based on future salaries	<u>218,069</u>	<u>177,767</u>
Projected benefit obligation	351,812	288,285
Fair value of plan assets	<u>(95,410)</u>	<u>(54,483)</u>
Funded status	256,402	233,802
Unrecognized net transition obligation	(4,104)	(4,309)
Unrecognized net loss	<u>(62,393)</u>	<u>(76,907)</u>
Accrued pension liability	<u>\$ 189,905</u>	<u>\$ 152,586</u>
Vested benefit	<u>\$ -</u>	<u>\$ -</u>
c. Actuarial assumptions		
	2005	2004
Discount rate used in determining present values	3.50%	2.5%
Future salary increase rate	2.5%~5.75%	5.0%
Expected rate of return on plan assets	2.5%~3.5%	2.5%

15. SHAREHOLDERS' EQUITY

a. Employee Stock Option Plan

Sunplus

On March 7, 2003, the Securities and Futures Bureau (SFB: Formerly known as "Securities and Futures Commission") approved the Company's adoption of an employee stock option plan. The plan provides for the grant of 30,000 thousand options, with each representing one common share. The option rights may be granted to qualified employees of the company and subsidiaries. A total of 30,000 thousand common shares are 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 TSE on the date of grant. All options had been granted or eliminated as of December 31, 2005.

Information on outstanding option rights is as follows:

	<u>2005</u>		<u>2004</u>	
	<u>Unit (in Thousands)</u>	<u>Weighted- Average Price (NT\$)</u>	<u>Unit (in Thousands)</u>	<u>Weighted- Average Price (NT\$)</u>
Beginning outstanding balance	\$ 32,589	\$ 32.34	\$ 31,049	39.90
Options granted	1,281	29.63	3,014	32.25
Options exercised	(7,213)	26.66	-	-
Options cancelled	<u>(1,461)</u>		<u>(1,474)</u>	
Ending outstanding balance	<u>\$ 25,196</u>		<u>\$ 32,589</u>	

The numbers of outstanding options and exercise prices have been adjusted to reflect the appropriations of dividends in accordance with the plans.

For the year ended December 2005 and 2004, additional 1,281 thousand and 3,014 thousand options have been granted to reflect the appropriation of dividend & stock bonus.

As of December 31, 2005, information about outstanding and exercisable options was as follows:

<u>Range of Exercise Price (NT\$)</u>	<u>Options Outstanding</u>			<u>Options Exercisable</u>	
	<u>Number of Options (in Thousands)</u>	<u>Weighted- Average Remaining Contractual Life (Years)</u>	<u>Weighted- Average Exercise Price (NT\$)</u>	<u>Number of Options (in Thousands)</u>	<u>Weighted- average Exercise Price (NT\$)</u>
\$23.90	16,764	3.35	\$23.90	8,382	\$23.90
41.50	8,432	3.66	41.50	4,216	41.50

Giantplus

The SFB approved Giantplus' adoption of an employee stock option plan. The plan provides for the grant of 16,000 thousand options, with each representing one common share. A total of 16,000 thousand common shares are reserved for issuance. The options are valid for six years and exercisable at certain percentages after the second anniversary of the grant date. The options may be granted to qualified employees of Giantplus and its subsidiaries. All options had been granted or eliminated as of December 31, 2005.

Information on outstanding option rights was as follows:

	<u>2005</u>		<u>2004</u>	
	<u>Number of Options (in Thousands)</u>	<u>Weighted Average Exercise Price (NT\$)</u>	<u>Number of Options (in Thousands)</u>	<u>Weighted Average Exercise Price (NT\$)</u>
Beginning outstanding balance	9,622	\$ 12.50	-	\$ -
Options issued	6,000	13.55	10,000	12.5
Options granted	1,388	11.43	-	-
Options cancelled	<u>(1,801)</u>	-	<u>(378)</u>	-
Ending outstanding balance	<u>15,209</u>		<u>9,622</u>	

The numbers of outstanding options and exercise prices have been adjusted to reflect the appropriations of dividends in accordance with the plans.

For the year ended December 31, 2005, additional 1,388 thousand options have been granted to reflect the appropriation of dividends and stock bonus.

As of June 30, 2005, the information about Giantplus outstanding stock options was as follows:

<u>Exercise Price</u>	<u>Options Outstanding</u>			<u>Options Exercisable</u>	
	<u>Number Outstanding (in Thousands)</u>	<u>Weighted Average Remaining Contractual Life (in Years)</u>	<u>Weighted Average Exercise Price (NT\$)</u>	<u>Number Exercisable (in Thousands)</u>	<u>Weighted Average Exercise Price (NT\$)</u>
\$11.00~12.00	15,209	4.70~5.35	\$11.00~12.00	-	\$ -

Waveplus

On April 29, 2002 and February 12, 2004, Waveplus Board of Directors approved its employee stock option plans (hereinafter referred to as "2002 Plan" and "2004 Plan", respectively). The 2002 Plan and 2004 Plan have reserved 1,750 and 1,250 of options, respectively, with each option representing 1,000 shares of common stock, for a total of 3,000 thousand shares for issuance. These options generally vest over a period of two years, at a certain percentage each year, from two years after the date of grant. They may be exercised within seven years from two years after the date of grant. The 2002 plan had been all granted as of December 31, 2005. The 2004 plan hadn't been granted as of December 31, 2005. Other information on the 2002 stock option rights plan is as follows:

	2005		2004	
	Number of Options (In Thousand)	Weighted Average Exercise Prices (NT\$)	Number of Options (In Thousand)	Weighted Average Exercise Prices (NT\$)
Beginning outstanding balance	1,750	\$ 10	1,750	\$ 10
Options cancelled	-	-	-	-
Ending outstanding balance	<u>1,750</u>		<u>1,750</u>	

As of December 31, 2005, the information about the outstanding stock options is as follows:

Exercise Price	Options Outstanding			Options Exercisable	
	Number Outstanding (In Thousands)	Weighted Average Remaining Contractual Life (in Years)	Weighted Average Exercise Price (NT\$)	Number Outstanding (In Thousands)	Weighted Average Exercise Price (NT\$)
\$ 10	1,750	5.11	\$ 10	-	\$ -

b. Global Depositary Receipts (GDRs)

In March 2001, the Company issued 20,000 thousand units of Global Depositary Receipts (GDRs), representing 40,000 thousand common shares consisting of newly issued and originally outstanding shares. The GDRs are listed on the London Stock Exchange (code: SUPD) with an issuance price of US\$9.57 per unit. In 2005, the GDRs have been converted into 83,679 thousand of common shares amounting to US\$226,535 thousand. The outstanding GDRs, representing 4,556 thousand common shares, are accounted for 0.48% of outstanding common stock.

c. Capital Surplus

Under ROC regulations, capital surplus may be used to offset deficit, and only the capital surplus from donations (donated capital) and the issue of stock in excess of per value (including the stock issued for new capital and mergers and surplus arising from treasury stocks transactions.) may be transferred to capital as stock dividend restricted to a certain percentage based on shareholders' ownership. However, capital surplus resulted from long-term investment could not be transferred.

d. Appropriation of Earnings and Dividend Policy

The Company's Articles of Incorporation provide that the following should be appropriated from annual earnings 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) dividends of up to 6% of paid-in capital; and (ii) 1.5% as remuneration to directors and supervisors and at least 1% as bonus to employees. The employees may include, with the approval of the Company's board of directors, the employees of affiliated companies.

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

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 long-term investments and cumulative translation adjustments) should be made from unappropriate retained earnings pursuant to regulations promulgated by SFB. The special reserve is allowed to be appropriated to the extent that the debit balance of such accounts is reversed.

Under the ROC Company Law, legal reserve should be appropriated until the reserve equals the Company's paid-in capital. This reserve may be used to offset a deficit. In addition when the reserve exceeds 50% of the Company's paid-in capital; the portion of up to 25% in excess of the paid-in capital can be distributed as stock dividend and bonus.

The appropriation of earnings should be approved by the shareholders in the following year and given effect on the financial statements of that year.

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

The appropriations for the earnings of 2004 and 2003 were approved in the shareholders' meetings on June 13, 2005 and June 1, 2004, respectively. The appropriations, including dividends, were as follows:

	<u>For Fiscal Year 2004</u>		<u>For Fiscal Year 2003</u>	
	<u>Appropriation</u>	<u>Dividends</u>	<u>Appropriation</u>	<u>Dividends</u>
	<u>of Earnings</u>	<u>Per Share</u>	<u>of Earnings</u>	<u>Per Share</u>
		<u>(NT\$)</u>		<u>(NT\$)</u>
Legal reserve	\$ 273,769		\$ 200,697	
Special reserve	338,488		-	
Bonus to employees – stock	225,000		200,000	
Bonus to employees – cash	25,000		-	
Remuneration of directors and supervisors	24,004		20,977	
Stock dividends	262,576	\$ 0.2980	155,500	\$ 0.2
Cash dividends	<u>1,750,509</u>	1.9859	<u>1,166,256</u>	1.5
	<u>\$ 2,899,346</u>		<u>\$ 1,743,430</u>	

The above appropriation of the earnings is consistent with the resolutions passed at the meetings of the board of directors on April 28, 2005 and April 20, 2004. If the above employee bonus paid in stock had been paid in cash and all of the bonus to employees and remuneration to directors and supervisors had been charged against income for 2004 and 2003, the after income tax basic earnings per share for the years ended December 31, 2003 and 2004 would have decreased from NT\$3.15 and NT\$2.6 to NT\$2.83 and NT\$2.31. The shares distributed as a bonus to employees represented 2.57% of the Company's total outstanding common shares as of December 31, 2003 and 2004.

As of January 27, 2006, the board of directors have not resolved the appropriation for earnings of 2005. The above information about the appropriations of bonus to employees and remuneration to directors and supervisors is available at Market Observation System website.

16. TREASURY STOCK (COMMON STOCK)

(Units: Shares in Thousands)

Purpose of Purchase	Beginning Shares	Increase	Ending Shares
<u>2005</u>			
Company stocks held by subsidiaries	5,854	290	6,144
For subsequent transfer to employees	<u>-</u>	<u>2,582</u>	<u>2,582</u>
	<u>5,854</u>	<u>2,872</u>	<u>8,726</u>
<u>2004</u>			
Company stocks held by subsidiaries	<u>5,322</u>	<u>532</u>	<u>5,854</u>

Starting in January 2002, the Company accounted for its issued shares amounting to \$95,605 thousand held by a subsidiary, Lin Shin Investment Co., Ltd., as treasury stock. As of December 31, 2005 and 2004, the book values of these stocks were both \$95,605 thousand, and the market values of these stocks were \$232,131 thousand and \$257,444 thousand, respectively.

Under the regulation of the Securities and Futures Bureau, the Company should acquire no more than 10% of all its issued shares. It should not pledge treasury shares and should not exercise shareholders' rights on these shares before their transfer. In addition, the aggregate reacquisition cost should not exceed the combined balance of the retained earnings and certain capital surplus. However, the subsidiaries holding Sunplus' issued shares retain shareholders' rights and privileges on these shares, except for the right to participate in the Company's capital increase. Further, under the revised Company Law, the subsidiaries holding the issued shares of Sunplus will no longer be entitled, effective June 24, 2005, to the voting right.

17. PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

	For the Year Ended December 31					
	2005			2004		
	Classified as Cost of Sales	Classified as Operating Expense	Total	Classified as Cost of Sales	Classified as Operating Expense	Total
Personnel expense						
Salary	\$ 512,996	\$ 1,578,498	\$ 2,091,494	\$ 108,876	\$ 929,179	\$ 1,038,055
Labor/health insurance	48,108	82,923	131,031	6,200	47,443	53,643
Pension	13,522	69,854	83,376	5,438	51,267	56,705
Welfare benefit	12,137	34,075	46,212	3,969	25,534	29,503
Meal	21,559	1,052	22,611	2,546	16,506	19,052
Others	<u>2,279</u>	<u>28,168</u>	<u>30,447</u>	-	-	-
	<u>\$ 610,601</u>	<u>\$ 1,794,570</u>	<u>\$ 2,405,171</u>	<u>\$ 127,029</u>	<u>\$ 1,069,929</u>	<u>\$ 1,196,958</u>
Depreciation	<u>\$ 291,258</u>	<u>\$ 321,087</u>	<u>\$ 612,345</u>	<u>\$ 78,966</u>	<u>\$ 165,153</u>	<u>\$ 244,119</u>
Amortization	<u>\$ 3,053</u>	<u>\$ 494,460</u>	<u>\$ 497,513</u>	<u>\$ 856</u>	<u>\$ 326,999</u>	<u>\$ 327,855</u>

18. INCOME TAX

a. Income tax benefit consisted of the following:

	2005	2004
Income tax expense - current before tax credits	\$ (346,880)	\$ (227,730)
Net change in deferred income taxes	133,770	182,906
Investment tax credits	202,022	218,189
Income tax (10%) on undistributed earnings	(30,452)	(57,774)
Nondeductible tax credits - income from overseas	-	(14,015)
Adjustment of prior years' income tax expense	<u>22,110</u>	<u>2,686</u>
Income tax benefit (expense)	<u>\$ (19,430)</u>	<u>\$ 104,262</u>

b. Deferred income tax assets consisted of the following:

	December 31, 2005	December 31, 2004
Current:		
Operating loss carry forwards	\$ 36,093	\$ -
Investment tax credits	193,960	57,219
Temporary difference	41,847	14,594
Valuation allowance	<u>23,349</u>	<u>-</u>
	<u>\$ 248,551</u>	<u>\$ 71,813</u>
Noncurrent:		
Operating loss carry forwards	\$ 478,182	\$ -
Investment tax credits	1,140,690	612,596
Temporary difference	33,208	40,443
Valuation allowance	<u>1,117,652</u>	<u>68,229</u>
	<u>\$ 534,428</u>	<u>\$ 584,810</u>

The effective tax rate for deferred income tax as of December 31, 2005 was 25%.

As of December 31, 2005, investment tax credits (recorded as deferred tax assets) consisted of the following:

Regulation	Items	Total Creditable Amounts	Remaining Creditable Amounts	Expiry Year
Income Tax Law	Loss carry forwards	\$ 16,352	\$ -	2005
		61,493	36,093	2006
		6,848	6,848	2007
		95,233	95,233	2008
		142,259	142,259	2009
		<u>233,842</u>	<u>233,842</u>	2010
		<u>\$ 556,027</u>	<u>\$ 514,275</u>	

(Continued)

Regulation	Items	Total Creditable Amounts	Remaining Creditable Amounts	Expiry Year
Statute for Upgrading Industries	Purchase of machinery and Equipment	\$ 55,263	\$ -	2005
		6,848	2,360	2006
		4,131	4,131	2007
		13,352	13,352	2008
		<u>11,698</u>	<u>11,698</u>	2009
		<u>\$ 91,292</u>	<u>\$ 31,541</u>	
Statute for Upgrading Industries	Research and development Expenditures	\$ 191,600	\$ 191,600	2006
		223,196	223,196	2007
		372,890	372,890	2008
		<u>515,328</u>	<u>366,567</u>	2009
			<u>\$1,303,014</u>	<u>\$1,154,253</u>
Statute for Upgrading Industries	Personnel training expenditures	\$ 198	\$ 198	2007
		48	48	2008
		<u>70</u>	<u>70</u>	2009
			<u>\$ 316</u>	<u>\$ 316</u>
Statute for Upgrading Industries	Investments in poor area	<u>\$ 136,821</u>	<u>\$ 132,333</u>	2007
Statute for Upgrading Industries	Investments in important technology-based enterprise	<u>\$ 16,207</u>	<u>\$ 16,207</u>	2007

The income from separate expansion projects on the design, manufacture, test and sale of ICs for voice and music applications, telephone answering equipment, multimedia systems, wireless communications systems, digital signal processing controllers and special applications is exempt from income tax. The related tax-exemption periods are as follows:

Project	Tax Exemption Period
Fourth expansion	January 1, 2002 to December 31, 2005
Fifth expansion	January 1, 2003 to December 31, 2006

Income from separate projects on the design, manufacture and sale of control chips for digital cameras, scanners and PC cameras is exempt from income tax for five years from January 1, 2002.

The income tax returns of Sunplus through 2002 and Sunext, Waveplus, Giantplus, Lin-Shin and Sunplus venture income tax returns through 2003 had been examined and cleared by the tax authorities. However, the Company is contesting the assessment of the tax authority for 2002 and the relevant valuation allowance had been recognized for deferred income tax assets.

d. Integrated income tax information:

	2005	2004
Shareholders' imputation credit account	<u>\$ 22,441</u>	<u>\$ 32,799</u>
Unappropriate earnings before (include) 1997	<u>\$ 452,310</u>	<u>\$ 452,310</u>

The expected and actual creditable tax ratios for 2005 and 2004 were 2.81% and 2.11%, respectively.

The imputation credits allocated to the shareholders are based on the balance as of the date of dividend distribution. The expected creditable ratio for distribution of earnings of 2005 may be adjusted when the allocation of the imputation credits is made.

19. CONSOLIDATED EARNINGS PER SHARE

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

	<u>Amounts (Numerator)</u>		<u>Share (Denominator) (In Thousands)</u>	<u>EPS (Dollars)</u>	
	<u>Before Income Tax</u>	<u>After Income Tax</u>		<u>Before Income Tax</u>	<u>After Income Tax</u>
<u>2005</u>					
Consolidated net income	<u>\$ 2,479,189</u>	<u>\$ 2,459,759</u>			
Consolidated basic EPS					
Income available to common Shareholders	\$ 2,417,785	\$ 2,398,355	938,607	<u>\$ 2.58</u>	<u>\$ 2.56</u>
Effect of dilutive securities-stock Options	<u>-</u>	<u>-</u>	<u>7,900</u>		
Consolidated diluted EPS					
Income available to common and potential common shareholders of the parent	<u>\$ 2,417,785</u>	<u>\$ 2,398,355</u>	<u>946,507</u>	<u>\$ 2.55</u>	<u>\$ 2.53</u>
<u>2004</u>					
Consolidated net income	<u>\$ 2,633,429</u>	<u>\$ 2,737,691</u>			
Consolidated basic EPS					
Income available to common Shareholders	\$ 2,633,429	\$ 2,737,691	935,373	<u>\$ 2.82</u>	<u>\$ 2.93</u>
Effect of dilutive securities-stock Options	<u>-</u>	<u>-</u>	<u>14,037</u>		
Consolidated diluted EPS					
Income available to common and potential common shareholders of the parent	<u>\$ 2,633,429</u>	<u>\$ 2,737,691</u>	<u>949,410</u>	<u>\$ 2.77</u>	<u>\$ 2.88</u>

The weighted-average number of shares outstanding for EPS calculation is adjusted retroactively for stock dividends and stock bonuses see Note 15 issued subsequently. As a result of this retroactive adjustment, the basic EPS and diluted EPS after income tax in 2004 decreased from NT\$3.15 to NT\$2.93 and from NT\$3.10 to NT\$2.88, respectively.

20. RELATED-PARTY TRANSACTIONS

The Company's related parties were as follows:

- a. Global View Co., Ltd. ("Global View") – the supervisor of Sunplus and Giantplus
- b. Giantplus Technology Co., Ltd. ("Giantplus") - investee over which Sunplus had control and was consolidated with significant transition eliminated in 2005
- c. Goldkey Technology Corp. ("Goldkey") - equity-method investee
- d. Waveplus Technology Co., Ltd. ("Waveplus") - investee over which Sunplus had control and was consolidated with significant transition eliminated in 2005
- e. Sunext Technology Co., Ltd. ("Sunext") - investee over which Sunplus had control and was consolidated with significant transition eliminated in 2005
- f. Sunplus Technology (H.K.) Co., Ltd. ("Sunplus H.K.") - investee over which Sunplus had control and was consolidated with significant transition eliminated in 2005
- g. Generalplus Technology Inc. ("Generalplus") - investee over which Sunplus had control and was consolidated with significant transition eliminated in 2005
- h. Sunplus Technology (Shanghai) Co., Ltd. ("Sunplus Shanghai") - investee over which Sunplus had control and was consolidated with significant transition eliminated in 2005
- i. RITEK Corp. (RITEK) - the supervisor of Giantplus and Sunplus
- j. Golden Global View Computer Technology Company Ltd. (Golden Global View) - the subsidiary of Global View
- k. Global View (Kunshan) Co., Ltd (Global View Kunshan) - the subsidiary of Global View.
- l. Generalplus Shenzhen - same general manager of Giantplus kunshan.
- m. Zhuang hui zhen - a spouse of the president.
- n. Others - please refer to Note 25 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:

	2005		2004	
	Amount	%	Amount	%
<u>For the year</u>				
Sales:				
Generalplus Shenzhen	\$ 353,257	2	\$ -	-
Golden Global View	68,385	-	-	-
Global View Kunshan	3,975	-	-	-
Giantplus	-	-	407,031	2
Generalplus	-	-	99,764	1
Waveplus	-	-	108,416	1
Global View	68,838	-	146,330	1
Sunext	-	-	73,361	-

Goldkey	7,240	-	41,957	-
Sunplus H.K.	-	-	9,126	-
	<u>\$ 501,695</u>	<u>2</u>	<u>\$ 885,985</u>	<u>5</u>
	2005		2004	
	Amount	%	Amount	%
Purchase				
RITEK	<u>\$ 8,673</u>	<u>-</u>	<u>\$ -</u>	<u>-</u>
	2005		2004	
	Amount	%	Amount	%
For the period				
Subcontract cost				
Global View Kunshan	<u>\$ 1,937</u>	<u>-</u>	<u>\$ -</u>	<u>-</u>
The price and collection terms for products sold to related parties were similar to those for third parties.				
	2005		2004	
	Amount	%	Amount	%
Commission expense				
Waveplus	<u>\$ -</u>	<u>-</u>	<u>\$ 3,399</u>	<u>-</u>
Under the development and sales agreement with Waveplus and A company, Sunplus should pay a commission expenses at an agreed amount by this contract.				
	2005		2004	
	Amount	%	Amount	%
Market services expense				
Sunplus H.K.	<u>\$ -</u>	<u>-</u>	<u>\$ 13,095</u>	<u>-</u>
Rent Expense				
Global View	\$ 2,571		\$ -	
Zhuang hui zhen	<u>2,564</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 5,135</u>	<u>-</u>	<u>\$ -</u>	<u>-</u>
Non Operating Income :				
Dividend income:				
Global View	<u>\$ -</u>	<u>-</u>	<u>\$ 10,962</u>	<u>45</u>
Other:				
Sunext	\$ -	-	\$ 3,600	6
Global View	-	-	1,959	3
Joing	<u>-</u>	<u>-</u>	<u>1,317</u>	<u>2</u>
	<u>\$ -</u>	<u>-</u>	<u>\$ 6,876</u>	<u>11</u>

The above lease transaction prices are specifically negotiated and there are no comparable under other contracts. The transactions between the Company and the above related parties were at normal terms.

2005	2004
-------------	-------------

	Amount	%	Amount	%
Notes and accounts receivable:				
Generalplus Shenzhen	\$ 129,871	3	\$ -	-
Golden Global View	14,820	-	-	-
Global View	10,103	-	23,363	1
Global View Kunshan	4,776	-	-	-
Giantplus	-	-	86,053	3
Waveplus	-	-	21,122	1
Goldkey	-	-	6,424	-
Generalplus	-	-	2,161	-
Sunext	<u>-</u>	<u>-</u>	<u>14</u>	<u>-</u>
	<u>\$ 159,570</u>	<u>3</u>	<u>\$ 139,137</u>	<u>5</u>
Notes and accounts payable				
RITEK	\$ 1,368	-	\$ -	-
Global View Kunshan	<u>68</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,436</u>	<u>-</u>	<u>\$ -</u>	<u>-</u>
Other current liabilities:				
Waveplus	<u>\$ -</u>	<u>-</u>	<u>\$ 1,446</u>	<u>-</u>
Deferred royalty income (including current and non-current)				
Sunext	<u>\$ -</u>	<u>-</u>	<u>\$ 89,430</u>	<u>100</u>

21. PLEDGED OR MORTGAGED ASSETS

Certain assets pledged or mortgaged as collateral for short-term and long-term borrowings and refundable deposits for foreign workers were as follows:

	2005	2004
Pledged time deposits	\$ 13,114	\$ -
Land	279,956	-
Buildings and auxiliary equipment, net	606,733	-
Subsidiary holding company stock	<u>77,800</u>	<u>-</u>
	<u>\$ 977,603</u>	<u>\$ -</u>

22. SIGNIFICANT LONG-TERM OPERATING LEASES

The Company leases land from the Science-Based Industrial Park Administration under renewable agreements expiring in July 2015, December 2020 and 2021, with annual rentals aggregating \$7,522 thousand.

Future annual minimum rentals under the leases are as follows:

Year	Amount
2006	\$ 7,522
2007	7,522
2008	7,522
2009	7,522
2010	7,522
2011 and thereafter	<u>61,371</u>
	<u>\$ 98,981</u>

23. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

- a. Amounts available under unused letters of credit as of December 31, 2005 were \$17,458 thousand (including ¥\$59,136 thousand and US\$28 thousand) and bank guarantee letter \$12,014 thousand.
- b. Related party borrowings guaranteed by the Company

	<u>December 31</u>	
	2005	2004
Sunext	\$ 380,000	\$ -
Sunplus Shanghai	164,950	164,950
Generalplus	62,995	-
Waveplus	20,000	-
Giantplus	-	636,495
Sunplus H.K.	<u>-</u>	<u>17,252</u>
	<u>\$ 627,945</u>	<u>\$ 818,697</u>

- c. Sunplus authorized patent rights which bought from Oak Technology Inc. (OAK) to Sunext Technology Inc, OAK accused MediaTek, Inc. of tort, and them MediaTek countercharged. Because patent rights had transferred to Sunext, MediaTek also accused of Sunext as tort defendant in September, 2004 (to America International Trade committee). After a two-week hearing in June 2005, the Administrative Law Judge issued his Determinations, finding no violations because the Sunext did not infringe any valid claims of the asserted patents. And MediaTek also rescinded to appeal.

24. SIGNIFICANT SUBSEQUENCE EUENTS

On January 19 2006, for the Company's competition the shareholder's meeting resolved to divide Sunplus's net operating asset amounting to NT\$1,099,800 thousand to establish ORISE Company and get ORISE 100% ownership ,90,000 thousand stocks, 12.22 per share on March 31, 2006 .

25. ADDITIONAL DISCLOSURES

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

- a. Endorsement/guarantee provided: Table 1 (attached)
- b. Marketable securities held: Table 2 (attached)

- c. Marketable securities acquired and disposed of at costs or prices of at least NT\$100 million or 20% of the paid-in capital: Table 3 (attached)
- d. Total purchase from or sale to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 4 (attached)
- e. Receivable from related parties amounting to 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 influences: Table 6 (attached)
- g. Investment in Mainland China: Table 7 (attached)
- h. Intercompany relationship and significant intercompany transactions for the year ended December 31 2005: Table 8 (attached)
- i. Financial instrument transactions

1) Derivative transactions

Sunplus and Giantplus entered into derivative contracts in 2005 and 2004 to hedge the effect of exchange rate fluctuations on net foreign currency-denominated assets and liabilities. The strategy is to hedge most of the market price risks to which the Company is exposed. Other information on these contracts is as follows:

a) Forward exchange contracts

Sunplus (No. 0)

As of December 31, 2005 the Company's entire forward contract had been settled.

Outstanding forward exchange contracts for 2004 as follows:

Items	December 31,	2004	
	Contract Amount (in Thousands)	Fair Value	Credit Risk
Sell forward exchange contracts	US\$ 85,000 (US\$ to NT\$)	\$69,056	\$ 69,358

As of December 31, 2004, receivables from forward exchange contracts (shown in the balance sheets as part of "other financial assets - current") aggregated \$93,848 thousand.

In 2005 and 2004, the net exchange gain on settled forward exchange contracts was \$65,039 thousand and \$50,423 thousand respectively, presented under nonoperating income and gain.

Giantplus (No. 1)

Items	<u>December 31, 2004</u>		
	Contract Amount (in Thousands)	Fair Value	Credit Risk
Sell forward exchange contracts	US\$ 3,000 (US\$ to NT\$)	\$5,211	\$ -

As of December 31, 2005 all of the Company's forward contracts had been settled. As of December 31, 2004, receivables from forward exchange contracts aggregated \$6,251 thousand.

The net exchange losses on settled forward exchange contracts were \$188 thousand in 2005 and \$2,460 thousand in 2004, presented under nonoperating expenses and losses.

b) Stock and currency option contracts

Sunplus (No. 0)

As of December 31, 2005 and 2004, all of the Company's options had been settled. The net exchange gains and losses on settled option were \$842 thousand in 2005 and \$115 thousands in 2004.

Giantplus (No. 1)

Giantplus entered into currency option contracts to hedge risks of exchange rate fluctuations on its anticipated U.S. dollar cash receipts on export sales. In 2004, the net exchange gain on settled currency option contracts was \$39,183 thousand, presented under nonoperating income and gain.

In 2004, Giantplus recognized net premium income and loss on currency option contracts of \$7,673 thousand and \$52,629 thousand, respectively, presented under nonoperating income and gains and nonoperating expenses and losses, respectively.

2) Fair value of financial instruments

	<u>2005</u>		<u>2004</u>	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<u>Nonderivative financial instruments</u>				
Assets				
Cash and cash equivalent	\$ 5,862,432	\$ 5,862,432	\$ 3,430,142	\$ 3,430,142
Certificate of deposits - restricted	13,114	13,114	-	-
Short-term investments	1,533,875	1,543,998	780,578	780,613
Notes and accounts receivable				
Third parties	5,362,647	5,362,647	2,788,368	2,788,368
Related Parties	159,570	159,570	139,137	139,137
Other financial assets - current	155,672	155,672	336,670	336,670
Long-term investments	1,936,750	2,078,150	3,812,212	3,812,212
Other financial asset-noncurrent	656,662	656,662	221,970	221,970
Guarantee deposits	41,307	41,307	7,154	7,154

(Continued)

	<u>2005</u>		<u>2004</u>	
	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Carrying Value</u>	<u>Fair Value</u>
<u>Nonderivative financial instruments</u>				
Liabilities				
Notes and accounts payable	\$ 4,835,965	\$ 4,835,965	\$ 1,700,027	\$ 1,700,027
Guarantee deposits	433,948	433,948	284,975	284,975
Short-term loan	670,122	670,122	-	-
Commercial paper payable	84,889	84,889	-	-
Long-term loan payable (including current portion)	1,355,333	1,355,708	-	-
<u>Derivative financial instruments</u>				
Forward exchange contracts (sell)	-	-	93,848	69,056

Fair values of financial instruments were based on the following assumptions and methods:

- a) Cash and cash equivalent, notes and accounts receivable, other financial assets-current, accounts payable - carrying amounts on the balance sheets since these amounts approximate to their fair values.
- b). Fair value of short-term investments is the quoted market prices.
- c). Fair value of long-term investments is based on quoted market value. If quoted market prices are unavailable, fair values are based on net asset value or book value of investment.
- d) Other financial assets, refundable deposits and guarantee deposits - carrying values.
- e) Fair value of long-term bank loans is estimated using discounted cash flow analysis, based on the Group's current incremental borrowing rates for borrowings with similar types (similar maturity dates). The fair value of long-term bank loans all bearing floating interest rates is equivalent to their book value.
- f) Derivative instruments - estimated net receivable or (payable) if the contracts are terminated on the balance sheet date.

The fair values of some financial and no financial instruments were not included in the fair values disclosed above. Thus, the sum of the fair values of the financial instruments listed above does not represent the fair value of the Company as a whole.

21. SEGMENT INFORMATION

a. Industry information:

	2005				Consolidated
	Consumer integrated circuit IC design	Manufacture of TN/STN LCDS and LCD Modules	Other	Adjustment and Elimination	
Sale to unaffiliated customers	\$ 19,308,539	\$ 7,760,751	\$ 15,220	\$ -	\$ 27,084,510
Transfer between affiliated party	<u>720,818</u>	<u>2,177,700</u>	<u>53,923</u>	<u>(2,952,441)</u>	-
Total sales	<u>\$ 20,029,357</u>	<u>\$ 9,938,451</u>	<u>\$ 69,143</u>	<u>\$ (2,952,441)</u>	<u>\$ 27,084,510</u>
Gross profit	<u>\$ 6,599,382</u>	<u>\$ 1,308,912</u>	<u>\$ (82,709)</u>	<u>\$ (196,294)</u>	\$ 7,629,291
Operating expense					(4,868,430)
Non operating income and gains					357,861
Non operating expense and losses					(639,533)
Income before income tax					<u>\$ 2,479,189</u>
Minority interest					<u>\$ 61,404</u>
Identifiable asset	<u>\$ 17,518,773</u>	<u>\$ 6,248,970</u>	<u>\$ 1,795,382</u>	<u>\$ (765,568)</u>	\$ 24,797,557
Long term investment	<u>\$ 4,082,396</u>	<u>\$ 4,055,335</u>	<u>\$ 3,067,796</u>	<u>\$ (9,268,777)</u>	1,936,750
Total assets					<u>\$ 26,734,307</u>
Depreciation and amortization expense	<u>\$ 839,069</u>	<u>\$ 252,150</u>	<u>\$ 31,140</u>	<u>\$ -</u>	<u>\$ 1,122,359</u>
Capital expenditure	<u>\$ 608,848</u>	<u>\$ 237,588</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 846,436</u>

b. Geographic information:

	2005			Adjustment and Elimination	Consolidated
	Other	Asia	Taiwan		
Sale to unaffiliated customer	\$ 642	\$ 1,749,937	\$ 25,333,931	\$ -	\$ 27,084,510
Transfers between geographic area	<u>238,474</u>	<u>1,790,407</u>	<u>923,560</u>	<u>(2,952,441)</u>	-
Total sales	<u>\$ 239,116</u>	<u>\$ 3,540,344</u>	<u>\$ 26,257,491</u>	<u>\$ (2,952,441)</u>	<u>\$ 27,084,510</u>
Gross profit	<u>\$ 101,551</u>	<u>\$ 549,610</u>	<u>\$ 7,174,424</u>	<u>\$ (196,294)</u>	<u>\$ 7,629,291</u>
Operating expense					\$ (4,868,430)
Non operating income and gains					357,861
Non operating expense and losses					(639,533)
Income before income tax					<u>\$ 2,479,189</u>
Identifiable asset	<u>\$ 273,685</u>	<u>\$ 3,517,915</u>	<u>\$ 21,771,525</u>	<u>\$ (765,568)</u>	\$ 24,797,557
Long term investment	<u>\$ 3,165,402</u>	<u>\$ 1,199,927</u>	<u>\$ 6,840,198</u>	<u>\$ (9,268,777)</u>	1,936,750
Total assets					<u>\$ 26,734,307</u>

c. Export sales:

Area	2005	2004
Asia	\$ 19,407,010	\$ 11,431,738
Others	<u>580,822</u>	<u>417,417</u>
	<u>\$ 19,987,832</u>	<u>\$ 11,849,155</u>

SUNPLUS TECHNOLOGY COMPANY LIMITED

ENDORSEMENT/GUARANTEE PROVIDED

YEAR ENDED DECEMBER 31, 2005

(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	Giantplus Technology Co., Ltd.	Equity-method investee	\$ 1,598,902 (Note 1)	\$ 636,495	\$ -	\$ -	-	\$ 3,197,804 (Note 2)
		Sunext Technology Co., Ltd.	Equity-method investee	1,598,902 (Note 1)	380,000	380,000	-	2.38%	3,197,804 (Note 2)
		Generalplus Technology Inc.	Equity-method investee	1,598,902 (Note 1)	62,995	62,995	-	0.39%	3,197,804 (Note 2)
		Sunplus Technology (Shanghai) Co., Ltd.	Indirect subsidiary	1,598,902 (Note 1)	164,250	164,250	-	1.03%	3,197,804 (Note 2)
		Waveplus Technology Co., Ltd.	Equity-method investee	1,598,902 (Note 1)	20,000	20,000	-	0.13%	3,197,804 (Note 2)
		Sunplus Technology (H.K.) Co., Ltd.	Subsidiary	1,598,902 (Note 1)	17,252	-	-	-	3,197,804 (Note 2)
1	Giantplus Technology Co., Ltd	Giantplus Holding L.L.C.	100% indirect subsidiary	545,808 (Note 3)	166,600	166,600	-	6.10%	818,713 (Note 4)
2	Giantplus Holding L.L.C.	Kunshan Giantplus Optoelectronics Technology Co., Ltd.	Subsidiary of Giantplus Holding L.L.C.	545,808 (Note 3)	166,600	166,600	-	6.10% (Note 5)	818,713 (Note 4)

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

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

Note 3: For each transaction entity, should not exceed 20% of Giantplus' net equity as of the latest financial statements.

Note 4: Should not exceed 30% of Giantplus' net equity based on the latest financial statements.

Note 5: The percentage is calculated based on the net equity of Giantplus Technology Co., Ltd.

SUNPLUS TECHNOLOGY COMPANY LIMITED

MARKETABLE SECURITIES HELD

DECEMBER 31, 2005

(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, 2005				Note	
				Shares or Units (Thousands)	Carrying Value	Percentage of Ownership (%)	Market Value or Net Asset Value		
Sunplus Technology Company Limited	<u>Stock</u>								
	Giantplus Technology Co., Ltd.	Equity-method investee	Long-term investments	64,716	\$ 975,765	36	\$ 975,765		
	Sunplus Venture Capital Co., Ltd.	Subsidiary	Long-term investments	99,994	679,277	100	679,277	Note 1	
	Russell Holdings Limited	Subsidiary	Long-term investments	19,260	477,614	100	477,614	Note 1	
	Lin Shih Investment Co., Ltd.	Subsidiary	Long-term investments	69,994	444,152	100	444,152	Notes 1 and 4	
	Ventureplus Group Inc.	Subsidiary	Long-term investments	17,000	395,119	100	395,119	Note 1	
	Generalplus Technology Inc.	Subsidiary	Long-term investments	15,851	202,940	53	202,940	Note 1	
	Wei-Young Investment Inc.	Subsidiary	Long-term investments	20,000	183,843	100	183,843	Note 1	
	Goldkey Technology Corp.	Equity-method investee	Long-term investments	6,568	49,906	15	49,906	Note 1	
	Techplus Capital Niue Inc.	Subsidiary	Long-term investments	200	6,588	100	6,588	Note 1	
	Sunplus Management Consulting Inc.	Subsidiary	Long-term investments	500	4,418	100	4,418	Note 1	
	Sunplus Technology (H.K.) Co., Ltd.	Subsidiary	Long-term investments	11,075	1,457	100	1,457	Note 1	
	Waveplus Technology Co., Ltd.	Equity-method investee	Long-term investments	2,856	864	10	864	Note 1	
	Electric Energy Application Technology Inc.	Equity-method investee	Long-term investments	9,600	-	24	-	Note 1	
	Sunext Technology Co., Ltd.	Equity-method investee	Long-term investments	9,600	28,452	24	28,452	Note 1	
	RITEK Corp.	Cost-method investee	Long-term investments	5,000	335,069	-	53,695		
	Global View Co., Ltd.	Cost-method investee	Long-term investments	13,568	223,455	10	149,787		
	United Microelectronics Corp.	Cost-method investee	Long-term investments	2,673	45,887	-	50,715		
	Harvatek Corp.	Cost-method investee	Long-term investments	4,169	37,488	3	142,667		
	Silicon Application Corp.	Cost-method investee	Long-term investments	1,076	26,700	-	12,396		
	Technology Partners Venture Capital Corp.	Cost-method investee	Long-term investments	5,000	50,000	11	50,000	Note 2	
	Quality Test System Inc.	Cost-method investee	Long-term investments	648	-	2	-	Note 1	
	Network Capital Global Fund	Cost-method investee	Long-term investments	6,000	60,000	7	60,000	Note 2	
	ORISE Technology Co., Ltd.	-	Prepayment Long-term investments	-	1,000	-	1,000	Note 2	
		<u>Convertible bond</u>							
		AIPTEK International Inc.	Investee	Long-term investments	200	20,000	-	20,744	
		<u>Fund</u>							
	Fuh Hwa Bond Fund	-	Short-term investments	2,466	32,094	-	32,428		
	Jan-Ho Taiwan Bond Fund	-	Short-term investments	14,627	201,294	-	203,318		
	Jan-Hwa NAM Fund	-	Short-term investments	1,837	837,517	-	839,866		

(Continued)

Holding Company Name	Type and Name of Marketable Security	Relationship with the Holding Company	Financial Statement Account	December 31, 2005				Note
				Shares or Units (Thousands)	Carrying Value	Percentage of Ownership (%)	Market Value or Net Asset Value	
Giantplus Technology Co., Ltd.	<u>Stock</u> Giantplus (SAMOA) Holding Co., Ltd.,	Subsidiary of Giantplus Technology Co., Ltd.	Long-term investments	20,000	1,353,219	100	1,353,219	Note 1
	Public Gallant House Fund	-	Short-term investments	8,657	93,000	-	93,009	
	Ian-Ho Taiwan Bond Fund	-	Short-term investments	6,117	85,000	-	85,020	
	First Bond Fund	-	Short-term investments	4,761	66,000	-	66,016	
Giantplus (SAMOA) Holding Co., Ltd.	<u>Stock</u> Giantplus Holding L.L.C.	Subsidiary of Giantplus (SAMOA) Holding Co., Ltd.	Long-term investments	-	US\$ 41,148 Thousand	100	US\$ 41,148 thousand	Note 1
Giantplus Holding L.L.C.	<u>Stock</u> Kunshan Giantplus Optoelectronics Technology Co., Ltd.	Subsidiary of Giantplus Holding L.L.C.	Long-term investments	-	US\$ 41,108 thousand	100	US\$ 41,108 thousand	Note 1
Lin Shih Investment Co., Ltd.	<u>Stock</u> Goldkey Technology Corp.	Equity-method investee	Long-term investments	7,200	\$ 54,721	17	\$ 54,721	Note 1
	Waveplus Technology Co., Ltd.	Equity-method investee	Long-term investments	5,742	1,737	19	1,737	Note 1
	Sunext Technology Co., Ltd.	Equity-method investee	Long-term investments	10,936	32,412	27	32,412	Note 1
	Generalplus Technology Inc.	Equity-method investee	Long-term investments	7,178	91,895	24	91,895	Note 1
	Sunplus Technology Company Limited	Parent company	Long-term investments	6,144	95,605	1	232,131	
	Ability Enterprise co., Ltd	Cost-method investee	Long-term investments	4,550	54,914	1	136,957	Note 2
	Taiwan Cellular Corp.	Cost-method investee	Long-term investments	275	6,529	-	7,965	
	WPG Holding Limited	Cost-method investee	Long-term investments	240	3,869	-	2,764	
	Minton Optic Industry Co., Ltd.	Cost-method investee	Long-term investments	4,272	79,643	7	79,643	Note 2
	NCTU Spring Venture Capital Co., Ltd.	Cost-method investee	Long-term investments	2,000	20,000	6	20,000	Note 2
	RITEK Corp.	Cost-method investee	Long-term investments	833	53,822	-	8,949	
	GemFor Tech. Co., Ltd.	Cost-method investee	Long-term investments	831	10,685	6	10,685	Note 2
	Elite Advanced Laser Corp.	Cost-method investee	Long-term investments	1,703	15,000	5	15,000	Note 2
	AIPTEK International Inc.	Cost-method investee	Long-term investments	313	5,930	-	5,930	
	MaxEmil Photonics Corporation	Cost-method investee	Long-term investments	609	10,100	2	10,100	Note 2
	Taiwan Nano Electro-Optical Technology Co., Ltd.	Cost-method investee	Long-term investments	756	11,325	1	11,325	Note 2
WayTech Development Inc.	Cost-method investee	Long-term investments	1,500	15,000	5	15,000	Note 2	
Miracle Technology Co., Ltd.	Cost-method investee	Long-term investments	1,295	13,940	9	13,940	Note 2	
AVAC system, Inc.	Cost-method investee	Long-term investments	2,112	22,080	12	22,080	Note 2	
Radiant Innovation Inc.	Cost-method investee	Long-term investments	1,200	13,903	10	13,903	Note 2	
Socle Technology Corp.	Cost-method investee	Long-term investments	250	6,250	1	6,250	Note 2	

(Continued)

Holding Company Name	Type and Name of Marketable Security	Relationship with the Holding Company	Financial Statement Account	December 31, 2005				Note
				Shares or Units (Thousands)	Carrying Value	Percentage of Ownership (%)	Market Value or Net Asset Value	
Russell Holdings Limited	<u>Stock</u> Jet Focus Limited	Equity-method investee of Russell Holdings Limited	Long-term investments	4,794	US\$ 1,773 thousand	44	US\$ 1,773 thousand	Note 2
	Synerchip	Equity-method investee of Russell Holdings Limited	Long-term investments	700	US\$ 700 thousand	58	US\$ 700 thousand	Note 2
	InveStar Excelsus Venture Capital (Int'l), Inc., LDC	Cost-method investee	Long-term investments	6,105	US\$ 3,856 thousand	19	US\$ 3,856 thousand	Note 2
	Shang-Hai Fudan Microelectronics Company Limited	Cost-method investee	Long-term investments	7,280	US\$ 1,009 thousand	-	US\$ 226 thousand	
	OZ Optics Ltd.	Cost-method investee	Long-term investments	1,000	US\$ 500 thousand	8	US\$ 500 thousand	Note 2
	Aicent, Inc.	Cost-method investee	Long-term investments	1,000	US\$ 500 thousand	-	US\$ 500 thousand	Note 2
	Ortega InfoSystem, Inc.	Cost-method investee	Long-term investments	2,557	US\$ 1,000 thousand	-	US\$ 1,000 thousand	Note 2
	Asia B2B on line Inc.	Cost-method investee	Long-term investments	1,000	US\$ 1,000 thousand	3	US\$ 1,000 thousand	Note 2
	Asia Tech Taiwan Venture Fund	Cost-method investee	Long-term investments	-	US\$ 3,000 thousand	5	US\$ 3,000 thousand	Note 2
	Ether Precision Inc.	Cost-method investee	Long-term investments	1,250	US\$ 500 thousand	3	US\$ 500 thousand	Note 2
	Synerchip	Synerchip Inc.	-	Prepayment Long-term investment	-	US\$ 50 thousand	-	US\$ 50 thousand
Sunplus Venture Capital Co., Ltd.	<u>Stock</u> Joing Technology Co., Ltd.	Equity-method investee	Long-term investments	3,400	-	39	-	Note 1
	Waveplus Technology Co., Ltd.	Equity-method investee	Long-term investments	4,271	1,292	14	1,292	Note 1
	Sunext Technology Co., Ltd.	Equity-method investee	Long-term investments	6,500	19,264	16	19,264	Note 1
	Han Young Technology Co., Ltd.	Equity-method investee	Long-term investments	420	1,780	70	1,780	Note 1
	Generalplus Technology Inc.	Equity-method investee	Long-term investments	1,656	21,202	6	21,202	Note 1
	eWave System, Inc.	Cost-method investee	Long-term investments	1,833	69,740	22	69,740	Note 2
	Softchina Venture Capital Corp.	Cost-method investee	Long-term investments	407	4,073	8	4,073	Note 2
	YOUNGTEK Electronic Corp.	Cost-method investee	Long-term investments	1,344	95,814	2	92,051	
	Simple Act Inc.	Cost-method investee	Long-term investments	1,900	19,000	19	19,000	Note 2
	Taiwan Nano Electro-Optical Technology Co., Ltd.	Cost-method investee	Long-term investments	3,263	46,595	3	46,596	Note 2
	King Yuan Electronics Co., Ltd.	Cost-method investee	Long-term investments	1,969	70,000	-	60,052	
	AIPTEK International Inc.	Cost-method investee	Long-term investments	1,841	36,000	1	19,677	
	Ability Enterprise Co., Ltd.	Cost-method investee	Long-term investments	3,265	100,914	1	98,264	
	VenGlobal International Fund	Cost-method investee	Long-term investments	500	11,284	-	11,284	Note 2
	Cyberon Corporation	Cost-method investee	Long-term investments	780	13,691	19	13,691	Note 2
	WayTech Development Inc.	Cost-method investee	Long-term investments	1,000	10,000	4	10,000	Note 2
	Miracle Technology Co., Ltd.	Cost-method investee	Long-term investments	1,303	14,025	9	14,025	Note 2
	Feature Integration Technology Inc.	Cost-method investee	Long-term investments	3,700	46,250	16	46,250	Note 2
	Radiant Innovation Inc.	Cost-method investee	Long-term investments	573	11,460	5	11,460	Note 2
	Chiabon Venture Capital Co., Ltd.	Cost-method investee	Long-term investments	5,000	50,000	5	50,000	Note 2
Socle Technology Corp.	Cost-method investee	Long-term investments	550	13,750	2	13,750	Note 2	
MaxEmil Photonics Corp.	Cost-method investee	Long-term investments	598	14,280	2	14,280	Note 2	
AVAC system, Inc.	Cost-method investee	Long-term investments	5,500	5,750	3	5,750	Note 2	

(Continued)

Holding Company Name	Type and Name of Marketable Security	Relationship with the Holding Company	Financial Statement Account	December 31, 2005				Note
				Shares or Units (Thousands)	Carrying Value	Percentage of Ownership (%)	Market Value or Net Asset Value	
	Minton Optic Industry Co., Ltd.	Cost-method investee	Long-term investments	5,000	\$ 75,000	8	\$ 75,000	Note 2
	Elite Advanced Laser Corp.	Cost-method investee	Long-term investments	341	7,500	-	7,500	Note 2
	Capella Micro System, Inc.	Cost-method investee	Long-term investments	630	9,450	3	9,450	Note 2
Wei-Young Investment Inc.	UNIWILL Co., Ltd	Cost-method investee	Long-term investments	100	12,811	-	12,881	Note 2
	Jan-Ho Family Bond Fund	-	Short-term investments	604	98,000	-	98,004	
Generalplus Technology Inc.	<u>Stock</u> Generalplus International Samoa Inc.	Subsidiary of Generalplus Technology Inc.	Long-term investments	-	15,118	100	15,118	Note 1
Generalplus International Samoa Inc.	<u>Stock</u> Generalplus (Mauritius) Inc.	Subsidiary of Generalplus International Samoa Inc.	Long-term investments	-	US\$ 460 thousand	100	US\$ 460 thousand	Note 1
Generalplus (Mauritius) Inc.	<u>Stock</u> Generalplus Technology (Shenzhen) Co., Ltd.	Subsidiary of Generalplus (Mauritius) Inc.	Long-term investments	-	US\$ 460 thousand	100	US\$ 460 thousand	Note 1
Sunext Technology Co., Ltd.	<u>Stock</u> Great Sun Corp.	Subsidiary of Sunext Technology Co., Ltd.	Long-term investments	-	26,595	100	26,595	Note 1
Great Sun Corp.	<u>Stock</u> <u>Sunext Design</u>	Subsidiary of Great Sun Corp.	Long-term investments	-	US\$ 685 thousand	100	US\$ 685 thousand	Note 1
	Sunext (Mauritius) Inc.	Subsidiary of Great Sun Corp.		-	US\$ 125 thousand	100	US\$ 125 thousand	Note 1
Sunext Mauritius Inc.	<u>Stock</u> Sunext Technology (Shanghai) Co., Ltd.	Subsidiary of Sunext Mauritius Inc.	Long-term investments	-	US\$ 125 thousand	100	US\$ 125 thousand	Note 1
Waveplus Technology Co., Ltd.	<u>Stock</u> Waveplus Holding Ltd.	Subsidiary of Waveplus Technology Co., Ltd.	Long-term investments	-	\$ 2,083	100	\$ 2,083	Note 1
Waveplus Holding Ltd.	<u>Stock</u> Waveplus Design, Inc.	Subsidiary of Waveplus Holding Ltd.	Long-term investments	-	US\$ 65 thousand	100	US\$ 65 thousand	Note 1

(Continued)

Holding Company Name	Type and Name of Marketable Security	Relationship with the Holding Company	Financial Statement Account	December 31, 2005				Note
				Shares or Units (Thousands)	Carrying Value	Percentage of Ownership (%)	Market Value or Net Asset Value	
Techplus Capital Niue Inc.	<u>Stock</u> Techplus Capital Samoa Inc.	Subsidiary of Techplus Capital Niue Inc.	Long-term investments	-	US\$ 150 thousand	100	US\$ 150 thousand	Note 1
Techplus Samoa Inc.	Techplus Belize Inc.	Subsidiary of Techplus Capital Samoa Inc.	Long-term investments	-	US\$ 150 thousand	4	US\$ 150 thousand	Note 1
Jet Focus Limited	<u>Stock</u> Coolsands Technology	Subsidiary of Jet Focus Limited	Long-term investments	-	EUR\$ 255 thousand	100	EUR\$ 255 thousand	Note 1
Ventureplus Group Inc.	<u>Stock</u> Ventureplus Mauritius Inc.	Subsidiary of Ventureplus Group Inc.	Long-term investments	-	US\$ 12,031 thousand	100	US\$ 12,031 thousand	Note 1
Ventureplus Mauritius Inc.	<u>Stock</u> Ventureplus Cayman Inc.	Subsidiary of Ventureplus Mauritius Inc.	Long-term investments	-	US\$ 12,034 thousand	100	US\$ 12,034 thousand	Note 1
Ventureplus Cayman Inc.	<u>Stock</u> Sunplus Technology (Shanghai) Co., Ltd.	Subsidiary of Ventureplus Cayman Inc.	Long-term investments	-	US\$ 12,002 thousand	99	US\$ 12,002 thousand	Note 1
Sunplus Technology (Shanghai) Co., Ltd	Cmfchiua Fund	-	Short-term investment	-	RMB\$ 28,400 thousand	-	RMB\$ 31,037 thousand	

Note 1: Market value was based on net equity value.

Note 2: For stocks with no quoted market prices, market value was based on book value.

Note 3: As of December 31, 2005, the above marketable securities had not been pledged or mortgaged, except for Lin Shin Investment Co., Ltd. Pledge Sunplus stock.

Note 4: The investment carrying value excluded the carrying value (\$95,605 thousand) of the parent company's stock held by the subsidiary.

SUNPLUS TECHNOLOGY COMPANY LIMITED

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
 YEAR ENDED DECEMBER 31, 2005
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Type and Name of Marketable Security	Financial Statement Account	Counter-party	Nature of Relationship	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	Jan-Hwa NAM Fund	Short-term investments	-	-	-	\$ -	2,884	\$ 1,274,192	1,047	\$ 437,596	\$ 436,675	\$ 921	1,837	\$ 837,517
	Jan-Ho Taiwan Bond Fund	Short-term investments	-	-	14,627	200,605	14,627	201,294	14,627	201,294	200,605	689	14,627	201,294
	Fuh Hwa Bond Fund	Short-term investments	-	-	17,415	225,814	17,415	226,280	32,364	422,682	420,400	2,282	2,466	32,094
	Fuhwa Bond Fund	Short-term investments	-	-	16,843	209,721	16,843	210,470	33,686	421,397	420,191	1,206	-	-
	Chung-Shin Peaceful Fund	Short-term investments	-	-	13,867	144,438	13,867	144,937	27,734	290,188	289,375	813	-	-
	Ventureplhs Group Inc	Long-term investments	-	Subsidiary	10,000	209,748	7,000	223,230	-	-	-	-	17,000	395,119 (Note 1)
Giantplus Technology Co., LTD.	Public Bond Fund	Short-term investments	-	-	-	-	19,521	248,400	19,521	248,508	248,400	108	-	-
	Jan-Ho Taiwan Bond Fund	Short-term investments	-	-	-	-	17,382	240,000	11,265	155,094	155,000	94	6,117	85,000
	Jan-Ho Family Bond Fund	Short-term investments	-	-	-	-	873	140,000	873	140,105	140,100	105	-	-
	Public Gallant Horse Fund	Short-term investments	-	-	-	-	25,527	273,000	16,870	180,098	180,000	98	8,657	9,300
Sunplus Venture Capital Co., Ltd	Ability Enterprise Co., Ltd	Long-term investments	-	-	3,080	68,250	3,449	101,649	3,264	100,902	68,985	31,917	3,265	100,914
Russell Holding Limited	Jet Focus	Long-term investments	-	Subsidiary	2,294	(US\$ 164) thousand	2,500	US\$ 3,300 thousand	-	-	-	-	4,794	US\$ 1,773 Thousand

Note 1: Includes equity-method investment gain and cumulative translation adjustments.

SUNPLUS TECHNOLOGY COMPANY LIMITED

TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

YEAR ENDED DECEMBER 31, 2005

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

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Note/Accounts Payable or Receivable		Note
			Purchase/Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
Sunplus Technology Company Limited	Giantplus Technology Co., Ltd.	Equity-method investee	Sale	\$ 252,595	1%	Net 45 days from monthly closing dates in principle.	-	-	\$ 36,347	1%	-
	Generalplus Technology Inc.	53% direct subsidiary	Sale	131,080	1%	Net 45 days from monthly closing dates in principle.	-	-	17,795	1%	-
	Waveplus Technology Co., Ltd.	Equity-method investee	Sale	119,840	1%	Net 45 days from monthly closing dates in principle.	-	-	8,275	-	-
Giantplus Technology Co., Ltd	Kunshan Giantplus Optoelectronics Technology Co., Ltd	100% indirect subsidiary	Sale	397,874	6%	Net 45 days from monthly closing dates in principle.	-	-	312,020	24%	-
	Sunplus Technology Company Limited	Equity-method investee	Purchase	252,608	8%	Net 90 days from monthly closing dates in principle.	-	-	(36,310)	(3%)	-
Kunshan Giantplus Optoelectronics Technology Co., Ltd	Kunshan Giantplus (Shen Zhen) Optoelectronics	Same general manager	Sale	357,856	10%	Net 90 days from monthly closing dates in principle.	-	-	129,801	15%	-

SUNPLUS TECHNOLOGY COMPANY LIMITED

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

DECEMBER 31, 2005

(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts and Sales Discount
					Amount	Action Taken		
Giantplus Technology Co., Ltd.	Kunshan Giantplus Optoelectronics Technology Co., Ltd.	100% indirect subsidiary	\$ 312,020	3.56	\$ -	-	\$ 129,082	\$ -
Kunshan Giantplus Optoelectronics Technology Co., Ltd.	Giantplus (Shenzhen) optoelectronics	Same general manager	129,871	2.59	2,947	Receivable on demand	38,548	-

SUNPLUS TECHNOLOGY COMPANY LIMITED

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCES
 YEAR ENDED DECEMBER 31, 2005
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2005			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				December 31, 2005	December 31, 2004	Shares (Thousands)	Percentage of Ownership (%)	Carrying Value			
Sunplus Technology Company Limited	Giantplus Technology Co., Ltd.	Tofen Chen, Miaoli, Taiwan	Manufacture of TN/STN LCDs and LCD modules	\$ 660,220	\$ 662,481	64,716	36	\$ 975,765	\$ 569,606	\$ 207,019	Subsidiary
	Sunplus Venture Capital Co., Ltd.	Hsinchu, Taiwan	Investment	999,940	999,940	99,994	100	679,277	(103,046)	(103,046)	Subsidiary
	Lin Shih Investment Co., Ltd.	Hsinchu, Taiwan	Investment	699,940	699,940	69,994	100	444,152	(109,655)	(121,268)	Subsidiary
	Russell Holdings Limited	Cayman Islands, British West Indies.	Investment	646,610	583,436	19,260	100	477,614	(46,680)	(46,680)	Subsidiary
	Ventureplus Group Inc.	Belize	Investment	570,808	347,578	17,000	100	395,119	(52,599)	(52,599)	Subsidiary
	Wei-Young Investment Inc.	Taipei, Taiwan	Investment	200,000	200,000	20,000	100	183,843	(4,916)	(4,916)	Subsidiary
	Generalplus Technology Inc.	Hsinchu, Taiwan	Design of ICs	146,000	120,000	15,851	53	202,940	78,803	45,602	Subsidiary
	Goldkey Technology Corp.	Hsinchu, Taiwan	Design of ICs	52,538	52,538	6,568	15	49,906	(107,476)	(16,508)	Investee
	Waveplus Technology Co., Ltd.	Taipei, Taiwan	Design and sale of ICs	31,272	31,272	2,856	10	864	(146,669)	(13,962)	Investee
	Sunext Technology Co., Ltd.	Hsinchu, Taiwan	Design and sale of ICs	96,000	-	9,600	24	28,452	(400,042)	(67,874)	Subsidiary
	ORISE Technology Co., Ltd.	Hsinchu, Taiwan	Design and sale of ICs	1,000	-	100	100	1,000	-	-	Subsidiary
	Techplus Capital Niue Inc.	Niue	Investment	6,896	6,896	200	100	6,587	33	33	Subsidiary
	Sunplus Management Consulting Inc.	Hsinchu, Taiwan	Investment	5,000	5,000	500	100	4,418	(157)	(155)	Subsidiary
	Sunplus Technology (H.K.) Co., Ltd.	Kowloon Bay, Hong Kong	International trade	41,616	41,616	11,075	100	1,458	3,788	3,788	Subsidiary
Electric Energy Application Technology Inc.	Hsinchu, Taiwan	Design and manufacture of environmental - friendly batteries	103,200	103,200	9,600	24	-	-	-	Investee	
Lin Shih Investment Co., Ltd.	Goldkey Technology Corp.	Hsinchu, Taiwan	Design of ICs	48,000	48,000	7,200	17	54,721	(107,476)	(18,102)	Investee
	Sunext Technology Co., Ltd.	Hsinchu, Taiwan	Design and sale of ICs	305,365	245,000	10,936	27	32,413	(400,042)	(102,245)	Investee
	Waveplus Technology Co., Ltd.	Taipei, Taiwan	Design and sale of ICs	90,178	90,178	5,742	19	1,737	(146,669)	(28,071)	Investee
	Generalplus Technology Inc.	Hsinchu, Taiwan	Design of ICs	65,000	65,000	7,178	24	91,895	78,803	23,796	Investee
Sunplus Venture capital Co., Ltd.	Joing Technology Co., Ltd.	Hsinchu, Taiwan	Design of ICs	51,000	51,000	3,400	39	-	-	-	Investee
	Sunext Technology Co., Ltd.	Hsinchu, Taiwan	Design and sale of ICs	265,000	250,000	6,500	16	19,264	(400,042)	(86,872)	Investee
	Han Young Technology Co., Ltd.	Taipei, Taiwan	Design of ICs	4,200	4,200	420	70	1,780	(45)	(31)	Subsidiary
	Waveplus Technology Co., Ltd.	Taipei, Taiwan	Design and Sale of ICs	74,869	74,869	4,271	14	1,292	(146,669)	(20,886)	Investee
	Generalplus Technology Inc.	Hsinchu, Taiwan	Design of ICs	15,000	15,000	1,656	6	21,202	78,803	5,489	Investee
Russell Holdings Limited	Jet Focus Limited	Cayman Islands, British West Indies	Investment	US\$ 6,050 thousand	US\$ 2,750 thousand	4,794	44	US\$ 1,773 Thousand	US\$ (2,508) thousand	US\$ (1,664) thousand	Subsidiary
Jet Focus Limited	Coolsand	France	Design of ICs	EUR\$ 250 thousand	EUR\$ 100 thousand	-	100	EUR\$ 255 Thousand	EUR\$ (35) thousand	EUR\$ (31) thousand	Subsidiary
Synerchip	Synerchip Inc.	Korea	Design of ICs	US\$ 700 thousand	-	-	-	US\$ 50 Thousand	-	-	Subsidiary
Giantplus Technology Co., Ltd	Giantplus (SAMOA) Holding Co., Ltd.	SAMOA	Investment	US\$ 20,000 thousand	US\$ 20,000 thousand	20,000	100	1,353,219	359,745	359,745	Subsidiary
Giantplus (SAMOA) Holding Co., Ltd.	Giantplus Holding L.L.C	U.S.A.	Investment	US\$ 20,000 thousand	US\$ 20,000 thousand	-	100	US\$ 41,148 Thousand	US\$ 11,222 thousand	US\$ 11,222 thousand	Subsidiary
Giantplus Holding L.L.C	Kunshan Giantplus Optoelectronics Technology Co., Ltd.	Kunshan, China	Manufacture of TN/STN LCDs and LCD modules	US\$ 20,000 thousand	US\$ 12,206 thousand	-	100	US\$ 41,108 Thousand	US\$ 11,215 thousand	US\$ 11,215 thousand	Subsidiary
Sunext Technology Co., Ltd.	Great Sun Corp.	SAMOA	Investment	44,684	44,684	1,300	100	26,595	(19,449)	(19,449)	Subsidiary
Great Sun Corp.	Sunext (Mauritius) Inc.	Mauritius	Investment	US\$ 300 thousand	US\$ 300 thousand	-	100	US\$ 125 Thousand	US\$ (180) thousand	US\$ (180) thousand	Subsidiary

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2005			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				December 31, 2005	December 31, 2004	Shares (Thousands)	Percentage of Ownership (%)	Carrying Value			
Great Sun Corp.	Sunext Design, Inc.	U.S.A.	Design of ICs	US\$ 1,000 thousand	US\$ 1,000 thousand	-	100	US\$ 685 Thousand	US\$ (425) thousand	US\$ (425) thousand	Subsidiary
Ventureplus Group Inc.	Ventureplus Mauritius Inc.	Belize	Investment	US\$ 17,000 thousand	US\$ 10,000 thousand	-	100	US\$ 12,031 Thousand	US\$ (1,631) thousand	US\$ (1,631) Thousand	Subsidiary
Ventureplus Mauritius Inc.	Ventureplus Cayman Inc.	Cayman Islands, British West Indies	Investment	US\$ 17,000 thousand	US\$ 10,000 thousand	-	100	US\$ 12,034 thousand	US\$ (1,629) thousand	US\$ (1,629) thousand	Subsidiary
Ventureplus Cayman Inc.	Sunplus Technology (Shanghai) Co., Ltd.	Shanghai, China	Design, manufacture and sale of ICs.	US\$ 17,000 thousand	US\$ 10,000 thousand	-	99	US\$ 12,002 thousand	US\$ (1,623) thousand	US\$ (1,623) thousand	Subsidiary
Waveplus Technology Co., Ltd.	Waveplus Holding Ltd.	Mauritius	Investment	17,205	17,205	500	100	2,083	(4,223)	(4,223)	Subsidiary
Waveplus Holding Ltd.	Waveplus Design, Inc.	U.S.A.	Design of WLANs	17,205	17,205	-	100	US\$ 65	US\$ (82)	US\$ (82)	Subsidiary
Techplus Capital Niue Inc.	Techplus Samoa Inc.	SAMOA	Investment	US\$ 150 thousand	US\$ 150 thousand	150	100	US\$ 150 thousand	-	-	Subsidiary
Generalplus Technology Co., Ltd.	Generalplus International (SAMOA) Inc.	SAMOA	Investment	US\$ 700 thousand	US\$ 200 thousand	700	100	15,118	(7,735)	(7,735)	Investee
Generalplus International (SAMOA) INC.	Generalplus (MAURITIUS) INC.	MAURITIUS	Service of sales	US\$ 700 thousand	US\$ 200 thousand	700	100	US\$ 460 thousand	US\$ (240) thousand	US\$ (240) thousand	Subsidiary
Generalplus (MAURITIUS) INC.	Generalplus Shenzhen Inc.	Shenzhen	Investment	US\$ 700 thousand	US\$ 200 thousand	700	100	US\$ 460 thousand	US\$ (240) thousand	US\$ (240) thousand	Subsidiary

Note: Credit balance of long-term investment was recorded as other current liabilities.

SUNPLUS TECHNOLOGY COMPANY LIMITED

INVESTMENT IN MAINLAND CHINA

YEAR ENDED DECEMBER 31, 2005

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

Sunplus (Nature of Relationship: 0)

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, 2005	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2005	% Ownership of Direct or Indirect Investment	Investment Loss	Carrying Value as of December 31, 2005	Accumulated Inward Remittance of Earnings as of December 31, 2005
					Outflow	Inflow					
Sunplus Technology (Shanghai) Co., Ltd.	Research, development, design, manufacturing and sale of consumer ICs	US\$17,200 thousand	Indirect	US\$10,000 thousand	US\$7,000 thousand	\$ -	US\$17,000 thousand	99%	US\$(1,623) thousand	US\$12,002 thousand	\$ -

Accumulated Investment in Mainland China as of December 31, 2005	Investment Amount Authorized by Investment Commission, MOEA	Upper limit on Investment
US\$ 17,000 thousand	US\$ 17,000 thousand	\$ 4,697,804

Giantplus (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, 2005	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2005	% Ownership of Direct or Indirect Investment	Investment gain	Carrying Value as of December 31, 2005	Accumulated Inward Remittance of Earnings as of December 31, 2005
					Outflow	Inflow					
Kunshan Giantplus Optoelectronics Technology	Manufacture TN/STN LCDs LCD Modules	US\$20,000 thousand	Indirect	US\$12,206 thousand	US\$7,794 thousand	\$ -	US\$20,000 thousand	100%	US\$11,215 thousand	US\$41,108 Thousand	\$ -

Accumulated Investment in Mainland China as of December 31, 2005	Investment Amount Authorized by Investment Commission, MOEA	Upper limit on Investment
US\$ 20,000 thousand	US\$ 20,000 thousand	\$ 1,091,617

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, 2005	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2005	% Ownership of Direct or Indirect Investment	Investment Loss	Carrying Value as of December 31, 2005	Accumulated Inward Remittance of Earnings as of December 31, 2005
					Outflow	Inflow					
Generalplus Shenzhen	Pata processing service	US\$ 700 thousand	Indirect	US\$ 700 thousand	\$ -	\$ -	US\$ 700 thousand	100%	US\$240 thousand	US\$460 Thousand	\$ -

Accumulated Investment in Mainland China as of December 31, 2005	Investment Amount Authorized by Investment Commission, MOEA	Upper limit on Investment
US\$ 700 thousand	US\$ 700 thousand	\$ 153,635

Sunext 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, 2005	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2005	% Ownership of Direct or Indirect Investment	Investment Loss	Carrying Value as of December 31, 2005	Accumulated Inward Remittance of Earnings as of December 31, 2005
					Outflow	Inflow					
Sunext Technology (Shanghai)	Design of ICs	US\$ 300 thousand	Indirect	US\$ - thousand	US\$300 Thousand	\$ -	US\$300 thousand	100%	US\$180 thousand	US\$125 thousand	\$ -

Accumulated Investment in Mainland China as of December 31, 2005	Investment Amount Authorized by Investment Commission, MOEA	Upper limit on Investment
US\$ 300 thousand	US\$ 300 thousand	\$ 80,000

SUNPLUS TECHNOLOGY COMPANY LIMITED

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2005

(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

Tabel 8

No.	Company Name	Counter Party	Nature of Relationship (Note 1)	Intercompany Transactions			Percentage of Consolidated Total Gross Sales or Total Assets
				Financial Statements Items	Amount	Terms	
	Sunplus	Giantplus	1	Net sales	\$ 252,595	Note 1	0.93%
Non Operating Income and Gains				1,609	Note 1	-	
Notes and Accounts Receivable				36,347	Note 1	0.14%	
		Generalplus	1	Net sales	131,080	Note 1	0.48%
Non Operating Income and Gains				420	Note 1	-	
Notes and Accounts Receivable				17,795	Note 1	0.07%	
		Waveplus	1	Net sales	119,840	Note 1	0.44%
Commission Expense				14,011	Note 2	-	
Notes and Accounts Receivable				8,275	Note 1	-	
Other current Liabilities				204	Note 1	-	
		Sunext	1	Net sales	22,171	Note 1	0.08%
Non Operating Income and Gains				3,700	Note 3	-	
Notes and Accounts Receivable	457			Note 1	-		
Deferred royal income	67,259			-	-		
	Giantplus	Sunplus HK	1	Marketing	13,756	Note 2	-
		Kunshan Giantplus	2	Net sales	394,874	Note 2	1.47%
				Subcontract costs	1,799,624	Note 2	6.56%
				Notes and Accounts Receivable	312,020	Note 1	4.60%
				Account payable	246,656	Note 1	0.92%
				Non Operating Income and Gains	1,206	Note 1	-
				Unrealized intercompany profit	4,823	Note 1	0.02%
				Deferred intercompany income	30,901	Note 4	0.12%
				Operating Expense	2,992	Note 1	0.01%
				Research and Development	25,595	Note 2	0.09%
	Waveplus	Giantplus (SAUOA)	2	Non Operating Income and Gains	1,888	Note 3	0.01%
		Waveplus USA	2	Research and Development	168,969	Note 2	0.61%
	Sunext	Sunext USA	2	Other current Liabilities	6,419	Note 1	0.02%
	Jet Focus	Coolsands	2	General and administrate	40,350	Note 2	-

Note 1: The term of transaction were at normal commercial prices and terms.

Note 2: The terms were based on specifically negotiated terms and for which there were no comparable terms under other contracts.

Note 3: Lease transaction prices are specifically negotiated and there are no comparable under other contracts. The transactions between the company and country party were at normal terms.

Note 4: The transaction prices are specifically negotiated and there are no comparable under other contracts.

Note 5: No. 1 represents the transaction from parent company to subsidiary.

No. 2 represents the transaction between the subsidiaries.

5.7 Impact to the Company or Subsidiary if any Turnover Problems: None

VI. Financial Analysis

6.1 Comparing Financial Analysis

Unit: NT\$K

Item \ Year	2005	2004	Comparison	
			Amount	%
Current Assets	12,545,989	10,854,116	1,691,873	16
Property, Plant & Equipment	1,587,454	1,480,297	107,157	7
Other Assets	1,203,116	837,852	365,264	44
Total Assets	20,371,998	18,106,649	2,265,349	13
Current Liabilities	3,749,300	2,337,695	1,411,605	60
Long-term Liabilities	633,679	504,820	128,859	26
Total Liabilities	4,382,979	2,842,515	1,540,464	54
Capital Stock	9,487,296	8,752,544	734,752	8
Capital surplus	1,520,461	1,604,261	(83,800)	(5)
Retained Earnings	5,452,688	5,341,422	111,266	2
Total Shareholder's Equities	15,989,019	15,264,134	724,885	5
Remark:				
1. Current assets increased due to account receivable growing				
2. Other assets increased since investment linked credit time deposit rises				
3. Current liabilities rise because of account payable increasing				
4. Long-term liabilities grow because guarantee money to deposit increases				

6.2. Comparing Analysis of Operation Result

Unit: NT\$K

Item \ Year	2005	2004	Variation	
			Amount	%
Gross sale	\$ 18,918,687	\$ 19,185,935	(\$ 267,248)	(1)
Deduct: Sales returns and allowances	137,565	245,879	(108,314)	(44)
Net Sales	18,781,122	18,940,056	(158,934)	(1)
Deduct: Unrealized gain on Inter-company profit - net	(6,583)	3,123	(9,706)	(311)
Cost of Sales	12,654,142	12,999,973	(345,831)	(3)
Gross Profit	6,120,397	5,943,206	177,191	3
Operating Expenses	3,536,392	3,016,678	519,714	17
Income From Operating	2,584,005	2,926,528	(342,523)	(12)
Non - Operating Income	196,783	235,259	(38,476)	(16)
Non - Operating Expenses	403,094	528,358	(125,264)	(24)
Income before Income Tax	2,377,694	2,633,429	(255,735)	(10)
Income Tax Benefit	20,661	104,262	(83,601)	(80)
Net Income	2,398,355	2,737,691	(339,336)	(12)
The analysis of the variances:				
1. Sales returns and allowances decrease due to customers' complaint and returned goods lessening.				
2. Unrealized gain on Inter-company profit - net increases because inventory sold to subsidiaries have not been sold to a third party.				
3. Non-operating expenses and loss decrease since the recognition of investments loss on subsidiaries lessens.				
4. Income tax benefit decreases because the recognition of deferred income tax assets increased.				

6.3 Analysis of Cash Flow

Analysis of Cash Flow for the Last Two Years

Unit: NT\$K

Item	Year	2005	2004	+/- (%)
	Cash flow ratio (%)		116.80	74.10
Cash flow adequacy ratio (%)		121.83	101.15	20.44
Cash flow reinvestment ratio (%)		15.84	3.57	343.70
Remarks: All the ratios listed above get higher than last year due to operating net cash inflow increasing				

Estimated Cash Flow in 2005

Unit: NT\$K

Cash, beginning of the year(1)	Cash Flow from Operating Activities(2)	Net Cash Outflow(3)	Net Cash Balance (1)+(2)-(3)	Remedial Measure if cash not enough	
				Investment plan	Investment plan
\$4,514,419	\$4,574,314	\$3,322,537	\$5,766,196	-	-
1. Variation analysis of cash flow: . Cash flow in from operating activities due to expecting net profit growth . Cash flow out from investing activities because of going to purchase more fix assets and more long-term investment . Cash flow out from financing activities because of going to pay cash dividends, employee bonus, rewards to BOD for 2005 profits 2. Remedial measure if cash not enough: none					

6.4 Major Capital Expenditure

Major Capital Expenditure and Capital Sources:

Unit:NT\$K

Item	Sources of Fund	Est. Due Date	Required Capital Amount	Capital expenditure plan						
				2004	2005	2006	2007	2008	2009	2010
Testing equipments	Own	2010	\$ 591,491	\$107,133	\$ 39,978	\$ 95,380	\$ 81,000	\$ 91,000	\$ 96,000	\$ 81,000
Licensing fees	Own	2006	983,272	277,779	335,173	370,320	-	-	-	-

Anticipated decreasing testing cost

Unit:NT\$K

Year	Amount
2006	\$ 108,000
2007	135,000
2008	110,000
2009	126,000
2010	<u>118,000</u>
	<u>\$597,000</u>

6.5 Long-term Investment

No investment amount over 5% of capital in 2004

6.6 Risks Management

6.6.1 Any Impact and Measure if Inflation, Foreign Exchange Volatility or Interest Rate Fluctuation

- (1) Interest rate: The low interest rate will impact interest income. The company will put more cash on highly- returned short-term investment.
- (2) Exchange rate: No foreign-currency liability. Major foreign-currency assets are account receivable and time deposits. The company already utilizes mainly forward currency and option contracts to hedge its foreign exchange exposure, so the impact from floating exchange rate will be minimized.
- (3) Inflation: No significant impact.

6.6.2 Internal Policies and Procedure Exist with Respect to High Risk/ High Leveraged Investment, Lending/Endorsements and Guarantees for Other Parties, Financial Derivatives Transaction

- (1) No high risk/high leveraged investment. No extension of monetary loans to others.
- (2) The company already has policies and procedures like “Procedure of Endorsement and Guarantees, and “Procedures of Financial Derivatives Transactions”, which follow the rules issued by Taiwan Securities and Futures Commission. The Endorsement will only be done for Sunplus subsidiaries and invested companies with 20% of net value. And financial transactions of a derivatives nature that Sunplus enters into are strictly for hedging purposes and not for any trading or speculative purposes and under well evaluation.

6.6.3 R&D Plan and Execution

The Company will keep going for new products development, for example, new generation DVD recordable solutions, HD DVD player IC, Set Top bob IC, Media Processor for handset, high-end MP3 Player IC, DTV solutions, portable media player (PMP) IC, micro-controller for home appliances, 3G communication IC, etc. The Company spends a lot in R&D and develops new product and technology every year about 8-12% of total sales. Except developing in-house, the Company is also looking for outside resources like purchasing or licensing IPs to speed up the mass-production schedule.

6.6.4 Political and Regulatory Environment

It is helpful to the company that both Mainland and Taiwan acceded WTO. The company already set a subsidiary in Shanghai to offer after sales service and marketing.

6.6.5 Advanced Technology

The wafer process technology is moving to smaller geometry. The migrated process technology could keep the chip production cost down but R&D cost up. The company tries to develop higher add-on value and mainstream multimedia products, which mainstream means to produce in huge volume and to share the research and development cost.

6.6.6 Corporate Identify and Image Change

The company takes corporate image seriously and realizes it could be destroyed in one day. Fortunately, there is no major change till now. The company will do their best to conserve it.

6.6.7 Mergers &Acquisitions: None

6.6.8 Expansion of Facilities: None

6.6.9 Suppliers & Customers

The company purchase materials from several suppliers and subcontract to backend package and testing houses. There is only Top 1 customer of the company that the sales were more than 15% in 2005, sales to others clients were all below 10%. Suppliers and customers of Sunplus are quite diversified.

6.6.10 Major Shareholding Change: None

6.6.11 Ownership Change: None

6.6.12 Litigation Proceedings

Sunplus Technology: In July 2003, Sunplus filed with the prosecutor Office at Hsinchu District Court the complaint against Alpha Image Technology Inc. for the copyright infringement and Breach of trust in Criminal Law and disclosing trade secret of company. The two parties are reconciled in Dec, 2005. The Company withdrew private prosecution charges relating to both civil and penal Law. The litigation procedure for the public prosecution part of this case is still on the process.

Director—Ritek: In 2001, Sandisk filed a suit against Ritek for the patent right infringement of the CF card Ritek sold to some American customers. Ritek authorized lawyers to contradict and won the suit in July, 2003. However, the higher court overthrew the former verdict and remanded. The litigation of this case is still on the process.

Supervisor—Global View Technology: Yteng Corp's request for Global View to pay for goods was been declined because Global View regarded this case unfinished. In 2004, Yteng Corp. filed a suit against Global View and was been overruled in June, 2005. Yteng Corp. appealed in July, 2005, and Global View was sentenced losing the suit by Taiwan High Court and had to pay the payment of goods NT\$12,262,500, interests, and the litigation fee. In order to preserve the maximum benefits of the shareholders, Global View already authorized lawyers to appeal to Supreme Court.

6.6.13 Other Risks: None

6.7 Others: None

VII. Corporate Governance

Item	Executions	Reasons for Differences between the Company's Governance and Recognized Corporate Governance
1. Corporate shareholder structure and shareholders' right: (1) How the Company handles shareholders' recommendation or disputes: (2) How the Company regularly monitors the list of key shareholders who have management control of the Company, or those who have ultimate control of key shareholders: (3) How the Company establishes proper risk control mechanisms and firewalls between the Company and its affiliated enterprises:	(1) The Company has designated a specific body to handle shareholders' recommendation or disputes. (2) The Company discloses the list of key shareholders, and major shareholding change periodically. The Company has regulations and management procedures for those risk control. Ant transaction between the Company and its affiliated enterprises complies with related regulations.	
2. The structure and responsibility of the board: (1) How the Company institutes independent directors: (2) How the Company periodically evaluates the independence of its auditors:	(1) The Company has instituted an independent director. (2) The Company evaluates its auditors by the end of every year, and the board will decide to engage.	
3. The Composition and responsibilities of supervisors: (1) How the Company instituted supervisors: (2) How the supervisors communicate with the Company's employees and shareholders:	(1) The Company has instituted two independent supervisors who have financial background. One of the independent supervisors resigned in Jan 19, 2005, because of personal career plan. The Company will hold reelection until the terms of currently serving directors and supervisors have expired. (2) The supervisors attend the Company internal meeting in which they could monitor the company operation and express their opinions to communicate with employees and shareholders.	
4. The Company's communication channels for its stakeholders:	The company has good relationship with stakeholders like subcontractors, banks, etc., and the Company provides adequate information to protect their legal rights.	
5. Information disclosure (1) How the Company establishes a website to disclose financial and corporate governance information: (2) The other channels for the disclosure of the Company's information:	The Company regularly publishes up-to-date detailed financial and corporate governance information on its website in both Chinese and English. The Company has designated a specific body to collect and disclose information about the Company. Besides, the Company has established standard procedures for an authorized spokesperson to make to be in charge of communication channels and make statements for the Company.	
6. The operation of the audit committee work within the Board of Directors of the Company:	Not set up yet.	The Company system is simple and clear; the board of directors is engaged in management. The Company has also instituted one independent director and two independent supervisors. It is not necessary to set up the audit committee so far.

Item	Executions	Reasons for Differences between the Company's Governance and Recognized Corporate Governance
<p>7.The comparison between the Company's corporate governance mechanism and the recognized corporate principles: All the regulations and procedures of the Company are based and revised upon Taiwan's Company Law, the Securities and Exchange Law, and the related rules and regulations. The Company hasn't made formal statement for corporate governance yet.</p>		
<p>8. The social responsibility of corporation: The company takes corporate image seriously and realizes it could be destroyed in one day. Fortunately, no major change till now. The company will do their best to conserve it.</p>		
<p>9.Other information disclosure: (1) The company provides information related to professional educational opportunities and revised government rules to all board members, and the board members all take courses every year. (2) The Company has its policy for risk and flowed all regulations for risk management. (3) The Company hasn't purchased liability insurance for its directors and supervisors but it's under evaluating.</p>		

VIII. Disclosure of the Accountant's Fee

8.1 the Accountant's Fee

Unit: NT\$K

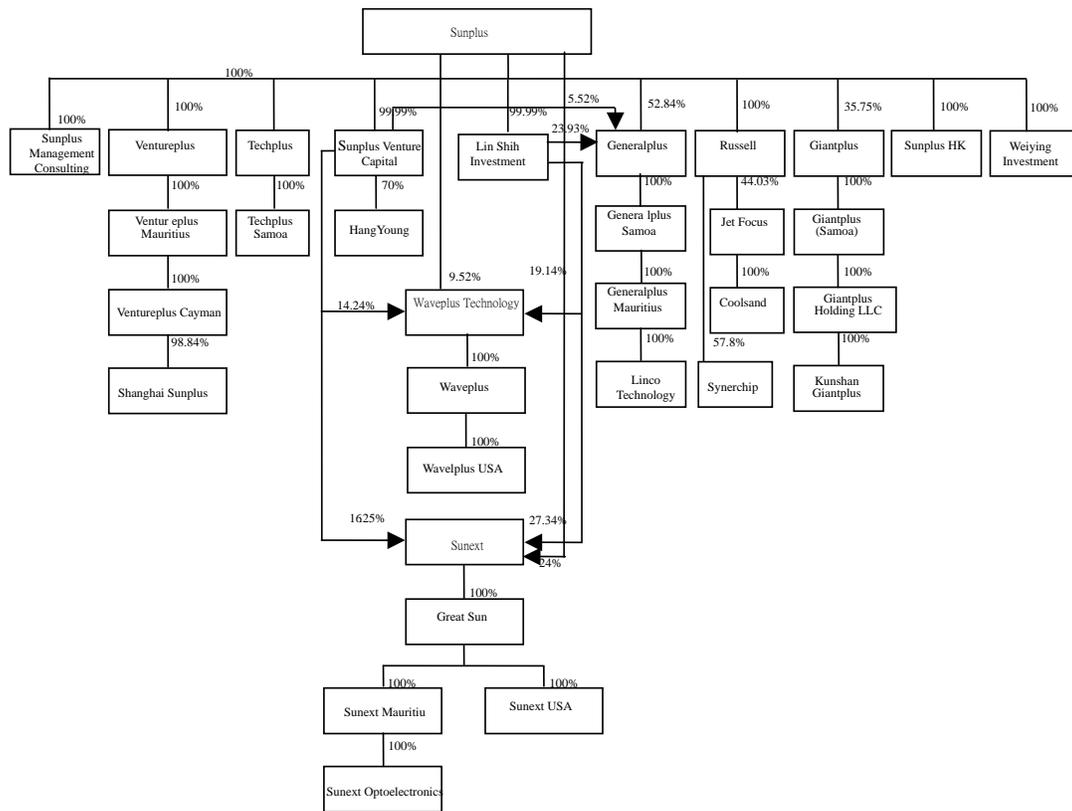
Association	Name		Audit Fee	Non-audit Fee					If the Audit Duration Containing the Whole Fiscal Year		Note	
				System	Registration	Human Resource	Other	Sub-total	Yes	No		Audit Duration
Deloitte & Touche	Ricky Lin	S.C. Huang,	3,040	0	120	0	162	282	✓		1/1~12/31	Reports Printing expense

8.2 Replacement of Accountants: None

IX. Specific Notes

9.1 Affiliates Information

9.1.1 Affiliated Companies Chart



9.1.2 Affiliated Companies

Unit: NT\$K, and specified otherwise

Company	Date of Incorporation	Place of Registration	Paid - in Capital	Business Activities
Sunplus Technology (HK) Co., Limited	Aug.31, 1993	Kowloon, HK	HK\$11,075	Marketing & Engineering support
Gaintplus Technology Co., Ltd.	Dec.15, 1997	Miaoli, Taiwan	1,810,000	TN / STN LCD Manufacturing
Lin Shih Investment Co., Ltd.	Jul. 2, 1998	Hsin-Chu, Taiwan	700,000	Investment
Russell Holdings Limited	Mar.11, 1998	Cayman Island	US\$19,260	Investment
Sunplus Venture Capital Co., Ltd.	Dec.16, 1999	Hsin-Chu, Taiwan	1,000,000	Investment
Waveplus Technology Co., Ltd.	Dec.6, 1999	Taipei, Taiwan	300,000	IC Design
Sunplus Management Advisory	Oct.29, 2003	Taipei, Taiwan	5,000	Management Consulting
WeiYing Investment	Feb.13, 2004	Taipei, Taiwan	200,000	Investment
Giantplus SAMOA	Feb.28, 2000	SAMOA	US\$20,000	Investment
Giantplus Holding L.L.C.	Feb.28, 2000	U.S.A.	US\$20,000	Investment
Kunshan Giantplus	Mar.1, 2000	Mainland China	US\$20,000	TN / STN LCD Module Manufacturing
Ventureplus Group Inc.	Jul.27, 2001	Belize	US\$17,000	Investment
Ventureplus Mauritius Inc.	Aug.02, 2001	Mauritius	US\$17,000	Investment
Ventureplus Cayman Inc.	Sep.24, 2001	Cayman	US\$17,000	Investment
Shanghai Sunplus	Dec.07, 2001	Shanghai, China	US\$17,200	Consumer Electronic Products Design, Manufacturing & Sales
Techplus Capital Niue Inc.	Oct. 2001	Niue	US\$200	Investment
Techplus Capital Samoa Inc.	Oct.23, 2001	Samoa	US\$150	Investment
Sunext Technology Co., Ltd.	Mar.13, 2003	Hsinchu, Taiwan	400,000	IC Design

Company	Date of Incorporation	Place of Registration	Paid - in Capital	Business Activities
Great Sun Corporation	Jan.28, 2003	Samoa	US\$1,600	Investment
Sunext Design, Inc.	Apr. 2003	U.S.A.	US\$1,000	IC Design
Sunext (Maruitius) Inc.	Aug.19, 2004	Mauritius	US\$600	Investment
Sunext Optoelectronics Technology (Shanghai) Co. Ltd	Dec. 27, 2004	Mainland China	US\$600	Software
Waveplus Holding Ltd.	May.29, 2003	Mauritius	US\$500	Investment
Waveplus Design Inc.	Jun.17, 2003	CA, USA	US\$500	IC Design
Generalplus Co., Ltd	Mar.30, 2004	Taiwan	300,000	IC Design
Generalplus International (Samoa) Inc.	Nov.12, 2004	Samoa	US\$700	Investment
Generalplus(Mauritius) Inc.	Nov.25, 2004	Mauritius	US\$700	Investment
Linco Technology (Shenzhen)	Mar.24, 2005	Mainland China	US\$700	Sales Service
Jet Focus Limited	Jan.03, 2002	British Virgin Islands	US\$6,050	Investment
Coolsands Technology	Apr.30, 2002	France	EUR\$250	IC Design
Synerchip Co., Ltd	Sep. 06, 2005	Mauritius	US\$1,210	IC Design
Synerchip Inc.	Nov.28, 2005	Korea	US\$50	IC Design
Orise Technology Co., Ltd	Jan.03, 2006	Hsin-Chu, Taiwan	90,100	IC Design

Note: Foreign exchange rate on Dec. 31, 2004 is shown below :

HK\$1=NT\$4.24

US\$1=NT\$32.85

EUR\$1=NT\$38.98

9.1.3 Business Scope of Affiliated Companies

Company	Business Activities	Business Relationship
Sunplus HK Technology Limited	Marketing & Engineering Support	N.A.
Gaintplus Technology Co.,Ltd.	TN / STN LCD Manufacturing	Customer
Lin Shih Investment Co., Ltd.	Investment	N.A.
Russell Holdings Limited	Investment	N.A.
Sunplus Venture Capital Co., Ltd.	Investment	N.A.
Waveplus Technology Co., Ltd.	IC Design	N.A.
Sunplus Management Advisory	Consulting	N.A.
WeiYing Investment	Investment	N.A.
Waveplus Holding Ltd.	Investment	N.A.
Waveplus Design Inc.	IC Design	N.A.
Giantplus SAMOA	Investment	N.A.
Giantplus Holding L.L.C	Investment	N.A.
Kunshan Giantplus	TN / STN LCD Module Manufacturing	N.A.
Ventureplus Group Inc.	Investment	N.A.
Ventureplus Mauritius Inc.	Investment	N.A.
Ventureplus Cayman	Investment	N.A.
Shanghai Sunplus	Consumer Electronic Products Design, Manufacturing and Sales	China Branch
Techplus Capital Niue Inc.	Investment	N.A.
Techplus Capital Samoa Inc.	Investment	N.A.
Generalplus Co., Ltd.	IC Design, Manufacturing and Sales	Subsidiary
Generalplus(Samoa) Inc,	Investment	N.A.
Generalplus(Mauritius) Inc.	Investment	N.A.
Linco Technology (Shenzhen)	Sales Service	N.A.
Sunext Technology Co., Ltd	IC Design	N.A.
Great Sun Corporation	Investment	N.A.
Sunext Design, Inc.	IC Design	N.A.
Sunext (Mauritius) Inc.	Investment	N.A.
Sunext Optoelectronics Technology (Shanghai) Co. Ltd	Software	N.A.
Jet Focus Limited	Investment	N.A.
Coolsands	IC Design	N.A.
Synerchip Co., Ltd	IC Design	N.A.
Synerchip Inc.	IC Design	N.A.
Orise Technology Co., Ltd	IC Design	Subsidiary

9.1.4 Rosters of Directors, Supervisors, and Presidents of Affiliated Companies

Unit: NT\$K and Specified Otherwise

Company	Title	Name	Shareholding	
			Shares	%
Sunplus HK Technology Limited	Chairman	Sunplus Technology Chou-Chye Huang (Representative of Sunplus)	HK\$11,075,000	100%
	Director	Kevin Chia (Representative of Sunplus)	-	-
Gaintplus Technology Co.,Ltd.		Sunplus Technology	64,095,337	35.41%
	Chairman& President	Chou Chye Huang (Representative of Sunplus Technology Co., Ltd)	6,260,787	3.46%
	Director	Wei-Chen Liang	650,200	0.36%
	Director	Sunplus Technology Hou-Shien Chu (Representative of Sunplus Technology Co., Ltd)	64,095,337 391,875	35.41% 0.22%
	Director	Sunplus Technology Chin-Nai Tsen (Representative of Sunplus Technology Co., Ltd)	64,095,337 156,750	35.41% 0.09%
	Director	Ritek Corporation Representative of Ritek Corporation Chwei-Jing Yeh (Representative of Ritek)	18,120,000	10.01%
	Director	Hun-Fang Haung (Representative of Ritek)	-	-
	Director	Wei-Min Lin (Representative of Ritek)	-	-
	Supervisor	Global View Co., Ltd Feng, Chu-Chien (Representative of Global View Co., Ltd)	2,685,000	1.48%
	Supervisor	Zheng-Guang Chang (Representative of Global View Co., Ltd)	51,500	0.03%
	Supervisor	Neng-Jie Yang (Representative of Global View Co., Ltd)	-	-

Company	Title	Name	Shareholding	
			Shares	%
Lin Shih Investment Co., Ltd.	Chairman & President	Sunplus Technology	69,994,000	99.98%
		Chou Chye Huang (Representative of Sunplus Technology Co., Ltd)	1,000	-
	Director	Yarn-Chen Chen	1,000	-
	Director	Bing-Huang Shih	1,000	-
	Supervisor	Shu-Lan Wang	-	-
Russell Holdings Limited	Director	Sunplus Technology Chou Chye Huang (Representative of Sunplus)	US\$19,260 -	100% -
Sunplus Venture Capital Co., Ltd.		Sunplus Technology	99,994,000	99.99%
	Chairman & President	Chou-Chye Huang	1,000	-
	Director	Yarn-Chen Chen	1,000	-
	Director	Bing-Huang Shih	1,000	-
	Director	Hou-Shien Chu	1,000	-
	Director	Chin-Nai Tsen	1,000	-
	Supervisor	Wayne Shen	1,000	-
Waveplus Technology Co., Ltd		Sunplus Venture Capital	4,271,300	14.24%
	Chairman & President	Chou-Chye Huang	-	-
	Director	Yarn-Chen Chen	1,075,000	3.58%
		Global View Technology	1,410,775	4.70%
	Supervisor	Global View Technology - Meng-Hui Lin	-	-
		Venglobal Capital Fund,L.P.	1,200,000	4%
	Supervisor	Venglobal Capital Fund L.P.-You-Wei Cheng	-	-
	Giantplus (SAMOA)		Giantplus Technology Co., Ltd.	US\$20,000
Director		Chou-Chye Huang	-	-
GIANTPLUS HOLDING L.L.C.	Director	Giantplus (SAMOA) Chou-Chye Huang (Representative of Giantplus(SAMOA) Co., Ltd	US\$20,000 -	100% -
Kunshan Giantplus		GIANTPLUS HOLDING L.L.C.	US\$20,000	100%
	Chairman	Chou-Chye Huang	-	-
	Director	Wei-Chen Liang	-	-
	Director	Herng-Der Chu	-	-

Company	Title	Name	Shareholding	
			Shares	%
Ventureplus Group Inc.	Director	Sunplus Technology Co., Ltd Chou-Chye Huang (Representative of Sunplus)	US\$17,000 -	100% -
Ventureplus Mauritius Inc.	Director	Ventureplus Group Inc. Chou-Chye Huang (Representative of Venture Group Inc.)	US\$17,000 -	100% -
Ventureplus Cayman Inc.	Director	Ventureplus Mauritius Inc. Chou-Chye Huang	US\$17,000 -	100% -
Shanghai Sunplus Technology	Director Director	Ventureplus Cayman Inc. Chou-Chye Huang Yarn-Chen Chen	US\$17,000 -	98.84% -
Techplus Capital Niue Inc.	Director	Techplus Capital Niue Inc. Chou-Chye Huang (Representative of Techplus Capital Niue Inc.)	US\$200 -	100% -
Techplus Capital Samoa Inc.	Director	Techplus Capital Niue Inc. Chou-Chye Huang (Representative of Techplus Capital Niue Inc.)	US\$150 -	100% -
Sunext Technology Co., Ltd.		Sunplus Venture Capital Co., Ltd.	6,500,000	16.25%
	Chairman	Chou-Chye Huang (Representative of Sunplus Venture)		
	Director	Yarn-Chen Chen (Representative of Sunplus Venture)		
	Director	Chyh-Cherg Chen Representative of Sunplus Venture)		
	Director	Bing-Huang Shih (Representative of Sunplus Venture)		
	Director	Yo- Wei Chung	114,000	0.29%
	Director	Kuang-Pu Mi	930,000	2.33%
	Supervisor	Hans-Tai (Representative of Sunplus Venture)		

Company	Title	Name	Shareholding	
			Shares	%
Great Sun Corporation	Director	Sunext Technology Co., Ltd. Chou-Chye Huang (Representative of Sunext)	US\$1,600	100%
Sunext Design, Inc.	Director	Great Sun Corporation Chou-Chye Huang (Representative of Sunext)	US\$1,000	100%
Sunext (Mauritius) Inc.	Director	Great Sun Corporation Chou-Chye Huang (Representative of Sunext)	US\$600	100%
Sunext Optoelectronics Technology (Shanghai) Co. Ltd	Director	Sunext (Mauritius) Inc. Chou-Chye Huang (Representative of Sunext) Yarn-Chen Chen (Representative of Sunext) Kuang-Pu Mi (Representative of Sunext)	US\$600	100%
Jet Focus Limited	Director Director Director Director Director	Chou-Chieh Huang Yang-Cheng Chen, Harold Liang, Julian Cheng Benjamin Chow	- - - - -	- - - - -
Coolsand Technologies SARL	Director	Jet Focus Limited Dimitri Singer (Representative of Jet Focus Limited)	Eur\$250	100%
Synerchip Co., Ltd.	Director Director Director	Chih-Cheng Chen David Daebum Lee Yang-Cheng Chen	- 1,000,000 -	- 45% -
Synerchip Inc.	Director Director Director	I.B. Jeon David Lee I.S. Moon	- - -	- - -

Company	Title	Name	Shareholding	
			Shares	%
Generalplus Technology Co., Ltd	Chairman	Sunplus Technology Co., Ltd.	15,851	53%
	Director	Chou-Chye Huang (Representative of Sunplus)	-	-
		Yarn-Chen Chen (Representative of Sunplus)	-	-
	Supervisor	Hou-Shien Chu (Representative of Sunplus) Sunplus Venture	160 1,656	- 6%
Generalplus International (Samoa) Inc.	Director	Generalplus Technology Co., Ltd. Chou-Chye Huang (Representative of Generalplus)	US\$700 -	100% -
Generalplus (Mauritius) Inc.	Director	Generalplus International (Samoa) Inc. Chou-Chye Huang (Representative of Generalplus)	US\$700 -	100% -
Linco Technology (Shenzhen)	Director	Generalplus International (Samoa) Inc. Chou-Chye Huang (Representative of Generalplus)	US\$700 -	100% -
		Chyh-Cherg Chen (Representative of Sunplus)	-	-
		Han- Hwa Lu	-	-
WeiYing	Director	Sunplus Technology Chou-Chye Huang (Representative of Sunplus)	20,000 -	100% -
	Director	Yarn-Chen Chen	-	-
	Director	Bing-Huang Shih	-	-
	Supervisor	Shu-Lan Wang	-	-

Company	Title	Name	Shareholding	
			Shares	%
Sunplus Management Advisory	Director	Sunplus Technology	500	100%
		Chou-Chye Huang (Representative of Sunplus)	-	-
	Director	Yarn-Chen Chen	-	-
	Director	Bing-Huang Shih	-	-
	Supervisor	Shu-Lan Wang	-	-
Waveplus Holding Ltd.	Director	Waveplus Technology Co., Ltd	US\$500	100%
		Chou-Chye Huang (Representative of Sunplus)	-	-
Waveplus Design Inc.	Director	Waveplus Holding Ltd.	US\$500	100%
		Hsien-Ching Dung (Representative of Waveplus Holding Ltd)	-	-
Orise Technology Co., Ltd	Chairman	Sunplus Technology	90,100	100%
		Chou-Chye Huang (Representative of Sunplus)	-	-
	Director	Chin-Nai Tsen	-	-
	Director	Bing-Huang Shih	-	-
	Supervisor	Sunplus Technology	90,100	100%
		Shu-Lan Wang	-	-

9.1.5 Sunplus Shareholders Representing Both Holding Company and Subordinates: None

9.1.6 Operational Highlights for Affiliated Companies

Unit : NT\$K, except EPS and Specified Otherwise

Company	Paid in Capital	Assets	Liabilities	Net worth	Net Sales	Income from operation	Net Income (net of tax)	EPS (net of tax)
Sunplus HK Technology Limited	44,522	8,322	10,589	(2,267)	28,648	4,102	4,102	(0.56)
Gaintplus Technology Co., Ltd.	1,810,000	5,271,344	2,542,302	2,729,042	6,424,889	353,221	569,606	3.15
Lin Shih Investment Co., Ltd.	700,000	665,353	117,999	547,354	136,972	(111,395)	(111,001)	(1.58)
RUSSELL HOLDINGS LIMITED	632,691	472,433	122	472,311	5,700	5,562	(42,978)	NA
Sunplus Venture Capital Co., Ltd.	1,000,000	899,906	220,886	679,020	63,528	(103,612)	(102,824)	(1.03)
Waveplus Technology Co., Ltd.	300,000	176,199	167,126	9,073	192,449	(157,894)	(146,669)	(4.89)
Giantplus (SAMOA)	657,000	1,361,726	8,507	1,353,219	3,012	(1,447)	359,745	NA
GIANTPLUS HOLDING L.L.C.	657,000	1,351,724	0	1,351,724	0	0	361,053	NA
Kunshan Giantplus	657,000	2,909,943	1,559,550	1,350,392	3,510,551	427,686	360,826	NA
VENTUREPLUS GROUP INC.	558,450	395,253	134	395,119	0	(53,714)	(53,705)	NA
VENTUREPLUS MAURITIUS INC.	558,450	395,326	89	395,237	0	(53,599)	(53,581)	NA
VENTUREPLUS CAYMAN INC.	558,450	395,301	0	395,301		(220)	(53,510)	NA
Shanghai Sunplus	565,020	592,506	193,601	398,905	14,282	(60,913)	(55,091)	NA
TECHPLUS CAPITAL NIUE INC.	6,570	6,349	24	6,325	0	(24)	(4)	NA
Han Young Technology Co., Ltd.	6,000	2,544	0	2,544	0	(45)	(45)	(0.07)
Sunxet Technology Co., Ltd.	400,000	353,356	234,807	118,549	4,024	(363,025)	(400,042)	(10.00)
Jet Focus Limited	316,718	135,041	2,782	132,259	0	(78,118)	(82,402)	NA
Coolsand	9,745	24,069	14,110	9,959	39,282	(4,995)	(1,366)	NA
Sunplus Management Advisory	5,000	4,420	1	4,419	0	(191)	(157)	(0.31)
Waveplus Holding Ltd.	17,205	3,525	88	3,437	0	0	(4,223)	NA
Waveplus Design Inc.	17,205	3,999	879	3,120	26,160	(3,196)	(3,196)	NA
GreatSun Corporation	42,705	26,595	0	26,595	0	(19,858)	(19,858)	NA
Sunext Design Inc.	32,850	32,162	12,548	19,614	172,731	625	-16,817	NA
WeiYing Investment	200,000	183,853	10	183,843	182,986	(9,918)	(4,916)	(0.24)
Generalplus Technology Co., Ltd.	300,000	599,885	215,797	384,088	836,450	87,442	78,803	2.63
TECHPLUS CAPITAL SAMOA INC.	4,928	4,928	0	4,928	0	0	-	NA
Sunext (Mauritius) Inc.	9,855	4,107	0	4,107	0	0	-	NA
Generalplus International Samoa Inc.	22,995	15,118	0	15,118	0	0	(7,735)	NA
Generalplus (Mauritius) Inc.	22,995	15,180	62	15,118	0	(33)	(7,735)	NA

9.1.7 Financial Report of Consolidated Subsidiaries: None

9.2 Internal Control

9.2.1 Statement of Internal Control (Translation)

Sunplus Technology Co., Ltd. Statement of Internal Control (Translation)

Date : March 20, 2006

Sunplus has conducted a self-assessment of internal controls for the period of January 1, 2005 to December 31, 2005, based on Sunplus' internal control system. The results are as follows:

1. Sunplus acknowledges that the Board of Directors and management personnel are responsible for establishing, performing, and maintaining an internal control system, which has already been established. The purpose of the internal control system is to provide a reasonable assurance for achieving the company's goals: efficient and effective operations (including profit, efficiency and the safeguard of assets, etc.), reliability of financial reports, and compliance with applicable laws and regulations.
2. The internal control system has an inherent constraint. No matter how impeccable the system is, it can only provide a reasonable assurance of achieving the three goals abovementioned. Due to the changes in the environment and changing circumstances, the effectiveness of the internal control system may vary accordingly. However, Sunplus' internal control system has self-monitoring functions with which once a shortcoming is found, action will be taken to cure.
3. Sunplus evaluates the effectiveness in the design and performance of its internal control system in accordance with the items for evaluating the effectiveness of internal control system as indicated in the Points Governing the Establishment of Internal Control Systems by Public Companies (the "Points") announced by the Securities and Futures Commission of the Ministry of Finance. Base on management control process, the items for assessing the internal control system specified in the Points divide internal control into five components: (i) Control Environment, (ii) Risk Assessments, (iii) Control Activities, (iv) Information & Communication, (v) Monitoring. Each component comprises certain factors. For the said factors please refer to the Points.
4. Sunplus has evaluated the effectiveness in the design and performance of its internal control system in accordance with the aforesaid factors.
5. Based upon the results of evaluation abovementioned, Sunplus is of the opinion that the design and performance of its internal control, including the efficiency and effectiveness of operations, achievement of business plan, reliability of financial reports, and compliance with applicable laws and regulations, during the period of January 1, 2004 to December 31, 2004 is effective and provide a reasonable assurance of achieving the abovementioned goals.
6. This Statement of Internal Control will be a prominent feature of Sunplus' annual report and prospectus, and will be released to the public. Should any statement herein involve forgery, concealment or any other illegality, Articles 20, 32, 171 and 174 of the Security Transaction Law shall apply.
7. This Statement of Internal Control has been approved by Sunplus' Board of Directors at the meeting of March 20, 2006 with 4 directors present at the meeting and none of disagreeing with this Statement of Internal Control.



Chou Chye Huang, Chairman & CEO of the Board

9.2.2 Under Specified Circumstances, Securities & Futures Commission May Request the Company to Engage CPA to Examine the Company's Internal Control System and Disclose the CPA's Audit Report : None

9.3 Major contents of record or written statements made by any director or supervisor which specified his/her dissent to important resolutions passed by the Board of Directors during 2004 or the period from January 1, 2005 to March 31, 2005:

Date	Unit	Case	Outcome
Nov.07, 2005	Board of directors	treasury stock	Director Mr. Hou Shien Chu forfeited his right. Approved by all the rest of attending directors with no objection

9.4 Private Placement Securities: N.A.

9.5 Balance of Sunplus' Common Shares Acquired, Disposed of and Held by Subsidiaries

Unit : NT\$K, Shares

Name of Subsidiary	Paid-in Capital	Fund Source	Percentage Of ownership	Transaction Date	Acquisition Shares & Amount	Disposal Shares & Amount	Investment Income (Loss)	Holding Shares End at the Day Annual Report Printed	Balance of pledged Shares	Balance as of Guarantee provide by Sunplus	Balance as of Financing Provided by Sunplus
Lin-Shih Investment	700,000	Self-Own	99.99%	12.25,2001	3,870,196 share \$95,605	-	-	-	-	-	-
				07.02,2002	967,549 shares from stock dividends for capital increase	-	-	-	-	-	-
				07.13,2003	483,774 shares from stock dividends for capital increase	-	-	-	-	-	-
				08.23,2004	532,151 shares from stock dividends for capital increase	-	-	-	-	-	
				08.23,2005	290,614 shares from stock dividends for capital increase	-	-	-	Pledged 5000 shares in Aug.15,2005 and Aug.17, 2005	-	-
				Balance Holding at End of the day annual report printed	-	-	-	Holding 5,6,144,284 shares NT\$95,605	-	-	-

9.6 Major Decisions of Board Meeting and Shareholders Meeting

Date	Review organization	Proposal	Resolution
07 29, 2005	Board meeting	1 To schedule for Dividend Date on September 7 th , 2005 2 To schedule for employee stock option of the second season in 2005 on September 7 th , 2005	Approved by all attending directors with no objection
08 16, 2005	Board meeting	1 To adjust the proportion of stock dividend to cash dividend in 2004	Approved by all attending directors with no objection
10 28, 2005	Board meeting	1 To schedule for employee stock option of the third season in 2005 on October 31 st , 2005 2 Reorganization and personnel transfer.	Approved by all attending directors with no objection
11 07, 2005	Board meeting	1 Treasury stock 2 Reorganization and personnel transfer.	Director Mr. Hou Shien Chu forfeited his right. Approved by all the rest of attending directors with no objection
11 29, 2005	Board meeting	1 The spin-off of LCD IC business 2 Reorganization and personnel transfer. 3 To schedule for Shareholders' Temporary Meeting and discuss the agendas	Approved by all attending directors with no objection
02 10, 2006	Board meeting	1 To approve Financial Report in 2005 2 Reorganization and personnel transfer. 3 To schedule for employee stock option of the forth season in 2005 on February 15 th , 2006	Approved by all attending directors with no objection
03 31, 2006	Board meeting	1 Personnel transfer	Approved by all attending directors with no objection
04 21, 2006	Board meeting	1 To decide Proposal of distribution of 2005 profits 2 To decide capital increase proposal from profits and capital surplus 3 To schedule for employee stock option of the first season in 2006 on April 31 st , 2006 4 The motion brought up by shareholders in the Shareholders' Temporary Meeting 2006 5 Treasury stock Execution	Approved by all attending directors with no objection

9.7 Legal Penalties: None

9.8 Other Necessary Supplement: None

9.9 Events with Significant Impact on shareholders rights or share price: None

SUNPLUS TECHNOLOGY CO., LTD.

CHAIRMAN:

Chou-Chye Huang