

凌陽科技股份有限公司九十五年年報



ANNUAL REPORT 2006

SUNPLUS SPOKESMAN

Name: Wayne Shen

Title: Special Assistant of CEO

Tel: +886-3-5786005

Email: IR@sunplus.com

Name: Ann Lai (Acting Spokesman)

Title: Investor Relations

Tel: +886-3-5786005

Email: IR@sunplus.com

Headquarter

Address: 19, Innovation 1st Road, Hsinchu Science Park, Hsinchu, Taiwan (R.O.C.)

TEL: +886-3-5786005

FAX: +886-3-5786006

<http://www.sunplus.com>

STOCK TITLE TRANSFER

Company: Chinatrust Commercial Bank, Corporate Trust Operation & Service

Department

Address: 5F, No.83, Sec. 1, Chongcing S. Road, Taipei, Taiwan (R.O.C.)

Tel: 886-2-2361-3033

<http://www.chinatrust.com.tw>

GDR DEPOSITARY BANK

Company : The Bank of New York

Address: 101 Barclay New York, N.Y.10286, USA

Tel: +1-212-815-2476

Fax: +1-212-571-3050

<http://www.adrbny.com>

Please refer to the official website of London Stock Exchange for the Market Price:

<http://www.londonstockexchange.com>

AUDITORS

Company: Deloitte & Touche

Auditors: Shu-Chieh Huang, Hung-Wen Huang

Address: 6th F, 2, Prosperity Road 1, Hsinchu Science Park, Hsinchu, Taiwan (R.O.C.)

Tel: +886-3-5780899

<http://www.tw.deloitte.com>

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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

Organization

Sunplus have been through a significant transition during 2006. Besides the spin-off of LCD IC business into Orise Technology on March 31st, 2006, Sunplus have spun off Controller & Peripheral Business Unit into Sunplus Innovation Technology; Personal Entertainment and Advanced Business Unit into Sunplus mMobile on December 1st, 2006; while Sunplus keep being focused on developing multimedia home entertainment IC solutions and the core intellectual properties. After the reorganization, all the subsidiaries have an appropriate capital size, and are more concentrated on its own market niche. Moreover, the new Sunplus Group will improve the operation efficiency and bring more profits to shareholders of Sunplus.

Additionally, the Company has finished the return of capital. Total cash NT\$ 5,114,357,580 were returned to shareholders, and there were 511,435,758 shares reduced afterwards, approximately 50% reduction. After that, Sunplus can substantially improve our earning per share (EPS) and return on equity (ROE) moving onward.

Financial Results

Sunplus' total revenue reached NT\$17.08 billion in 2006, which declined 9.08% compared to NT\$18.78 billion in 2005, mainly due to the spin-off. However, because of the new products contribution and cost down efforts, the gross margin of 2006 was improved to 33.5% compared to 32.6% in 2005. The income after tax were NT\$2.97 billion, which grew 23.9% than 2005 and reached a new record high. The earning per share after tax were NT\$2.94 in 2006.

Product Research and Development

Regarding to product development, the 2006 revenue were mainly contributed by three product lines, multimedia ICs, micro-processor ICs, and LCD ICs. After the reorganization, Sunplus keep focusing on the multimedia home area, including DVD player IC, set-top-box IC, and digital TV IC, and so on, which will be the sales growth drivers within few years.

The R&D expense in 2006 were NT\$2.52 billion, which grew 2.4% than 2005, and were 14.8% of total revenue in 2006. By continuously investing into new products

development, Sunplus will provide more innovative IC solutions for a colorful digital life.

Competitive Advantage

The migrated semiconductor process technologies drive the cost down to more and more consumer electronic applications. Sunplus with its experienced R&D team and plentiful reusable IPs of video/audio technologies, micro-processor, and DSP, etc. has a good opportunity to win the market by differentiating product designs and optimizing cost structure. Meanwhile, the more and more complicated SoC design raises the entry barrier, which benefits the capable SoC-design companies with economic scale like Sunplus.

Outlook

As “digital home” became the new ideal life style, the demands are growing significantly. According to market researches, digital home applications demands, like DVD/VCD, set-top-box, and digital TV, are growing fast, especially because of the oncoming 2008 Beijing Olympics Games. By utilizing the solid in-house technologies and re-grouping synergy, Sunplus targets to be the global leading IC supplier.

With the reorganization and reduced capital, Sunplus keep being concentrated and aggressive in developing new technologies and products related to multimedia home applications in order to expand our market share. Sunplus is very optimistic for the coming year, and we will do our best to make more profits to shareholders.

All the Best,


Chairman & CEO,

II Brief Introduction of Sunplus

2.1 Date of Foundation

Sunplus was established in August 1990.

2.2 Company History

Please refer to page 35-36 for capitalization history.

Please refer to page 185-194 for the operating results of Sunplus' affiliates.

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,

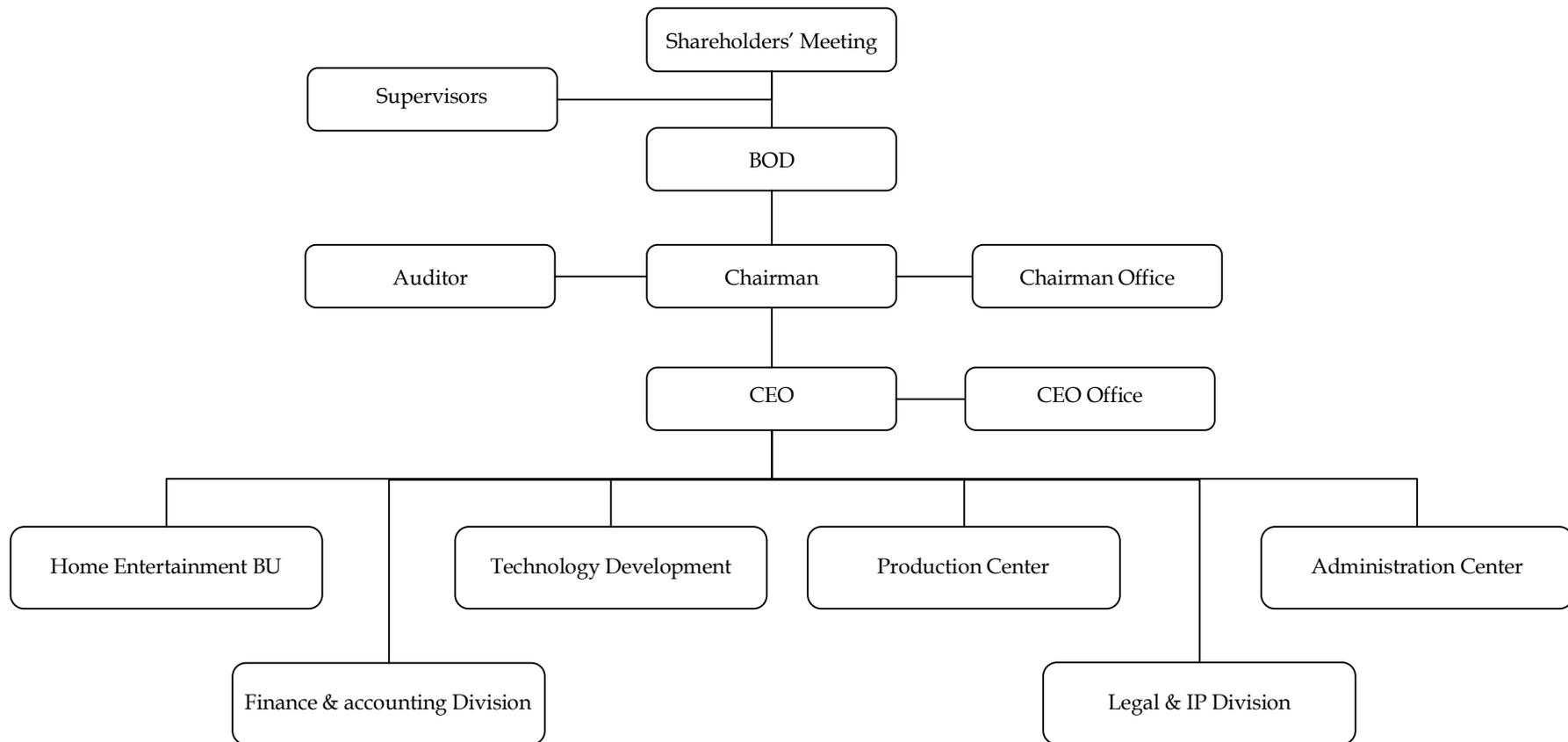
	Sunext Technology.
May.2003	Licensed MPEG-4 video compression technology from DivXNetworks to create DivX certified IC solution for consumer electronic products.
Jun.2003	Announced reorganization by altering the Product Business Unit Systems to Functional Business Unit Systems including IC Design Unit, 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	Spun-off the LCD IC business into Orise Technology Co., Ltd.
Dec.2006	Spun-off Controller &Peripheral Business Unit into Sunplus Innovation Technology Inc.

Dec.2006	Spin-off Personal Entertainment Business Unit and Advanced Business Unit into Sunplus mMobile Inc.
Dec.2006	Approved return of capital NT\$5.11 billion by shareholders' extraordinary general meeting.
Dec.2006	Established a new record high with 2006 profit after tax, NT\$2.97 billion.
Feb.2007	Licensed digital TV SoC IP to Silicon Image, Inc. and received US\$40 million for license fee.
Mar.2007	Completed the return of capital and the total amount with capital became NT\$ 5,129,536,650.
Apr.2007	Spun-off Sunplus mMobile's multi-media center into a new subsidiary, Sunplus mMedia Inc.

III Corporate Governance

3.1 Organization

3.1.1 Organization Chart



3.1.2 Department Function Description

2007.03.31

Department	Job 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
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
Home Entertainment BU (HE)	(1) Developing world-class audio and video solution (2) In charge of all sales channels (3) Marketing and developing business worldwide
Technology Development Center	Planning products and evaluating the advanced technologies
Production Unit	(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 Unit	(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) Strategy management to supporting 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	(1) In charge of legal and IP affairs (2) Managing the project procedures and documents (3) Protecting and managing documents (4) Purchasing, protecting, and managing books and periodicals (5) Contract management (6) IP management

3.2 Information Regarding Directors, Supervisors, and Management Team

3.2.1 Directors and Supervisors

2007.04.17 ; Unit: shares

Title	Name	Date Elected	Initial Date Elected	Term of Office	Share holding When Elected		Current Shareholding		Spouse & Minor Shareholding		Educational Background	Positions Currently held in Other Companies (Note1)
					Amount	%	Amount	%	Amount	%		
Chairman & CEO	Chou-Chye Huang	2006.06.09	1990.07.09	3 years	160,058,422	16.85%	84,141,073	16.38%	774,350	0.15%	M.S. Electrical Engineering, National Tsing Hua University	<p>Chairman: Sunplus Technology, RUSSELL Holdings, TECHPLUS Capital (SAMOA), VENTURPLUS Group, Sunplus mMobile, VENTURPLUS Mauritius, VENTURPLUS Cayman, Shanghai Sunplus Technology, Sunplus HK Technology, Sunplus Venture Capital, Lin Shih Investment, Weiyang Investment, Sunplus Management Consulting, Giantplus Holding, Giantplus (SAMOA) Holding, KunShan Giantplus Optoelectronics Technology, Giantplus Technology, Waveplus Technology, Waveplus Holdings, Generalplus International (SAMOA), Sunplus Innovation Technology, Global Techplus Capital, Generalplus (Mauritius), Linco Technology (ShenZhen), Sunext Technology, Sunext Optoelectronics Technology (Shanghai), Sunext Design, Great Sun, Sunext (Mauritius), Shenzhen Giantplus Optoelec. Display, Orise Technology</p> <p>Director: Jet Focus, Goldkey Technology, Ritek, Avl Technology, Hsinchu Golf Club, Spring Foundation of NCTU, Li-Shin Hospital Research Foundation, Pan Wen Yuan Foundation</p> <p>Chairman & President: Generalplus Technology</p>
Director	Yarn-Chen Chen	2006.06.09	1990.07.09	3 years	32,673,433	3.44%	17,246,192	3.36%	2,877,425	0.56%	M.S. Computer & Electrical Engineering, University of California Santa Barbara	<p>Director: Sunplus Technology, Jet Focus, Shanghai Sunplus Technology, Lin Shih Investment, Weiyang Investment, Sunplus Management Consulting, Generalplus Technology, Linco Technology (ShenZhen), Sunext Technology, Sunext Optoelectronics Technology (Shanghai), Sunext Design, Goldkey Technology, Global View, Ability Enterprise, Sunplus mMobile</p>

Director	Bing-Huang Shih	2006.06.09	1990.07.09	3 years	15,503,360	1.63%	6,982,196	1.36%	1,752,403	0.34%	M.S. Electrical Engineering, National Taiwan University	Director: Sunplus Technology, Sunplus Venture Capital, Lin Shih Investment, Weiyang Investment, Sunplus Management Consulting, Shanghai Sunplus Technology, Beijing Golden Global View, Global View, Orise Technology, Sunplus Innovation Technology, Sunplus mMobile, Sunext Technology
Director	Chung-Jyh Yao (Ritek Corp. Representative of Legal Entity)	2006.06.09	2000.05.31	3 years	5,012,149	0.53%	2,634,835	0.51%	0	0.00%	M.S. Business Administration, University of Rochester	VP of Ritek Corp., Senior VP of Core Pacific Securities, Executive VP of ABN AMRO Bank
Independent Director	Po-Young Chu	2006.06.09	2006.06.09	3 years	0	0.00%	1,576	0.00%	3,679	0.00%	M.S. Applied Physics, National Tsing Hua University	Independent Director: Advantech, Chilisun Electronics
Supervisor	Feng, Chu-Chien (Global View Co., Ltd. Representative of Legal Entity)	2006.06.09	1990.07.09	3 years	24,774,377	2.61%	12,063,597	2.35%	0	0.00%	EE of National Chiao-Tung University	Director: HK Global View, Kunshan Global View, Radiant Innovation Inc. Beijing Golden Global View, Global View Holding(Samoa), Global View Holding(BVI) Supervisor: Giantplus Technology
Independent Supervisor	Liang-Chung Chang	2006.06.09	2000.05.31	3 years	50,000	0.01%	100,394	0.02%	0	0.00%	Accounting, Fu-Jen University	—

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

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

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

3.2.2 Information Regarding Directors and Supervisors

2007.04.17

Name (Note 1)	Criteria			Independent status (Note 2)										Numbers of other public companies concurrently serving as an independent director
	<u>With over 5 years of working experience and one of the following professional requirements</u>			1	2	3	4	5	6	7	8	9	10	
	<u>An instructor of higher position in a department of commerce, law, finance, accounting, or other departments related to the Company's business in a public or private college or university</u>	<u>A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the Company's business</u>	<u>With an experience in commerce, law, finance, accounting, or other specialties necessary to the Company's business</u>											
Chou-Chye Huang			✓				✓	✓		✓	✓	✓	✓	
Yarn-Chen Chen			✓				✓	✓		✓	✓	✓	✓	
Bing-Huang Shih			✓				✓	✓		✓	✓	✓	✓	
Po-Young Chu	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
Chung-Jyh Yao (Ritek Corp. Representative of Legal Entity)			✓		✓	✓	✓	✓		✓	✓	✓		
Feng, Chu-Chien (Global View Co., Ltd. Representative of Legal Entity)			✓				✓	✓	✓	✓	✓	✓		
Liang-Chung Chang			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	

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

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

- (1) Not an employee of the Company or its affiliates.
- (2) Not a director or supervisor of the Company or its affiliates. (The same does not apply, however, in case where the position is an independent director of the Company, its parent company, or a subsidiary in which the Company holds, directly or indirectly, more than 50% of shares.)

- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or under others' names, in an aggregate amount of 1% or more of the total numbers of the Company's issued shares or ranked as the Top 10 in holdings.
- (4) Not a spouse, relative within the second-degree of consanguinity, or the lineal relative within the fifth-degree of consanguinity of any of the persons in the preceding three subparagraphs.
- (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of the Company's issued shares or that holds shares ranked as Top 5 in holdings.
- (6) Not a director, supervisor, officer, or shareholder holding 5% or more of the shares, of a specified company or institution, which has financial or business relationship with the Company.
- (7) Not a professional individual, owner, partner, director, supervisor, or officer (and a spouse thereof) of a sole proprietorship, partnership, company, or institution which provides commercial, legal, financial, accounting, and so on, services or consultation to the Company or to its affiliates.
- (8) Not a spouse or a relative within the second-degree of consanguinity to other directors of the Company.
- (9) Not been a person of any condition as defined in Article 30 of the Company Law.
- (10) Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

3.2.3 Major Shareholders of the Company's Juridical-Person Shareholders

(A) Information Regarding the Top 10 Shareholders of Global View Co., Ltd.

2007.04.17

Shareholder	Holding: %
Sunplus Technology	10.70%
Meng-Huei Lin	7.37%
The Hong Kong and Shanghai Banking Corporation Limited, Taipei Branch	6.90%
Jhih-Yuan Chou	6.05%
The Hong Kong and Shanghai Banking Corporation Limited, Taipei Branch	4.48%
Chu-Chien Feng	3.95%
Kun-Ting Huang	2.86%
Sin-Lin Liao	2.54%
Sing-Fei Ma	1.91%
Yun-Long Hunag	1.71%

(B) Information Regarding the Top 10 Shareholders of Ritek Corp.

2007.04.17

Shareholder	Holding: %
Platinum Asset Management Limited in its capacity as Responsible Entity for the Platinum Asia Fund	1.92%
The Northern Trust Company as trustee for Sanford C. Bemstein & Co. Delaware Business Trust-Emerging Markets Value Series	1.49%
California Public Employees' Retirement System	1.49%
Chwei-Jing Yeh	1.39%
KGI ASIA LTD	1.21%
Chung-Fu Investments Ltd.	0.98%
Wei-Fen Yang	0.96%
JPMorgan Chase Bank N.A. Taipei Branch in custody for The Trustees of BT Pension Scheme Fund	0.88%
Credit Suisse Investment Services(Cayman) Limited	0.86%
i Shares Inc.	0.73%

(1) Representative of the Juridical-Person Shareholders of Chung-Fu Investments Ltd.

Shareholder	Holding: %
Ritek Corp.	100.00%

3.2.4 Management

2007.04.17; Unit: shares

Title	Name	Date Effective	Current Shareholding		Spouse's & Minor's Shareholding		Educational Background	Positions Currently held in Other Companies
			Amount	%	Amount	%		
Chairman & CEO	Chou-Chye Huang	79.07.09	84,141,073	16.38%	774,350	0.15%	M.S. Electrical Engineering, National Tsing Hua University	<p>Chairman: Sunplus Technology, RUSSELL Holdings, TECHPLUS Capital (SAMOA), VENTURPLUS Group, Sunplus mMobile, VENTURPLUS Mauritius, VENTURPLUS Cayman, Shanghai Sunplus Technology, Sunplus HK Technology, Sunplus Venture Capital, Lin Shih Investment, Weiyang Investment, Sunplus Management Consulting, Giantplus Holding, Giantplus (SAMOA) Holding, KunShan Giantplus Optoelectronics Technology, Giantplus Technology, Waveplus Technology, Waveplus Holdings, Generalplus International (SAMOA), Sunplus Innovation Technology, Global Techplus Capital, Generalplus (Mauritius), Linco Technology (ShenZhen), Sunext Technology, Sunext Optoelectronics Technology (Shanghai), Sunext Design, Great Sun, Sunext (Mauritius), ShenZhen Giantplus Optoelec Display, Orise Technology</p> <p>Director: Jet Focus, Goldkey Technology, Ritek, Avl Technology, Hsinchu Golf Club, Spring Foundation of NCTU, Li-Shin Hospital Research Foundation, Pan Wen Yuan Foundation</p> <p>Chairman & President: Generalplus Technology</p>
BU President	Oh-Jung Ou	90.12.25	1,222,486	0.24%	463,274	0.09%	B.S. Electrical Engineering, Chung Yuan Christian University	BU president of Sunplus Technology
VP	Kuo-Bin Huang	92.06.02	462,982	0.09%	244,096	0.05%	B.S. Electronic Engineering, Chung Yuan Christian University	VP of Sunplus Technology Director of Miracle Technology
VP	Steven Huang	93.05.07	355,027	0.07%	8,385	0.00%	EMBA, Technology & Innovation Management (TIM), National Chengchi University	VP of Sunplus Technology
VP	Wen-Kuan Chen	94.11.07	134,574	0.03%	128,407	0.03%	M.S. Electrical Engineering, National Cheng Kung University	VP of Sunplus Technology
VP	Wayne Shen	94.12.01	1,031,290	0.20%	519,284	0.10%	EMBA, Technology Management, National Chiao-Tung University	VP of Sunplus Technology Supervisor of Sunplus Venture Capital
VP	Henry Lee	95.12.01	354,224	0.07%	40,326	0.01%	PHD. Electrical Engineering, National Chiao-Tung University	VP of Sunplus Technology

Title	Name	Date Effective	Current Shareholding		Spouse's & Minor's Shareholding		Educational Background	Positions Currently held in Other Companies
			Amount	%	Amount	%		
Director of Finance & Accounting Division	Annie Liu	95.04.01	37,436	0.01%	0	0.00%	Accountancy, National Chung Hsing University	Director of Finance & Accounting Division of Sunplus Technology

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

Note 2: None of the Company's manager holds shares under others' names.

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

Remuneration to Directors	Numbers of Directors			
	(A)+(B)+(C)		(A)+(B)+(C)+(D)+(E)	
	Sunplus (Note 9)	Consolidated Subsidiaries of Sunplus (Note 10) (G)	Sunplus (Note 9)	Consolidated Subsidiaries of Sunplus (Note 10) (H)
Under NT\$2,000,000	1	1	1	1
NT\$2,000,000~NT\$5,000,000	3	3	2	2
NT\$5,000,000~NT\$10,000,000	1	1	1	1
<u>NT\$10,000,000~NT\$15,000,000</u>	0	0	1	1
<u>NT\$15,000,000~NT\$30,000,000</u>	0	0	0	0
<u>NT\$30,000,000~NT\$50,000,000</u>	0	0	0	0
<u>NT\$50,000,000~NT\$100,000,000</u>	0	0	0	0
<u>Over NT\$100,000,000</u>	0	0	0	0
Total	5	5	5	5

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

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

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

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

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

Note 6: It indicates the employee bonuses (including cash and stock) paid to directors who hold concurrently posts in the Company (including presidents, vice presidents, managers, or other

employees). The amount of employee bonus according to the proposal of profit distribution submitted by BOD to shareholders' meeting for approval in the most recent fiscal year shall be disclosed. If there is no such proposal yet, the stock bonus may be calculated according to the stock bonus last year. The amount of stock bonus for public companies shall be calculated at fair value, which means the closing price on the balance sheet date. For private companies, the amount of stock bonus shall be calculated based on the net value on the last day in the fiscal year when the profit distributed.

Note 7: It indicates the employee stock options (excluding those has been executed) offered to the directors who concurrently hold posts in the Company (including presidents, vice presidents, managers, or other employees). The relevant information shall be disclosed in this table and table 15.

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

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

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

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

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

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

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

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

(B) Remuneration to Supervisors

2006.12.31 ; Unit: NT\$K / thousand shares

Title	Name (Note 1)	Remuneration to Supervisors						(A)+(B)+(C) as % 2006 Net Income (Note 8)		Remuneration from Long-term Investments Except Subsidiaries (Note 9)
		Salary (A) (Note 2)		Bonus from Profit Distribution (B) (Note 3)		Allowance (C) (Note 4)		Sunplus	Consolidated Subsidiaries of Sunplus (Note 5)	
		Sunplus	Consolidated Subsidiaries of Sunplus (Note 5)	Sunplus	Consolidated Subsidiaries of Sunplus (Note 5)	Sunplus	Consolidated Subsidiaries of Sunplus (Note 5)			
Supervisor	Global View Co., Ltd. Chu-Chien Feng (Global View Co., Ltd. Representative of Legal Entity)	0	0	5,394	5,697	84	96	0.18	0.19	No
Independent Supervisor	Liang-Chung Chang									
Supervisor (Note)	Duen-Chian Cheng									

Note: Duen-Chian Cheng was relieved of office on January, 2006.

Remuneration to Supervisors	Numbers of Supervisors	
	(A)+(B)+(C)	
	Sunplus (Note 6)	Consolidated Subsidiaries of Sunplus (Note 7) (D)
Under NT\$2,000,000	2	2
NT\$2,000,000~NT\$5,000,000	1	1
NT\$5,000,000~NT\$10,000,000	0	0
<u>NT\$10,000,000~NT\$15,000,000</u>	0	0
<u>NT\$15,000,000~NT\$30,000,000</u>	0	0
<u>NT\$30,000,000~NT\$50,000,000</u>	0	0
<u>NT\$50,000,000~NT\$100,000,000</u>	0	0
<u>Over NT\$100,000,000</u>	0	0
Total	3	3

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

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

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

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

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

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

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

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

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

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

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

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

(C) Remuneration to Presidents and Vice Presidents

2006.12.31 ; Unit: NT\$K / thousand shares

Title	Name (Note 1)	Salary (A) (Note 2)		Reward, Allowance, and etc. (B) (Note 3)		Bonus from Profit Distribution (C) (Note 4)				(A)+(B)+(C) as % 2006 Net Income (Note 9)		Employee Stock Option (Note 5)		Remuneration from Long-term Investments Except Subsidiaries (Note 10)
		Sunplus	Consolidated Subsidiaries of Sunplus (Note 6)	Sunplus	Consolidated Subsidiaries of Sunplus (Note 6)	Sunplus		Consolidated Subsidiaries of Sunplus (Note 5)		Sunplus	Consolidated Subsidiaries of Sunplus (Note 6)	Sunplus	Consolidated Subsidiaries of Sunplus (Note 6)	
						Cash Bonus	Stock Bonus	Cash Bonus	Stock Bonus					
CEO	Chou-Chye Huang	30,585	30,585	0	0	772	25,078	772	25,078	1.90	1.90	431	431	No
BU President	Oh-JungOu													
Vice President	Kuo-Bin Huang													
Vice President	Steven Huang													
Vice President	Wen-Kuan Chen													
Vice President	Wayne Shen													
Vice President	Henry Lee													
Vice President	Gwo-Chin Su (Note)													

Note: Gwo-Chin Su was relieved of office on 23rd Jan, 2007.

Remuneration to Presidents and Vice Presidents	Numbers of Presidents and Vice Presidents	
	Sunplus (Note 7)	Consolidated Subsidiaries of Sunplus (Note 8) (D)
Under NT\$2,000,000	0	0
NT\$2,000,000~NT\$5,000,000	0	0
NT\$5,000,000~NT\$10,000,000	7	7
NT\$10,000,000~NT\$15,000,000	1	1
NT\$15,000,000~NT\$30,000,000	0	0
NT\$30,000,000~NT\$50,000,000	0	0
NT\$50,000,000~NT\$100,000,000	0	0
Over NT\$100,000,000	0	0
Total	8	8

※The information regarding to those who hold positions equal to a president or vice president shall be disclosed.

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

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

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

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

Note 5: It indicates the employee stock options (excluding those has been executed) offered to the presidents and vice presidents. The relevant information shall be disclosed in this table and table 15.

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

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

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

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

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

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

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

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

(D) Employee Profit Sharing to Managers

2006.12.31 ; Unit: NT\$K

	Title (Note 1)	Name (Note 1)	Stock Bonus	Cash Bonus	Total	Total as % 2006 Net Income
Managers	CEO	Chou-Chye Huang	26,176	806	26,982	0.91
	BU President	Oh-Jung Ou				
	Vice President	Kuo-Bin Huang				
	Vice President	Steven Huang				
	Vice President	Wen-Kuan Chen				
	Vice President	Wayne Shen				
	Vice President	Henry Lee				
	Vice President	Gwo-Chin Su				
	Director of Finance & Accounting Division	Annie Liu				

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

Note 1: Names of managers shall be disclosed separately, and the remuneration shall be disclosed in total amount.

"Managers" include: (stipulated by SFC-3 No. 0920001301)

(1) President and equivalent position

(2) Vice president and equivalent position

(3) Director and equivalent position

(4) Director of financial division

(5) Director of accounting division

(6) Other directors who in charge of administration and hold the authority to sign.

Note 3: If a director, president, or vice president receive employee bonus (including stock and cash), the relevant information shall be disclosed in this table and attached table 1-2.

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

The total amount of remuneration paid by all the companies in the consolidated financial statements (including Sunplus) to directors, supervisors, presidents, and vice presidents is less than 1% of net income. The amount of remuneration is determined by referring to other companies within the same business and the "Article of Incorporation".

3.3 Corporate Governance

3.3.1 BOD Meeting Status

13 meetings were held in 2006 and the attendance of directors and supervisors is as follows:

Title	Name (Note 1)	Attendance in Person	By Proxy	Attendance Rate (%)	Remarks
Chairman	Chou-Chye Huang	13	0	100.00	Re-elected on 2006.06.09
Director	Yarn-Chen Chen	13	0	100.00	Re-elected on 2006.06.09
Director	Bing-Huang Shih	13	0	100.00	Re-elected on 2006.06.09
Director	Hou-Shien Chu (Note 1)	11	1	84.62	Re-elected on 2006.06.09
Director	Chung-Jyh Yao (Ritek Corp. Representative of Legal Entity)	8	5	61.54	Re-elected on 2006.06.09 The representative changed from Jin-Cheng Chung to Chung Jyh Yao on 2006.11.16
Independent Director	Po-Young Chu	7	0	87.50	Elected on 2006.06.09
Supervisor	Feng, Chu-Chien (Global View Co., Ltd. Representative of Legal Entity)	13	0	100.00	Re-elected on 2006.06.09
Independent Supervisor	Liang-Chung Chang	13	0	100.00	Re-elected on 2006.06.09
Other information required to be disclosed: None					

Note 1: Hou-Shien Chu was relieved of office on 5th February, 2007.

Note 2: The name of a juridical-person shareholder and its representative shall be disclosed.

Note 3: (a) If a director or supervisor being relieved of office before year end, it shall be notified as a remark. The actual rate of attendance shall be calculated according to the meetings held when he/she is at the post.

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

3.3.2 Audit Committee Status

Not applicable

3.3.3 Corporate Governance Implementation as Required by Taiwan Financial Supervisory Commission

Item	Implementation Status	Reason of Non-Implementation
1. Shareholding Structure & Shareholders' Rights (1) The way handling shareholders' suggestions or disputes (2) The Company's possession of major shareholders list and the list of ultimate owners of these major shareholders (3) Risk management mechanism and fire wall between the Company and its affiliates	(1) Sunplus has designated specialists to handle shareholders' suggestions or disputes. (2) The information regarding major shareholders, directors, supervisors, and other important matters which might cause changes in holding, is disclosed periodically so that the Company could know well about major shareholders and the ultimate owners of them. (3) Sunplus has set relevant guidelines to manage risks concerning dealings and contact with affiliates.	
2. Composition and Responsibilities of the BOD (1) Independent directors (2) Regular evaluation of external auditors' independency	(1) Sunplus has one independent director. (2) Auditors' independence is evaluated at the end of every year and the engagement of auditors would be submitted to BOD for approval.	
3. Composition and Responsibilities of Supervisors (1) Independent supervisors (2) Communication channel with employees or shareholders	(1) Sunplus has one independent supervisor, who has financial and accounting profession. (2) Sunplus' supervisors attend internal meetings constantly to supervise the Company's operations and provide professional suggestions.	
4. Communication channel with Stakeholders	Sunplus maintains good relations with banks, suppliers, and other relevant parties. Sunplus, with a principle of honesty, provides sufficient information about the Company's operations and defends the Company's lawful rights and interests.	
5. Information Disclosure (1) Establishment of corporate website to disclose information regarding the Company's financials, business, and corporate governance status (2) Other information disclosure channels (ex. English website, appointing responsible people to handle information collection and disclosure, appointing	Sunplus has established corporate website, managed by relevant departments, to disclose and collect information. Also, Sunplus announces financial results and corporate governance status, and releases company news after investor conferences quarterly.	

Item	Implementation Status	Reason of Non-Implementation
spokesman, webcasting investors conference)		
6. Operations of the Company's Nomination Committee, Compensation Committee, or Other Committees of BOD	Not established yet	There is no need to establish such committees because the Company's directors and supervisors are absolutely capable and our internal system is clear.
7. If the Company has established corporate governance policies based on TSE "Corporate Governance Best Practice Principles", please describe discrepancy between the policies and their implementation. Sunplus does not establish other principles of corporate governance; all of our rules and procedures are based on laws and regulations stipulated by authorities in charge, and amended every year in response to inner/outer changes.		
8. Please describe the Company's social responsibilities (such as human rights, employee rights, employee wellness, community participation, social contribution, community service, investor relations supplier relations, and shareholders' rights) policy and implementation. The Company takes corporate image seriously and realizes it could be destroyed in one day. Sunplus also take our long-term operation, employee wellness, shareholders' rights and interests as our most essential responsibilities. The Company will keep doing our best to be dutiful for our social responsibilities.		
9. Other important information to facilitate better understanding of the Company's corporate governance (ex. directors and supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of consumers/customers protection policies, and purchasing insurance for directors and supervisors.) None		
10. If the Company has a self corporate governance evaluation or has authorized any other professional organization to conduct such evaluation, the evaluation results, major deficiency or suggestion, and improvement are stated as follows: None		

3.3.4 Other Corporate Governance Policies

None

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

None

3.3.6 Internal Control System Execution Status and Information to Disclose (A) Statement of Internal Control System

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

Date: March 21st, 2007

Based on the findings of a self-assessment, Sunplus states the following with regard to our internal control system during January 1st – December 31st, 2006:

1. Sunplus is fully aware that establishing, operating, and maintaining an internal control system are the responsibility of Board of Directors and management team. Sunplus has established such a system aimed at providing reasonable assurance regarding achievement of objectives in the following categories: (a) effectiveness and efficiency of operations (including profitability, performance, and protection of assets), (b) reliability of financial reporting, and (c) compliance with applicable laws and regulations.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can only reasonable assurance of accomplishment for the three objectives mentioned above. Moreover, the effectiveness of an internal control system may be subject to changes of environment and circumstances. Nevertheless, Sunplus' internal control system contains self-monitoring mechanisms, and Sunplus takes corrective actions whenever a deficiency is identified.
3. Sunplus evaluates the design and operating effectiveness of our internal control system based on "Regulations Governing the Establishment of Internal Control Systems by Public Companies" (herein below, the "Regulations"). The criteria adopted by the Regulations identify five components of internal control based on the process of management control: (a) control environment, (b) risk assessment, (c) control activities, (d) information and communication, and (e) monitoring. Each component further contains several items. Please refer to the Regulations for details.
4. Sunplus has evaluated the design and operating effectiveness of our internal control system according to the aforesaid criteria.
5. Based on the findings of the evaluation mentioned in the preceding paragraph, Sunplus believe that, during the year 2006, our internal control system (including the supervision and management of subsidiaries), as well as our internal control to monitor the achievement of our objectives concerning operational effectiveness and efficiency, reliability of financial reporting, and compliance with applicable laws and regulations, were effective in design and operation, and reasonably assured the achievement of the above-stated objectives.
6. This statement is an integral part of Sunplus' annual report for the year 2006 and prospectus, and would be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Article 20, 32, 281, and 174 of the "Securities and Exchange Law".
7. This statement has been passed by the Board of Directors Meeting held on March 21st, 2007, with zero of five attending directors expressing dissenting opinions, and the remainder all affirming the content of this statement.

Sunplus Technology Co., Ltd.
Chairman & CEO, Chou-Chye Huang

(B) the Company's Internal Control System Audit Report by External Auditors
Not Applicable

3.3.7 Regulatory Authorities' Legal Penalties to the Company, and the Company's Resulting Punishment on Its Employees

None

3.3.8 Major Resolutions of Shareholders' Meetings and Board Meetings

Date	Decision Maker	Case	Result
2006.06.09	Board Meeting	1. Election of Chairman 2. Proposal of personnel change	Approved as proposed without dissent.
2006.06.30	Board Meeting	1. To set August 5 th , 2006 as record date for shares dividends 2. The Company's waiver of part subscription right to the capital increase of Sunplus' subsidiary, Orise Technology.	1. Approved as proposed without dissent. 2. Approved without dissent after sufficient discussion. The Company decided to waive 516million shares for employee to subscribe.
2006.07.11	Board Meeting	1. To set August 5 th , 2006, as record date of new shares from employee stock warrant issued on 2Q 2006. 2. To adjust the distribution rate of stock and cash dividends from 2005 profit distribution.	Approved as proposed without dissent.
2006.07.28	Board Meeting	To accept 2006 1H financial statements	Approved as proposed without dissent.
2006.08.25	Board Meeting	1. To accept 2006 1H consolidated financial statements. 2. To spin-off Sunplus' Controller & Peripheral Business Unit 3. To spin-off Sunplus' Personal Entertainment Business Unit 4. To discuss the date and agenda of Sunplus' 2006 2 nd extraordinary shareholders' meeting	Approved as proposed.
2006.09.06	Board Meeting	1. To sell shareholding of Orise Technology to a strategic partner	Approved as proposed without dissent.
2006.10.19	Board Meeting	1. To accept 3Q 2006 financial statements 2. To set December 1 st , 2006 as record date of the spin-off 3. To set October 31 st , 2006, as record date of new shares from employee stock warrant issued on 3Q 2006. 4. Proposal of capital reduction by cash 5. To discuss the date and agenda of Sunplus' 2006 3 rd extraordinary shareholders' meeting	Approved as proposed without dissent.
2006.10.13	Shareholders' Meeting	1. To discuss the spin-off of Controller & Peripheral Business Unit 2. To discuss the spin-off of Personal Entertainment Business Unit	Approved as proposed without dissent.
2006.11.16	Board Meeting	1. Proposal of re-organization 2. Proposal of personnel change	Approved as proposed without dissent.

2006.12.08	Shareholders' Meeting	1. Proposal of capital reduction by cash	Approved as proposed without dissent.
2007.01.24	Board Meeting	1. Proposal of personnel change 2. To set January 26 th , 2007 as record date of new shares from employee stock warrant issued on 4Q 2006. 3. To set January 25 th , 2007, as record date of capital reduction by cash	Approved as proposed without dissent.
2007.02.06	Board Meeting	1. To accept 2006 financial statements 2. To decide the program for share swap of capital reduction and set March 21 st , 2007 as record date of share swap. 3. Important contract 4. Re-organization of a subsidiary 3. To discuss Mainland China investments	Approved as proposed without dissent.
2007.02.15	Board Meeting	1. To set February 16 th , 2007, as record date of new shares from employee stock warrant issued during January 1 st to February 13 th , 2007. 2. To adjust the ratio of capital reduction by cash	Approved as proposed without dissent.
2007.03.21	Board Meeting	1. To accept 2006 consolidated financial statements 2. To discuss the date and agenda of 2007 shareholders' meeting	Approved as proposed without dissent.

3.3.9 Content of Directors' or Shareholders' Dissent, on Record or in Writing, Concerning Resolutions approved by BOD Meeting

None

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

2007.03.31

Title	Name	Date of Taking Office	Date of Being Relieved of Office	Reason
Financial & Accounting Director	Ming-Cheng Liao	2000.10.02	2006.03.31	Being Transferred to a Subsidiary

3.4 Audit Fees

Not Applicable

3.5 Replacement of Independent Auditor

One of the Company's CPA, Hong-Peng Lin, was replaced by Shu-Jie Huang due to the inner transference of the audit firm, Deloitte & Touche.

3.6 Chairman, Presidents, and Managers in Charge of Finance and Accounting who Held a Position in Sunplus' Independent Audit Firm or its Affiliates in 2006

None

3.7 Net Change in Shareholding and Shares Pledged of Directors, Supervisors, Managers, and Major Shareholders

3.7.1 Net Change in Shareholding and Shares Pledged of Directors, Supervisors, Managers, and Major Shareholders

Unit: thousand shares

Title	Name	2006		Ended of April 17 th , 2007	
		Change in Shareholding	Shareholding Change in Shares Pledged	Change in Shareholding (Note 1)	Shareholding Change in Shares Pledged
Chairman	Chou-Chye Huang	7,975	(3,000)	(83,892)	(44,334)
Director	Bing Huang Shih	(1,580)	0	(7,402)	0
Director	Yarn-Chen Chen	1,768	0	(17,195)	(6,341)
Director	Ritek Corp.	250	0	(2,627)	0
Director	Po-Young Chu (Note 2)	149	0	(2)	0
Supervisor	Global View Co., Ltd.	(566)	5,500	(12,524)	(7,796)
Supervisor	Liang Chung Chang	6	0	48	0
BU President	Oh-Jung Ou	(3,243)	0	(1,219)	0
VP	Kuo-Bin Huang	120	0	(1,860)	0
VP	Steven Huang	171	0	(277)	0
VP	Wen-Kuan Chen	118	0	(134)	0
VP	Wayne Shen	23	0	(1,028)	0
VP	Henry Lee (Note 3)	0	0	(353)	0
Finance & Accounting Director	Annie Liu (Note 4)	32	0	(37)	0

Note 1: Stock swap on March 21st, 2007, due to capital reduction.

Note 2: Disclosure after appointing on June 9th, 2006

Note 3: Disclosure after appointing on December 1st, 2006

Note 4: Disclosure after appointing on April 1st, 2006

3.7.2 Stock Trade

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

3.7.3 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 holding more than 10% of the Company's outstanding shares

Note2: Both pledge and redemption

3.8 Company's Top10 Shareholders Who are Related Parties as Defined Under the "Statement of Financial Accounting Standards" No. 6

Not Applicable

3.9 Long-term Investment Ownership

2007.03.31 ; Unit: thousand shares, %

Long-term Investments (Note)	Sunplus Investment		Shareholding of Sunplus Director, Supervisor, management, or subsidiary		Synthetic Shareholding	
	Amount of Shares	Holding %	Amount of Shares	Holding %	Amount of Shares	Holding %
Giantplus Technology	69,450	33	26,355	13	95,805	46
Orise Technology	69,355	67	800	1	70,155	68
Generalplus Technology	17,911	48	9,983	27	27,894	75
Synerchip Co., Ltd.	3,500	32	2,800	25	6,300	57
Goldkey Technology	4,598	15	5,040	17	9,638	32
Waveplus Technology	2,856	10	11,424	38	12,916	48
Sunext Technology	12,600	16	33,332	42	45,932	58
Harvetek Corp.	4,533	3	6,121	4	10,654	7
Ritek Corp.	5,000	0	2,505	0	7,505	0
WPG Holdings Limited	1,076	0	240	0	1,316	0

Note1: Except companies listed above, other long-term investments are 100% held by Sunplus or Sunplus' 100%-hold subsidiaries

IV Capital & Shares

4.1 Capitalization

2007.03.31

Month/ Year	Price	Authorized capital		Issued capital		Remark		
		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	None	05/30/2002 SFC No.129546

						544,742		
07/2003	10	1,000,000	10,000,000	777,504	7,775,040	Capitalization of Profits 130,590 And Capital Surplus 694,950	None	05/22/2003 SFC No.0920122560
06/2004	10	1,000,000	10,000,000	875,254	8,752,544	Capitalization of Profits 355,500 And Capital Surplus 622,004	None	06/15/2004 SFC No.0930126644
07/2005	10	1,050,000	10,500,000	945,570	9,455,700	Capitalization of Profits 487,576 And Capital Surplus 175,051 Employee Stock Option 40,529	None	07/11/2005 FSC No. 0940127940 TSE No.09400288741
11/2005	10	1,050,000	10,500,000	948,147	9,481,472	Employee Stock Option 25,772	None	TSE No.09400340711
03/2006	10	1,050,000	10,500,000	948,730	9,487,297	Employee Stock Option 5,825	None	TSE No.09500052761
06/2006	10	1,050,000	10,500,000	949,784	9,497,844	Employee Stock Option 10,547	None	TSE No.09500116511
06/2006	10	1,200,000	12,000,000	1,021,358	10,213,578	Capitalization of Profits 508,844 And Capital Surplus 189,230 Employee Stock Option 17,660	None	FSC No.0950126238
11/2006	10	1,200,000	12,000,000	1,022,777	10,227,773	Employee Stock Option 14,195	None	TSE No.0950030505
01/2007	10	1,200,000	12,000,000	512,212	5,122,119	Capital Reduction 5,114,358 Employee Stock Option 8,703	None	FSC No.0950159014
03/2007	10	1,200,000	12,000,000	512,954	5,129,537	Employee Stock Option 7,418	None	TSE No.0960005441

Unit: Shares

Type	Shares	Authorized Capital			Remark
		Issued Shares	Un-issued Shares	Total	
Common share		512,953,665	687,046,335	1,200,000,000	

Shelf Registration

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

4.1.1 Composition of Shareholders

2007.04.17

Shareholder	Government	Financial Institutions	Others Juridical Person	Foreign Institutions and natural Person	Domestic Natural Persons	Treasury Stock	Total
Amount							
Number (Persons)	3	37	194	113	35,817	1	36,165
Shares	1,623,735	18,686,276	44,021,987	131,468,066	316,496,342	1,292,912	513,589,318
Holding %	0.32	3.64	8.57	25.60	61.62	0.25	100.00

4.1.2 Distribution Profile of Shareholding Ownership—Common Share

Book Value Per Share: \$NT10 ; 2007.04.17

Shareholding Ownership		Number of Shareholders (persons)	Amount of Shares	Holding %	
1	~	999	17,435	4,530,865	0.88
1,000	~	5,000	13,355	27,103,506	5.28
5,001	~	10,000	2,549	17,788,100	3.46
10,001	~	15,000	880	10,412,956	2.03
15,001	~	20,000	487	8,518,959	1.66
20,001	~	30,000	489	11,960,501	2.33
30,001	~	40,000	197	6,858,680	1.34
30,001	~	50,000	134	6,050,521	1.18
50,001	~	100,000	276	19,306,190	3.76
100,001	~	200,000	162	23,235,834	4.52
200,001	~	400,000	96	27,019,975	5.26
400,001	~	600,000	22	10,896,861	2.12
600,001	~	800,000	13	8,799,067	1.71
800,001	~	1,000,000	15	13,554,635	2.64
Over 1,000,001			55	317,552,668	61.83
Total			36,165	513,589,318	100.00

4.1.3 Distribution Profile of Shareholding Ownership—Preferred Share

Not Applicable

4.1.4 Major Shareholders

2007.04.17

Shareholding Name	Amount	Holding %
Chou-Chye Huang	84,141,073	16.38%
JPMorgan Chase Bank, N.A., Taipei Branch in Custody for Oppenheimer Developing Markets Funds managed by Oppenheimer Funds, Inc.	26,767,597	5.21%
JPMorgan Chase Bank, N.A., Taipei Branch in Custody for Templeton Developing Markets Trust	21,801,858	4.24%
Yarn-Chen Chen	17,246,192	3.36%
HSBC INST. TST Services (Asia) Ltd.	12,956,171	2.52%
Global View Co., Ltd.	12,063,597	2.35%
De-Zhong Liu	11,654,998	2.27%
JPMorgan Chase Bank N.A. Taipei Branch in custody for Templeton Emerging Markets Series	11,258,111	2.19%
Chih-Hao Kung	8,603,449	1.68%
Bing-Huang Shih	6,982,196	1.36%

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

Item		Year	2005	2006	2007.01.01~03.31
Market Price	Highest		52.20	46.50	88.80
	Lowest		26.10	28.45	35.40
	Average		39.12	37.62	44.19
Net Worth	Before Distribution		16.85	16.98	25.77
	After Distribution		14.81	(Note 1)	(Note 9)
Earnings Per Share	Weighted Average Shares		938,606,729	1,012,291,643	649,253,022
	Earnings Per Share (Note 2)	Before Adjustment	2.56	2.94	1.02
		After Adjustment	2.38	(Note 1)	-
Dividends Per Share	Cash Dividends		1.9930	(Note 1)	-
	Stock Dividends	From Retained Earnings	0.2989	(Note 1)	-
		From Capital Surplus	0.1993	(Note 1)	-
	Accumulated Undistributed Dividends		-	(Note 1)	-
Return on Investment	Price/Earnings Ratio (Note 3)		15.56	12.26	-
	Price/Dividend Ratio (Note 4)		19.99	(Note 1)	-
	Cash Dividends Yield Rate (Note 5)		5.00%	(Note 1)	-

Note 1: Pending shareholders' approval

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

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

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

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

4.1.6 Dividend Policy

(A) Dividend policy in the “Article of Incorporation”

Our dividend policy is made according to regulations set forth in the “Company 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) Stock dividends: Each shareholder of common shares will be entitled to receive a stock dividend of 30 common shares (from profits distribution of 2005) and 20 common shares (from capital surplus) for each 1,000 shares.

Cash dividends: Each shareholder of common shares will receive a cash dividend of NT\$ 4.0 per common share.

(C) Expected Variation

None

4.1.7 Impact to Business Performance and EPS Resulting from Dividend Distribution

Due to no official financial guidance for 2007, there is no related information to disclose.

4.1.8 Bonus to Employees, Directors and Supervisors

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

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 to Distribute 2006 Profits as Bonus to Employees, Directors, and Supervisors

The Proposal of 2006 profits distributed as bonus to employees, directors, and supervisors (Approved by Board meeting on April 27th, 2007)

	Amount (NT\$K)	Ratio to capital increase from profits
Bonus to Employees in Stock	\$ 135,000	46.77%
Bonus to Employees in Cash	15,000	
Bonus to Directors & Supervisors in Cash	39,687	
Total	<u>\$ 189,687</u>	

If subtracting profits distributed to employees, directors, and supervisors as proposed from income after tax, the 2006 EPS would drop from 2.94 to 2.75.

(C) Bonus to Employees, Directors, and Supervisors in 2005

Approval by shareholders' meeting at June 9th, 2006, about distribution of bonus to employees, directors and supervisors

The distribution of 2004 profits as bonus to employees, directors, and supervisors is as follows: (approved by shareholders' meeting on June 9th, 2006)

	Amount (NT\$K)
Bonus to Employees in Stock	\$ 225,000
Bonus to Employees in Cash	25,000
Bonus to Directors & Supervisors in Cash	24,517
Total	<u>\$ 274,517</u>

The distribution is the same as the proposal submitted by BOD meeting on April 4th, 2006.

4.1.9 Buyback Program

Information of Buyback

2007.03.31

Time/Period	First Time
Purpose	Transferring to employees
Period	2005.11.08~2006.01.06
Price	NT\$21.5~NT\$44.2
Type and Amount of shares	2,582,000 common shares (Note)
Total Monetary Amount	NT\$80,961,062 (Note)
Amount of Shares Being Eliminated and Transferred	0 share
Accumulated Amount of Shareholdings	To protect the benefits of all shareholders, the Company buyback in batches according to the change of stock price. The ratio of execution is 12.91%.
Accumulated Amount of Shareholdings as % of Total Amount of Issued Shares	0.25%

Note: The Company completed the capital reduction on March 26th, 2007 to reducing 49.92591% of capital and return NT\$12,890,869 cash to shareholders; therefore, after capital reduction, the shares of buyback are 1,292,912 and the total monetary amount is NT\$68,070,193.

4.2 Issuance of Corporate Bonds

Corporate Bonds Status, including Those Not-Repaid or In-Process, shall be Disclosed; Also, the Impact to Shareholders shall be Disclosed According to Article 248 in "Company Law": None

4.3 Preferred Shares

Preferred Share Status, both Outstanding and In-Process Shares, shall be Disclosed; Also, the Impact to Shareholders shall be Disclosed According to Article 157 in "Company Law": None

4.4 Issuance of GDR

2007.03.31

Issuing Date	March 16, 2001
Item	
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	14,701,547.5
Underlying Securities	Offering 20,000,000 new shares of common stock of par value NT\$10
Common Shares Represented	29,403,095 Common Shares (Note)
Rights and Obligations of GDR holders	Same as those of common share holders
Trustee	NA
Depository Bank	The Bank of New York
Custodian Bank	International Commercial Bank of China
GDRs Outstanding	350,616
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	2006	Highest	US\$5.4214
		Lowest	US\$3.8942
		Average	US\$4.455
	2007.01.01~03.31	Highest	US\$10.9857
		Lowest	US\$7.9882
		Average	US\$5.4919

Note: The Company completed the capital reduction on March 26th, 2007 to reducing 49.92591% of capital, therefore, the amount of Underlying Securities changed to 29,403,095 from 58,575,051.

4.5 Employee Stock Options Plan

4.5.1 Issuance of Employee Stock Options and the Impact to Shareholders Equity

2007.03.31

Employee Stock Option	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	23,392,712	6,607,617
Percentage of Issued Shares to Outstanding Common Shares	4.56%	1.28%
Option Duration	2005/05/06~2009/05/05	2008/08/28~2009/08/27
Source of Option Shares	New common shares	
Vesting Schedule	2 nd Year 50% 3 rd Year 75% 4 th Year 100%	
Shares Exercised	13,221,791	256,696
Value of Shares Exercised (Note 1)	NT\$37.34	NT\$64.77
Shares Unexercised	5,655,790	3,606,468
Grant Price per Unexercised Shares	NT\$37.34	NT\$64.77
Percentage of Unexercised Shares to Outstanding Common Shares	1.10%	0.70%
Impact to Shareholders' Equity	Dilution to shareholders' equity is limited	

Note 1: Rights and obligations of employee stock option are the same with those of common shares holders.

Note 2: The Company completed the capital reduction on March 26th, 2007 to reducing 49.92591% of capital; therefore, the amount of exercised and unexercised shares is adjusted accordingly.

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

Title	Name	Amount of Options Granted	Percentage of Shares Exercisable to Outstanding Common Shares	Shares Unexercised			
				Amount (Shares)	Grant Price (NT\$)	Value of Shares Unexercised (NT\$K)	Percentage of Shares Unexercised to Outstanding Common Shares
BU President	Oh-Jung Ou	431,725	0.08	431,725	37.34	16,120,612	0.08
VP	Kuo-Bin Huang						

Note 1: Managers listed above don't title any option at 1st Grant by March 31st, 2007.

Note 2: Management don't title any option at 2nd Grant in 2003. Therefore, this table only disclosed the number of shares at 1st Grant in 2003.

4.6 Mergers and Acquisitions

4.6.1 Disclosure of Mergers and Acquisitions: (in the most recent year or by the date of this report printed)

(A) Status of New Share Issuance in Connection with mergers and acquisitions

None

(B) Status of Implementation in the most recent quarter: (if the Company falls behind with the implementation, its impact to shareholder's equity shall be disclosed.)

None

4.6.2 If Any Merger or Acquisition Approved by the BOD Meeting in the Most Recent Year or by the Date of This Report Printed, the Information Regarding to the implementation and the Profile of the Company being Merged shall be Disclosed. Also, the Implementation of In-Process Mergers or Acquisitions, and the Impact to Shareholder's Equity shall be Disclosed.

None

V Funding Plan & Implementation

Not Applicable

VI Operational Highlights

6.1 Business Activities

6.1.1 Business Scope

(A) Major Business

- ① CC01080 Manufacturing of electronic component
- ② I501010 Product Designing
- ③ F401010 International Trading
- ④ I301010 Software Design Services
- ⑤ I301020 Data Processing Services
- ⑥ ICs R&D, Manufacture, Test, Sale
- ⑦ ICs module R&D, Manufacture, Test, Sale
- ⑧ Application software R&D, Sale
- ⑨ IPs R&D, Sale
- ⑩ Trading Business and Agency Business of ICs

(B) Product Segments and Sales Percentage

Product Categories	Sales of 2006	
	Amount(NT\$K)	Percentage (%)
LCD IC	1,015,001	5.94
Micro controller IC	2,638,611	15.45
Multimedia IC	12,487,940	73.13
Others	934,874	5.47
Total	17,076,426	100.00

(C) Products

(1)Multimedia IC: IC solutions for multimedia home applications, such as VCD/DVD, set-top-box, and LCD TV.

(2)Others: Including ASIC, and intellectual properties developing.

Note: Sunplus spun-off LCD IC business, Controller &Peripheral BU, Personal Entertainment BU, and Advanced BU into several new subsidiaries in 2006. The product applications are as follow:

(1)Orise Technology: Supporting the IC solutions for panel applications. The product applications are mobile, PDA, ELA, notebook, LCD monitor, and so on.

(2)Sunplus mMobile: Offering the IC solutions for PHS, GSM, GPRS, EDGE, 3G mobile.

(3) Sunplus mMedia: Supporting the business of portable multimedia IC. The product applications are MP3/MP4 player, PC camera, TV game, DSC, and multimedia platform of mobile.

(4)Sunplus Innovation Technology: Providing the solutions for PC peripheral and controllers. The product applications are keyboard/mouse, MFP, photo printer, SATA bridge, and storage device.

(D) New Products

- (1)Digital TV IC
- (2)Recordable DVD player IC
- (3)Portable DVD player IC
- (4)High resolution DVD player IC
- (5)Set-Top-Box IC
- (6)Digital photo frame solution

6.1.2 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

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 DVD/VCD、Set-Top-Box, and LCD TV. At present, our main competitors are Zoran, Trident, MediaTek, ALi, and STMicro.

Micro-processor: Our micro-processor technology covers 8-bit, 16-bit, and 32-bit applications. At present, Sunplus is applying our 32-bit embedded micro-processor to high-end TV games.

Note: Sunplus spun-off LCD IC business, Controller & Peripheral BU, Personal Entertainment BU, and Advanced BU into several new subsidiaries in 2006. The developing trend and competition of these products are described as follow:

LCD IC: (This product line is supporting by Orise Technology.) 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). The major competitors are NEC, NOVATEK, Himax, and Solomon Systech.

MCU IC: (This product line is supporting by Sunplus Innovation Technology.) The product range that MCUs can be applied is very wide. Sunplus innovation offers the IC solutions for keyboard/mouse, MFP, photo printer, SATA bridge, storage device and other peripheral products. At present, the main competitors are Marvell, Zoran, and Elan.

Multimedia Personal IC: (The product lines are supporting by Sunplus mMobile and its subsidiary, Sunplus mMedia.) The product applications are DSC, mobile, portable multimedia player, and other personal entertainment products. At present, the major competitors are Zoran, MediaTek, TI, and Actions.

6.1.3 Overview of Technology and R&D

(A) R&D Expenditure in 2006 and 2005 YTD

Unit: NT\$K

Item \ Year	2006	2007.01.01~03.31
Expense	2,523,432	380,792
Percentage of Sales	15%	13%

(B) R&D Accomplishment

- ① MPEG2 decoding and servo control technology for DVD player SoC.
- ② MPEG4 decoding technology for DSC, DVD player.
- ③ Multi-function printer SoC
- ④ Digital Terrestrial Set-Top-Box IC
- ⑤ TV encoding technology for video player, TV game consoles and digital TV
- ⑥ LCD TV IC solution
- ⑦ The first 32-bit processor core S⁺core[®] with Sunplus-owned instruction set architecture
- ⑧ Baseband processor for PHS mobile
- ⑨ GPRS/EDGE multimedia mobile phone IC

6.1.4 Business Plan

Since foundation, Sunplus has been focused on consumer IC design. After the transition last year, Sunplus will be more concentrated on the multimedia home market and the silicon IP business. Owing to the popularity of "digital home" and the oncoming Beijing 2008 Olympic Game, the demand for LCD TV and set-top-box will increase significantly, which will fuel Sunplus' growth in 2007. In the long term, Sunplus will keep investing in the R&D of multimedia SoC and silicon IPs to become the world's leading provider of multimedia SoC solutions.

6.2 Marketing and Sales

6.2.1 Market Outlook

(A) Market Distribution

Sales Area	2006	
	Amount(NT\$K)	Percentage (%)
Hong Kong	12,524,609	73.34
Taiwan	2,696,407	15.79
Others	1,855,410	10.87
Total	17,076,426	100.00

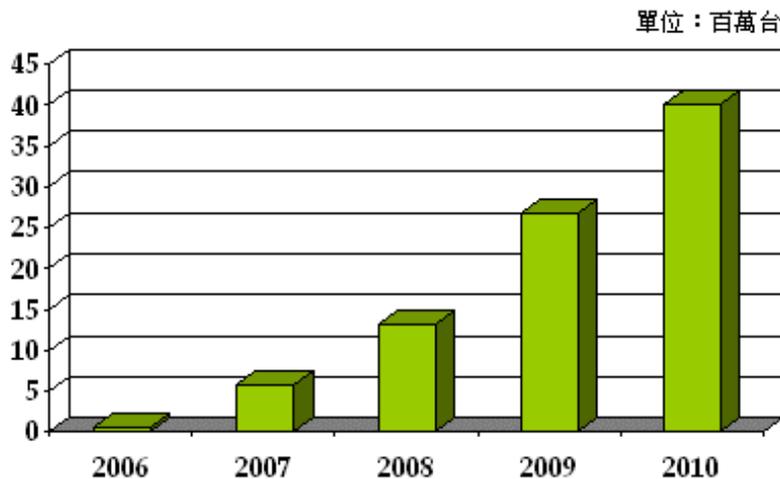
(B) Market Share

According to the reports of Fabless Semiconductor Association and IC Insights, the 2006 public fabless revenue totaled US\$49.7 billion, and Sunplus took around 1.1% market share as 2006 revenue reached US\$524 million (NT\$17.08 billion).

(C) Market Supply, Demand, and Growth in the Future

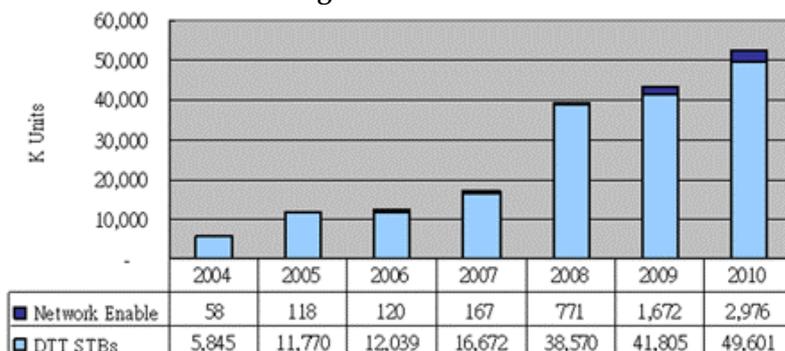
(1) Multimedia IC: The product applications of our multimedia ICs include DVD/VCD player, digital terrestrial set-top-box, LCD TV, and etc. The demand for multimedia home products will keep expanding due to consumers' fast-growing needs for multimedia entertainment and the influence of Beijing 2008 Olympic Game. In addition to the mature markets like North America and Europe, developing countries are also attractive markets for Sunplus with the surging demand.

Worldwide Demand for DVD Players



Source: Topology (2006/12)

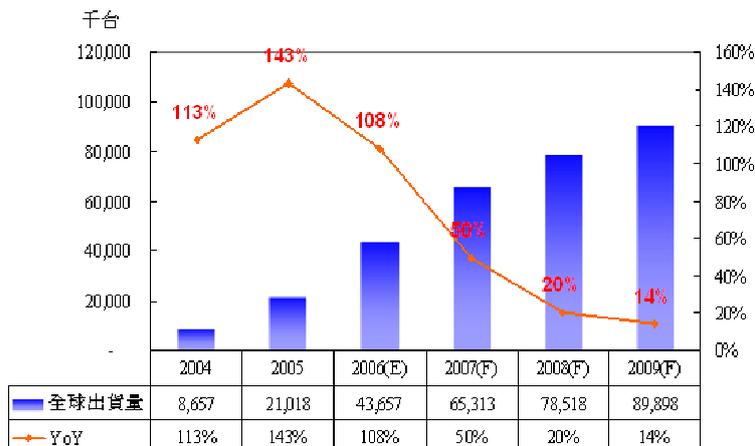
Estimated Demand for Digital Terrestrial STB



資料來源：In-Stat(2006/11)

Source: In-Stat (2006/11)

Estimated Demand for LCD TV



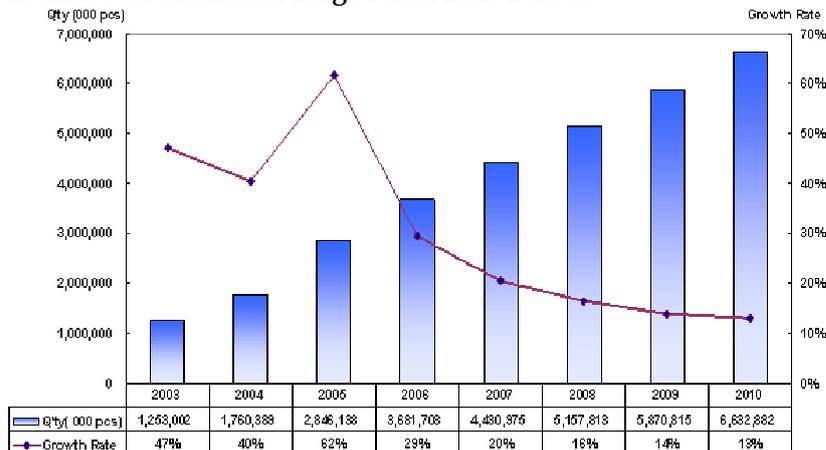
Source: Topology (2006/12)

Note: Sunplus spun-off LCD IC business, Controller & Peripheral BU, Personal Entertainment BU, and Advanced BU into several new subsidiaries in 2006. The future demand and growth of these products are described as follow:

(1) LCD IC

(This product line is supporting by Orise Technology.) The growing demand for notebook, LCD monitor, handset panel, and LCD TV triggers the market demand of LCD ICs. According to Topology research, the expected demand of LCD ICs for large-sized panel applications is 4.43 billion pieces and the demand of driver ICs for handsets is more than 1 billion pieces, which indicates this market has great potential. Benefiting from Taiwan's well-development LCD panel industry and the growing demand, Orise Technology takes a good chance to obtain more market share in the global LCD IC market.

Estimated Demand for Large Panel LCD Drivers



Source: DisplaySearch; Topology (2007/03)

(2) Micro-controller

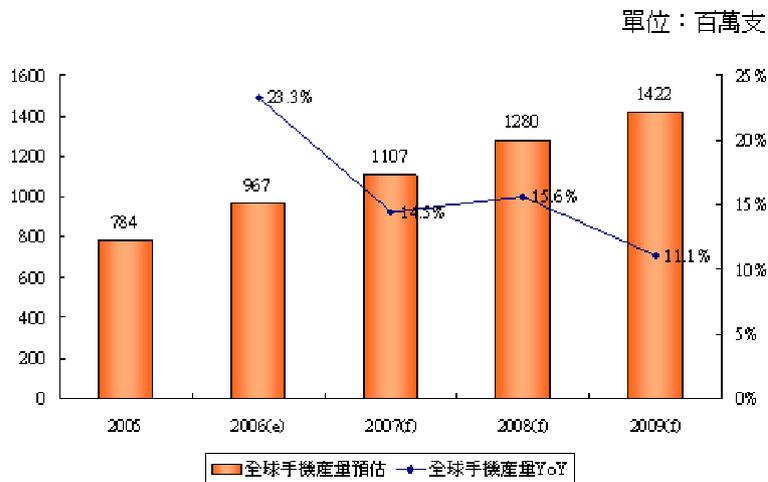
(This product line is supporting by our subsidiaries, Sunplus Innovation Technology and Generalplus) The range of product applications that micro-controller can be applied is very wide. According to researches, the total demand for micro-controller will reach 5 billion in 2009. In addition to toys and PC peripheral product applications, our subsidiaries will also explore the market of smart home appliances.

(3) Multimedia Personal IC

(The product lines are supporting by Sunplus mMobile and its subsidiary, Sunplus mMedia.) As consumers have higher standards for multimedia entertainment, the demand for digital

video/audio products will keep growing. Also, due to the integration of 3C, the personal multimedia market will be full of possibilities and potentials. Our subsidiaries will benefit from these trends by their strong multimedia entertainment technology.

Estimated Demand for Handset



Source: Topology (2006/12)

(D) Advantage and Long-term Development Analysis

(1) Competitive Advantage

(a) 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 March 31st, 2007, Sunplus has total 251 patents in ROC, 75 patents in PRC, 81 patents in US. No other company has come close to this exemplary record.

(b) 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.

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

In recent years, Sunplus has increased cooperation between our upper stream and down stream factories 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.

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

Consumer 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

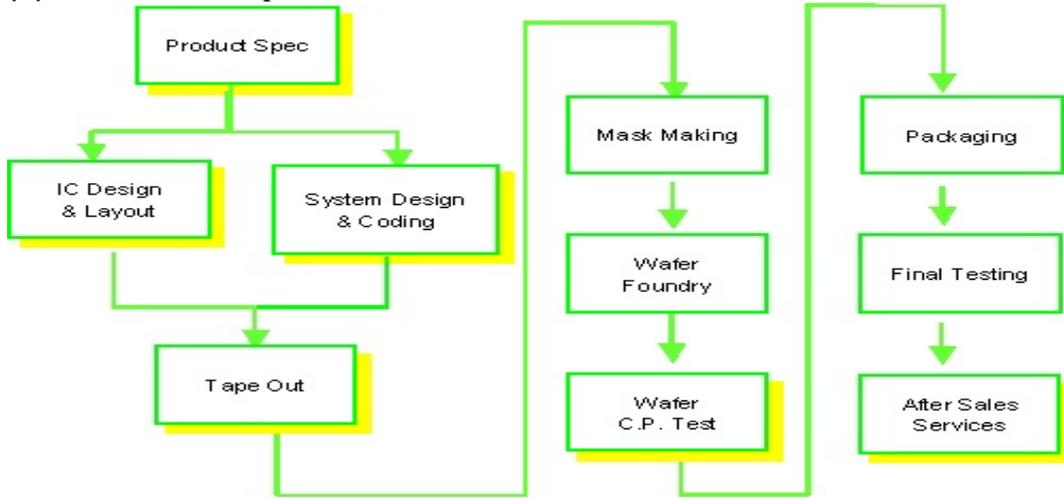
- (1) Actively developing quality products that raise the market value of all our products.
- (2) Process migration to make per wafer productivity higher and drive cost down.
- (3) Expanding strategic partnership with clients to make win-win situation.
- (4) Collaboration with partners to broaden IP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

6.2.2 Product Applications and Development Flow

(A) Production Applications

- (1) LCD IC: LCD TV, Monitor, Electronic dictionary, Handheld game, Mobile phone, PDA, DSC, etc
- (2) Micro-controller IC: Interactive Toys, Educational products, TV game, Mouse, Keyboard, Remote controller, etc
- (3) Multimedia IC: Digital Still Camera, Digital audio/video player, MP3 player, MFP, etc
- (4) Others: Communication product, Memory and ASICs

(B) Product Development Flow



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

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

6.2.3 Major Suppliers

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

6.2.4 Major Customers and Suppliers in the Recent Two Years

(A) Major Customers

Unit: NT\$K

2005			2006		
Customer	Sales Amount	% of Total Sales	Customer	Sales Amount	% of Total Sales
ZI HUAN	2,903,533	15	ZI HUAN	3,249,984	19

(B) Major Suppliers

Unit: NT\$K

2005			2006		
Supplier	Purchasing Value	% of Total Purchasing	Supplier	Purchasing Value	% of Total Purchasing
A Company	4,968,389	55.54	A Company	4,291,434	52.67
B Company	1,468,595	16.42	B Company	1,430,654	17.56
C Company	909,415	10.17	C Company	1,018,879	12.51

6.2.5 Production in the Recent Two Years

Unit: thousand pieces ; NT\$K

Product	Year	2005			2006		
		Capacity	Output	Value	Capacity	Output	Value
Major Products							
LCD IC		-	131,057	2,132,963	-	50,265	914,112
Micro-controller		-	195,477	1,909,206	-	138,952	1,844,689
Multi media IC		-	141,293	7,557,698	-	153,384	9,122,433
Others		-	80,604	610,397	-	28,402	196,798
Total		-	548,431	12,210,264	-	371,003	12,078,032

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

6.2.6 Sales Figures over the last two years

Unit: thousand pieces ; NT\$K

Product	Year	2005				2006			
		Local		Export		Local		Export	
		Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
LCD IC		74,474	1,478,640	57,933	1,544,316	17,525	294,513	24,976	720,488
Micro-controller		105,233	1,663,020	97,705	1,602,212	57,531	961,494	87,522	1,677,117
Multi media IC		20,978	1,490,338	120,372	9,413,984	14,162	895,937	122,607	11,592,003
Others		43,139	925,839	45,448	662,773	11,327	544,463	24,279	390,411
Total		243,824	5,557,837	321,458	13,223,285	100,545	2,696,407	259,384	14,380,019

6.3 Employees

Year		2005	2006	2007.01.01~03.31
Number of Workforce	R&D	856	416	416
	Production	133	128	119
	Administration	140	107	110
	Total	1,129	651	645
Average Age		32.28	32.5	32.5
Average Years of Service		6.97	3.3	3.5
Classified by Education Degree	Ph.D.	2%	2.3%	2.48%
	Master	65%	62.21%	62.79%
	Bachelor	21%	22.89%	19.07%
	Other High Education	9%	9.6%	11.66%
	High School	3%	3%	4%
	Total	100%	100%	100%

6.4 Environmental Protection & Expenditures

6.4.1 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. The Company does not violate any EPA' regulation regarding to pollutants and environmental protection.

6.4.2 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.

6.5 Labor-Management Relation

6.5.1 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.

6.5.2 Pension Plan

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

6.5.3 Other Affairs

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

6.5.4 Training

The Company provides 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

6.5.5 Loss Resulting from Controversy between Labor and Management

None

6.6 Important Contracts

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

VII Financial Statements

7.1 Condensed Balance Sheet, Income Statement, and Auditors' Opinions

7.1.1 Condensed Balance Sheet

Unit: NT\$K

Item	Year	From Year 2002~2006					2007 (End of March 31 st)
		2002	2003	2004	2005	2006	
Current Assets		8,465,575	9,455,961	10,854,116	12,545,989	10,317,882	5,774,227
Long-term Investment		4,263,196	4,212,722	3,812,212	4,647,317	7,044,292	6,989,861
Fixed Assets		1,380,456	1,382,124	1,480,297	1,561,258	1,307,777	1,332,242
Intangible Assets		160,572	1,164,980	1,122,172	1,044,784	1,044,058	914,211
Other Assets		339,629	407,184	837,852	572,650	751,258	760,151
Total Assets		14,609,428	16,622,971	18,106,649	20,371,998	20,425,267	15,770,692
Current Liabilities	Before Distribution	1,100,332	2,178,068	2,337,695	3,749,300	2,587,433	2,067,707
	After Distribution	2,512,007	3,365,301	4,137,208	5,691,112	Note 4	Note 4
Long-term Liabilities		2,168	0	0	0	0	0
Other Liabilities		245,185	415,220	504,820	633,679	453,761	473,829
Total Liabilities	Before Distribution	1,347,685	2,593,288	2,842,515	4,382,979	3,041,194	2,541,536
	After Distribution	2,759,360	3,780,521	4,642,028	6,324,791	Note 4	Note 4
Capital Stock		6,949,500	7,775,040	8,752,544	9,487,296	10,236,476	5,133,672
Capital Surplus		2,784,723	2,202,804	1,604,261	1,520,461	1,366,696	1,394,214
Retain Earnings	Before Distribution	3,681,758	4,146,464	5,341,422	5,452,688	5,974,727	6,633,998
	After Distribution	2,139,493	2,603,731	3,054,333	3,002,032	Note 4	Note 4
Unrealized Gain (Loss) on Financial Merchandise (Note 3)		0	0	0	(285,085)	(34,466)	150,259
Cumulative translation adjustments		34,397	10,888	(49,030)	(9,775)	17,206	48,484
Unrealized Net Loss on the Costs of Pensions		0	0	0	0	0	0
Total Equity	Before Distribution	13,261,743	14,029,683	15,264,134	15,989,019	17,384,073	13,229,156
	After Distribution	11,850,068	12,842,450	13,464,621	14,047,207	Note 4	Note 4

Note 1: All financial data for the last five years were audited.

Note 2: The financial data for Q1'07 were audited.

Note 3: 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

Note 4: The profits were not distributed yet.

7.1.2 Condensed Income Statement

Unit: NT\$K

Item \ Year	From 2002~2006					2007 (End of March 31 st)
	2002	2003	2004	2005	2006	
Net Sales	8,635,911	11,097,653	18,940,056	18,781,122	17,076,426	2,804,483
Gross Profit	3,141,066	3,822,309	5,943,206	6,120,397	5,727,373	1,315,714
Income from Operation	1,807,004	1,978,627	2,926,528	2,584,005	2,175,746	827,011
Non-operating Income (Gain)	430,452	284,488	235,259	196,783	1,216,492	321,931
Non-operating Expense (Loss)	143,206	308,088	528,358	403,094	272,655	419,266
Income From Operations of Continued Segments-Before Tax	2,094,250	1,955,027	2,633,429	2,377,694	3,119,583	729,676
Income From Operations of Continued Segments-After Tax	2,115,735	2,006,971	2,737,691	2,398,355	3,005,304	659,271
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	(32,609)	0
Net Income	2,115,735	2,006,971	2,737,691	2,398,355	2,972,695	659,271
EPS	3.07	2.60	3.15	2.56	2.94	1.02
Adjusted EPS	0	2.58	3.10	2.53	2.92	1.01

Note 1: All financial data for the last five years were audited.

Note 2: The financial data for Q1'07 were audited

7.1.3 Auditors' Opinions

Year	CPA	Audit Opinion
2002	Hung-Peng Lin Shu-Chieh Huang	An unqualified opinion
2003	Hung-Peng Lin Shu-Chieh Huang	An unqualified opinion
2004	Hung-Peng Lin Hung-Wen Huang	An unqualified opinion
2005	Hung-Peng Lin Hung-Wen Huang	An unqualified opinion
2006	Hung-Wen Huang Shu-Chieh Huang	An unqualified opinion with explanatory

7.2 Financial Analysis

7.2.1 Financial Analysis (Unconsolidated)

Item		Year	From 2002~2006					2007 (End of March 31 st)
		2002	2003	2004	2005	2006		
Capital Structure Analysis	Debts ratio (%)	9.22	15.60	15.70	21.51	14.89	16.12	
	Long-term fund to fixed assets (%)	960.84	1,015.08	1,031.15	1,007.21	1,329.28	993.00	
Liquidity Analysis	Current ratio (%)	769.59	434.14	473.80	334.62	398.77	279.26	
	Quick ratio (%)	683.98	343.73	329.25	243.74	327.00	198.70	
	Times interest earned (times)	7,173.09	4,169.50	589.21	401.76	191.28	85.01	
Operating Performance Analysis	Average collection turnover (times)	6.83	5.57	6.81	5.80	6.81	6.91	
	Average collection days	53	66	54	63	54	53	
	Average inventory turnover (times)	6.77	5.67	5.33	4.10	5.02	4.14	
	Average payment turnover (times)	8.05	5.64	7.48	5.34	5.25	4.74	
	Average inventory turnover days	54	64	68	89	73	89	
	Fixed assets turnover (times)	6.26	8.03	12.79	11.83	13.06	8.42	
	Total assets turnover (times)	0.59	0.67	1.05	0.92	0.84	0.71	
Profitability Analysis	Return on total assets (%)	15.26	12.85	15.79	12.49	14.63	3.68	
	Return on stockholders' equity (%)	16.68	14.71	18.69	15.35	17.81	4.31	
	% to Paid-in capital	Operating income	26.00	25.45	33.44	27.24	21.25	16.11
		Profit before tax	30.14	25.14	30.09	25.06	30.48	14.21
	Profit after tax to net sales (%)	24.50	18.08	14.45	12.77	17.41	23.51	
	Earnings per share (NT\$)	2.26	2.15	2.93	2.56	2.94	1.02	
	EPS after dilution	-	2.13	2.88	2.53	2.92	1.01	
Cash Flow	Cash flow ratio (%)	193.90	56.5	74.10	116.80	161.20	20.1	
	Cash flow adequacy ratio (%)	205.74	134.68	101.15	121.83	111.58	113.37	
	Cash flow reinvestment ratio (%)	9.41	-	3.57	15.84	11.87	2.75	
Leverage	Operating leverage	1.49	1.68	1.62	1.80	2.06	1.43	
	Financial leverage	1.00	1.00	1.00	1.00	1.00	1.00	

Variation Analysis

1. Debts ratio dropped mainly due to account payable decreased.
2. Long-term fund to fixed assets ratio went up mainly due to shareholders equity increased.
3. Quick ratio raised mainly due to account payable decreased.
4. Times interest earned dropped mainly due to interest expense increased.
5. Inventory turnover went up mainly due to average inventory decreased.
6. Operating income to paid-in capital ratio dropped mainly due to operating income decreased.
7. Profit before tax to paid-in capital ratio went up mainly due to non-operating gains increased.
8. Profit after tax to net sales ratio went up mainly due to non-operating gains increased.
9. Cash flow ratio went up mainly due to current liabilities decreased.
10. Cash flow reinvestment ratio dropped mainly due to long-term liabilities increased.

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 ratio $= (\text{Net operation cash Flow} - \text{cash dividend}) / (\text{Fixed Assets} + \text{Long-term Investment} + \text{Other assets} + \text{working capital})$

6. Leverage

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

7.2.2 Financial Analysis (Consolidated)

Item		Year	From 2005~2006		
			2005	2006	
Capital Structure Analysis	Debts ratio (%)		32.86	27.01	
	Long-term fund to fixed assets (%)		368.62	763.97	
Liquidity Analysis	Current ratio (%)		243.55	287.46	
	Quick ratio (%)		178.37	212.95	
	Times interest earned (times)		30.79	34.76	
Operating Performance Analysis	Average collection turnover (times)		6.41	5.77	
	Average collection days		57	64	
	Average inventory turnover (times)		5.28	4.82	
	Average payment turnover (times)		5.95	5.04	
	Average inventory turnover days		70	76	
	Fixed assets turnover (times)		6.24	12.06	
	Total assets turnover (times)		1.01	1.11	
Profitability Analysis	Return on total assets (%)		11.25	12.28	
	Return on stockholders' equity (%)		15.74	18.49	
	% to Paid-in capital	Operating income		29.10	24.17
		Profit before tax		26.13	31.69
	Profit after tax to net sales (%)		9.08	11.24	
	Earnings per share (NT\$)		2.56	2.94	
Cash Flow	Cash flow ratio (%)		69.30	73.20	
	Cash flow adequacy ratio (%)		124.25	134.33	
	Cash flow reinvestment ratio (%)		15.26	11.93	
Leverage	Operating leverage		2.10	2.48	
	Financial leverage		1	1	
Variation Analysis					
1. Long-term fund to fixed assets ratio went up mainly due to fixed assets decreased.					
2. Profit before tax to paid-in capital went up mainly due to non-operating gains increased.					
3. Profit after tax to net sales ratio went up mainly due to non-operating gains increased.					
4. Cash flow reinvestment ratio dropped mainly due to net cash flow-in decreased.					

7.3 Supervisors' Report

Supervisors' Report

The Board of Directors have prepared and submitted to us the Company's 2006 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 Deloitte & Touche 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.

Supervisor: Liang-Chung Chang



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



7.4 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, 2006 and 2005, 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, 2006 and 2005, and the results of its operations and its cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, requirements of the Business Accounting Law and Guidelines Governing Business Accounting relevant to financial accounting standards, and accounting principles generally accepted in the Republic of China.

On March 31, 2006, Sunplus Technology Company Limited spun off the business, assets and liabilities of the LCD driver and control IC department to establish a subsidiary, ORISE Technology Co., Ltd. The income statements mentioned in the first paragraph include the operation results before the spin-off and disclosed the related pro forma information, excluding that of the unit spun off.

On December 1, 2006, Sunplus Technology Company Limited spun off the business, assets and liabilities of two business units - control peripheral and personal entertainment and advanced - to establish subsidiaries, Sunplus Innovation Technology Inc. and Sunplus mMobile Inc., respectively. The income statements mentioned in the first paragraph include the operation results before the spin-off and disclosed the related pro forma information, excluding that of the unit spun off.

As disclosed in Note 3 to the accompanying financial statements, effective January 1, 2006, the Company adopted the recently released Statements of Financial Accounting Standards (“Statements”) No. 34 - “Accounting for Financial Instruments” and No. 36 - “Disclosure and Presentation of Financial Instruments” and related revisions of previously released Statements.

We have also audited the consolidated financial statements of Sunplus Technology Company Limited and subsidiaries as of and for the years ended December 31, 2006 and 2005, and have issued an unqualified opinion thereon with an explanatory paragraph in our report dated February 1, 2007 and January 27, 2006.

February 1, 2007

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, 2006 AND 2005
(In Thousands of New Taiwan Dollars, Except Par Value)

ASSETS	2006		2005		LIABILITIES AND SHAREHOLDERS' EQUITY	2006		2005	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents (Notes 2 and 4)	\$ 3,394,346	17	\$ 4,514,419	22	Short-term bank loans (Note 13)	\$ 277,057	1	\$ -	-
Financial assets at fair value through profit or loss - current (Notes 2, 3 and 5)	193,516	1	1,070,905	5	Notes and accounts payable	1,289,717	6	3,036,497	15
Available-for-sale financial assets - current (Notes 2, 3 and 8)	3,173,265	16	-	-	Income tax payable (Notes 2 and 18)	100,461	1	63,759	1
Notes and accounts receivable					Deferred intercompany profit (Note 2)	7,005	-	12,100	-
Third parties, net of allowance for doubtful accounts of \$54,193					Deferred royalty income - current (Notes 2, 11 and 21)	22,171	-	22,171	-
thousand in 2006 and \$88,988 thousand in 2005 (Note 2)	1,449,881	7	3,476,536	17	Other current liabilities (Note 21)	<u>891,022</u>	<u>5</u>	<u>614,773</u>	<u>3</u>
Related parties (Notes 2 and 21)	23,386	-	68,326	-	Total current liabilities	<u>2,587,433</u>	<u>13</u>	<u>3,749,300</u>	<u>19</u>
Other receivables (Note 21)	226,582	1	167,339	1	OTHER LIABILITIES				
Inventories, net (Notes 2 and 6)	1,515,705	7	3,009,588	15	Deferred income - noncurrent (Notes 2, 11 and 21)	23,129	-	45,088	-
Deferred income taxes - current (Notes 2 and 18)	206,188	1	214,020	1	Accrued pension liability (Notes 2 and 14)	69,429	-	182,563	1
Other current assets	<u>135,013</u>	<u>1</u>	<u>24,856</u>	<u>-</u>	Guarantee deposits	<u>361,203</u>	<u>2</u>	<u>406,028</u>	<u>2</u>
Total current assets	<u>10,317,882</u>	<u>51</u>	<u>12,545,989</u>	<u>61</u>	Total other liabilities	<u>453,761</u>	<u>2</u>	<u>633,679</u>	<u>3</u>
LONG-TERM INVESTMENTS					Total liabilities	<u>3,041,194</u>	<u>15</u>	<u>4,382,979</u>	<u>22</u>
Equity-method investments (Notes 2 and 7)	6,276,931	31	3,450,395	17	SHAREHOLDERS' EQUITY (Notes 2, 3, 15 and 16)				
Financial assets at fair value through profit or loss - noncurrent (Notes 2, 3 and 5)	149,636	1	676,662	3	Capital stock - NT\$10.00 par value				
Available-for-sale financial assets - noncurrent (Notes 2, 3 and 8)	519,899	2	409,260	2	Authorized - 1,200,000 thousand shares				
Financial assets carried at cost (Notes 2, 3 and 9)	97,826	-	110,000	1	Issued and outstanding - 1,023,648 thousand shares in 2006 and 948,730 thousand shares in 2005	10,236,476	50	9,487,296	46
Prepayment (Note 7)	<u>-</u>	<u>-</u>	<u>1,000</u>	<u>-</u>	Capital surplus				
Total long-term investments	<u>7,044,292</u>	<u>34</u>	<u>4,647,317</u>	<u>23</u>	Additional paid-in capital	768,390	4	890,447	4
PROPERTIES (Notes 2, 10 and 21)					Merger and others	550,978	3	594,930	3
Cost					Treasury stock transactions	47,328	-	35,084	-
Buildings	758,822	4	946,947	5	Retained earnings				
Auxiliary equipment	165,573	1	146,868	1	Legal reserve	1,830,223	9	1,590,387	8
Machinery and equipment	549,878	2	491,535	2	Special reserve	294,860	1	338,488	2
Testing equipment	1,032,437	5	986,409	5	Unappropriated earnings	3,849,644	19	3,523,813	17
Transportation equipment	5,573	-	8,400	-	Other				
Furniture and fixtures	152,842	1	143,065	1	Unrealized valuation loss on financial assets	(34,466)	-	(285,085)	(1)
Leasehold improvements	<u>459</u>	<u>-</u>	<u>459</u>	<u>-</u>	Cumulative translation adjustments	17,206	-	(9,775)	-
Total cost	2,665,584	13	2,723,683	14	Treasury stock (at cost) - 9,032 thousand shares in 2006 and 8,726 thousand shares in 2005	<u>(176,566)</u>	<u>(1)</u>	<u>(176,566)</u>	<u>(1)</u>
Less: Accumulated depreciation	1,358,135	7	1,172,299	6	Total shareholders' equity	<u>17,384,073</u>	<u>85</u>	<u>15,989,019</u>	<u>78</u>
Advance payments and construction-in-progress	<u>328</u>	<u>-</u>	<u>9,874</u>	<u>-</u>					
Net properties	<u>1,307,777</u>	<u>6</u>	<u>1,561,258</u>	<u>8</u>					
INTANGIBLE ASSETS, NET (Notes 2, 11 and 21)	<u>1,004,058</u>	<u>5</u>	<u>1,044,784</u>	<u>5</u>					
OTHER ASSETS									
Assets leased to others, net (Note 2)	195,451	1	26,196	-					
Deferred income taxes - noncurrent (Notes 2 and 18)	540,482	3	526,255	3					
Deferred charges and others (Notes 2 and 12)	<u>15,325</u>	<u>-</u>	<u>20,199</u>	<u>-</u>					
Total other assets	<u>751,258</u>	<u>4</u>	<u>572,650</u>	<u>3</u>					
TOTAL	<u>\$ 20,425,267</u>	<u>100</u>	<u>\$ 20,371,998</u>	<u>100</u>	TOTAL	<u>\$ 20,425,267</u>	<u>100</u>	<u>\$ 20,371,998</u>	<u>100</u>

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

(With Deloitte & Touche audit report dated February 1, 2007)

SUNPLUS TECHNOLOGY COMPANY LIMITED

STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2006 AND 2005

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

	2006		2005	
	Amount	%	Amount	%
GROSS SALES	\$ 17,463,778		\$ 18,918,687	
SALES RETURNS AND ALLOWANCES	<u>387,352</u>		<u>137,565</u>	
NET SALES (Notes 2, 11 and 21)	17,076,426	100	18,781,122	100
COST OF SALES (Note 17)	11,354,148	66	12,654,142	67
REALIZED (UNREALIZED) INTERCOMPANY PROFIT, NET (Note 2)	<u>5,095</u>	<u>-</u>	<u>(6,583)</u>	<u>-</u>
GROSS PROFIT	<u>5,727,373</u>	<u>34</u>	<u>6,120,397</u>	<u>33</u>
OPERATING EXPENSES (Notes 17 and 21)				
Marketing	591,361	3	528,741	3
General and administrative	436,834	3	543,841	3
Research and development	<u>2,523,432</u>	<u>15</u>	<u>2,463,810</u>	<u>13</u>
Total operating expenses	<u>3,551,627</u>	<u>21</u>	<u>3,536,392</u>	<u>19</u>
OPERATING INCOME	<u>2,175,746</u>	<u>13</u>	<u>2,584,005</u>	<u>14</u>
NONOPERATING INCOME AND GAINS				
Income from reconciliation compensation and counter-party default (Note 23)	875,353	5	23,600	-
Investment income recognized by the equity - method investees, net (Notes 2 and 7)	126,114	1	-	-
Interest	72,874	1	70,925	1
Gain on disposal of investments, net (Note 2)	45,376	-	41,114	-
Subsidies (Note 2)	28,620	-	11,471	-
Foreign exchange gain, net (Note 2)	-	-	15,179	-
Others (Note 21)	<u>68,155</u>	<u>-</u>	<u>34,494</u>	<u>-</u>
Total nonoperating income and gains	<u>1,216,492</u>	<u>7</u>	<u>196,783</u>	<u>1</u>
NONOPERATING EXPENSES AND LOSSES				
Loss on inventory (Note 2)	210,000	2	224,520	1
Foreign exchange loss, net (Note 2)	18,546	-	-	-
Valuation loss on financial assets, net (Notes 2 and 3)	17,464	-	-	-
Interest	16,395	-	5,933	-

(Continued)

SUNPLUS TECHNOLOGY COMPANY LIMITED

STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2006 AND 2005

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

	2006		2005	
	Amount	%	Amount	%
Investment loss recognized by equity-method investees, net (Notes 2 and 7)	\$ -	-	\$ 170,556	1
Others	<u>10,250</u>	-	<u>2,085</u>	-
Total nonoperating expenses and losses	<u>272,655</u>	<u>2</u>	<u>403,094</u>	<u>2</u>
INCOME BEFORE INCOME TAX	3,119,583	18	2,377,694	13
INCOME TAX EXPENSE (BENEFIT) (Notes 2 and 18)	<u>114,279</u>	<u>1</u>	<u>(20,661)</u>	-
NET INCOME BEFORE CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES	3,005,304	17	2,398,355	13
CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES (NET OF TAX BENEFIT OF \$12,438 THOUSAND) (Notes 3, 18 and 19)	<u>(32,609)</u>	-	-	-
NET INCOME	<u>\$ 2,972,695</u>	<u>17</u>	<u>\$ 2,398,355</u>	<u>13</u>
	2006		2005	
	Before	After	Before	After
	Income Tax	Income Tax	Income Tax	Income Tax
EARNINGS PER SHARE (Note 19)				
Basic	<u>\$ 3.05</u>	<u>\$ 2.94</u>	<u>\$ 2.36</u>	<u>\$ 2.38</u>
Diluted	<u>\$ 3.03</u>	<u>\$ 2.92</u>	<u>\$ 2.34</u>	<u>\$ 2.36</u>

The pro forma information is based on the assumption that Sunplus Technology Company Limited spun off the business, assets and liabilities of its LCD driver and control IC department and of two business units - control peripheral and personal entertainment and advanced - to establish subsidiaries, ORISE Technology Co., Ltd., Sunplus Innovation Technology Inc., and Sunplus mMobile Inc., respectively, on January 1, 2005 (Notes 1, 2 and 24):

	2006	2005
Net sales	\$ 10,531,416	\$ 9,915,343
Cost of sales	<u>(6,822,186)</u>	<u>(6,652,277)</u>
Gross profit	<u>\$ 3,709,230</u>	<u>\$ 3,263,066</u>
Operating income	<u>\$ 1,856,998</u>	<u>\$ 1,688,799</u>
Net income	<u>\$ 2,972,695</u>	<u>\$ 2,398,355</u>

(Continued)

SUNPLUS TECHNOLOGY COMPANY LIMITED

STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2006 AND 2005

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

The pro forma net income and earnings per share (EPS) on the assumption that the Company's stock held by its subsidiary is treated as an investment instead of treasury stock are shown as follows (Note 16):

	2006		2005	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
NET INCOME	<u>\$ 3,099,218</u>	<u>\$ 2,984,939</u>	<u>\$ 2,389,317</u>	<u>\$ 2,409,978</u>
BASIC EPS				
Based on weighted-average shares				
Outstanding - 1,018,742 thousand shares in 2006 and 1,014,558 thousand shares in 2005	<u>\$3.04</u>	<u>\$2.93</u>	<u>\$2.36</u>	<u>\$2.38</u>
DILUTED EPS				
Based on weighted-average shares				
Outstanding - 1,024,004 thousand shares in 2006 and 1,022,098 thousand shares in 2005	<u>\$3.03</u>	<u>\$2.91</u>	<u>\$2.34</u>	<u>\$2.36</u>

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

(With Deloitte & Touche audit report dated February 1, 2007)

(Concluded)

SUNPLUS TECHNOLOGY COMPANY LIMITED
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2006 AND 2005
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

	Capital Stock Issued and Outstanding (Note15)		Capital Surplus (Notes2 and 15)					Retained Earnings (Notes 2 and 15)				Others (Notes 2 and 3)			Total Shareholders' Equity
	Shares (Thousands)	Amount	Additional Paid-in Capital	From Long-term Investments	From Merger	From Treasury Stock	Total	Legal Reserve	Special Reserve	Unappropriated Earnings		Unrealized (Loss) Gain on Financial Assets	Cumulative Translation Adjustments	Treasury Stock (Notes 2 and 16)	
										Total	Total				
BALANCE, JANUARY 1, 2005	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	-	-	-	-	-	-	-	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)
Remuneration to directors and supervisors	-	-	-	-	-	-	-	-	-	(24,004)	(24,004)	-	-	-	(24,004)
Stock dividends - NT \$0.29788 per share	26,258	262,576	-	-	-	-	-	-	-	(262,576)	(262,576)	-	-	-	-
Cash dividends - NT \$1.98586 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 percentage of ownership of 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)
Cash 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
Effect of accounting changes (Note 3)	-	-	-	-	-	-	-	-	-	-	-	41,606	-	-	41,606
Appropriation of prior year's earnings:															
Legal reserve	-	-	-	-	-	-	-	239,836	-	(239,836)	-	-	-	-	-
Special reserve	-	-	-	-	-	-	-	-	(43,628)	43,628	-	-	-	-	-
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	-	-	-	-	-	-	-	-	-	(24,517)	(24,517)	-	-	-	(24,517)
Stock dividends - NT\$0.29894 per share	28,384	283,844	-	-	-	-	-	-	-	(283,844)	(283,844)	-	-	-	-
Cash dividends - NT\$1.99295 per share	-	-	-	-	-	-	-	-	-	(1,892,295)	(1,892,295)	-	-	-	(1,892,295)
Capital stock transferred from capital surplus	18,923	189,230	(189,230)	-	-	-	(189,230)	-	-	-	-	-	-	-	-
Issuance of shares upon exercise of employee stock options	5,111	51,106	67,173	-	-	-	67,173	-	-	-	-	-	-	-	118,279
Adjustment arising from changes in percentage of ownership of investees	-	-	-	(44,453)	-	-	(44,453)	-	-	-	-	-	-	-	(44,453)
Adjustment from capital surplus - others	-	-	-	501	-	-	501	-	-	-	-	-	-	-	501
Net income in 2006	-	-	-	-	-	-	-	-	-	2,972,695	2,972,695	-	-	-	2,972,695
Translation adjustments on long-term investments	-	-	-	-	-	-	-	-	-	-	-	-	26,981	-	26,981
Cash dividends received by subsidiaries from the Company	-	-	-	-	-	12,244	12,244	-	-	-	-	-	-	-	12,244
Adjustment for changes in shareholders' equities in equity-method investees	-	-	-	-	-	-	-	-	-	-	-	138,717	-	-	138,717
Valuation gain on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	-	70,296	-	-	70,296
BALANCE, DECEMBER 31, 2006	<u>1,023,648</u>	<u>\$ 10,236,476</u>	<u>\$768,390</u>	<u>\$393,555</u>	<u>\$157,423</u>	<u>\$47,328</u>	<u>\$1,366,696</u>	<u>\$1,830,223</u>	<u>\$294,860</u>	<u>\$3,849,644</u>	<u>\$5,974,727</u>	<u>\$ (34,466)</u>	<u>\$ 17,206</u>	<u>\$ (176,566)</u>	<u>\$ 17,384,073</u>

The accompanying notes are an integral part of the financial statements.
(With Deloitte & Touche audit report dated February 1, 2007)

SUNPLUS TECHNOLOGY COMPANY LIMITED

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2006 AND 2005 (In Thousands of New Taiwan Dollars)

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 2,972,695	\$ 2,398,355
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	824,695	704,951
Investment loss (income) recognized by the equity-method investees, net	(126,114)	170,556
Cash dividends received from equity-method investment	63,357	-
Gain on disposal of investments, net	(30,729)	(35,166)
Valuation loss on financial assets, net	3,012	-
Unrealized (realized) intercompany profit, net	(5,095)	6,583
Unrealized (realized) royalty income	(22,171)	(22,171)
Loss (gain) on disposal of properties	(432)	60
Deferred income taxes	(6,395)	(83,652)
Accrued pension liabilities	4,093	29,977
Net changes in operating assets and liabilities		
Held-for-trading financial assets	1,070,905	(290,327)
Notes and accounts receivable		
Third parties	743,744	(688,168)
Related parties	44,940	70,811
Other receivables	(59,243)	171,780
Inventories	(837,291)	159,300
Other current assets	(111,330)	17,838
Notes and accounts payable	(820,998)	1,336,470
Income tax payable	36,702	(434)
Other current liabilities	<u>425,561</u>	<u>48,869</u>
Net cash provided by operating activities	<u>4,169,906</u>	<u>3,995,632</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in financial assets designated at fair value through profit or loss	332,831	(303,420)
Net cash used in department spun off	(310,000)	-
Proceeds of the disposal of:		
Equity-method investments	397,409	3,484
Available-for-sale financial assets	3,387,249	66,546
Properties	2,991	1,043
Capital return by equity-method investees	189,545	-
Proceeds of the capital reduction by financial assets carried at cost	43,351	-
Acquisition of:		
Equity-method investments	(105,555)	(409,404)
Available-for-sale financial assets	(6,551,215)	-
Financial assets carried at cost	(32,993)	-
Properties	(431,268)	(371,672)

(Continued)

SUNPLUS TECHNOLOGY COMPANY LIMITED

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2006 AND 2005 (In Thousands of New Taiwan Dollars)

	2006	2005
Increase in intangible assets	\$ (619,206)	\$ (335,173)
Decrease (increase) in deferred charges and others	<u>(1,914)</u>	<u>4,343</u>
Net cash used in investing activities	<u>(3,698,775)</u>	<u>(1,344,253)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term bank loans	277,057	-
Increase (decrease) in guarantee deposits	(44,728)	121,053
Remuneration paid to directors and supervisors	(49,517)	(49,004)
Cash dividends paid for common stock	(1,892,295)	(1,750,509)
Proceeds of the exercise of stock options	118,279	192,319
Repurchase of treasury stock	<u>-</u>	<u>(80,961)</u>
Net cash used in financing activities	<u>(1,591,204)</u>	<u>(1,567,102)</u>
NET INCREASE (DECREASE) IN CASH	(1,120,073)	1,084,277
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>4,514,419</u>	<u>3,430,142</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 3,394,346</u>	<u>\$ 4,514,419</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Income tax paid	<u>\$ 71,534</u>	<u>\$ 60,281</u>
Interest paid	<u>\$ 16,395</u>	<u>\$ 6,056</u>
NONCASH INVESTING AND FINANCING ACTIVITIES:		
Reclassification of properties into assets leased to others	<u>\$ 195,451</u>	<u>\$ 26,196</u>
Reclassification of assets leased to others into properties	<u>\$ 26,196</u>	<u>\$ -</u>
Reclassification of other current liabilities into equity-method investments	<u>\$ -</u>	<u>\$ 2,331</u>
PARTIAL CASH INVESTING AND FINANCING ACTIVITIES:		
Acquisition of properties	\$ (421,002)	\$ (394,120)
Increase (decrease) in payables to contractors and equipment suppliers	<u>(10,266)</u>	<u>22,448</u>
Cash paid	<u>\$ (431,268)</u>	<u>\$ (371,672)</u>

(Continued)

SUNPLUS TECHNOLOGY COMPANY LIMITED

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2006 AND 2005 (In Thousands of New Taiwan Dollars)

SUPPLEMENTARY DISCLOSURE OF SPIN-OFF:

On March 31, 2006, Sunplus Technology Company Limited spun off the LCD driver and control IC department to establish a subsidiary, ORISE Technology Co., Ltd. The assets and liabilities of the department spun off are shown as follows:

Accounts receivable, net	\$ 509,109
Inventories	1,066,813
Properties, net	7,360
Accounts payable	(478,844)
Other current liabilities	(63,452)
Accrued pension liabilities	(41,089)
Guarantee deposits	<u>(97)</u>
Net assets	999,800
Acquisition of equity-method investment	<u>(1,099,800)</u>
Cash paid	<u>\$ (100,000)</u>

On December 1, 2006, Sunplus Technology Company Limited spun off the business of two business units - control peripheral and personal entertainment and advanced - to establish subsidiaries, Sunplus Innovation Technology Inc. and Sunplus mMobile Inc., respectively. The assets and liabilities of the business units are shown as follows:

	Sunplus Innovation Technology Inc.	Sunplus mMobile Inc.
Account receivable, net	\$ 179,330	\$ 594,472
Inventories	246,189	1,018,172
Other current assets	-	1,173
Properties, net	14,366	158,664
Intangible assets, net	17,328	146,976
Accounts payable	(148,712)	(298,226)
Other current liabilities	(35,134)	(40,460)
Accrued pension liabilities	<u>(25,367)</u>	<u>(50,771)</u>
Net assets	248,000	1,530,000
Acquisition of equity-method investment	<u>(308,000)</u>	<u>(1,680,000)</u>
Cash paid	<u>\$ (60,000)</u>	<u>\$ (150,000)</u>

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

(With Deloitte & Touche audit report dated February 1, 2007)

(Concluded)

SUNPLUS TECHNOLOGY COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2006 AND 2005

(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. Some of the company's shares have been issued in the form of global depository receipts, which have been listed on the London Stock Exchange since March 2001 (refer to Note 15).

As of December 31, 2006 and 2005, the Company had 629 and 1,131 employees, respectively.

To increase its competitiveness and performance through organization restructuring and streamlining of operations, the Company spun off on March 31, 2006 its LCD driver and control IC department (the "department") to establish a subsidiary, Orise Technology Co. Ltd. ("Orise") and also spun off on December 1, 2006 the control peripheral business unit (CPBU) to establish a subsidiary, Sunplus Innovation Technology Inc. ("Sunplus Innovation"), and the personal entertainment and advanced BU (PEABU) to establish a subsidiary, Sunplus mMobile Inc. ("Sunplus mMobile"), in accordance with the Law of Enterprise Purchase. The carrying values of the department, CPBU and PEABU were \$1,099,800 thousand, \$308,000 thousand and \$1,680,000 thousand, respectively, and the Company exchanged the department and units for 90,000 thousand of Orise's newly issued shares at NT\$12.22 per share and for 22,000 thousand of Sunplus Innovation's newly issued shares and 120,000 thousand of Sunplus mMobile's newly issued shares at NT\$14.00 per share. The Company, which wholly owns Orise, Sunplus Innovation and Sunplus mMobile, accounted for these investments at the book value of the net assets on the spin-off date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

For the convenience of readers, 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 financial statements shall prevail.

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

Current/Noncurrent Assets and Liabilities

Current assets are unrestricted cash and other assets primarily for the purpose of being traded or to be converted to cash, consumed or sold within one year from the balance sheet date. Current liabilities are those to be settled within one year from the balance sheet date and those primarily for the purpose of being traded. All other assets and liabilities are classified as noncurrent.

Cash Equivalents

Commercial paper purchased with maturities of three months or less are cash equivalents.

Financial Assets/Liabilities at Fair Value Through Profit or Loss

Financial instruments at fair value through profit or loss have two categories: (1) held for trading and (2) designated on initial recognition as at fair value through profit or loss. These financial instruments are initially recorded at fair value with transaction costs that are directly attributable to the acquisition. When subsequently measured at fair value, the changes in fair value are recognized as earnings. A regular way purchase or sale of financial assets is recognized and derecognized using trade date accounting.

Derivatives that do not meet the criteria for hedge accounting are treated as financial assets or liabilities held for trading. When the fair value is a positive amount, the derivative is treated as a financial asset; when the fair value is a negative amount, the derivative is treated as a financial liability.

The fair values of open-end mutual funds are based on their net asset value at the balance sheet date. Bonds are measured at the reference price of the over-the-counter securities exchange of the Republic of China as of the balance sheet date. For those instruments without quoted market prices in an active market, the fair value is based on valuation techniques incorporating estimates and assumptions that are consistent with prevailing market conditions.

Hybrid instruments are designated at fair value through profit or loss.

Revenue Recognition and Allowance for Doubtful Accounts

Sales are recognized when titles and risks of ownerships are transferred to customers, primarily upon shipment, since the earning process is substantially completed and revenue is realized or realizable. The Company does not recognize sales upon delivery of materials to subcontractors because the ownership over the materials is not transferred.

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

Allowance for doubtful accounts is provided on the basis of the aging of receivables and periodic review of the collectibility of receivables.

Inventories

Inventories consist of raw materials, work-in-process, finished goods and merchandise, 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 work-in-process, finished goods and merchandise. Scrap and slow-moving items are recognized as allowance for losses.

Available-for-sale Financial Assets

Investments designated as available-for-sale financial assets include open-end mutual funds and listed stock. Investments classified as available-for-sale financial assets are initially recognized at fair value plus transaction costs that are directly attributed to investment acquisition. When subsequently measured at fair value, the changes in fair value are reported as a separate component of shareholders' equity. The accumulated gains or losses are recognized when the financial asset is derecognized from the balance sheet. A regular way purchase or sale of financial assets is recognized and derecognized using trade date accounting.

Cash dividends are recognized as investment income upon resolution of the shareholders of an investee but are accounted for as reductions of the original investment cost if these dividends are declared on the earnings of the investees attributable to periods before the purchase of the investments. Stock dividends received are recorded as an increase in the number of shares held and do not affect investment income. The cost per share is recalculated on the basis of the new number of shares after the receipt of stock dividends.

The fair values of open-end mutual funds are based on their net asset value at the balance sheet date; listed stock is the closing price as of the balance sheet date.

If there is objective evidence that a financial asset is impaired as of the balance sheet date, a loss is recognized. If the impairment loss decreases, the impairment loss is reversed to the extent of the decrease and recorded as an adjustment to shareholders' equity.

Financial Assets Carried At Cost

Investments without quoted market prices in an active market and whose fair value cannot be reliably measured, such as nonpublicly traded stocks, are carried at their original cost. The accounting treatment for cash and stock dividend arising from financial assets carried at cost is the same as that for available-for-sale financial assets.

If there is objective evidence of financial asset impairment, a loss is recognized. This impairment loss is irreversible.

Equity-method Investments

Stock investments in which the Company owns at least 20% of the outstanding voting shares or exercises significant influence on investees' operating and financial policy decisions are accounted for by the equity method.

If an investee is identified as significantly impaired, the carrying amount of the investment in excess of its recoverable amount is recognized as impairment loss. For those investees over which the Company exercises significant influence on their operating and financial decisions, the assessment of impairment is based on carrying value.

If the recognized carrying values 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 of an investee 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. Gains or losses from sales among all equity-method investees are deferred in proportion to the product of the Company's equity in one investee multiplied by its equity in the other investee. All of these deferred gains and losses are realized upon resale of products to third parties.

Properties and Assets Leased to Others

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

Depreciation is computed 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; leasehold improvements - 3 years; and assets leased to others - 7 to 50 years.

Properties and rental assets 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 1 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 as 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 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.

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, the related net periodic pension costs are recorded on the basis of actuarial calculations. For employees under defined contribution pension plans, the related net periodic pension costs are recorded on the basis of the Corporation's actual contributions to employees' personal pension accounts over the employees' service period.

Treasury Stock

The reacquisition of issued stock is accounted for by the cost method. Under this method, the reacquisition cost is debited to the treasury stock account. Treasury stock is shown as a deduction to arrive at shareholders' equity. The Company accounts for its stock held by its subsidiaries as treasury stock. The recorded cost of these treasury shares is based on the carrying value of the investments as shown in the subsidiaries' book. The resulting gain on investment from cash dividends appropriated to subsidiaries is credited to capital surplus.

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

Income Tax

The Company applies the inter-period and intra-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. Exchange gains or losses derived from foreign-currency transactions on monetary assets and liabilities denominated in foreign currencies are recognized as current income. On the balance sheet date, the balances of nonmonetary assets and liabilities, except those carried at cost, are restated at prevailing exchange rates, and the resulting differences are recorded as follows:

- a. Financial instruments at fair value through shareholders' equity - as an adjustment component under shareholders' equity;
- b. Financial instruments at fair value through profit or loss - as credits or charges to current income; and
- c. Long-term investments accounted for by the equity method - as cumulative translation adjustments under shareholders' equity.

Spin-off

The Company spun off some of its assets, liabilities and operations from a subsidiary and then acquired all of the subsidiary's newly issued shares. The cost of share acquisition is the book value of the spun-off assets minus the relative spun-off liabilities without recognizing any exchange gain or loss.

Reclassification

Certain accounts in the financial statements as of and for the year ended December 31, 2005 have been reclassified to conform to the financial statements as of and for the year ended December 31, 2006.

3. ACCOUNTING CHANGES

On January 1, 2006, the Company adopted the newly released Statements of Financial Accounting Standards ("Statements" or SFAS) No. 34 - "Accounting for Financial Instruments" and No. 36 - "Disclosure and Presentation of Financial Instruments" and related revisions of previously released Statements.

The effects of the accounting changes are summarized as follows:

- a. Effect of adopting the SFAS Nos. 34 and 36 and related revisions of other previously released Statements

Under the Company's adoption of SFAS Nos. 34 and 36, its financial assets were categorized in accordance with these Statements. In addition, the adjustments made to the carrying amounts of the financial instruments categorized as financial instruments at fair value through profit or loss were included in the cumulative effect of changes in accounting principles. On the other hand, the adjustments made to the carrying amounts of those categorized as available-for-sale financial assets were recognized as adjustments to shareholders' equity.

The effects of adopting the recently released SFAS Nos. 34 and 36 are summarized as follows:

	Recognized as Cumulative Effect of Changes in Accounting Principles (Net of Tax)	Recognized as a Separate Component of Shareholders' Equity
Financial assets at fair value through profit or loss	\$ (32,609)	\$ -
Available-for-sale financial assets	<u>-</u>	<u>41,606</u>
	<u>\$ (32,609)</u>	<u>\$ 41,606</u>

The accounting changes resulted in an decrease of \$3,012 thousand in net income before cumulative effect of changes in accounting principles, an decrease of \$35,621 thousand in net income, and an decrease of NT\$0.04 in basic earnings per share (after income tax) for the year ended December 31, 2006.

b. Reclassification of financial statement accounts

Based on the interpretation issued by the Accounting Research and Development Foundation of the Republic of China, certain accounts in the financial statements as of and for the year ended December 31, 2005 were reclassified to be consistent with the financial statements as of and for the year ended December 31, 2006. The previously issued financial statements as of and for the year ended December 31, 2005 need not be restated but should include disclosures of the changes in valuation method for the same accounts.

Certain accounting principles applied before the adoption of SFAS Nos. 34 and 36 are summarized as follows:

1) 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.

2) Long-term investments

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, and these with quoted market prices are accounted for at the lower of aggregate cost or market. 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 the recognition of losses will become the new cost of the investment.

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

3) 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 gain or losses on forward contracts are computed by multiplying the foreign-currency amounts of the contracts by the difference between the spot rates on the contract starting dates and the balance sheet date rates (or the spot rates last used to measure a gain or loss on that contract for an earlier period) 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 are charged to income. Also, the receivables and payables on the forward contracts open as of the balance sheet date 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.

Certain accounts in the financial statements as of and for the year ended December 31, 2005 have been reclassified to be consistent with the classifications prescribed under SFAS Nos. 34 and 36. The reclassifications of the entire balances or a part of the balances of certain accounts are summarized as follows:

<u>Balance sheet</u>	Before Reclassification	After Reclassification
Short-term investment, net	\$ 1,070,905	\$ -
Bond investment	20,000	-
Other financial assets - noncurrent	656,662	-
Long-term investment accounted for by the cost method	519,260	-
Unrealized loss on long-term investments	285,085	-
Financial assets at fair value through profit or loss - current	-	1,070,905
Financial assets at fair value through profit or loss - noncurrent	-	676,662
Available-for-sale financial assets - noncurrent	-	409,260
Financial assets carried at cost	-	110,000
Unrealized valuation loss on financial assets	-	285,085

Effective January 1, 2006, the Company adopted the recently revised SFAS No. 1 - "Conceptual Framework for Financial Accounting and Preparation of Financial Statements," SFAS No. 5 - "Long-Term Investment in Equity Securities" and SFAS No. 25 - "Business Combinations-Accounting Treatment under Purchase Method." The amendments of these Statements include the following: (1) goodwill is no longer amortized but it should be assessed for impairment, and (2) investment premiums, representing goodwill based on analysis of the acquisition costs, should be assessed for impairment instead of being amortized. The adoption of these revised Statements had no impact on net income for the year ended December 31, 2006.

4. CASH AND CASH EQUIVALENTS

	2006	2005
Cash and bank deposits	\$ 3,394,346	\$ 4,313,406
Bonds acquired under repurchase agreements	<u>-</u>	<u>201,013</u>
	<u>\$ 3,394,346</u>	<u>\$ 4,514,419</u>

5. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2006	2005
Open-end funds	\$ -	\$ 1,070,905
Forward exchange contracts	<u>519</u>	<u>-</u>
	<u>\$ 519</u>	<u>\$ 1,070,905</u>

The Company used derivative contracts in 2005 and 2006 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.

As of December 31, 2006, outstanding forward exchange contracts were as follows:

December 31, 2006	Currency	Maturity	Contract Amount (in Thousand)
Sell forward exchange contracts	US\$ to NT\$	December 19, 2006 - February 26, 2007	US\$ 4,000
Sell forward exchange contracts	US\$ to NT\$	December 26, 2006 - January 29, 2007	US\$ 2,000
Sell forward exchange contracts	US\$ to NT\$	December 26, 2006 - January 26, 2007	US\$ 2,000

Net losses and net gains arising from financial assets held for trading were \$714 thousand and \$5,948 thousand for the years ended December 31, 2006 and 2005, respectively.

Financial instruments designated at fair value through profit or loss were as follows:

	2006		2005	
	Amount	Noncurrent	Amount	Noncurrent
Financial assets				
Credit-linked notes	\$ 192,997	\$ -	\$ -	\$ 459,562
Inverse floaters: Time deposits with floating interest rates indexed to LIBOR rates	-	149,636	-	197,100
Bond investments	-	-	-	20,000
	<u>\$ 192,997</u>	<u>\$ 149,636</u>	<u>\$ -</u>	<u>\$ 676,662</u>

Net losses and net gains arising from financial assets designated at fair value through profit or loss were \$1,198 thousand and \$4,594 thousand for the years ended December 31, 2006 and 2005, respectively.

Other information on the financial instruments designated at fair value through profit or loss is as follows:

	Principal Amount (In Thousands)	Carrying Amount	Maturity
<u>2006</u>			
Credit - linked notes			
Issuer			
Industrial Bank of Taiwan		\$ 192,997	August 2007
Inverse floaters: Time deposits with floating interest rate indexed to LIBOR rates	<u>\$ 6,000</u>	<u>149,636</u>	September 2010 - April 2014
		<u>\$ 342,633</u>	
<u>2005</u>			
Credit - linked notes			
Issuer			
Citi Bank		\$ 260,000	July 2007 - August 2007
Industrial Bank of Taiwan		199,562	August 2007
Inverse floaters: Time deposits with floating interest rate indexed to LIBOR rates	<u>\$ 6,000</u>	<u>197,100</u>	September 2010 - April 2014
		<u>\$ 656,662</u>	

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 terms of the contracts.

6. INVENTORIES, NET

	2006	2005
Finished goods and merchandise	\$ 1,038,488	\$ 1,465,642
Work in process	668,491	1,294,008
Raw materials	<u>147,799</u>	<u>550,163</u>
	1,854,778	3,309,813
Less: Allowance for losses	<u>339,073</u>	<u>300,225</u>
	<u>\$ 1,515,705</u>	<u>\$ 3,009,558</u>

7. EQUITY-METHOD INVESTMENTS

	<u>2006</u>		<u>2005</u>	
	Amount	% of Owner- ship	Amount	% of Owner- Ship
Sunplus mMobile Inc.	\$ 1,648,899	100	\$ -	-
Giantplus Technology Co., Ltd.	1,040,819	33	975,765	36
Orise Technology Co., Ltd.	972,842	67	-	-
Sunplus Venture Capital Co., Ltd.	672,601	100	679,277	100
Lin Shih Investment Co., Ltd.	486,902	100	444,152	100
Russell Holdings Limited	474,783	100	477,614	100
Ventureplus Group Inc.	322,289	100	395,119	100
Generalplus Technology Corp.	307,992	48	202,940	53
Sunplus Innovation Technology Inc.	295,858	100	-	-
Goldkey Technology Corp.	24,440	15	49,906	15
Wei-Young Investment Inc.	12,946	100	183,843	100
Global Techplus Inc. (Techplus Capital Nine Inc.)	6,321	100	6,587	100
Sunplus Management Consulting Inc.	4,317	100	4,418	100
Waveplus Technology Co., Ltd.	2,478	10	864	10
Sunext Technology Co., Ltd.	2,126	16	28,452	24
Sunplus Technology (H.K.) Co., Ltd	<u>1,318</u>	100	<u>1,458</u>	100
	<u>6,276,931</u>		<u>3,450,395</u>	
Prepayment				
Orise Technology Co., Ltd.	<u>-</u>		<u>1,000</u>	
	<u>\$ 6,276,931</u>	10	<u>\$ 3,451,395</u>	-

As of December 31, 2006 and 2005, the Company and its subsidiaries collectively owned 32% and 43% of Goldkey Technology Corp., Ltd and Waveplus Technology Co., Ltd, respectively, and also collectively owned 57% and 68% of Sunext Technology Co., Ltd, respectively. Thus, these investments were accounted for by the equity method.

Under a strategy alliance, the Company sold in September 2006 part of its holding of the shares of Orise Technology Co., Ltd. to the affiliate of AU Optronics Corp.

The consolidated financial statements as of and for the year ended December 31, 2006 and 2005 had included all subsidiaries.

The financial statements used as basis for calculating the carrying values of the equity-method investments and the related investment gains and losses in 2006 and 2005 had all been audited, except those of Global Techplus Inc. (Techplus Capital Nine Inc. originally) and Sunplus Management Consulting Inc.. The Company's management believed that had financial statements of Global Techplus Inc. (Techplus Capital Nine Inc. originally) and Sunplus Management Consulting Inc. been audited, there would have been no material effect on the Company's financial statements. The investment incomes (losses) of investees were as follows:

	2006	2005
Sunplus mMobile Inc.	\$ (31,101)	\$ -
Giantplus Technology Co., Ltd.	174,904	207,019
Orise Technology Co., Ltd.	144,797	-
Sunplus Venture Capital Co., Ltd.	(28,518)	(103,036)
Lin Shih Investment Co., Ltd.	(57,477)	(121,268)
Russell Holdings Limited	(6,569)	(46,680)
Ventureplus Group Inc.	(85,718)	(52,599)
Generalplus Technology Corp.	128,919	45,602
Sunplus Innovation Technology Inc.	(12,142)	-
Goldkey Technology Corp.	(5,833)	(16,508)
Wei-Young Investment Inc.	926	(4,916)
Global Techplus Inc. (Techplus Capital Nine Inc.)	(215)	33
Sunplus Management Consulting Inc.	(101)	(155)
Waveplus Technology Co., Ltd.	1,616	(13,962)
Sunext Technology Co., Ltd.	(97,250)	(67,874)
Sunplus Technology (H.K.) Co., Ltd.	<u>(124)</u>	<u>3,788</u>
	<u>\$ 126,114</u>	<u>\$ (170,556)</u>

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2006	2005
Open-end funds	\$ 3,173,265	\$ -
Domestic listed stocks	<u>519,899</u>	<u>409,260</u>
	3,693,164	409,260
Current portion	<u>3,173,265</u>	<u>-</u>
	<u>\$ 519,899</u>	<u>\$ 409,260</u>

9. FINANCIAL ASSETS CARRIED AT COST

	2006	2005
Domestic unlisted stock	<u>\$ 97,826</u>	<u>\$ 110,000</u>

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

10. PROPERTIES

	2006	2005
Accumulated depreciation:		
Buildings	\$ 87,297	\$ 86,544
Auxiliary equipment	110,190	92,641
Machinery and equipment	405,767	350,493
Testing equipment	648,514	549,588
Transportation equipment	4,813	5,613
Furniture and fixtures	101,225	87,190
Leasehold improvements	<u>329</u>	<u>230</u>
	<u>\$ 1,358,135</u>	<u>\$ 1,172,299</u>

11. INTANGIBLE ASSETS, NET

	2006	2005
Technology license fee	\$ 926,863	\$ 962,045
Patents	<u>77,195</u>	<u>82,739</u>
	<u>\$ 1,004,058</u>	<u>\$ 1,044,784</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 (equity-method investee) 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).

12. DEFERRED CHARGES AND OTHERS

	2006	2005
Certificate of golf club membership	\$ 7,800	\$ 7,800
Software and system design	4,669	9,588
Refundable deposits	<u>2,856</u>	<u>2,811</u>
	<u>\$ 15,325</u>	<u>\$ 20,199</u>

13. SHORT-TERM BANK LOANS

	2006
Working capital loans - US\$8,500 thousand, payable by June 2007, at annual interest rate of 6.05%	<u>\$ 277,057</u>

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' individual pension accounts starting from July 1, 2005 have been at 6% of employees' salaries. Thus, the pension costs recognized by the Company were \$46,245 and \$22,733 thousand for the years ended December 31, 2006 and 2005, respectively.

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.

The service periods of employees of the departments spun off by the Company will be included in their periods of service to Orise Technology Co., Ltd., Sunplus Innovation Technology Inc. and Sunplus mMobile Inc. The related pension costs will be paid by the Company, Orise Technology Co., Ltd., Sunplus Innovation Technology Inc. and Sunplus mMobile Inc. (collectively, the "four companies") in proportion to the employees' periods of service to the four companies.

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

	2006	2005
a. Components of net pension costs		
Service costs	\$ 6,546	\$ 33,810
Interest costs	11,217	9,933
Projected return on plan assets	(2,754)	(1,751)
Amortization	<u>1,776</u>	<u>3,798</u>
Net pension costs	<u>\$ 16,785</u>	<u>\$ 45,790</u>
b. Reconciliation of the fund status of the plan and accrued pension costs		
Benefit obligation		
Vested benefit obligation	\$ -	\$ -
Non-vested benefit obligation	<u>40,904</u>	<u>114,454</u>
Accumulated benefit obligation	40,904	114,454
Additional benefits based on future salaries	<u>65,544</u>	<u>206,026</u>
Projected benefit obligation	106,448	320,480
Fair value of plan assets	<u>(85,779)</u>	<u>(71,196)</u>
Funded status	20,669	249,284
Unrecognized net transition obligation	(3,328)	(3,819)
Unrecognized net gain (loss)	<u>52,088</u>	<u>(62,902)</u>
Accrued pension liability	<u>\$ 69,429</u>	<u>\$ 182,563</u>
Vested benefit	<u>\$ -</u>	<u>\$ -</u>

	2006	2005
c. Actuarial assumptions		
Discount rate used in determining present values	3.50%	3.50%
Future salary increase rate	5.75%	5.75%
Expected rate of return on plan assets	3.50%	3.50%

15. 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. 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 rights are granted at an exercise price equal to the closing price of the Company's common shares listed on the Taiwan Stock Exchange on the grant date. All options had been granted or canceled as of December 31, 2006.

Outstanding option rights were as follows:

	2006		2005	
	Unit (in Thousands)	Weighted- average Price (NT\$)	Unit (in Thousands)	Weighted- average Price (NT\$)
Beginning outstanding balance	25,196	\$29.79	32,589	\$32.34
Options granted	995	26.65	1,281	29.63
Options exercised	(5,110)	23.14	(7,213)	26.66
Options canceled	<u>(2,682)</u>		<u>(1,461)</u>	
Ending outstanding balance	<u>18,399</u>		<u>25,196</u>	

The number of shares and exercise prices of outstanding option have been adjusted to reflect the appropriations of dividends, stock bonuses and issuance of capital stock specified under the Plans. For the years ended December 31, 2006 and 2005, additional 995 thousand and 1,281 thousand options have been granted to reflect the appropriation of dividends and stock bonuses, respectively.

As of December 31, 2006, the outstanding and exercisable options were as follows:

	Options Outstanding			Options Exercisable	
Exercise Price (NT\$)	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\$)
\$21.10	11,249	2.35	\$21.10	8,437	\$21.10
\$36.60	7,150	2.66	36.60	5,363	36.60

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. As of December 31, 2006, the GDRs have been redeemed into 85,665 thousand of common shares amounting to US\$226,972 thousand. The outstanding GDRs, representing 2,995 thousand common shares, are accounted for 0.29% of outstanding common stock.

c. Capital surplus

Under ROC regulations, capital surplus may be used to offset deficit, and only the capital surplus from 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.

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 financial assets 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 2005 and 2004 were approved in the shareholders' meetings on June 9, 2006 and June 13, 2005, respectively. The appropriations, including dividends, were as follows:

	<u>For Fiscal Year 2005</u>		<u>For Fiscal Year 2004</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	\$ 239,836		\$ 273,769	
Special reserve	(43,628)		338,488	
Bonus to employees - stock	225,000		225,000	
Bonus to employees - cash	25,000		25,000	
Remuneration of directors and supervisors	24,517		24,004	
Stock dividends	283,844	\$0.29894	262,576	\$0.29788
Cash dividends	<u>1,892,295</u>	1.99295	<u>1,750,509</u>	1.98586
	<u>\$ 2,646,864</u>		<u>\$ 2,899,346</u>	

The above appropriation of the earnings is consistent with the resolutions passed at the meetings of the board of directors on April 21, 2006 and April 28, 2005. 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 2005 and 2004, the after-tax basic earnings per share in 2005 and 2004 would have decreased from NT\$2.56 and NT\$3.15 to NT\$2.26 and NT\$2.83.

The shares distributed as a bonus to employees, 22,500 thousand shares in both 2005 and 2004 represented 2.37% and 2.57% of the Company's total outstanding common shares as of December 31, 2005 and 2004, respectively.

As of February 1, 2007, the date of the accompanying auditors' report, the board of directors had not resolved the appropriation of the 2006 earnings. The earnings appropriation can be accessed online through the Market Observation Post System on the Web site of the Taiwan Stock Exchange.

On December 8, 2006, the shareholders approved a capital reduction by canceling 511,436 thousand shares amounting to \$5,114,358 thousand. The actual capital reduction ratio was about 50%. The effective date of capital reduction was January 25, 2007. After the capital reduction, the paid-in capital was \$5,122,118 thousand.

16. TREASURY STOCK

(Units: Shares in Thousands)

<u>Purpose of Purchase</u>	<u>Beginning Shares</u>	<u>Increase</u>	<u>Ending Shares</u>
<u>2006</u>			
Company stocks held by subsidiaries	6,144	306	6,450
For subsequent transfer to employees	<u>2,582</u>	<u>-</u>	<u>2,582</u>
	<u>8,726</u>	<u>306</u>	<u>9,032</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>

Starting from January 2002, the Company accounted for its stocks amounting to \$95,605 thousand held by

the subsidiary, Lin Shin Investment Co., Ltd., as treasury stock. As of December 31, 2006 and 2005, the book values of these stocks were both \$95,605 thousand, and the market values of these stocks were \$256,404 thousand and \$232,131 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' issued shares will no longer be entitled, effective June 24, 2005, to the voting right.

17. PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

	2006			2005		
	Classified as Cost of Sales	Classified as Operating Expense	Total	Classified as Cost of Sales	Classified as Operating Expense	Total
Labor cost						
Salary	\$ 115,044	\$ 1,125,575	\$ 1,240,619	\$ 110,970	\$ 1,018,802	\$ 1,129,772
Labor/health insurance	6,979	59,702	66,681	7,561	58,399	65,960
Pension	6,297	56,733	63,030	7,788	60,735	68,523
Welfare benefit	3,470	24,965	28,435	3,687	25,774	29,461
Meal	2,845	20,337	23,182	2,893	19,942	22,835
	<u>\$ 134,635</u>	<u>\$ 1,287,312</u>	<u>\$ 1,421,947</u>	<u>\$ 132,899</u>	<u>\$ 1,183,652</u>	<u>\$ 1,316,551</u>
Depreciation	<u>\$ 72,253</u>	<u>\$ 249,169</u>	<u>\$ 321,422</u>	<u>\$ 69,380</u>	<u>\$ 215,931</u>	<u>\$ 285,311</u>
Amortization	<u>\$ 1,754</u>	<u>\$ 500,662</u>	<u>\$ 502,416</u>	<u>\$ 1,354</u>	<u>\$ 417,737</u>	<u>\$ 419,091</u>

18. 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:

	2006	2005
Income tax expense on income before income tax at statutory rate (25%)	\$ 779,896	\$ 594,424
Tax effects of adjustments:		
Tax-exempt income	(455,314)	(431,742)
Permanent differences	(63,060)	38,751
Temporary differences	<u>753</u>	<u>45,947</u>
Income tax expense before tax credits	<u>\$ 262,275</u>	<u>\$ 247,380</u>

	2006	2005
b. Income tax benefit consisted of the following:		
Income tax expense before tax credits	\$ (262,275)	\$ (247,380)
Additional tax at 10% on unappropriated earnings	-	(21,541)
Cumulative effect of changes in accounting principles	(12,438)	-
Changes in fair value recognized as an adjustment to equity	186	-
Investment tax credits	153,222	185,871
Net change in deferred income taxes	6,395	83,652
Adjustment of prior years' income tax expense	<u>631</u>	<u>20,059</u>
	<u>\$ (114,279)</u>	<u>\$ 20,661</u>

c. Deferred income tax assets consisted of the following:

Current:

Investment tax credits	\$ 192,068	\$ 179,834
Temporary differences	<u>14,120</u>	<u>34,186</u>
	<u>\$ 206,188</u>	<u>\$ 214,020</u>

Noncurrent:

Investment tax credits	\$ 1,078,463	\$ 845,070
Temporary differences	20,329	21,670
Valuation allowance	<u>(558,310)</u>	<u>(340,485)</u>
	<u>\$ 540,482</u>	<u>\$ 526,255</u>

As of December 31, 2006, 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	\$ 2,360	\$ -	2006
		2,432	2,432	2007
		10,376	10,376	2008
		<u>3,606</u>	<u>3,606</u>	2009
		<u>\$ 18,774</u>	<u>\$ 16,414</u>	
Statue for upgrading Industries	Research and development expenditures	\$ 177,474	\$ -	2006
		189,636	189,636	2007
		323,664	323,664	2008
		469,540	469,540	2009
		<u>271,277</u>	<u>271,277</u>	2010
		<u>\$ 1,431,591</u>	<u>\$ 1,254,117</u>	

Under the Statute for Establishment and Administration of Science Parks, the income from the following projects is exempt from income tax. The related tax-exemption periods are as follows:

<u>Project</u>	<u>Tax Exemption Period</u>
Fifth expansion	January 1, 2003 to December 31, 2006
Sixth expansion	January 1, 2006 to December 31, 2009

The income tax returns through 2002 had been examined and cleared by the tax authorities.

d. Integrated income tax information is as follows:

	2006	2005
Shareholders' imputation credit account	\$ <u>16,518</u>	\$ <u>22,441</u>
Unappropriated earnings until 1997	\$ <u>452,310</u>	\$ <u>452,310</u>

The expected and actual creditable tax ratios for 2006 and 2005 were 0.49% and 2.95%, 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 2006 may be adjusted when the allocation of the imputation credits is made.

e. The ROC government enacted the Alternative Minimum Tax Act (AMT Act), which became effective on January 1, 2006. The alternative minimum tax (AMT) imposed under the AMT Act is a supplemental tax levied at a rate of 10% which is payable if the income tax payable determined pursuant to the Income Tax Law is below the minimum amount prescribed under the AMT Act. The taxable income for calculating the AMT includes most of the income that is exempted from income tax under various laws and statutes. The Company has considered the impact of the AMT Act in the determination of its tax liabilities.

19. EARNINGS PER SHARE

	<u>2006</u>		<u>2005</u>	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
Basic EPS (NT\$)				
Income before cumulative effect of changes in accounting principles	\$ 3.08	\$ 2.97	\$ 2.36	\$ 2.38
Cumulative effect of changes in accounting principles	<u>(0.03)</u>	<u>(0.03)</u>	<u>-</u>	<u>-</u>
Income for the period	<u>\$ 3.05</u>	<u>\$ 2.94</u>	<u>\$ 2.36</u>	<u>\$ 2.38</u>
Diluted EPS (NT\$)				
Income before cumulative effect of change in accounting principles	\$ 3.06	\$ 2.95	\$ 2.34	\$ 2.36
Cumulative effect of changes in accounting principles	<u>(0.03)</u>	<u>(0.03)</u>	<u>-</u>	<u>-</u>
Income for the period	<u>\$ 3.03</u>	<u>\$ 2.92</u>	<u>\$ 2.34</u>	<u>\$ 2.36</u>

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>2006</u>					
Net income	\$ 3,086,974	\$ 2,972,695			
Basic EPS					
Income of common shareholders	\$ 3,086,974	\$ 2,972,695	1,012,292	\$ 3.05	\$ 2.94
Effect of dilutive securities					
Stock options	-	-	5,262		
Diluted EPS					
Income of common and potential common shareholders	\$ 3,086,974	\$ 2,972,695	1,017,554	\$ 3.03	\$ 2.92
<u>2005</u>					
Net income	\$ 2,377,694	\$ 2,398,355			
Basic EPS					
Income of common shareholders	\$ 2,377,694	\$ 2,398,355	1,008,414	\$ 2.36	\$ 2.38
Effect of dilutive securities					
Stock options	-	-	7,540		
Diluted EPS					
Income of common and potential common shareholders	\$ 2,377,694	\$ 2,398,355	1,015,954	\$ 2.34	\$ 2.36

The weighted-average number of shares outstanding for EPS calculation was adjusted retroactively for stock dividends and stock bonuses issued subsequently (see Note 15). As a result of this adjustment, the basic EPS and diluted EPS after income tax in 2005 decreased from NT\$2.56 to NT\$2.38 and from NT\$2.53 to NT\$2.36, respectively.

20. FINANCIAL INSTRUMENTS

a. Fair values of financial instruments were as follows:

	<u>2006</u>		<u>2005</u>	
	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Carrying Value</u>	<u>Fair Value</u>
<u>Nonderivative instruments</u>				
Assets				
Financial assets at fair value through profit or loss (current and non-current portion)	\$ 342,633	\$ 342,633	\$ 1,747,567	\$ 1,747,567
Available-for-sale financial assets (current and non-current portion)	3,693,164	3,693,164	409,260	409,260
<u>Derivative instruments</u>				
Assets				
Financial assets for trading	519	519	-	-

Effective January 1, 2006, the Corporation adopted Statement of Financial Accounting Standards No. 34 - "Accounting Treatment for Financial Instruments." Before this change, certain derivative instruments were not recognized in the financial statements. The effect of this accounting change is disclosed in Note 3.

- b. Methods and assumptions used in determining fair values of financial assets and liabilities, based on quoted market prices or valuation techniques, were as follows:
 - 1) For cash and cash equivalents, notes and accounts receivable, other receivables, short-term bank loans, and notes and accounts payable, the carrying amounts reported in the balance sheets approximate their fair values because of their short maturities.
 - 2) Fair values of financial assets at fair value through profit or loss and available-for-sale financial assets are based on their quoted prices in active markets. For those instruments not traded in active markets, their fair values are determined using valuation techniques incorporating estimates and assumptions that are consistent with prevailing market conditions.
- c. Loss recognized for the changes in fair value of financial instruments using valuation techniques was \$3,012 thousand for the year ended December 31, 2006.
- d. As of December 31, 2006 and 2005, financial assets exposed to cash flow interest rate risk were \$1,004,179 thousand and \$775,350 thousand, respectively; financial assets exposed to fair value interest rate risk were \$2,731,989 thousand and \$4,394,750 thousand, respectively. As of December 31, 2006, financial liabilities exposed to fair value interest rate risk was \$277,057 thousand.
- e. Interest income arising from the financial assets other than the financial assets at fair value through profit or loss for the years ended December 31, 2006 and 2005 were \$66,110 thousand and \$69,353 thousand, respectively; interest expense arising from the financial assets other than the financial assets at fair value through profit or loss for the years ended December 31, 2006 and 2005 were \$16,395 thousand and \$5,933 thousand, respectively. The Company recognized an unrealized gain of \$70,296 thousand in shareholders' equity for the changes in fair value of available-for-sale financial assets for the year ended December 31, 2006.
- f. Financial risks
 - 1) Market risk. The financial instruments held by the Company are exposed to interest rate, foreign exchange rate and price risks.

Interest rates and foreign exchange rate on credit-linked deposits were already in determined. Thus, the fluctuation of interest rate and foreign exchange rate would result in changes in fair values of these financial instruments.

Fair values of inverse floaters are influenced by exchange rate fluctuations.

Fair values of held-for-trading and available-for-sale security investments are affected by fluctuations of quoted prices.

- 2) Credit risk. The Company will incur a loss if the counter-parties or third-parties breach the contracts, which are affected by such factors as the concentrations of counter parties, components of financial instruments, contract amounts, and the receivables on the contracts. Thus, contracts with positive fair values on the balance sheet date are evaluated for credit risk. As of December 31, 2006 and 2005, credit risks of the financial assets, except those approximate to their carrying values, were as follows:

	2006		2005	
	Carrying Amount	Credit Risk	Carrying Amount	Credit Risk
<u>Held-for-trading financial assets</u>				
Forward exchange contracts	\$ 519	\$ 519	\$ -	\$ -
<u>Financial assets designated at fair value through profit or loss</u>				
CLNs	192,997	192,997	459,562	459,562
Bond investment	<u>-</u>	<u>-</u>	<u>20,000</u>	<u>20,000</u>
	<u>\$ 193,516</u>	<u>\$ 193,516</u>	<u>\$ 479,562</u>	<u>\$ 479,562</u>

- 3) Liquidity risk. Investments in CLNs, inverse floaters and financial assets carried at cost do not have an active market. Thus, the liquidity risk of these investments is material. On the other hand, held-for-trading and available-for-sale security investments are expected to be settled readily at amounts approximating their fair values in active markets.

21. 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. Generalplus Technology Inc. ("Generalplus") - equity-method investee
- g. Sunplus Innovation Technology Inc. ("Sunplus Innovation") - 100% subsidiary
- h. Sunplus mMobile Inc. ("Sunplus mMobile") - 100% subsidiary
- i. Sunplus Technology (H.K.) Co., Ltd. ("Sunplus H.K.") - 100% subsidiary
- j. Orise Technology Co., Ltd. ("Orise") - 67% subsidiary
- k. Sunplus Technology (Shanghai) Co., Ltd. ("Sunplus Shanghai") - 99% indirect subsidiary
- l. Lin Shin Technology Co., Ltd. ("Lin Shin") - affiliate
- m. Kunshan Giantplus Optoelectronics Technology Co., Ltd. ("Kunshan Giantplus") - 100% indirect

Subsidiary of Generalplus

- n. Others - please refer to Note 26 for related parties that did not have business transactions with the Company in the current period.

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

	<u>2006</u>		<u>2005</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
<u>For the year</u>				
Sales:				
Generalplus	\$ 193,553	1	\$ 131,080	1
Orise	39,742	-	-	-
Giantplus	29,289	-	252,595	1
Sunext	22,258	-	22,171	-
Kunshan Giantplus	18,249	-	-	-
Waveplus	7,808	-	119,840	1
Global View	5,135	-	64,409	-
Lin Shih	2,380	-	-	-
Sunplus mMobile	2,339	-	-	-
Sunplus Innovation	911	-	-	-
Goldkey	-	-	7,240	-
	<u>\$ 321,664</u>	<u>1</u>	<u>\$ 597,335</u>	<u>3</u>

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

	<u>2006</u>		<u>2005</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Commission expense:				
Waveplus	\$ -	-	\$ 14,011	-

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

	<u>2006</u>		<u>2005</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Operating expense - market services expense and others:				
Sunplus H.K.	\$ 8,265	-	\$ 13,756	-
Orise	15	-	-	-
	<u>\$ 8,280</u>	<u>-</u>	<u>\$ 13,756</u>	<u>-</u>
Other receivables				
Sunplus mMobile	\$ 22,330	33	\$ -	-
Sunplus Innovation	8,806	13	-	-
Sunext	4,395	6	3,700	13
Global View	241	-	-	-
Lin Shin	16	-	-	-
Giantplus	-	-	1,609	5
Generalplus	-	-	420	1
	<u>\$ 35,788</u>	<u>52</u>	<u>\$ 5,729</u>	<u>19</u>

Nonoperating income and gains included rental income and support transaction prices that were negotiated

and thus not comparable with those in the market.

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

	2006		2005	
	Amount	%	Amount	%
Notes and accounts receivable:				
Orise	\$ 11,977	1	\$ -	-
Generalplus	5,071	-	17,795	-
Lin Shin	2,499	-	-	-
Sunplus mMobile	2,472	-	-	-
Sunplus Innovation	967	-	-	-
Waveplus	313	-	8,275	-
Sunext	75	-	457	-
Global View	12	-	5,452	-
Giantplus	-	-	36,347	1
	<u>\$ 23,386</u>	<u>1</u>	<u>\$ 68,326</u>	<u>2</u>
Other receivables				
Sunplus mMobile	\$ 22,330	10	\$ -	-
Goldkey	19,702	9	-	-
Sunplus Innovation	8,806	4	-	-
Sunext	295	-	-	-
Lin Shih	16	-	-	-
	<u>\$ 51,149</u>	<u>23</u>	<u>\$ -</u>	<u>-</u>
Other current liabilities:				
Waveplus	<u>\$ 73,500</u>	<u>8</u>	<u>\$ 204</u>	<u>-</u>
Deferred royalty income (including current and non-current portion)				
Sunext	<u>\$ 45,088</u>	<u>100</u>	<u>\$ 67,259</u>	<u>100</u>
Endorsement/guarantee provided:				
Orise	\$ 684,910		\$ -	
Sunplus mMobile	622,820		-	
Sunext	588,103		380,000	
Sunplus Shanghai	164,950		164,950	
Sunplus Innovation	147,510		-	
Waveplus	20,000		20,000	
Generalplus	-		62,995	
	<u>\$ 2,228,293</u>		<u>\$ 627,945</u>	

	<u>2006</u>	
	<u>Amount</u>	<u>%</u>
Properties and intangible assets:		
Proceeds of the disposal of properties:		
Orise	\$ 1,027	-
Generalplus	331	-
Sunplus mMobile	<u>16</u>	<u>-</u>
	<u>\$ 1,374</u>	<u>-</u>
Acquisition of intangible assets:		
Waveplus	<u>\$ 73,500</u>	<u>12</u>

The Company deferred the gain of \$212 thousand on the sale of a part of its holding of shares of Orise to Sunplus Venture Capital Co., Ltd. in 2006.

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
2007	\$ 7,522
2008	7,522
2009	7,522
2010	7,522
2011	7,522
2012 and thereafter	<u>53,849</u>
	<u>\$ 91,459</u>

23. GAIN ON SETTLEMENT COMPENSATION

In February 2003, the Company bought optoelectronic storage department of Oak Technology, Inc. (Oak Technology Inc. merged with Zoran Company) and acquired its related patent. Therefore, in the settlement of the patent authorization between Mediatek and Zoran, the Company and its subsidiary, Sunext, are able to use Mediatek Inc.'s patents of PC optoelectronic storage, Mediatek authorizing this using right of the patent to Zoran, and can obtain part of solatium.

24. DIVIDED SEGMENT INFORMATION

To increase its competitiveness and performance through organization restructuring and streamlining of operations, the Company spun off on March 31, 2006 its LCD driver and control IC department (the "department") to establish a subsidiary, Orise Technology Co. Ltd. ("Orise") and also spun off on December 1, 2006 the control peripheral business unit (CPBU) to establish a subsidiary, Sunplus Innovation Technology Inc. ("Sunplus Innovation"), and the personal entertainment and advanced BU (PEABU) to establish a subsidiary, Sunplus mMobile Inc. ("Sunplus mMobile"), in accordance with the Law of Enterprise Purchase. The department, CPBU and PEABU had book values of \$1,099,800 thousand, \$308,000 thousand and \$1,680,000 thousand, respectively.

The spun-off assets and liabilities amounted to \$4,269,952 thousand and \$1,182,152 thousand, respectively. The details are as follows:

	Orise	Sunplus Innovation	Sunplus mMobile	Total Amount
<u>Assets</u>				
Cash	\$ 100,000	\$ 60,000	\$ 150,000	\$ 310,000
Accounts receivable, net	509,109	179,330	594,472	1,282,911
Inventories	1,066,813	246,189	1,018,172	2,331,174
Other current assets	-	-	1,173	1,173
Properties, net	7,360	14,366	158,664	180,390
Intangible assets, net	-	17,328	146,976	164,304
	<u>1,683,282</u>	<u>517,213</u>	<u>2,069,457</u>	<u>4,269,952</u>
<u>Liabilities</u>				
Accounts payable	478,844	148,712	298,226	925,782
Other current liabilities	63,452	35,134	40,460	139,046
Accrued pension liability	41,089	25,367	50,771	117,227
Guarantee deposits	97	-	-	97
	<u>583,482</u>	<u>209,213</u>	<u>389,457</u>	<u>1,182,152</u>
Net assets	<u>\$ 1,099,800</u>	<u>\$ 308,000</u>	<u>\$ 1,680,000</u>	<u>\$ 3,087,800</u>

The sales, cost of sales, gross profit, operating income, net income and earnings per share of the spun-off entities in 2006 and 2005 were as follows:

	Three Months	
	Ended March 31, 2006	Year Ended December 31, 2005
<u>Orise</u>		
Net sales	\$ 942,343	\$ 2,870,022
Cost of sales	<u>(721,152)</u>	<u>(2,158,495)</u>
Gross profit	<u>\$ 221,191</u>	<u>\$ 711,527</u>
Operating income	<u>\$ 117,852</u>	<u>\$ 328,033</u>
Net income	<u>\$ 100,566</u>	<u>\$ 331,191</u>
Basic earnings per share (EPS)	<u>\$ 0.10</u>	<u>\$ 0.33</u>

	<u>Sunplus Innovation</u>		<u>Sunplus mMobile</u>	
	<u>Eleven Months Ended November 30, 2006</u>	<u>2005</u>	<u>Eleven Months Ended November 30, 2006</u>	<u>2005</u>
Net sales	\$ 1,808,164	\$ 910,468	\$ 3,799,598	\$ 5,078,706
Cost of sales	<u>(1,282,482)</u>	<u>(669,329)</u>	<u>(2,528,328)</u>	<u>(3,174,041)</u>
Gross profit	<u>\$ 525,682</u>	<u>\$ 241,139</u>	<u>\$ 1,271,270</u>	<u>\$ 1,904,665</u>
Operating income	<u>\$ 150,708</u>	<u>\$ (70,764)</u>	<u>\$ 50,188</u>	<u>\$ 637,937</u>
Net income	<u>\$ 140,039</u>	<u>\$ (69,762)</u>	<u>\$ 26,910</u>	<u>\$ 643,526</u>
EPS	<u>\$ 0.14</u>	<u>\$ (0.07)</u>	<u>\$ 0.03</u>	<u>\$ 0.64</u>

25. 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. Acquisition of individual real estate properties at costs of at least NT\$100 million or 20% of the paid-in capital: Table 4 (attached)
- e. Total purchase from or sale to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 5 (attached)
- f. Receivable from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Please see Table 6 (attached)
- g. Names, locations, and related information of investees on which the Company exercises significant influences: Table 7 (attached)
- h. Investment in Mainland China: Table 8 (attached)

26. SEGMENT INFORMATION

- a. Industry: Not applicable.
- b. Geographic information: Not applicable.

c. Export sales:

Area	2006	2005
Southeast Asia	\$ 13,758,310	\$ 12,572,367
Northeast Asia	287,260	328,512
Others	<u>334,449</u>	<u>418,985</u>
	<u>\$ 14,380,019</u>	<u>\$ 13,319,864</u>

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

Customer	<u>2006</u>		<u>2005</u>	
	Amount	%	Amount	%
A	\$ 3,249,984	19	\$ 2,903,533	15
B	3,008,560	18	2,200,947	12

SUNPLUS TECHNOLOGY COMPANY LIMITED

ENDORSEMENT/GUARANTEE PROVIDED

YEAR ENDED DECEMBER 31, 2006

(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	Orise Technology Co., Ltd	Equity-method investee	\$ 1,738,407 (Note 1)	\$ 684,910	\$ 684,910	\$ -	3.94%	\$ 3,476,815 (Note 2)
		Sunplus mMobile Inc.	Equity-method investee	1,738,407 (Note 1)	622,820	622,820	-	3.58%	3,476,815 (Note 2)
		Sunext Technology CO., Ltd.	Equity-method investee	1,738,407 (Note 1)	1,189,230	588,103	-	3.38%	3,476,815 (Note 2)
		Sunplus Technology (Shanghai) Co., Ltd.	Indirect subsidiary	1,738,407 (Note 1)	164,950	164,950	-	0.95%	3,476,815 (Note 2)
		Sunplus Innovation Technology Inc.	Equity-method investee	1,738,407 (Note 1)	147,510	147,510	-	0.85%	3,476,815 (Note 2)
		Waveplus Technology Co., Ltd.	Equity-method investee	1,738,407 (Note 1)	70,000	20,000	-	0.12%	3,476,815 (Note 2)
		Generalplus Technology Inc.	Equity-method investee	1,738,407 (Note 1)	65,260	-	-	-	3,476,815 (Note 2)

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

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

SUNPLUS TECHNOLOGY COMPANY LIMITED

MARKETABLE SECURITIES HELD

DECEMBER 31, 2006

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

Holding Company	Type and Issuer of Marketable Security	Relationship with the Holding Company	Financial Statement Account	December 31, 2006				Note
				Shares or Units (Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
Sunplus Technology Company Limited	<u>Stock</u>							
	Sunplus mMobile Inc.	Equity-method investee	Equity-method investment	120,000	\$ 1,648,899	100	\$ 1,648,899	Note 1
	Giantplus Technology Co., Ltd.	Equity-method investee	Equity-method investment	69,450	1,040,819	33	1,040,819	Note 1
	Orise Technology Co., Ltd.	Equity-method investee	Equity-method investment	69,355	927,842	67	927,842	Note 1
	Sunplus Venture Capital Co., Ltd.	Equity-method investee	Equity-method investment	100,000	672,601	100	672,601	Note 1
	Lin Shih Investment Co., Ltd.	Equity-method investee	Equity-method investment	70,000	486,902	100	486,902	Notes 1 and 5
	Russell Holdings Limited	Equity-method investee	Equity-method investment	19,260	474,783	100	474,783	Note 1
	Ventureplus Group Inc.	Equity-method investee	Equity-method investment	17,000	322,289	100	322,289	Note 1
	Generalplus Technology Inc.	Equity-method investee	Equity-method investment	17,911	307,992	48	307,992	Note 1
	Sunplus Innovation Technology Inc.	Equity-method investee	Equity-method investment	22,000	295,858	100	295,858	Note 1
	Goldkey Technology Corp.	Equity-method investee	Equity-method investment	4,598	24,440	15	24,440	Notes 1
	Wei-Young Investment Inc.	Equity-method investee	Equity-method investment	1,400	12,946	100	12,946	Note 1
	Global Techplus Inc. (Techplus Capital Niue Inc.)	Equity-method investee	Equity-method investment	200	6,321	100	6,321	Note 1
	Sunplus Management Consulting Inc.	Equity-method investee	Equity-method investment	500	4,317	100	4,317	Note 1
	Waveplus Technology Co., Ltd.	Equity-method investee	Equity-method investment	2,856	2,478	10	2,478	Note 1
	Sunext Technology Co., Ltd.	Equity-method investee	Equity-method investment	12,600	2,126	16	2,126	Note 1
	Sunplus Technology (H.K.) Co., Ltd.	Equity-method investee	Equity-method investment	11,075	1,318	100	1,318	Note 1
	Electric Energy Application Technology Inc.	Equity-method investee	Equity-method investment	9,600	-	24	-	Note 1
	Credit-link note issued by the Industrial Bank of Taiwan	-	-	-	192,997	-	192,997	
	Inverse floaters issued by Citi Bank	-	-	-	149,636	-	149,636	
	Global View Co., Ltd.	The Company's supervisor	Available-for-sale financial assets	13,568	227,936	10	227,936	Note 3
	Harvatek Corp.	-	Available-for-sale financial assets	4,533	170,211	3	170,211	Note 3
	United Microelectronics Corp.	-	Available-for-sale financial assets	2,701	54,691	-	54,691	Note 3
	RITEK Corp.	The Company's director	Available-for-sale financial assets	5,000	47,746	-	47,746	Note 3
	WPG Holding Limited	-	Available-for-sale financial assets	1,076	19,315	-	19,315	Note 3
	Network Capital Global Fund	-	Financial assets carried at cost	3,333	33,333	7	33,333	Note 2
	Alpha Imaging Technology Corporation	-	Financial assets carried at cost	2,658	32,993	8	32,993	Note 2
	Technology Partners Venture Capital Corp.	-	Financial assets carried at cost	3,150	31,500	11	31,500	Note 2
	Quality Test System Inc.	-	Financial assets carried at cost	648	-	2	-	Note 2
	<u>Fund</u>							
	ABN AMRO Taiwan Bond Fund	-	Available-for-sale financial assets	37,626	567,000	-	567,000	Note 6
	Cathay Bond	-	Available-for-sale financial assets	46,226	533,000	-	533,000	Note 6
Ta Chong Bond	-	Available-for-sale financial assets	40,236	524,000	-	524,000	Note 6	
Jan-Ho Taiwan Bond Fund	-	Available-for-sale financial assets	32,366	456,000	-	456,000	Note 6	

(Continued)

Holding Company	Type and Issuer of Marketable Security	Relationship with the Holding Company	Financial Statement Account	December 31, 2006				Note
				Shares or Units (Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
	Truswell Bond Fund	-	Available-for-sale financial assets	20,799	\$ 265,000	-	\$ 265,000	Note 6
	TLAM Solomon Bond Fund	-	Available-for-sale financial assets	19,895	232,000	-	232,000	Note 6
	President James Bond	-	Available-for-sale financial assets	10,371	160,000	-	160,000	Note 6
	Prudential Financial Bond Fund	-	Available-for-sale financial assets	10,948	160,000	-	160,000	Note 6
	Tasihin Lucky Fund	-	Available-for-sale financial assets	12,188	125,000	-	125,000	Note 6
	NITC Europe Dynamic Blanced Fund	-	Available-for-sale financial assets	5,000	51,202	-	51,202	Note 6
	Capital Cash Reserves	-	Available-for-sale financial assets	4,270	50,043	-	50,043	Note 6
	INGCHB Taiwan Bond	-	Available-for-sale financial assets	4,258	50,020	-	50,020	Note 6
Orise Technology Co. Ltd.	Cathay Soaring Eagle Bond Fund	-	Available-for-sale financial assets	3,694	40,032	-	40,032	Note 6
	Cathay Bond	-	Available-for-sale financial assets	2,604	30,024	-	30,024	Note 6
	NITC Bond	-	Available-for-sale financial assets	243	40,030	-	40,030	Note 6
	Prudential Financial Bond Fund	-	Available-for-sale financial assets	2,191	32,020	-	32,020	Note 6
	Capital Cash Reserves	-	Available-for-sale financial assets	427	5,007	-	5,007	Note 6
Sunplus Venture Capital Co., Ltd.	<u>Stock</u>							
	Joining Technology Co., Ltd.	Equity-method investee	Equity-method investment	3,400	-	39	-	Note 1
	Waveplus Technology Co., Ltd.	Equity-method investee	Equity-method investment	4,271	3,707	14	3,707	Note 1
	Sunext Technology Co., Ltd.	Equity-method investee	Equity-method investment	16,000	2,699	20	2,699	Note 1
	Han Young Technology Co., Ltd.	Equity-method investee	Equity-method investment	420	1,780	70	1,780	Note 1
	Generalplus Technology Inc.	Equity-method investee	Equity-method investment	1,872	32,182	5	32,182	Note 1
	Orise Technology Co., Ltd.	Equity-method investee	Equity-method investment	800	11,270	1	11,270	Note 1
	Taiwan Nano Electro-Optical Technology Co., Ltd.	-	Available-for-sale financial assets	3,915	153,478	3	153,478	Note 3
	King Yuan Electronics Co., Ltd.	-	Available-for-sale financial assets	2,108	57,346	-	57,346	Note 3
	AIPTEK International Inc.	-	Available-for-sale financial assets	1,841	14,910	1	14,910	Note 3
	Ability Enterprise Co., Ltd.	-	Available-for-sale financial assets	3,363	82,732	1	82,732	Note 3
	Elite Advanced Laser Corp.	-	Available-for-sale financial assets	381	10,602	-	10,602	Note 3
	eWave System, Inc.	-	Financial assets carried at cost	1,833	-	22	-	Note 2
	Softchina Venture Capital Corp.	-	Financial assets carried at cost	407	4,073	8	4,073	Note 2
	Simple Act Inc.	-	Financial assets carried at cost	1,900	19,000	19	19,000	Note 2
	VenGlobal International Fund	-	Financial assets carried at cost	500	11,284	3	11,284	Note 2
	Cyberon Corporation	-	Financial assets carried at cost	780	13,691	19	13,691	Note 2
	WayTech Development Inc.	-	Financial assets carried at cost	1,000	10,000	4	10,000	Note 2
	Miracle Technology Co., Ltd.	-	Financial assets carried at cost	1,303	14,025	9	14,025	Note 2
	Feature Integration Technology Inc.	-	Financial assets carried at cost	3,950	51,750	14	51,750	Note 2
	Radiant Innovation Inc.	-	Financial assets carried at cost	573	11,460	5	11,460	Note 2
	Chiabon Venture Capital Co., Ltd.	-	Financial assets carried at cost	5,000	50,000	5	50,000	Note 2
	Socle Technology Corp.	-	Financial assets carried at cost	550	13,750	2	13,750	Note 2
	MaxEmil Photonics Corp.	-	Financial assets carried at cost	598	14,280	2	14,280	Note 2
	Smec Media & Entertainment Corp.	-	Financial assets carried at cost	2,000	20,000	7	20,000	Note 2
	Minton Optic Industry Co., Ltd.	-	Financial assets carried at cost	5,000	75,000	8	75,000	Note 2
	Capella Micro System, Inc.	-	Financial assets carried at cost	630	9,450	3	9,450	Note 2
Lin Shih Investment Co., Ltd.	<u>Stock</u>							
	Goldkey Technology Corp.	Equity-method investee	Equity-method investment	5,040	26,799	17	26,799	Note 1
	Waveplus Technology Co., Ltd.	Equity-method investee	Equity-method investment	5,742	4,983	19	4,983	Note 1
	Sunext Technology Co., Ltd.	Equity-method investee	Equity-method investment	17,332	2,924	22	2,924	Note 1

(Continued)

Holding Company	Type and Issuer of Marketable Security	Relationship with the Holding Company	Financial Statement Account	December 31, 2006				Note
				Shares or Units (Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
	Generalplus Technology Inc.	Equity-method investee	Equity-method investment	8,111	\$ 139,475	22	\$ 139,475	Note 1
	Sunplus Technology Company Limited	Parent company	Available-for-sale financial assets	6,450	256,404	1	256,404	Note 3
	Ability Enterprise co., Ltd	-	Available-for-sale financial assets	4,687	115,309	1	115,309	Note 3
	Taiwan Cellular Corp.	-	Available-for-sale financial assets	275	9,286	-	9,286	Note 3
	WPG Holding Limited	-	Available-for-sale financial assets	240	4,307	-	4,307	Note 3
	RITEK Corp.	The Company's director	Available-for-sale financial assets	833	7,958	-	7,958	Note 3
	Elite Advanced Laser Corp.	-	Available-for-sale financial assets	1,907	53,009	2	53,009	Note 3
	AIPTEK International Inc.	-	Available-for-sale financial assets	313	2,533	-	2,533	Note 3
	Taiwan Nano Electro-Optical Technology Co., Ltd.	-	Available-for-sale financial assets	907	35,573	1	35,573	Note 3
	Minton Optic Industry Co., Ltd.	-	Financial assets carried at cost	4,272	79,643	7	79,643	Note 2
	NCTU Spring Venture Capital Co., Ltd.	-	Financial assets carried at cost	2,000	20,000	6	20,000	Note 2
	GemFor Tech. Co., Ltd.	-	Financial assets carried at cost	831	10,685	6	10,685	Note 2
	MaxEmil Photonics Corporation	-	Financial assets carried at cost	609	10,100	2	10,100	Note 2
	WayTech Development Inc.	-	Financial assets carried at cost	1,500	15,000	5	15,000	Note 2
	Miracle Technology Co., Ltd.	-	Financial assets carried at cost	1,295	13,940	9	13,940	Note 2
	Radiant Innovation Inc.	-	Financial assets carried at cost	1,200	13,903	10	13,903	Note 2
	Socle Technology Corp.	-	Financial assets carried at cost	250	6,250	1	6,250	Note 2
	Glokie Technology Corp.	-	Financial assets carried at cost	2,300	23,000	16	23,000	Note 2
Russell Holdings Limited	<u>Stock</u>							
	Jet Focus Limited	Equity-method investee	Equity-method investment	4,794	US\$ 204 thousand	44	US\$ 204 thousand	Note 1
	Synerchip Co., Ltd.	Equity-method investee	Other current liabilities	700	US\$ (178) thousand	32	US\$ (178) thousand	Note 4
	Shang-Hai Fudan Microelectronics Company Limited	-	Available-for-sale financial assets	7,280	US\$ 403 thousand	-	US\$ 403 thousand	Note 3
	InveStar Excelsus Venture Capital (Int'l), Inc., LDC	-	Financial assets carried at cost	1,488	US\$ 1,139 thousand	-	US\$ 1,139 thousand	Note 2
	OZ Optics Ltd.	-	Financial assets carried at cost	1,000	US\$ 500 thousand	8	US\$ 500 thousand	Note 2
	Aicent, Inc.	-	Financial assets carried at cost	1,000	US\$ 500 thousand	2	US\$ 500 thousand	Note 2
	Ortega InfoSystem, Inc.	-	Financial assets carried at cost	2,557	US\$ 1,000 thousand	-	US\$ 1,000 thousand	Note 2
	Asia B2B on line Inc.	-	Financial assets carried at cost	1,000	US\$ 1,000 thousand	3	US\$ 1,000 thousand	Note 2
	Asia Tech Taiwan Venture Fund	-	Financial assets carried at cost	-	US\$ 3,000 thousand	5	US\$ 3,000 thousand	Note 2
	Ether Precision Inc.	-	Financial assets carried at cost	1,250	US\$ 500 thousand	3	US\$ 500 thousand	Note 2
	Innobrige Venture Fund ILP	-	Financial assets carried at cost	-	US\$ 1,200 thousand	-	US\$ 1,200 thousand	Note 2
Ventureplus Group Inc.	<u>Stock</u>							
	Ventureplus Mauritius Inc.	Subsidiary of Ventureplus Group Inc.	Equity-method investment	-	US\$ 9,894 thousand	100	US\$ 9,894 thousand	Note 1

(Continued)

Holding Company	Type and Issuer of Marketable Security	Relationship with the Holding Company	Financial Statement Account	December 31, 2006				Note
				Shares or Units (Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
Ventureplus Mauritius Inc.	<u>Stock</u> Ventureplus Cayman Inc.	Subsidiary of Ventureplus Mauritius Inc.	Equity-method investment	-	US\$ 9,897 thousand	100	US\$ 9,897 thousand	Note 1
Ventureplus Cayman Inc.	<u>Stock</u> Sunplus Technology (Shanghai) Co., Ltd.	Subsidiary of Ventureplus Cayman Inc.	Equity-method investment	-	US\$ 9,868 thousand	99	US\$ 9,868 thousand	Note 1
Sunplus Technology (Shanghai) Co., Ltd	Cmfchina Fund	-	Available-for-sale financial assets	14,770	RMB 14,770 thousand	-	RMB 14,770 thousand	
Wei-Young Investment Inc.	UNIWILL Co., Ltd.	-	Available-for-sale financial assets	500	\$ 10,900	-	\$ 10,900	Note 3
Generalplus Technology Inc.	<u>Stock</u> Generalplus International Samoa Inc.	Subsidiary of Generalplus Technology Inc.	Equity-method investment	700	3,423	100	3,423	Note 1
Generalplus International (Samoa) Inc.	<u>Stock</u> Generalplus (Mauritius) Inc.	Subsidiary of Generalplus International (Samoa) Inc.	Equity-method investment	700	US\$ 105 thousand	100	US\$ 105 thousand	Note 1
Generalplus (Mauritius) Inc.	<u>Stock</u> Generalplus Technology (Shenzhen) Co., Ltd.	Subsidiary of Generalplus (Mauritius) Inc.	Equity-method investment	700	US\$ 105 thousand	100	US\$ 105 thousand	Note 1
Global Techplus Capital Inc.	<u>Stock</u> Techplus Capital Samoa Inc.	Subsidiary of Global Techplus capital Inc.	Equity-method investment	-	US\$ 146 thousand	100	US\$ 146 thousand	Note 1
Techplus Samoa Inc.	Techplus Belize Inc.	-	Financial assets carried at cost	-	US\$ 150 thousand	4	US\$ 150 thousand	Note 2
Waveplus Technology Co., Ltd.	<u>Stock</u> Waveplus Holding Ltd.	Subsidiary of Waveplus Technology Co., Ltd.	Equity-method investment	-	2,067	100	2,067	Note 1
Waveplus Holding Ltd.	<u>Stock</u> Waveplus Design, Inc.	Subsidiary of Waveplus Holding Ltd.	Equity-method investment	-	US\$ 65 thousand	100	US\$ 65 thousand	Note 1
Sunext Technology Co., Ltd.	<u>Stock</u> Great Sun Corp.	Subsidiary of Sunext Technology Co., Ltd.	Equity-method investment	-	32,310	100	32,310	Note 1
Great Sun Corp.	<u>Stock</u> Sunext Design Inc.	Subsidiary of Great Sun Corp.	Equity-method investment	-	US\$ 792 thousand	100	US\$ 792 thousand	Note 1

(Continued)

Holding Company	Type and Issuer of Marketable Security	Relationship with the Holding Company	Financial Statement Account	December 31, 2006				Note
				Shares or Units (Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
Sunext Mauritius Inc.	Sunext (Mauritius) Inc.	Subsidiary of Great Sun Corp.	Equity-method investment	-	US\$ 194 thousand	100	US\$ 194 thousand	Note 1
	<u>Stock</u> Sunext Technology (Shanghai) Co., Ltd.	Subsidiary of Sunext Mauritius Inc.	Equity-method investment	-	US\$ 194 thousand	100	US\$ 194 thousand	Note 1

Note 1: The net asset value was based on unaudited financial data as of December 31, 2006.

Note 2: The market value was based on carrying value as of December 31, 2006.

Note 3: The market value was based on the closing price as of December 31, 2006.

Note 4: The credit balance on the carrying value of the equity-method investment is reported as other current liabilities.

Note 5: The investment carrying value excluded the carrying value of \$95,605 thousand of the shares of Sunplus Technology Company Limited held by its subsidiary.

Note 6: The market value was based on the net asset value of fund as of December 31, 2006.

Note 7: As of December 31, 2006, the above marketable securities, except the carrying value \$238,500 of the Sunplus Technology Company Limited holding by Lin Shih Investment Co., Ltd., had not been pledged or mortgaged. (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, 2006

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

Company Name	Type and Issuer Name of Marketable Security	Financial Statement Account	Beginning Balance		Acquisition		Disposal				Ending Balance	
			Units (Thousands)	Amount	Units (Thousands)	Amount	Unit (Thousands)	Amount	Carrying Value	Gain (Loss) on Disposal	Unit (Thousands)	Amount
Sunplus Technology Company Limited	Orise Technology Co., Ltd.	Equity investments	100	\$ 1,000	95,805	\$ 1,175,265	26,550	\$ 357,350	\$ 349,377	\$ 7,973	69,355	\$ 972,842
	Sunplus mMobile Inc.	Equity investments	-	-	120,000	1,680,000	-	-	-	-	120,000	1,648,899
	Sunplus Innovation Inc.	Equity investments	-	-	22,000	308,000	-	-	-	-	22,000	295,858
	Credit Link Note issued by Chinatrust commercial Bank	Financial assets at fair value through profit or loss	-	-	-	300,000	-	301,381	300,000	1,381	-	-
	Credit Link Note issued by Citibank	Financial assets at fair value through profit or loss	-	-	-	260,000	-	261,977	261,036	941	-	-
	NAM short-term investment	Financial assets at fair value through profit or loss	1,837	839,866	-	-	1,837	830,330	839,866	(9,536)	-	-
	Prudential Financial Bond Fund	Financial assets at fair value through profit or loss	-	-	14,553	211,000	14,553	211,537	211,000	537	-	-
	Jan-Ho Taiwan Bond Fund	Financial assets at fair value through profit or loss	14,627	203,318	48,626	677,690	63,253	883,088	881,008	2,080	-	-
	NITC Bond	Financial assets at fair value through profit or loss	-	-	1,695	277,000	1,695	277,712	277,000	712	-	-
	Fuh Hwa Bond	Financial assets at fair value through profit or loss	2,466	32,428	10,479	139,000	12,945	171,839	171,428	411	-	-
	Tasihin Lucky Fund	Financial assets at fair value through profit or loss	-	-	27,895	284,000	27,895	284,936	284,000	936	-	-
	President James Bond	Financial assets at fair value through profit or loss	-	-	22,209	340,684	22,209	341,369	340,684	685	-	-
	Ta Chong Bond	Financial assets at fair value through profit or loss	-	-	45,629	591,038	45,629	592,075	591,038	1,037	-	-
	Truswell Bond Fund	Financial assets at fair value through profit or loss	-	-	44,968	570,750	44,968	571,500	570,750	750	-	-
	Fuhwa Commercial Bank Money Market Common Trust Fund	Financial assets at fair value through profit or loss	-	-	22,600	230,000	22,600	230,478	230,000	478	-	-
	Polaris De-Bao Fund	Financial assets at fair value through profit or loss	-	-	26,346	290,000	26,346	290,727	290,000	727	-	-
	JF (Taiwan) Bond Fund	Financial assets at fair value through profit or loss	-	-	10,689	162,000	10,689	162,418	162,000	418	-	-
	Fuhwa APEX Bond Fund	Financial assets at fair value through profit or loss	-	-	24,291	285,000	24,291	285,615	285,000	615	-	-
	ABN AMRO Tainan Bond Fund	Financial assets at fair value through profit or loss	-	-	39,334	590,308	39,334	590,616	590,308	308	-	-
	TLAM Solmon Bond Fund	Financial assets at fair value through profit or loss	-	-	31,845	370,037	31,845	370,074	370,037	37	-	-
	Prudential Financial Bond Fund	Available-for-sale financial assets	-	-	35,621	520,000	24,673	360,382	360,000	382	10,948	160,000
	Jan-Ho Taiwan Bond Fund	Available-for-sale financial assets	-	-	68,419	962,396	36,053	507,785	506,396	1,389	32,366	456,000
	Tasihin Lucky Fund	Available-for-sale financial assets	-	-	24,399	250,000	12,211	125,243	125,000	243	12,188	125,000
President James Bond	Available-for-sale financial assets	-	-	20,816	320,684	10,445	161,138	160,684	454	10,371	160,000	
Ta Chong Bond	Available-for-sale financial assets	-	-	80,585	1,048,037	40,349	525,484	524,037	1,447	40,236	524,000	
Truswell Bond Fund	Available-for-sale financial assets	-	-	43,283	550,750	22,484	286,472	285,750	722	20,799	265,000	
ABN AMRO Taiwan Bond Fund	Available-for-sale financial assets	-	-	75,350	1,134,308	37,724	568,472	567,308	1,164	37,626	567,000	
TLAM Solomon Bond Fund	Available-for-sale financial assets	-	-	47,165	549,037	27,270	317,849	317,037	812	19,895	232,000	
Cathay Bond	Available-for-sale financial assets	-	-	92,576	1,066,000	46,350	534,424	533,000	1,424	46,226	533,000	
Sunplus Venture Capital Co., Ltd.	Sunext Technology Co., Ltd.	Equity investments	6,500	19,264	9,500	108,999	-	-	-	-	16,000	16,699
	Young Tek Electronics Corp.	Available-for-sale financial assets	1,344	92,051	117	-	1,461	104,516	92,051	12,465	-	-

Generalplus Technology Inc.	Dresdner ADAM Bond Fund	Available-for-sale financial assets	-	-	25,608	295,000	25,608	295,616	295,000	616	-	-
	President James Bond	Available-for-sale financial assets	-	-	8,079	124,000	8,079	124,202	124,000	202	-	-
	The Wan Pao Bon Fund	Available-for-sale financial assets	-	-	10,486	159,000	10,486	159,142	159,000	142	-	-
	President Home Run	Available-for-sale financial assets	-	-	7,273	101,000	7,273	101,240	101,000	240	-	-

Note: Includes the equity-method investment income, cumulative translation adjustments and the valuation gains (losses) on financial assets.

SUNPLUS TECHNOLOGY COMPANY LIMITED

ACQUISITION OF INDIVIDUAL REAL ESTATES AT COSTS OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

FOR THE YEAR ENDED DECEMBER 31, 2006

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

Company Name	Type of Property	Transaction Date	Transaction Amount	Payment Term	Counter-party	Nature of Relationship	Prior Transaction of Related Counter-party				Price Reference	Purpose of Proceeds	Purpose of Acquisition	Other Terms
							Owner	Relationship	Transfer Date	Amount				
Sunplus Technology (shanghai) Co., Ltd.	Buildings	September 30, 2006	\$ 361,384	Amounted to 93% had pay	ZheJiang XingRun Construction Co., Ltd. and etc.	-	N/A	N/A	N/A	N/A	Negotiated	-	Manufacturing purposes	Construction of buildings

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

FOR THE YEAR ENDED DECEMBER 31, 2006

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

Company	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	Generalplus Technology Inc.	Equity-method investee	Sale	\$ 193,554	1%	Net 45 days from monthly closing dates in principle.	Note	Note	\$ 5,071	-	-
Orise Technology Co., Ltd	AU Optronics (Labuan) Corporation	Subsidiary of AU Optronics Corp.	Sale	1,019,821	36%	Net 120 days from monthly closing dates in principle.	Note	Note	638,639	48	-
	AU Optronics Corp.	An equity-method investor of Orise Technology Co., Ltd	Sale	136,326	5%	Net 120 days from monthly closing dates in principle.	Note	Note	126,731	9	-
	Kunshan Giantplus Optoelectronics Technology Co., Ltd.	Subsidiary of Giantplus Technology Co., Ltd.	Sale	115,785	4%	Net 45 days from monthly closing dates in principle.	Note	Note	75,513	6	-

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

SUNPLUS TECHNOLOGY COMPANY LIMITED

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

DECEMBER 31, 2006

(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		
Orise Technology Co. Ltd.	AU Optronics (Labuan) Corporation	Subsidiary of AU Optronics Corp.	\$ 638,639	3.19	\$ -	-	\$ 114,112	\$ -
	Tech-well Shanghai display Co., Ltd	100% indirect subsidiary of AU Optronics Corp.	138,317	-	9,696	-	-	485
	AU Optronics Corp.	An equity-method investor of Orise Technology Co. Ltd.	126,731	2.15	-	-	-	-

SUNPLUS TECHNOLOGY COMPANY LIMITED

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCES
 YEAR ENDED DECEMBER 31, 2006
 (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, 2006			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				December 31, 2006	December 31, 2005	Shares (Thousands)	Percentage of Ownership	Carrying Value			
Sunplus Technology Company Limited	Sunplus mMobile Inc.	Hsinchu Taiwan	Design and sale of ICS	\$ 1,680,000	\$ -	120,000	100	\$ 1,648,899	\$ (31,101)	\$ (31,101)	Subsidiary
	Giantplus Technology Co., Ltd.	Tofen Chen, Miaoli, Taiwan	Manufacture of TN/STN LCDs and LCD modules	645,334	660,220	69,450	33	1,040,819	521,515	174,904	Investee
	Orise Technology Co., Ltd.	Hsinchu, Taiwan	Design of ICS	852,046	1,000	69,355	67	972,842	176,275	144,797	Subsidiary
	Sunplus Venture Capital Co., Ltd.	Hsinchu, Taiwan	Investment	999,982	999,940	100,000	100	672,601	(28,546)	(28,518)	Subsidiary
	Lin Shih Investment Co., Ltd.	Hsinchu, Taiwan	Investment	699,988	699,940	70,000	100	486,902	(45,248)	(57,477)	Subsidiary
	Russell Holdings Limited	Cayman Islands, British West Indies.	Investment	646,610	646,610	19,260	100	474,783	(6,569)	(6,569)	Subsidiary
	Ventureplus Group Inc.	Belize	Investment	570,808	570,808	17,000	100	322,289	(85,718)	(85,718)	Subsidiary
	Generalplus Technology Inc.	Hsinchu, Taiwan	Design of ICs	146,000	146,000	17,911	48	307,992	253,459	128,919	Investee
	Sunplus Innovation Technology Inc.	Hsinchu, Taiwan	Design and sale of ICS	308,000	-	22,000	100	295,858	(12,142)	(12,142)	Subsidiary
	Goldkey Technology Corp.	Hsinchu, Taiwan	Design of ICs	32,836	52,538	4,598	15	24,440	(37,972)	(5,833)	Investee
	Wei-Young Investment Inc.	Taipei, Taiwan	Investment	14,000	20,000	1,400	100	12,946	926	926	Subsidiary
	Global Techplus Capital Inc. (Techplus Capital Niue Inc.)	Niue	Investment	6,896	6,896	200	100	6,321	(215)	(215)	Subsidiary
	Sunplus Management Consulting Inc.	Hsinchu, Taiwan	Investment	5,000	5,000	500	100	4,317	(101)	(101)	Subsidiary
	Waveplus Technology Co., Ltd.	Taipei, Taiwan	Design and sale of ICs	31,272	31,272	2,856	10	2,478	16,977	1,616	Investee
	Sunext Technology Co., Ltd.	Hsinchu, Taiwan	Design and sale of ICs	126,000	96,000	12,600	16	2,126	(505,287)	(97,250)	Investee
	Sunplus Technology (H.K.) Co., Ltd.	Kowloon Bay, Hong Kong	International trade	41,616	41,616	11,075	100	1,318	(124)	124	Subsidiary
	Electric Energy Application Technology Inc.	Hsinchu, Taiwan	Design and manufacture of environmental - friendly batteries	103,200	103,200	9,600	24	-	-	-	Investee
Sunplus Venture capital Co., Ltd.	Joining Technology Co., Ltd.	Hsinchu, Taiwan	Design of ICs	51,000	51,000	3,400	39	-	-	-	Investee
	Waveplus Technology Co., Ltd.	Taipei, Taiwan	Design and Sale of ICs	74,869	74,809	4,271	14	3,707	16,977	2,418	Investee
	Sunext Technology Co., Ltd.	Hsinchu, Taiwan	Design and sale of ICs	360,000	265,000	16,000	20	2,699	(505,287)	(77,737)	Investee
	Han Young Technology Co., Ltd.	Taipei, Taiwan	Design of ICs	4,200	4,200	420	70	1,780	-	-	Subsidiary
	Generalplus Technology Inc.	Hsinchu, Taiwan	Design of ICs	15,000	15,000	1,872	5	32,182	253,459	13,469	Investee
	Orise Technology Co., Ltd.	Hsinchu, Taiwan	Design of ICs	10,800	-	800	1	11,270	176,275	407	Investee
Lin Shih Investment Co., Ltd.	Goldkey Technology Corp.	Hsinchu, Taiwan	Design of ICs	26,400	48,000	5,040	17	26,799	(37,972)	(6,395)	Investee
	Waveplus Technology Co., Ltd.	Taipei, Taiwan	Design and sale of ICs	90,178	90,178	5,742	19	4,983	16,977	3,249	Investee
	Sunext Technology Co., Ltd.	Hsinchu, Taiwan	Design and sale of ICs	369,316	305,365	17,332	22	2,924	(505,287)	(115,529)	Investee
	Generalplus Technology Inc.	Hsinchu, Taiwan	Design of ICs	65,000	65,000	8,111	22	139,475	253,459	58,384	Investee
Russell Holdings Limited	Jet Focus Limited	Cayman Islands, British West Indies	Investment	US\$ 6,050 thousand	US\$ 6,050 thousand	4,794	44	US\$ 204 thousand	US\$ (3,620) thousand	US\$ (1,594) thousand	Investee
	Synerchip Co., Ltd.	Cayman Islands, British West Indies	Investment	US\$ 2,050 thousand	US\$ 700 thousand	700	32	US\$ (178) thousand	US\$ (1,843) thousand	US\$ (587) thousand	Investee
Ventureplus Group Inc.	Ventureplus Mauritius Inc.	Belize	Investment	US\$ 17,000 thousand	US\$ 17,000 thousand	-	100	US\$ 9,894 thousand	US\$ (2,632) thousand	US\$ (2,632) thousand	Subsidiary
Ventureplus Mauritius Inc.	Ventureplus Cayman Inc.	Cayman Islands, British West Indies	Investment	US\$ 17,000 thousand	US\$ 17,000 thousand	-	100	US\$ 9,897 thousand	US\$ (2,631) thousand	US\$ (2,631) thousand	Subsidiary
Ventureplus Cayman Inc.	Sunplus Technology (Shanghai) Co., Ltd.	Shanghai, China	Design, manufacture and sale of ICs.	US\$ 17,000 thousand	US\$ 17,000 thousand	-	99	US\$ 9,868 thousand	US\$ (2,628) thousand	US\$ (2,628) thousand	Subsidiary

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2006			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				December 31, 2006	December 31, 2005	Shares (Thousands)	Percentage of Ownership	Carrying Value			
Generalplus Technology Inc.	Generalplus International (SAMOA) INC	SAMOA	Investment	US\$ 700 thousand	US\$ 700 thousand	-	100	\$ 3,423	\$ (11,812)	\$ (11,812)	Subsidiary
Generalplus International (SAMOA) Inc.	Generalplus (Mauritius) Inc.	Mauritius	Investment	US\$ 700 thousand	US\$ 700 thousand	-	100	US\$ 105 thousand	US\$ (363) thousand	US\$ (363) thousand	Subsidiary
Generalplus (Mauritius) Inc.	Sunplus Technology (Shenzhen) Co.	Shenzhen, China	After-care services	US\$ 700 thousand	US\$ 700 thousand	-	100	US\$ 105 thousand	US\$ (363) thousand	US\$ (363) thousand	Subsidiary
Global Techplus Capital Inc.	Techplus Capital Samoa Inc.	Samoa	Investment	US\$ 150 thousand	US\$ 150 thousand	-	100	US\$ 146 thousand	US\$ (4) thousand	US\$ (4) thousand	Subsidiary
Waveplus Technology Co., Ltd.	Waveplus Holding Ltd.	Mauritius	Investment	17,205	17,205	-	100	2,067	1	1	Subsidiary
Waveplus Holding Ltd.	Waveplus Design, Inc.	U.S.A.	Design of WLANs	17,205	17,205	-	100	US\$ 65 thousand	-	-	Subsidiary
Sunext Technology Co., Ltd.	Great Sun Corp.	SAMOA	Investment	54,449	44,684	-	100	32,310	(4,285)	(4,285)	Subsidiary
Great Sun Corp.	Sunext Design, Inc.	U.S.A.	Design of ICs	US\$ 1,000 thousand	US\$ 1,000 thousand	-	100	US\$ 792 thousand	US\$ 107 thousand	US\$ 107 thousand	Subsidiary
Great Sun Corp.	Sunext (Mauritius) Inc.	Mauritius	Investment	US\$ 600 thousand	US\$ 300 thousand	-	100	US\$ 194 thousand	US\$ (239) thousand	US\$ (239) thousand	Subsidiary
Sunext (Mauritius) Inc.	Sunext Technology (Shanghai) Co., Ltd	Shanghai, China	Design of software	US\$ 600 thousand	US\$ 300 thousand	-	100	US\$ 194 thousand	US\$ (239) thousand	US\$ (239) thousand	Subsidiary

(Concluded)

SUNPLUS TECHNOLOGY COMPANY LIMITED

INVESTMENT IN MAINLAND CHINA

YEAR ENDED DECEMBER 31, 2006

(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, 2006	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2006	% Ownership of Direct or Indirect Investment	Investment Loss	Carrying Value as of December 31, 2006	Accumulated Inward Remittance of Earnings as of December 31, 2006	Accumulated Investment in Mainland China as of December 31, 2006	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\$17,000 thousand	Indirect	US\$17,000 thousand	-	\$ -	US\$17,000 thousand	99	US\$(2,628) thousand	US\$9,868 thousand	\$ -	US\$17,000 thousand	US\$17,000 thousand	\$4,976,814

7.5 Consolidated Financial Statements

REPRESENTATION LETTER

The entities to be included in the combined financial statements of Sunplus Technology Company Limited as of and for the year ended December 31, 2006, 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 Limited and Subsidiaries did not prepare a separate set of combined financial statements.

Very truly yours,

SUNPLUS TECHNOLOGY COMPANY LIMITED

By

CHOU-CHYE HUANG
Chairman

February 1, 2007

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Sunplus Technology Company Limited

We have audited the accompanying consolidated balance sheets of Sunplus Technology Company Limited and subsidiaries (the Company) as of December 31, 2006 and 2005, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Sunplus Technology Company Limited and subsidiaries as of December 31, 2006 and 2005, and the results of their operations and their cash flows for the years then ended in conformity with Guidelines Governing the Preparation of Financial Reports by Securities Issuers, requirements of the Business Accounting Law and Guidelines Governing Business Accounting relevant to financial accounting standards, and accounting principles generally accepted in the Republic of China.

As disclosed in Note 3 to the accompanying consolidated financial statements, effective January 1, 2006, the Company adopted the recently released Statements of Financial Accounting Standards (“Statements”) No. 34 - “Accounting for Financial Instruments” and No. 36 - “Disclosure and Presentation of Financial Instruments” and related revisions of previously released Statements.

February 1, 2007

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, 2006 AND 2005
(In Thousands of New Taiwan Dollars, Except Par value)

ASSETS	2006		2005		LIABILITIES AND SHAREHOLDERS' EQUITY	2006		2005	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents (Notes 2 and 4)	\$ 4,743,863	19	\$ 5,862,432	22	Short-term loans (Notes 13 and 24)	\$ 1,529,208	6	\$ 670,122	3
Certificates of deposits - restricted (Note 24)	79,728	-	13,114	-	Commercial paper payable (Notes 14 and 24)	99,880	-	84,889	1
Financial assets at fair value through profit or loss - current (Notes 2, 3 and 5)	193,516	1	1,168,905	4	Notes and accounts payable (Note 23)	2,925,368	12	4,835,965	18
Available-for-sale financial assets - current (Notes 2, 3, and 8)	3,382,047	14	364,970	1	Income tax payable (Notes 2 and 20)	139,384	1	73,085	-
Notes and accounts receivable					Long-term loans - current portion (Notes 15 and 24)	60,000	-	524,500	2
Third parties, net of allowance for doubtful accounts of \$55,698					Other current liabilities (Note 23)	1,145,421	5	1,138,363	4
thousand in 2006 and \$96,818 thousand in 2005 (Note 2)	2,997,544	12	5,362,647	20	Deferred intercompany profit (Note 2)	-	-	2,806	-
Related parties (Notes 2 and 23)	986,601	4	159,570	1	Total current liabilities	5,899,261	24	7,329,730	28
Other receivables (Note 23)	258,882	1	155,672	1					
Inventories, net (Notes 2 and 6)	3,911,897	16	4,203,275	16	LONG-TERM LIABILITIES				
Deferred income taxes - current (Notes 2 and 20)	222,921	1	248,551	1	Long-term loans, net of current portion (Notes 15 and 24)	150,000	1	830,833	3
Other current assets	180,876	1	312,101	1					
Total current assets	16,957,875	69	17,851,237	67	OTHER LIABILITIES				
					Accrued pension liability (Notes 2 and 16)	186,902	1	189,556	1
LONG-TERM INVESTMENTS					Guarantee deposits	428,122	1	433,948	1
Equity-method investments (Notes 2 and 7)	1,098,713	4	104,627	-	Credit balance on carrying value of long-term investments (Notes 2 and 7)	5,817	-	-	-
Prepayments	60,319	-	2,651	-	Total other liabilities	620,841	2	623,504	2
Financial assets at fair value through profit or loss - noncurrent (Notes 2, 3 and 5)	149,636	1	676,662	3	Total liabilities	6,670,102	27	8,784,067	33
Available-for-sale financial assets - noncurrent (Notes 2, 3 and 8)	1,029,448	4	706,029	3					
Financial assets carried at cost (Notes 2, 3 and 9)	896,784	4	1,103,443	4	EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT				
Total long-term investments	3,234,900	13	2,593,412	10	(Notes 2, 3, 17 and 18)				
					Capital stock - NT\$10.00 par value				
PROPERTIES (Notes 2, 10 and 14)					Authorized - 1,200,000 thousand shares				
Cost					Issued and outstanding - 1,023,648 thousand shares in 2006 and 948,730 thousand shares in 2005	10,236,476	41	9,487,296	36
Land	-	-	279,956	1	Capital surplus				
Buildings	1,369,083	6	2,195,859	8	Additional paid-in capital	768,390	3	890,447	4
Auxiliary equipment	165,573	1	146,867	1	Merger and others	550,978	3	594,930	2
Machinery and equipment	607,368	2	2,161,527	8	Treasury stock transactions	47,328	-	35,084	-
Testing equipment	1,288,827	5	1,148,361	4	Retained earnings				
Transportation equipment	10,453	-	16,310	-	Legal reserve	1,830,223	7	1,590,387	6
Furniture and fixtures	316,388	1	348,384	1	Special reserve	294,860	1	338,488	1
Leasehold improvements	65,904	-	16,659	-	Unappropriated earnings	3,849,644	16	3,523,813	13
Other equipment	13,881	-	142,171	1	Others				
Total cost	3,837,477	15	6,456,094	24	Unrealized valuation loss on financial assets	(34,466)	-	(285,085)	(1)
Less: Accumulated depreciation	1,569,453	6	2,409,285	9	Cumulative translation adjustments	17,206	-	(9,775)	-
Advance payments and construction-in-progress	7,482	-	290,699	1	Treasury stock (at cost) - 9,032 thousand shares in 2006 and 8,726 thousand shares in 2005	(176,566)	(1)	(176,566)	(1)
Net properties	2,275,506	9	4,337,508	16	Total equity attributed to shareholders of the parent	17,384,073	70	15,989,019	60
INTANGIBLE ASSETS, NET (Notes 2 and 11)	1,649,783	7	1,345,722	5	MINORITY INTEREST (Note 2)	639,376	3	1,961,221	7
					Total shareholders' equity	18,023,449	73	17,950,240	67
OTHER ASSETS									
Deferred income taxes - noncurrent (Notes 2 and 20)	541,608	2	534,428	2					
Deferred charges and others (Notes 2 and 12)	33,879	-	72,000	-					
Total other assets	575,487	2	606,428	2					
TOTAL	\$ 24,693,551	100	\$ 26,734,307	100	TOTAL	\$ 24,693,551	100	\$ 26,734,307	100

The accompanying notes are an integral part of the consolidated financial statements.
(With Deloitte & Touche audit report dated February 1, 2007)

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2006 AND 2005

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

	2006		2005	
	Amount	%	Amount	%
NET SALES (Notes 2 and 23)	\$ 27,445,224	100	\$ 27,084,510	100
COST OF SALES (Notes 19 and 23)	19,541,155	71	19,455,144	72
REALIZED (UNREALIZED) INTERCOMPANY PROFIT, NET (Note 2)	<u>3,244</u>	<u>-</u>	<u>(75)</u>	<u>-</u>
GROSS PROFIT	<u>7,907,313</u>	<u>29</u>	<u>7,629,291</u>	<u>28</u>
OPERATING EXPENSES (Notes 19 and 23)				
Marketing	940,231	3	732,963	3
General and administrative	794,412	3	1,306,241	5
Research and development	<u>3,698,050</u>	<u>14</u>	<u>2,829,226</u>	<u>10</u>
Total operating expenses	<u>5,432,693</u>	<u>20</u>	<u>4,868,430</u>	<u>18</u>
OPERATING INCOME	<u>2,474,620</u>	<u>9</u>	<u>2,760,861</u>	<u>10</u>
NONOPERATING INCOME AND GAINS				
Income from reconciliation compensation and counter-party default (Note 26)	875,353	3	23,600	-
Gain on disposal of investments, net (Note 2)	138,575	1	45,192	-
Dividend income (Note 2)	104,319	1	13,879	-
Interest income	95,109	-	83,687	-
Gain on disposal of assets (Note 2)	34,739	-	-	-
Subsidies (Note 2)	28,620	-	11,471	-
Foreign exchange gain, net (Note 2)	2,660	-	129,987	1
Others	<u>103,037</u>	<u>-</u>	<u>48,582</u>	<u>-</u>
Total nonoperating income and gains	<u>1,382,412</u>	<u>5</u>	<u>356,398</u>	<u>1</u>
NONOPERATING EXPENSES AND LOSSES				
Loss on inventory (Note 2)	382,166	2	477,613	2
Interest expense	96,099	-	83,231	-
Impairment loss (Note 2)	80,085	-	7,125	-
Valuation loss on financial instruments, net (Notes 2 and 3)	17,464	-	-	-
Investment loss recognized by equity-method investees, net (Notes 2 and 7)	10,292	-	34,610	-
Loss on disposal of properties (Note 2)	3,755	-	21,342	-
Depreciation on lease (Note 2)	-	-	10,710	-
Others	<u>22,758</u>	<u>-</u>	<u>3,439</u>	<u>-</u>
Total nonoperating expenses and losses	<u>612,619</u>	<u>2</u>	<u>638,070</u>	<u>2</u>

(Continued)

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
 YEARS ENDED DECEMBER 31, 2006 AND 2005
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

	Equity Attributable to Shareholders of the Parent																
	Capital Stock Issued and Outstanding (Note 17)		Capital Surplus (Notes 2 and 17)					Retained Earnings (Notes 2 and 17)				Unrealized Valuation (Loss) Gain on Financial	Cumulative Translation	Treasury Stock	Minority	Total	
	Shares (Thousands)	Amount	Additional	From	Treasury	Total	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Assets (Notes 2 and 3)	Adjustments (Note 2)	(Notes 2 and 18)	Total	Interest (Note 2)	Shareholder's Equity	
			Paid-in Capital	Long-term Investments	From Merger	Stock Transactions											
BALANCE, JANUARY 1, 2005	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)
Remuneration to directors and supervisors	-	-	-	-	-	-	-	-	-	(24,004)	(24,004)	-	-	-	-	-	(24,004)
Stock dividends - NT\$0.2980 per share	26,258	262,576	-	-	-	-	-	-	-	(262,576)	(262,576)	-	-	-	-	-	-
Cash dividends - NT\$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
Consolidated net income in 2005	-	-	-	-	-	-	-	-	-	2,398,355	2,398,355	-	-	-	2,398,355	61,404	2,459,759
Adjustment arising from changes in percentage of ownership of investees	-	-	-	(44,097)	-	-	(44,097)	-	-	-	-	-	-	-	(44,097)	-	(44,097)
Adjustment for changes in shareholders' equities in equity-method 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)
Cash dividends received by subsidiaries from the Company	-	-	-	-	-	11,623	11,623	-	-	-	-	-	-	-	11,623	-	11,623
Increase in minority interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	300,105	300,105
Effect of first inclusion for consolidated of certain subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	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
Effect of accounting changes (Note 3)	-	-	-	-	-	-	-	-	-	-	-	41,606	-	-	41,606	-	41,606
Appropriation of prior year's earnings:																	
Legal reserve	-	-	-	-	-	-	-	239,836	-	(239,836)	-	-	-	-	-	-	-
Special reserve	-	-	-	-	-	-	-	-	(43,628)	43,628	-	-	-	-	-	-	-
Bonus to employees - stock	22,500	225,000	-	-	-	-	-	-	-	(225,000)	(225,000)	-	-	-	-	-	-
Bonus to employee - cash	-	-	-	-	-	-	-	-	-	(25,000)	(25,000)	-	-	-	(25,000)	-	(25,000)
Remuneration to directors and supervisors	-	-	-	-	-	-	-	-	-	(24,517)	(24,517)	-	-	-	(24,517)	-	(24,517)
Stock dividends - NT\$0.2990 per share	28,384	283,844	-	-	-	-	-	-	-	(283,844)	(283,844)	-	-	-	-	-	-
Cash dividends - NT\$1.9930 per share	-	-	-	-	-	-	-	-	-	(1,892,295)	(1,892,295)	-	-	-	(1,892,295)	-	(1,892,295)
Capital stock transferred from capital surplus	18,923	189,230	(189,230)	-	-	-	(189,230)	-	-	-	-	-	-	-	-	-	-
Issuance of shares upon exercise of employee stock options	5,111	51,106	67,173	-	-	-	67,173	-	-	-	-	-	-	-	118,279	-	118,279
Adjustment arising from changes in percentage of ownership of investees	-	-	-	(44,453)	-	-	(44,453)	-	-	-	-	-	-	-	(44,453)	7,054	(37,399)
Adjustment from capital surplus - others	-	-	-	501	-	-	501	-	-	-	-	-	-	-	501	-	501
Consolidated net income in 2006	-	-	-	-	-	-	-	-	-	2,972,695	2,972,695	-	-	-	2,972,695	80,038	3,052,733
Increase in minority interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	536,828	536,828
Effect of changes in consolidated entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,943,691)	(1,943,691)
Translation adjustments on long-term investments	-	-	-	-	-	-	-	-	-	-	-	-	26,981	-	26,981	(2,802)	24,179
Cash dividends received by subsidiaries from the Company	-	-	-	-	-	12,244	12,244	-	-	-	-	-	-	-	12,244	-	12,244
Adjustment for changes in shareholders' equities in equity-method investees	-	-	-	-	-	-	-	-	-	-	-	138,717	-	-	138,717	-	138,717
Valuation gain on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	-	70,296	-	-	70,296	728	71,024
BALANCE, DECEMBER 31, 2006	<u>1,023,648</u>	<u>\$10,236,476</u>	<u>\$768,390</u>	<u>\$393,555</u>	<u>\$157,423</u>	<u>\$47,328</u>	<u>\$1,366,696</u>	<u>\$1,830,223</u>	<u>\$294,860</u>	<u>\$3,849,644</u>	<u>\$5,974,727</u>	<u>\$ (34,466)</u>	<u>\$ 17,206</u>	<u>\$ (176,566)</u>	<u>\$17,384,073</u>	<u>\$ 639,376</u>	<u>\$18,023,449</u>

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

(With Deloitte & Touche audit report dated February 1, 2007)

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2006 AND 2005

(In Thousands of New Taiwan Dollars)

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income attributable to shareholders of the parent	\$ 2,972,695	\$ 2,398,355
Net income attributable to minority of the parent	80,038	61,404
Adjustments to reconcile consolidated net income to net cash provided by operating activities:		
Depreciation and amortization	1,176,273	1,122,359
Realized deferred revenue	(76,912)	-
Investment loss recognized by equity-method investees, net	10,292	34,610
Impairment loss	80,085	7,125
Gain on disposal of investments, net	(28,451)	(33,715)
Valuation loss on financial instruments	3,012	-
Unrealized (realized) intercompany profit, net	(3,244)	75
Loss (gain) on disposal of assets	(30,984)	21,342
Deferred income taxes	(20,706)	(80,807)
Accrued pension liabilities	3,026	29,157
Net changes in operating assets and liabilities		
Financial assets for trading	1,168,905	(26,203)
Notes and accounts receivable		
Third parties	859,036	(1,088,032)
Related parties	(1,154,669)	(152,383)
Other receivables	(103,210)	223,260
Inventories	(966,891)	530,478
Other current assets	(5,030)	(62,717)
Notes and accounts payable	(258,477)	1,965,575
Income tax payable	66,299	(13,525)
Other current liabilities	<u>550,098</u>	<u>130,653</u>
Net cash provided by operating activities	<u>4,321,185</u>	<u>5,067,011</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease in certificates of deposits - restricted	12,100	8,863
Decrease (increase) in financial assets of fair value through profit or loss	332,831	(303,420)
Acquisition of:		
Equity-method investments	(60,319)	(2,651)
Available-for-sale financial assets	(9,416,215)	(1,230,491)
Financial assets carried at cost	(120,531)	(36,090)
Properties	(913,207)	(846,436)
Proceeds of the disposal of:		
Equity-method investments	12,157	-
Available-for-sale financial assets	6,023,404	949,019
Financial assets carried at cost	29,194	1,674
Properties	8,065	1,992
Intangible assets and deferred charges	70,000	-
Increase in intangible assets	(1,030,860)	(345,785)

(Continued)

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2006 AND 2005

(In Thousands of New Taiwan Dollars)

	2006	2005
Increase in deferred charges and others	\$ (14,505)	\$ (37,546)
Capital return by equity-method investees	41,302	-
Proceeds of the capital reduction by financial assets carried at cost	<u>131,732</u>	<u>2,977</u>
Net cash used in investing activities	<u>(4,894,852)</u>	<u>(1,837,894)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term loans	1,261,479	(611,465)
Increase (decrease) in commercial paper payable	14,991	(284,798)
Increase (decrease) in long-term loans	(124,500)	686,920
Increase in guarantee deposits	2,266	140,519
Remuneration paid to directors and supervisors and bonus paid to employees	(49,517)	(49,004)
Cash dividends paid for common stock	(1,892,295)	(1,750,509)
Proceeds of the exercise of stock options	118,279	192,319
Dividends received by subsidiaries from the parent	12,244	11,623
Repurchase of treasury stock	-	(80,961)
Increase in minority interest	<u>543,882</u>	<u>259,539</u>
Net cash used in financing activities	<u>(113,171)</u>	<u>(1,485,817)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(686,838)	1,743,300
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	5,862,432	3,430,142
EFFECT OF EXCHANGE RATE CHANGES	(5,973)	(62,225)
EFFECT OF FIRST INCLUSION FOR CONSOLIDATION OF CERTAIN SUBSIDIARIES	-	751,215
EFFECT OF CHANGE OF CONSOLIDATED ENTITIES	<u>(425,758)</u>	<u>-</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 4,743,863</u>	<u>\$ 5,862,432</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Income tax paid	<u>\$ 77,125</u>	<u>\$ 110,859</u>
Interest paid	<u>\$ 48,594</u>	<u>\$ 75,288</u>
NONCASH INVESTING AND FINANCING ACTIVITIES:		
Reclassification of long-term investments into credit balance on the carrying value of long-term investments	<u>\$ 5,817</u>	<u>\$ -</u>
Current portion of long-term loans	<u>\$ 60,000</u>	<u>\$ 524,500</u>

(Continued)

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2006 AND 2005

(In Thousands of New Taiwan Dollars)

	2006	2005
PARTIAL CASH INVESTING ACTIVITIES:		
Acquisition of properties	\$ (918,374)	\$ (847,636)
Increase in payables to contractors and equipment suppliers	<u>5,167</u>	<u>1,200</u>
Cash paid	<u>\$ (913,207)</u>	<u>\$ (846,436)</u>

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

(With Deloitte & Touche audit report dated February 1, 2007)

(Concluded)

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2006 AND 2005

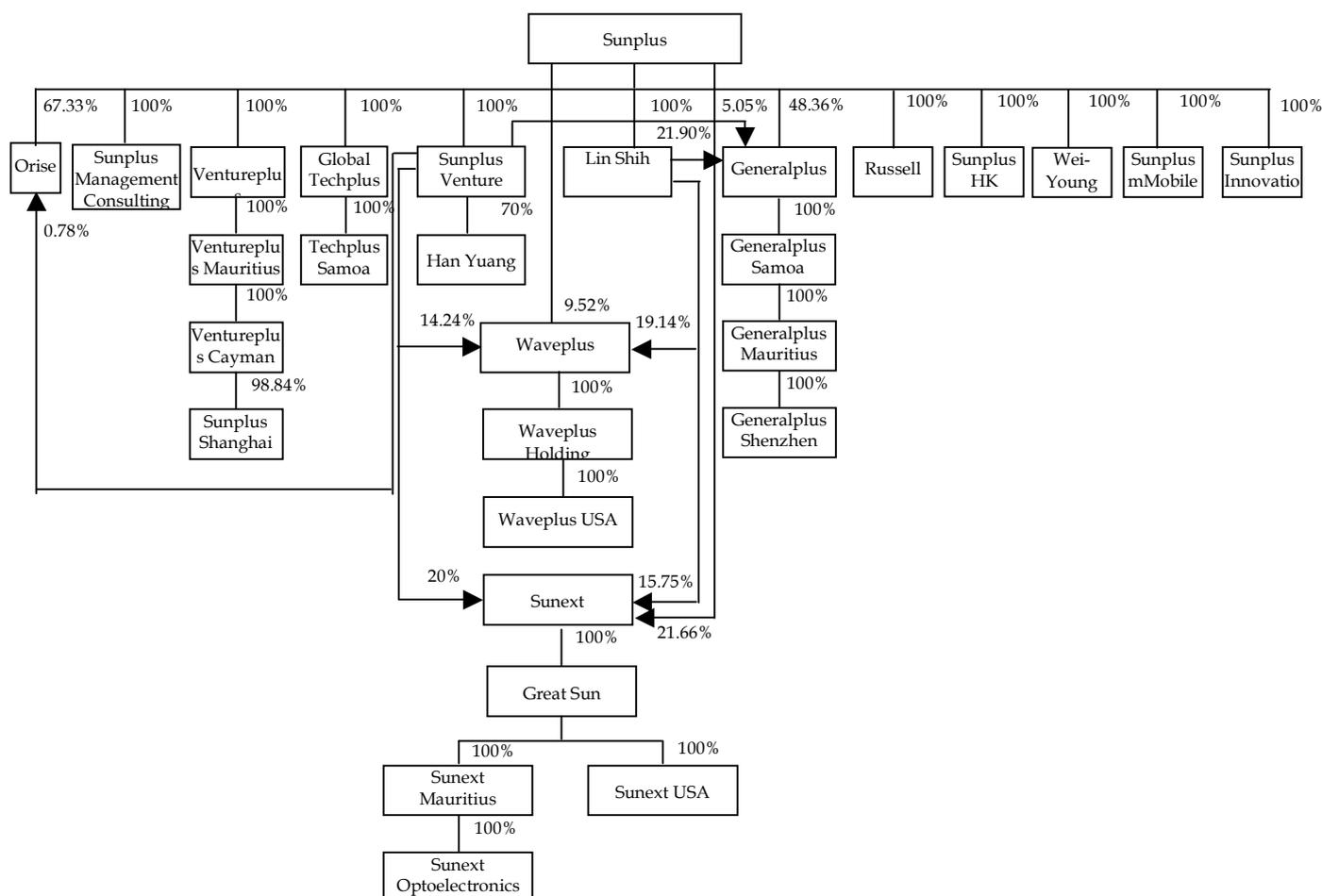
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. ORGANIZATION AND OPERATIONS

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. Some of its shares have been issued in the form of global depository receipts, which have been listed on the London Stock Exchange since March 2001 (refer to Note 17).

Following is a diagram of the relationship and ownership percentages among Sunplus and its investees (collectively, the “Company”) as of December 31, 2006:



To enhance its capability and performance through organization restructuring and streamlining of operations, the Company spun off on March 31, 2006 its LCD (liquid crystal display) driver and control IC (integrated circuit) department (the “department”) to establish a subsidiary, Orise Technology Co. Ltd. (“Orise”) and also spun off on December 1, 2006 the control peripheral business unit (CPBU) and the personal entertainment and advanced business unit (PEABU) to establish two subsidiaries, Sunplus Innovation Technology Inc. (“Sunplus Innovation”) and Sunplus mMobile Inc. (“Sunplus mMobile”), respectively, in accordance with the Law of Enterprise Purchase.

Orise researches, develops, manufactures and sells flat panel display driver IC and IC modules. Sunplus mMobile and Sunplus Innovation research, develop, design, manufacture and sell all kinds of IC modules, application software and silicon intellectual property (SIP). Sunplus Technology (Shanghai) designs, manufactures and sells ICs. Han Young mainly designs ICs. Waveplus and Waveplus-USA design and sell wireless land area network (WLAN) systems. Sunext and Sunext-USA mainly develop, design and sell optical electronic and SOC (system on chip) ICs. Sunext Optoelectronics researches, designs, manufactures, and sells large capacity magnetic disc and software and renders related technological consulting services. Generalplus designs, manufactures, and sells custom-made ICs. Generalplus Shenzhen does market research surveys. Sunplus HK engages in international trade. 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, 2006 and 2005, the Company had 1,720 and 5,251 employees, respectively.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

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 R.O.C. 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.

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

Principles of Consolidation

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

The consolidated entities as of December 31, 2006 and 2005 were as follows:

Investor	Investee	% of Ownership as of December 31 2006	% of Ownership as of December 31 2005	Remark	
Sunplus	Orise	67.33	-	Orise was established in January 2006.	
	Sunplus Innovation	100.00	-	Sunplus Innovation was established in December 2006.	
	Sunplus mMobile	100.00	-	Sunplus mMobile was established in December 2006.	
	Sunplus Management Consulting	100.00	100.00	-	
	Ventureplus	100.00	100.00	-	
	Global Techplus	100.00	100.00	-	
	Sunplus Venture	100.00	99.99	-	
	Lin Shih	100.00	99.99	-	
	Generalplus	48.36	52.84	Sunplus and the Subsidiaries held 75.31% ownership of Generalplus.	
	Russell	100.00	100.00	-	
	Giantplus	33.27	35.75	The chairman of Sunplus and the general manager of Giantplus were the same until July 2006. Thus, Sunplus had a controlling interest in Giantplus. However, Sunplus no longer had a controlling interest in Giantplus beginning in August 2006; thus, Giantplus ceased to be a consolidated entity from then on.	
	Sunplus HK	100.00	100.00	-	
	Wei-Young	100.00	100.00	-	
	Waveplus	9.52	9.52	Sunplus and the Subsidiaries occupied 2 of 3 Waveplus' Board of Directors. Thus, Sunplus had a controlling interest in Waveplus.	
Ventureplus	Sunext	15.75	24.00	Sunplus and the Subsidiaries occupied 2 of 3 Sunext's Board of Directors. Thus, Sunplus had a controlling interest in Sunext.	
	Ventureplus Mauritius	100.00	100.00	-	
	Ventureplus Cayman	100.00	100.00	-	
	Sunplus Shanghai	98.84	98.84	-	
	Techplus Samoa	100.00	100.00	-	
	Han Yuang	70.00	70.00	-	
	Sunext	20.00	16.25	Sunplus and the Subsidiaries occupied 2 of 3 Sunext's Board of Directors. Thus, Sunplus had a controlling interest in Sunext.	
	Waveplus	14.24	14.24	Sunplus and the Subsidiaries occupied 2 of 3 waveplus's Board of Directors. Thus, Sunplus had a controlling interest in Waveplus.	
	Generalplus	5.05	5.52	Sunplus and the Subsidiaries held 75.31% ownership of Generalplus.	
	Orise	0.78	-	Sunplus and Subsidiaries jointly owned 68.11% of Orise.	
	Lin Shih	Generalplus	21.90	23.93	Sunplus and the Subsidiaries held 75.31% ownership of Generalplus.
		Sunext	21.66	27.34	Sunplus and the Subsidiaries occupied 2 of 3

				Sunext's Board of Directors. Thus, Sunplus had a controlling interest in Sunext.
	Waveplus	19.14	19.14	Sunplus and the Subsidiaries occupied 2 of 3 Waveplus's Board of Directors. Thus, Sunplus had a controlling interest in Waveplus.
Russell	Jet Focus	44.03	44.03	In 2006, Sunplus no longer had a controlling interest in Jet Focus; thus, Jet Focus ceased to be a consolidated entity from then on.
	Synerchip	31.82	57.80	In 2006, Sunplus no longer had a controlling interest in Synerchip; thus, Synerchip ceased to be a consolidated entity from then on.

(Continued)

Investor	Investee	% of Ownership as of December 31 2006	% of Ownership as of December 31 2005	Remark
Jet Focus	Coolsands	100.00	100.00	In 2006, Sunplus no longer had a controlling interest in Jet Focus; thus, Coolsands ceased to be a consolidated entity from then on.
Generalplus	Generalplus Samoa	100.00	100.00	-
Generalplus Samoa	Generalplus Mauritius	100.00	100.00	-
Generalplus Mauritius	Generalplus Shenzhen	100.00	100.00	-
Giantplus	Giantplus SAMOA	100.00	100.00	In August 2006, Sunplus no longer had a controlling interest in Giantplus; thus, Giantplus SAMOA ceased to be a consolidated entity from then on.
Giantplus SAMOA	Giantplus Holding	100.00	100.00	In August 2006, Sunplus no longer had a controlling interest in Giantplus Holding; thus, Giantplus Holding ceased to be a consolidated entity from then on.
Giantplus Holding	Giantplus Kunshan	100.00	100.00	In August 2006, Sunplus no longer had a controlling interest in Giantplus Kunshan; thus, Giantplus Kunshan ceased to be a consolidated entity from then on.
Waveplus	Waveplus Holding	100.00	100.00	-
Waveplus Holding	Waveplus USA	100.00	100.00	-
Sunext	Great Sun	100.00	100.00	-
Great Sun	Sunext Mauritius	100.00	100.00	-
	Sunext USA	100.00	100.00	-
Sunext Mauritius	Sunext Optoelectronics	100.00	100.00	-

(Concluded)

Minority interests in subsidiaries aforementioned are presented as a separate component of shareholders' equity.

Significant accounting policies are summarized as follows:

Current/Noncurrent Assets and Liabilities

Current assets are cash and other assets primarily for the purpose of being traded or to be converted to cash, consumed or sold within one year from the balance sheet date. Current liabilities are those to be settled within one year from the balance sheet date and those primarily for the purpose of being traded. All other assets and liabilities are classified as noncurrent.

Cash Equivalents

Repurchase agreements collateralized by bonds acquired with maturities of less than three months from the date of purchase are classified as cash equivalents.

Financial Assets/Liabilities at Fair Value Through Profit or Loss

Financial instruments at fair value through profit or loss have two categories: (1) held for trading and (2) designated on initial recognition as at fair value through profit or loss. These financial instruments are initially recorded at fair value with transaction costs that are directly attributable to the acquisition. When subsequently measured at fair value, the changes in fair value are recognized as earnings. A regular way purchase or sale of financial assets is recognized and derecognized using trade date accounting.

Derivatives that do not meet the criteria for hedge accounting are treated as financial assets or liabilities held for trading. When the fair value is a positive amount, the derivative is treated as a financial asset; when the fair value is a negative amount, the derivative is treated as a financial liability.

The fair values of open-end mutual funds are based on their net asset value at the balance sheet date. Bonds are measured at the reference price of the over-the-counter securities exchange of the Republic of China as of the balance sheet date. For those instruments without quoted market prices in an active market, the fair value is based on valuation techniques incorporating estimates and assumptions that are consistent with prevailing market conditions.

Hybrid instruments are designated at fair value through profit or loss.

Revenue Recognition and Allowance for Doubtful Accounts

Sales are recognized when titles and risks of ownerships are transferred to customers, primarily upon shipment, since the earning process is substantially completed and revenue is realized or realizable. The Company does not recognize sales upon delivery of materials to subcontractors because the ownership over the materials is not transferred.

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

Allowance for doubtful accounts is provided on the basis of the aging of receivables and periodic review of the collectibility of receivables.

Inventories

Inventories consist of raw materials, work-in-process, finished goods and merchandise, which are stated at the lower of cost or market value. Sunplus, Giantplus, Generalplus, Sunext, Orise, Sunplus Innovation and Sunplus mMobile 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 work-in-process, finished goods and merchandise. Scrap and slow-moving items are recognized as allowance for losses.

Available-for-sale Financial Assets

Investments designated as available-for-sale financial assets include open-end mutual funds, bond type mutual funds and listed stock. Investments classified as available-for-sale financial assets are initially recognized at fair value plus transaction costs that are directly attributed to investment acquisition. When subsequently measured at fair value, the changes in fair value are reported as a separate component of shareholders' equity. The accumulated gains or losses are recognized when the financial asset is derecognized from the balance sheet. A regular way purchase or sale of financial assets is recognized and derecognized using trade date accounting.

Cash dividends are recognized as investment income upon resolution of the shareholders of an investee but are accounted for as reductions of the original investment cost if these dividends are declared on the earnings of the investees attributable to periods before the purchase of the investments. Stock dividends received are recorded as an increase in the number of shares held and do not affect investment income. The cost per share is recalculated on the basis of the new number of shares after the receipt of stock dividends.

The fair values of open-end mutual funds and bond type mutual funds are based on their net asset value at the balance sheet date; listed stock is the closing price as of the balance sheet date.

If there is objective evidence that a financial asset is impaired as of the balance sheet date, a loss is

recognized. If the impairment loss decreases, the impairment loss is reversed to the extent of the decrease and recorded as an adjustment to shareholders' equity.

Financial Assets Carried at Cost

Investments without quoted market prices in an active market and whose fair value cannot be reliably measured, such as nonpublicly traded stocks, are carried at their original cost. The accounting treatment for cash and stock dividend arising from financial assets carried at cost is the same as that for available-for-sale financial assets.

If there is objective evidence of financial asset impairment, a loss is recognized. This impairment loss is irreversible.

Equity-method Investments

Stock investments in which the Company owns at least 20% of the outstanding voting shares or exercises significant influence on investees' operating and financial policy decisions are accounted for by the equity method.

If an investee is identified as significantly impaired, the carrying amount of the investment in excess of its recoverable amount is recognized as impairment loss. For those investees over which the Company exercises significant influence on their operating and financial decisions, the assessment of impairment is based on carrying value.

If the recognized carrying values 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 of an investee 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. All of these deferred gains and losses are realized upon resale of products to third parties.

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 properties 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 35 years; machinery and equipment - 1 to 10 years; testing equipment - 1 to 6 years; transportation equipment - 5 years; furniture and fixtures - 1 to 10 years; leasehold improvements - 3 to 10 years; and other equipment - 2 to 5 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 fee, technological Know-how, patents, land grant, and others booked at the acquisition cost, which are amortized using the straight-line method over 1 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 will evaluate the recoverable amount of such 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 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 using the straight-line method over 1 to 5 and 5 to 10 years, respectively.

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.

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, the related net periodic pension costs are recorded on the basis of actuarial calculations. For employees under defined contribution pension plans, the related net periodic pension costs are recorded on the basis of the Corporation's actual contributions to employees' personal pension accounts over the employees' service period.

Treasury Stock

The reacquisition of issued stock is accounted for by the cost method. Under this method, the reacquisition cost is debited to the treasury stock account. Treasury stock is shown as a deduction to arrive at shareholders' equity. The Company accounts for its stock held by its subsidiaries as treasury stock. The recorded cost of these treasury shares is based on the carrying value of the investments as shown in the subsidiaries' book. The resulting gain on investment from cash dividends appropriated to subsidiaries is credited to capital surplus.

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

Income Tax

The Company applies the inter-period and intra-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 consolidated 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, personnel training, investments in poor area and investments in important technology-based enterprise are recognized in the current period.

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

ROC Statement of Financial Accounting Standards No. 14 - "Accounting for Foreign-currency Translation and Translation of Foreign Statements," applies to foreign subsidiaries that use their local currencies as their functional currencies. The consolidated financial statements of foreign subsidiaries are translated into New Taiwan dollars at the following exchange rates: Assets and liabilities - current rate on the balance sheet date; shareholders' equity - historical rates; and income and expenses - average rate during the period. The resulting translation adjustments are recorded as a separate component of shareholders' equity.

Nonderivative foreign-currency transactions are recorded in New Taiwan Dollars at the rates of exchange in effect when the transactions occur. Exchange gains or losses derived from foreign-currency transactions on monetary assets and liabilities denominated in foreign currencies are recognized as current income. On the balance sheet date, the balances of nonmonetary assets and liabilities, except those carried at cost, are restated at prevailing exchange rates, and the resulting differences are recorded as follows:

- a. Financial instruments at fair value through shareholders' equity - as an adjustment component under shareholders' equity;
- b. Financial instruments at fair value through profit or loss - as credits or charges to current income; and
- c. Long-term investments accounted for by the equity method - as cumulative translation adjustments under shareholders' equity.

Reclassifications

Certain accounts in the consolidated financial statements as of and for the year ended December 31, 2005 have been reclassified to conform to the consolidated financial statements as of and for the year ended December 31, 2006.

3. ACCOUNTING CHANGES

On January 1, 2006, the Company adopted the newly released Statements of Financial Accounting Standards (“Statements” or SFAS) No. 34 - “Accounting for Financial Instruments” and No. 36 - “Disclosure and Presentation of Financial Instruments” and related revisions of previously released Statements.

The effects of the accounting changes are summarized as follows:

- a. Effect of adopting the SFAS Nos. 34 and 36 and related revisions of other previously released Statements

Under the Company’s adoption of SFAS Nos. 34 and 36, its financial assets were categorized in accordance with these Statements. In addition, the adjustments made to the carrying amounts of the financial instruments categorized as financial instruments at fair value through profit or loss were included in the cumulative effect of changes in accounting principles. On the other hand, the adjustments made to the carrying amounts of those categorized as available-for-sale financial assets were recognized as adjustments to shareholders’ equity.

The effects of adopting the recently released SFAS Nos. 34 and 36 are summarized as follows:

	Recognized as Cumulative Effect of Changes in Accounting Principles (Net of Tax)	Recognized as a Separate Component of Shareholders’ Equity
Financial assets at fair value through profit or loss	\$ (32,564)	\$ -
Available-for-sale financial assets	<u>-</u>	<u>75,312</u>
	<u>\$ (32,564)</u>	<u>\$ 75,312</u>

The accounting changes resulted in an decrease of \$3,012 thousand in net income before cumulative effect of changes in accounting principles, an decrease of \$35,576 thousand in net income, and an decrease of NT\$0.04 in basic earnings per share (after income tax) for the year ended December 31, 2006.

- b. Reclassification of financial statement accounts

Based on the interpretation issued by the Accounting Research and Development Foundation of the Republic of China, certain accounts in the consolidated financial statements as of and for the year ended December 31, 2005 were reclassified to be consistent with the consolidated financial statements as of and for the year ended December 31, 2006. The previously issued consolidated financial statements as of and for the year ended December 31, 2005 need not be restated but should include disclosures of the changes in valuation method for the same accounts.

Certain accounting principles applied before the adoption of SFAS Nos. 34 and 36 are summarized as follows:

1) Short-term investments

Short-term investments are mainly in mutual 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 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.

2) Long-term investments

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 aggregate cost, and those with quoted market prices are accounted for at the lower of aggregate cost or market. 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 the recognition of losses will become the new cost of the investment.

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

3) 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 gain or losses on forward contracts are computed by multiplying the foreign-currency amounts of the contracts by the difference between the spot rates on the contract starting dates and the balance sheet date rates (or the spot rates last used to measure a gain or loss on that contract for an earlier period) 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 are charged to income. Also, the receivables and payables on the forward contracts open as of the balance sheet date 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.

Certain accounts in the consolidated financial statements as of and for the year ended December 31, 2005 have been reclassified to be consistent with the classifications prescribed under SFAS Nos. 34 and 36. The reclassifications of the entire balances or a part of the balances of certain accounts are summarized as follows:

	Before Reclassification	After Reclassification
<u>Balance sheet</u>		
Short-term investment, net	\$ 1,533,875	\$ -
Bond investment	20,000	-
Long-term investment accounted for by the cost method	1,809,472	-
Other financial assets - noncurrent	656,662	-
Unrealized loss on long-term investments	285,085	-
Financial assets at fair value through profit or loss - current	-	1,168,905
Available-for-sale financial assets - current	-	364,970
Financial assets at fair value through profit or loss - noncurrent	-	676,662
Available-for-sale financial assets - noncurrent	-	706,029
Financial assets carried at cost	-	1,103,443
Unrealized valuation loss on financial assets	-	285,085

Effective January 1, 2006, the Company adopted the recently revised SFAS No. 1 - "Conceptual Framework for Financial Accounting and Preparation of Financial Statements," SFAS No. 5 - "Long-Term Investment in Equity Securities" and SFAS No. 25 - "Business Combinations-Accounting Treatment under Purchase Method." The amendments of these Statements include the following: (1) goodwill is no longer amortized but it should be assessed for impairment, and (2) investment premiums, representing goodwill based on analysis of the acquisition costs, should be assessed for impairment instead of being amortized. The adoption of these revised Statements had no impact on net income for the year ended December 31, 2006.

4. CASH AND CASH EQUIVALENTS

	2006	2005
Cash and bank deposits	\$ 4,743,863	\$ 5,661,419
Bonds acquired under repurchase agreements	<u>-</u>	<u>201,013</u>
	<u>\$ 4,743,863</u>	<u>\$ 5,862,432</u>

5. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial instruments held for trading as of December 31, 2006 and 2005 are summarized as follows:

	2006	2005
Open-end funds	\$ -	\$ 1,168,905
Forward exchange contracts	<u>519</u>	<u>-</u>
	<u>\$ 519</u>	<u>\$ 1,168,905</u>

The Company used derivative contracts in 2005 and 2006 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.

As of December 31, 2006, outstanding forward exchange contracts were as follows:

December 31, 2006	Currency	Maturity	Contract Amount (in Thousand)
Sell forward exchange contracts	US\$ to NT\$	December 19, 2006 - February 26, 2007	US\$ 4,000
Sell forward exchange contracts	US\$ to NT\$	December 26, 2006 - January 29, 2007	US\$ 2,000
Sell forward exchange contracts	US\$ to NT\$	December 26, 2006 - January 26, 2007	US\$ 2,000

Net losses and net gains arising from financial assets held for trading were \$714 thousand and \$11,477 thousand for the years ended December 31, 2006 and 2005, respectively.

Financial instruments designated at fair value through profit or loss was as follows:

	2006		2005	
	Amount	Noncurrent	Amount	Noncurrent
Financial assets				
Credit-linked notes	\$ 192,997	\$ -	\$ -	\$ 459,562
Inverse floaters: Time deposits with floating interest rates indexed to LIBOR rates	-	149,636	-	197,100
Bond investments	-	-	-	20,000
	<u>\$ 192,997</u>	<u>\$ 149,636</u>	<u>\$ -</u>	<u>\$ 676,662</u>

Net losses and net gains arising from financial assets designated at fair value through profit or loss were \$1,198 thousand and \$4,594 thousand for the years ended December 31, 2006 and 2005, respectively.

Other information on the financial instruments designated at fair value through profit or loss is as follows:

	Principal Amount (in Thousands)	Carrying Amount	Maturity
<u>2006</u>			
Credit-linked notes			
Issuer			
Industrial Bank of Taiwan		\$ 192,997	August 2007
Inverse floaters: Time deposits with floating interest rate indexed to LIBOR rates	<u>\$ 6,000</u>	149,636	September 2010-April 2014
		<u>\$ 342,633</u>	
<u>2005</u>			
Credit-linked notes			
Issuer			
Citi Bank		\$ 260,000	July 2007-August 2007
Industrial Bank of Taiwan		199,562	August 2007
Inverse floaters: Time deposits with floating interest rate indexed to LIBOR rates	<u>\$ 6,000</u>	197,100	September 2010-April 2014
		<u>\$ 656,662</u>	

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 terms of the contracts.

6. INVENTORIES, NET

	2006	2005
Finished goods and merchandise	\$ 2,242,435	\$ 2,006,955
Work in process	1,543,328	1,520,633
Raw materials	<u>576,135</u>	<u>1,140,720</u>
	4,361,898	4,668,308
Less: Allowance for losses	<u>450,001</u>	<u>465,033</u>
	<u>\$ 3,911,897</u>	<u>\$ 4,203,275</u>

7. EQUITY-METHOD INVESTMENTS

	<u>2006</u>		<u>2005</u>	
	Carrying Amount	% of Owner- ship	Carrying Amount	% of Owner- ship
Equity method investment				
Giantplus Technology Co., Ltd.	\$ 1,040,819	33	\$ -	-
Goldkey Technology Corp.	51,239	32	104,627	32
Jet Focus Ltd.	<u>6,655</u>	44	<u>-</u>	-
	<u>\$ 1,098,713</u>		<u>\$ 104,627</u>	
Credit balance of long-term investments				
Synerchip Co., Ltd	<u>\$ 5,817</u>	32	<u>\$ -</u>	-

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

	2006	2005
Giantplus Technology Co., Ltd.	\$ 72,877	\$ -
Goldkey Technology Corp.	(12,228)	(34,610)
Jet Focus Ltd.	(51,858)	-
Synerchip Co., Ltd	<u>(19,083)</u>	<u>-</u>
	<u>\$ (10,292)</u>	<u>\$ (34,610)</u>

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2006	2005
Open - end funds	\$ 3,382,047	\$ 364,970
Listed stocks	<u>1,029,448</u>	<u>706,029</u>
	4,411,495	1,070,999
Less: Classified to current assets	<u>3,382,047</u>	<u>364,970</u>
	<u>\$ 1,029,448</u>	<u>\$ 706,029</u>

9. FINANCIAL ASSETS CARRIED AT COST

	2006	2005
Unlisted stock	<u>\$ 896,784</u>	<u>\$ 1,103,443</u>

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

10. PROPERTIES

	2006	2005
Accumulated depreciation:		
Buildings	\$ 115,116	\$ 286,985
Auxiliary equipment	110,190	92,640
Machinery and equipment	454,557	1,079,087
Testing equipment	660,610	665,963
Transportation equipment	6,937	9,237
Furniture and fixtures	200,036	228,423
Leasehold improvements	10,426	3,301
Other equipment	<u>11,581</u>	<u>43,649</u>
	<u>\$ 1,569,453</u>	<u>\$ 2,409,285</u>

11. INTANGIBLE ASSETS, NET

	2006	2005
Technology license fee	\$ 1,470,015	\$ 1,006,975
Patents	77,195	82,739
Technological Know-how	68,751	174,868
Land grant	33,822	81,124
Others	<u>-</u>	<u>16</u>
	<u>\$ 1,649,783</u>	<u>\$ 1,345,722</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 and the fee paid to Royal Philips Electronics ("Philips") for the Company to use Philips' technology on Optical Disc Drive (ODD) semiconductor technology. Technological know-how includes the knowledge of CD-RW, Combo, Recordable-DVD, WLAN and Gate Way SOC.

12. DEFERRED CHARGES AND OTHERS

	2006	2005
Refundable deposits	\$ 13,542	\$ 41,307
Software and system design	12,537	9,588
Certificates of golf club membership	7,800	7,800
Electricity installation	<u>-</u>	<u>13,305</u>
	<u>\$ 33,879</u>	<u>\$ 72,000</u>

13. SHORT-TERM LOANS

	2006	2005
Working capital loans - 2006: Repayable by September 2007, annual interest rate from 2.35%-3.13%; 2005: Repayable by January 2006, annual interest rate at 2.425%	\$ 567,000	\$ 50,000
Working capital loans - US\$9,500 thousand, repayable by March 2007, annual interest rate from 6.15% to 6.31%	309,653	-
Working capital loans - US\$8,500 thousand, repayable by June 2007, annual interest rate at 6.05%	277,057	-
Working capital loans - 2006: RMB38,419 thousand, repayable by April 2007, annual interest rate at 5.61%; 2005: RMB\$39,705 thousand, repayable by April 2006, annual interest rate from 4.31% to 5.0%	160,415	161,622
Working capital loans - repayable by February 2007, annual interest rate at 6.21%	130,380	-
Working capital loans - 2006: Repayable by February 2007, annual interest rate at 2.705%; 2005: Repayable by November 2006, annual interest rate from 2.25% to 3.25%	84,703	130,000
Credit loans - US\$10,000 thousand, repayable by June 2006, annual interest rate from 4.86% to 5.36%	<u>-</u>	<u>328,500</u>
	<u>\$ 1,529,208</u>	<u>\$ 670,122</u>

14. COMMERCIAL PAPER PAYABLE

	2006	2005
Secured by guarantees issued by financial institutions - 2006: Repayable by January 2007, annual interest rate at 1.75%; 2005: Repayable by February 2006, annual interest rate at 1.41%	\$ 100,000	\$ 85,000
Less: Discount on commercial paper	<u>120</u>	<u>111</u>
	<u>\$ 99,880</u>	<u>\$ 84,889</u>

15. LONG-TERM LOANS

	2006	2005
Secured loans:		
Repayable in monthly installment starting from January 2007 to October 2008	\$ 110,000	\$ -
Repayable in quarterly installments starting from December 2004 to September 2007, annual interest rate at 2.95% (refer to Note below)	-	58,333
Repayable in semiannually installments starting from November 2004 to May 2008, annual interest rate at 3.10% (refer to Note below)		55,000
Repayable in monthly installments starting from December 2002 to November 2007, annual interest rate at 2.95% (refer to Note below)	-	38,333
Repayable in monthly installments starting from July 2001 to June 2006, annual interest rate at 2.95% (refer to Note below)	-	12,000
Unsecured loans:		
Repayable by October 2008, annual interest rate at 2.75%	100,000	-
Repayable in quarterly installments starting from June 2006 to March 2008, annual interest rate at 2.97% (refer to Note below)	-	700,000
Repayable in quarterly installments starting from August 2005 (early repayment on October 2006), annual interest rate at 2.86% (refer to Note below)	-	166,667
Repayable by May 2008, annual interest at 2.24% (refer to Note below)		150,000
Repayable in quarterly installments starting from August 2006 to May 2007, annual interest rate at 2.94% (refer to Note below)		100,000
Repayable in semiannual installments starting from September 2005 to March 2007, annual interest rate at 2.90% (refer to Note below)		<u>75,000</u>
	<u>210,000</u>	<u>1,355,333</u>
Less: Current portion	<u>60,000</u>	<u>524,500</u>
	<u>\$ 150,000</u>	<u>\$ 830,833</u>

Note: The chairmen of Sunplus and the general manager of Giantplus were the same until July 2006; thus, Sunplus had a controlling interest in Giantplus until then. When Sunplus ceased to have a controlling interest in Giantplus in August 2006, Giantplus ceased to be a consolidated entity.

16. 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 costs recognized by the Company were \$61,027 and \$31,569 thousand for the years ended December 31, 2006 and 2005, respectively.

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.

The service periods of employees of the departments spun off by the Sunplus will be included in their periods of service to Orise, Sunplus Innovation and Sunplus mMobile. The related pension costs will be paid by the Sunplus, Orise, Sunplus Innovation and Sunplus mMobile (collectively, the "four companies") in proportion to the employees' periods of service to the four companies.

Other information on the defined pension plan are as follows (including Sunplus, Orise, Sunplus Innovation and Sunplus mMobile in 2006 and including Sunplus and Giantplus in 2005):

	2006	2005
a. Components of net pension costs		
Service costs	\$ 6,656	\$ 37,045
Interest costs	11,945	10,912
Projected return on plan assets	(2,760)	(2,528)
Amortization	<u>1,779</u>	<u>3,833</u>
Net pension costs	<u>\$ 17,620</u>	<u>\$ 49,262</u>
b. Reconciliation of the fund status of the plan and accrued pension costs		
Benefit obligation		
Vested benefit obligation	\$ -	\$ -
Non-vested benefit obligation	<u>79,911</u>	<u>133,743</u>
Accumulated benefit obligation	79,911	133,743
Additional benefits based on future salaries	<u>138,381</u>	<u>218,069</u>
Projected benefit obligation	218,292	351,812
Fair value of plan assets	<u>(86,716)</u>	<u>(95,410)</u>
Funded status	131,576	256,402
Unrecognized net transition obligation	3,238	(4,104)
Unrecognized net gain (loss)	<u>52,088</u>	<u>(62,393)</u>
Accrued pension liability	<u>\$ 186,902</u>	<u>\$ 189,905</u>
Vested benefit	<u>\$ -</u>	<u>\$ -</u>
c. Actuarial assumptions		
Discount rate used in determining present values	3.50%	3.50%
Future salary increase rate	5.75%	2.50%-5.75%
Expected rate of return on plan assets	3.50%	2.50%-3.50%

17 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 Sunplus' 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 Sunplus. 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 rights are granted at an exercise price equal to the closing price of Sunplus' common shares listed on the Taiwan Stock Exchange on the grant date. All options had been granted or canceled as of December 31, 2006.

Outstanding option rights were as follows:

	2006		2005	
	Unit (in Thousands)	Weighted- average Price (NT\$)	Unit (in Thousands)	Weighted- average Price (NT\$)
Beginning outstanding balance	25,196	\$29.79	32,589	\$32.34
Options granted	995	26.65	1,281	29.63
Options exercised	(5,110)	23.14	(7,213)	26.66
Options canceled	<u>(2,682)</u>		<u>(1,461)</u>	
Ending outstanding balance	<u>18,399</u>		<u>25,196</u>	

The number of shares and exercise prices of outstanding option have been adjusted to reflect the appropriations of dividends, stock bonuses and issuance of capital stock specified under the Plans. For the years ended December 31, 2006 and 2005, additional 995 thousand and 1,281 thousand options have been granted to reflect the appropriation of dividends and stock bonuses, respectively.

As of December 31, 2006, 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\$)
\$21.10	11,249	2.35	\$21.10	8,437	\$21.10
36.60	7,150	2.66	36.60	5,363	36.60

b. Global Depositary Receipts (GDRs)

In March 2001, Sunplus 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. As of December 31, 2006, the GDRs have been redeemed into 85,665 thousand of common shares amounting to US\$226,972 thousand. The outstanding GDRs, representing 2,995 thousand common shares, are accounted for 0.29% of outstanding common stock.

c. Capital Surplus

Under ROC regulations, capital surplus may be used to offset deficit, and only the capital surplus from 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.

d. Appropriation of Earnings and Dividend Policy

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

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 Sunplus' 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 financial assets 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.

Sunplus' appropriations for the earnings of 2005 and 2004 were approved in the shareholders' meetings on June 9, 2006 and June 13, 2005, respectively. The appropriations, including dividends, were as follows:

	2005		2004	
	Appropriation of Earnings	Dividends Per Share (NT\$)	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 239,836		\$ 273,769	
Special reserve	(43,628)		338,488	
Bonus to employees - stock	225,000		225,000	
Bonus to employees - cash	25,000		25,000	
Remuneration of directors and supervisors	24,517		24,004	
Stock dividends	283,844	\$0.29894	262,576	\$0.29788
Cash dividends	<u>1,892,295</u>	1.99295	<u>1,750,509</u>	1.98586
	<u>\$ 2,646,864</u>		<u>\$ 2,899,346</u>	

The above appropriation of the earnings is consistent with the resolutions passed at the meetings of the board of directors on April 21, 2006 and April 28, 2005. 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 2005 and 2004, the after-tax basic earnings per share in 2005 and 2004 would have decreased from NT\$2.56 and NT\$3.15 to NT\$2.26 and NT\$2.83.

The shares distributed as a bonus to employees 22,500 thousand shares in both 2005 and 2004 represented 2.37% and 2.57% of the Company's total outstanding common shares as of December 31, 2005 and 2004, respectively.

As of February 1, 2007, the date of the accompanying auditors' report, the board of directors of Sunplus had not resolved the appropriation of the 2006 earnings. The earnings appropriation can be accessed online through the Market Observation Post System on the Web site of the Taiwan Stock Exchange.

On December 8, 2006, Sunplus' shareholders approved a capital reduction by canceling 511,436 thousand shares amounting to \$5,114,358 thousand. The actual capital reduction ratio was about 50%. The effective date of capital reduction was January 25, 2007. After the capital reduction, the paid-in capital was \$5,122,118 thousand.

18. TREASURY STOCK

(Units: Shares in Thousands)

Purpose of Purchase	Beginning Shares	Increase	Ending Shares
<u>2006</u>			
Sunplus' stocks held by subsidiaries	6,144	306	6,450
For subsequent transfer to employees	<u>2,582</u>	<u>-</u>	<u>2,582</u>
	<u>8,726</u>	<u>306</u>	<u>9,032</u>
<u>2005</u>			
Sunplus' 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>

Starting from January 2002, Sunplus accounted for its stocks amounting to \$95,605 thousand held by the subsidiary, Lin Shin Investment Co., Ltd., as treasury stock. As of December 31, 2006 and 2005, the book values of these stocks were both \$95,605 thousand, and the market values of these stocks were \$256,404 thousand and \$232,131 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' issued shares will no longer be entitled, effective June 24, 2005, to the voting right.

19. PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

	2006			2005		
	Classified as Cost of Sales	Classified as Operating Expense	Total	Classified as Cost of Sales	Classified as Operating Expense	Total
Labor expense						
Salary	\$ 380,460	\$ 1,670,105	\$ 2,050,565	\$ 512,996	\$ 1,578,498	\$ 2,091,494
Labor/health insurance	38,246	99,641	137,887	48,108	82,923	131,031
Pension	12,156	76,451	88,607	13,522	69,854	83,376
Welfare benefit	9,036	47,492	56,528	12,137	34,075	46,212
Meal	15,026	29,542	44,568	21,559	1,052	22,611
Others	1,294	1,686	2,980	2,279	28,168	30,447
	<u>\$ 456,218</u>	<u>\$ 1,924,917</u>	<u>\$ 2,381,135</u>	<u>\$ 610,601</u>	<u>\$ 1,794,570</u>	<u>\$ 2,405,171</u>
Depreciation	<u>\$ 197,684</u>	<u>\$ 325,745</u>	<u>\$ 523,429</u>	<u>\$ 291,258</u>	<u>\$ 321,087</u>	<u>\$ 612,345</u>
Amortization	<u>\$ 2,612</u>	<u>\$ 650,232</u>	<u>\$ 652,844</u>	<u>\$ 3,053</u>	<u>\$ 494,460</u>	<u>\$ 497,513</u>

20. INCOME TAX

a. Income tax expense consisted of the following:

	2006	2005
Income tax expense - current before tax credits		
Domestic	\$ 353,504	\$ 319,734
Foreign	832	27,146
	<u>354,336</u>	<u>346,880</u>
Net change in deferred income taxes		
Domestic	(21,542)	(133,770)
Cumulative effect of changes in accounting principles	12,438	-
Changes in fair value recognized as an adjustment to equity	(186)	-
Investment tax credits	(184,577)	(202,022)
Adjustment of prior years' income tax expense	(1,353)	(22,110)
Income tax (10%) on undistributed earnings	-	30,452
	<u>\$ 159,116</u>	<u>\$ 19,430</u>

b. Deferred income tax assets consisted of the following:

	<u>December 31</u>	
	2006	2005
Current:		
Loss carryforwards	\$ 6,436	\$ 36,093
Investment tax credits	270,576	193,960
Temporary differences	50,717	41,847
Valuation allowance	<u>104,808</u>	<u>23,349</u>
	<u>\$ 222,921</u>	<u>\$ 248,551</u>
Noncurrent:		
Loss carryforwards	\$ 585,178	\$ 478,182
Investment tax credits	1,334,516	1,140,690
Temporary differences	27,728	33,208
Valuation allowance	<u>1,405,814</u>	<u>1,117,652</u>
	<u>\$ 541,608</u>	<u>\$ 534,428</u>

As of December 31, 2006, investment tax credits (recorded as deferred tax assets) consisted of the following:

Regulatory Basis of Tax Credits	Items	Total Creditable Amounts	Remaining Creditable Amounts	Expiry Year
Income Tax Law	Loss carryforwards	\$ 93,618	\$ 93,618	2008
		146,632	146,632	2009
		222,083	222,083	2010
		<u>129,281</u>	<u>129,281</u>	2011
		<u>\$ 591,614</u>	<u>\$ 591,614</u>	
Statute for Upgrading Industries	Purchase of machinery and equipment	\$ 2,360	\$ -	2006
		2,432	2,432	2007
		10,376	10,376	2008
		<u>3,606</u>	<u>3,606</u>	2009
		<u>\$ 18,774</u>	<u>\$ 16,414</u>	
Statute for Upgrading Industries	Research and development expenditures	\$ 177,474	\$ -	2006
		223,196	223,196	2007
		372,890	372,890	2008
		530,619	521,243	2009
		<u>474,084</u>	<u>452,105</u>	2010
		<u>\$ 1,778,263</u>	<u>\$ 1,569,434</u>	
Statute for Upgrading Industries	Personnel training expenditures	\$ 198	\$ 198	2007
		48	48	2008
		86	86	2009
		<u>24</u>	<u>24</u>	2010
		<u>\$ 356</u>	<u>\$ 356</u>	

(Continued)

Regulatory Basis of Tax Credits	Items	Total Creditable Amounts	Remaining Creditable Amounts	Expiry Year
Statute for Upgrading Industries	Investments in important technology-based enterprise	\$ 16,213	\$ 16,213	2007
		1,275	1,275	2008
		<u>1,400</u>	<u>1,400</u>	2010
		<u>\$ 18,888</u>	<u>\$ 18,888</u>	

(Concluded)

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

Project	Tax Exemption Period
<u>Sunplus</u>	
Fifth expansion	January 1, 2003 to December 31, 2006
Sixth expansion	January 1, 2006 to December 31, 2009
<u>Generalplus</u>	
First expansion	November 1, 2005 to October 31, 2010
<u>Orise</u>	
Inherited from Sunplus' Fifth expansion	January 1, 2003 to December 31, 2006

The income tax returns of Sunplus through 2002; income tax returns of Sunext, Waveplus and Wei-Young through 2003; and income tax returns of Generalplus, Lin Shih and Sunplus venture through 2004 had been examined and cleared by the tax authorities.

c. Integrated income tax information of Sunplus:

	2006	2005
Shareholders' imputation credit account	<u>\$ 16,518</u>	<u>\$ 22,441</u>
Unappropriated earnings until 1997	<u>\$ 452,310</u>	<u>\$ 452,310</u>

The expected and actual creditable tax ratios for 2006 and 2005 of Sunplus were 0.49% and 2.95%, 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 2006 may be adjusted when the allocation of the imputation credits is made.

d. The ROC government enacted the Alternative Minimum Tax Act (AMT Act), which became effective on January 1, 2006. The alternative minimum tax (AMT) imposed under the AMT Act is a supplemental tax levied at a rate of 10% which is payable if the income tax payable determined pursuant to the Income Tax Law is below the minimum amount prescribed under the AMT Act. The taxable income for calculating the AMT includes most of the income that is exempted from income tax under various laws and statutes. The Company has considered the impact of the AMT Act in the determination of its tax liabilities.

21. CONSOLIDATED EARNINGS PER SHARE

	2006		2005	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
Consolidated basic EPS (NT\$)				
Income before cumulative effect of changes in accounting principles attributable to common shareholders of the parent	\$ 3.12	\$ 2.97	\$ 2.40	\$ 2.38
Cumulative effect of changes in accounting principles	<u>(0.03)</u>	<u>(0.03)</u>	<u>-</u>	<u>-</u>
Income attributable for the common shareholders for the parent for the period	<u>\$ 3.09</u>	<u>\$ 2.94</u>	<u>\$ 2.40</u>	<u>\$ 2.38</u>
Consolidated diluted EPS (NT\$)				
Income before cumulative effect of changes in accounting principles attributable to common shareholders of the parent	\$ 3.11	\$ 2.95	\$ 2.38	\$ 2.36
Cumulative effect of changes in accounting principles	<u>(0.03)</u>	<u>(0.03)</u>	<u>-</u>	<u>-</u>
Income attributable for the common shareholders for the parent for the period	<u>\$ 3.08</u>	<u>\$ 2.92</u>	<u>\$ 2.38</u>	<u>\$ 2.36</u>

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

	Amounts (Numerator)		Share (Denominator) (In Thousands)	EPS (Dollars)	
	Before Income Tax	After Income Tax		Before Income Tax	After Income Tax
<u>2006</u>					
Consolidated net income	<u>\$ 3,211,849</u>	<u>\$ 3,052,733</u>			
Consolidated basic EPS					
Income attributable to common shareholders of the parent	\$ 3,131,811	\$ 2,972,695	1,012,292	<u>\$ 3.09</u>	<u>\$ 2.94</u>
Effect of dilutive securities					
Stock options	<u>-</u>	<u>-</u>	<u>5,262</u>		
Consolidated diluted EPS					
Income attributable to common and potential common shareholders of the parent	<u>\$ 3,131,811</u>	<u>\$ 2,972,695</u>	<u>1,017,554</u>	<u>\$ 3.08</u>	<u>\$ 2.92</u>
<u>2005</u>					
Consolidated net income	<u>\$ 2,479,189</u>	<u>\$ 2,459,759</u>			
Consolidated basic EPS					
Income attributable to common shareholders of the parent	\$ 2,417,785	\$ 2,398,355	1,008,414	<u>\$ 2.40</u>	<u>\$ 2.38</u>
Effect of dilutive securities					
Stock options	<u>-</u>	<u>-</u>	<u>7,540</u>		
Consolidated diluted EPS					
Income attributable to common and potential common shareholders of the parent	<u>\$ 2,417,785</u>	<u>\$ 2,398,355</u>	<u>1,015,954</u>	<u>\$ 2.38</u>	<u>\$ 2.36</u>

The weighted-average number of shares outstanding for consolidated EPS calculation was adjusted retroactively for stock dividends and stock bonuses issued subsequently (refer to Note 17). As a result of this adjustment, the consolidated basic EPS and diluted EPS after income tax in 2005 decreased from NT\$2.56 to NT\$2.38 and from NT\$2.53 to NT\$2.36, respectively.

22. FINANCIAL INSTRUMENTS

a. Fair values of financial instruments were as follows:

	2006		2005	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<u>Nonderivative instruments</u>				
Assets				
Financial assets at fair value through profit or loss (current and non-current portion)	\$ 342,633	\$ 342,633	\$ 1,845,567	\$ 1,845,567
Available-for-sale financial assets (current and non-current portion)	4,411,495	4,411,495	1,070,999	1,070,999
<u>Derivative instruments</u>				
Assets				
Financial assets for trading	519	519	-	-

Effective January 1, 2006, the Company adopted Statement of Financial Accounting Standards No. 34 - "Financial Instruments: Recognition and Measurement". Before this change, certain derivative instruments were not recognized in the financial statements. The effect of this accounting change is disclosed in Note 3.

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

- 1) For cash and cash equivalents, certificate of deposit - restricted, notes and accounts receivable, other receivables, short-term loans, commercial paper payable, and notes and accounts payable, the carrying amounts reported in the balance sheets approximate their fair values because of their short maturities.
- 2) Fair values of financial assets at fair value through profit or loss and available-for-sale financial assets are based on their quoted prices in active markets. For those instruments not traded in active markets, their fair values are determined using valuation techniques incorporating estimates and assumptions that are consistent with prevailing market conditions.
- 3) Fair value of long-term loans with fixed interest rates is estimated using discounted cash flow analysis based on the Company's current incremental borrowing rates for borrowings with similar types (similar maturity dates). The fair value of long-term loans with floating interest rates is equivalent to their carrying value.

c. Loss recognized for the changes in fair value of financial instruments using valuation techniques was \$3,012 thousand for the year ended December 31, 2006.

- d. As of December 31, 2006 and 2005, financial assets exposed to cash flow interest rate risk were \$1,644,916 thousand and \$1,208,952 thousand, respectively; financial assets exposed to fair value interest rate risk were \$3,415,536 thousand and \$5,213,571 thousand, respectively; financial liabilities exposed to fair value interest rate risk were \$537,352 thousand and \$301,511 thousand, respectively, and financial liabilities exposed to cash flow interest rate risk were \$1,301,736 thousand and \$1,808,833 thousand, respectively.
- e. Interest income arising from the financial assets other than the financial assets at fair value through profit or loss for the years ended December 31, 2006 and 2005 were \$88,342 thousand and \$82,104 thousand, respectively; interest expense arising from the financial assets other than the financial assets at fair value through profit or loss for the years ended December 31, 2006 and 2005 were \$96,099 thousand and \$83,231 thousand, respectively. The Company recognized an unrealized gain of \$70,296 thousand in shareholders' equity for the changes in fair value of available-for-sale financial assets for the year ended December 31, 2006.
- f. Financial risks
- 1) Market risk. The financial instruments held by the Company are exposed to interest rate, foreign exchange rate and price risks. Interest rates and foreign exchange rate on credit-linked deposits were already in determined. Thus, the fluctuation of interest rate and foreign exchange rate would result in changes in fair values of these financial instruments.

Fair values of inverse floaters are influenced by exchange rate fluctuations. Fair values of held-for-trading and available-for-sale security investments are affected by fluctuations of quoted prices.

- 2) Credit risk. The Company will incur a loss if the counter-parties or third-parties breach the contracts, which are affected by such factors as the concentrations of counter parties, components of financial instruments, contract amounts, and the receivables on the contracts. Thus, contracts with positive fair values on the balance sheet date are evaluated for credit risk. As of December 31, 2006 and 2005, credit risks of the financial assets, except those approximate to their carrying values, were as follows:

	2006		2005	
	Carrying Amount	Credit Risk	Carrying Amount	Credit Risk
<u>Held-for-trading financial assets</u>				
Forward exchange contracts	\$ 519	\$ 519	\$ -	\$ -
<u>Financial assets designated at fair value through profit or loss</u>				
CLNs	192,997	192,997	459,562	459,562
Bond investment	-	-	20,000	20,000
	<u>\$ 193,516</u>	<u>\$ 193,516</u>	<u>\$ 479,562</u>	<u>\$ 479,562</u>

- 3) Liquidity risk. Investments in CLNs, inverse floaters and financial assets carried at cost do not have an active market. Thus, the liquidity risk of these investments is material. On the other hand, held-for-trading and available-for-sale security investments are expected to be settled readily at amounts approximating their fair values in active markets.
- 4) Cash flow interest rate risk. Short-term loans and long-term loans mainly bear floating interest rates. Thus, the fluctuations of market interest rates will affect the Company's future cash flows.

23. RELATED-PARTY TRANSACTIONS

The Company's related parties were as follows:

- a. Global View Co., Ltd. ("Global View") - the supervisor of Sunplus, Giantplus and Waveplus.
- b. Golden Global View Computer Technology Company Ltd. ("Golden Global View") - the subsidiary of Global View.
- c. Global View (Kunshan) Co., Ltd ("Global View Kunshan") - the subsidiary of Global View.
- d. Giantplus Technology Co., Ltd. ("Giantplus") - originally an investee over which the Company had a controlling interest; beginning in August 2006, Giantplus became an investee accounted for using the equity-method due to changes in general manager of Giantplus.
- e. RITEK Corp. (RITEK) - the director of Giantplus.
- f. Kunshan Giantplus Optoelectronics Technology Co., Ltd. ("Kunshan Giantplus") - 100% indirect Subsidiary of Generalplus.
- g. Shenzhen Giantplus Optoelectronics Technology Co., Ltd. ("Shenzhen Giantplus") - the general manager of Kunshan Giantplus and Shenzhen Giantplus is the same. (Shenzhen Giantplus ceased to be the Company's related parties beginning in July 2006; the transactions made as of and for the year ended December 31, 2006 are disclosed only for reference.)
- h. Goldkey Technology Corp. ("Goldkey") - equity-method investee.
- i. Lin Shin Technology Co., Ltd. ("Lin Shin") - affiliate.
- j. AU Optronics Corp. ("AUO") - an equity-method investor of Orise since September, 2006.
- k. AU Optronics (Labuan) Corporation ("AUL") - the subsidiary of AUO
- l. Tech-well Shanghai display Co., Ltd ("Tech-wel") - 100% indirect Subsidiary of Quanta Display Inc. (QDI) (QDI was merged by AUO at October 1, 2006, thus, DA-HUI became the 100% indirect Subsidiary of AUO after merged)
- m. NXP B.V., ("NXP") - the director of Sunext.
- n. Zhuang, hui-zhen - a spouse of the president.
- o. Huang, zhou-fu - a collateral relative by blood within two generations of the president.
- p. Others - please refer to Note 27 for related parties that do not have business transactions with the Company in the current period.

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

	2006		2005	
	Amount	%	Amount	%
<u>For the year</u>				
Sales				
AUL	\$ 1,019,821	4	\$ -	-
AUO	136,326	-	-	-
Kunshan Giantplus	87,323	-	-	-
Giantplus	64,580	-	-	-
Global View	5,135	-	68,838	-
Lin Shin	2,380	-	-	-
Shenzhen Giantplus	-	-	353,257	2
Golden Global View	-	-	68,385	-
Goldkey	-	-	7,240	-
Global View Kunshan	-	-	3,975	-
	<u>\$ 1,315,565</u>	<u>4</u>	<u>\$ 501,695</u>	<u>2</u>
Purchase and subcontract costs				
RITEK	\$ -	-	\$ 8,673	-
Global View Kunshan	-	-	1,937	-
	<u>\$ -</u>	<u>-</u>	<u>\$ 10,610</u>	<u>-</u>
Research and development expenses				
NXP	\$ 176,943	5	\$ -	-
Giantplus	2,800	-	-	-
	<u>\$ 179,743</u>	<u>5</u>	<u>\$ -</u>	<u>-</u>
Rental expenses				
Huang, zhou-fu	\$ 2,615	-	\$ -	-
Zhuang, hui-zhen	2,564	-	2,564	-
Global View	429	-	2,571	-
	<u>\$ 5,608</u>	<u>-</u>	<u>\$ 5,135</u>	<u>-</u>
Nonoperating income and gains - others				
Global View	\$ 241	-	\$ -	-
Lin Shin	16	-	-	-
	<u>\$ 257</u>	<u>-</u>	<u>\$ -</u>	<u>-</u>

	<u>2006</u>		<u>2005</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
<u>As of December 31</u>				
Notes and accounts receivable				
AUL	\$ 638,639	16	\$ -	-
Tech-well	138,317	4	-	-
AUO	126,731	3	-	-
Giantplus Kunshan	76,783	2	-	-
Giantplus	3,611	-	-	-
Lin Shin	2,499	-	-	-
Global View	21	-	10,103	-
Generalplus Shenzhen	-	-	129,871	3
Golden Global View	-	-	14,820	-
Global View Kunshan	-	-	4,776	-
	<u>\$ 986,601</u>	<u>25</u>	<u>\$ 159,570</u>	<u>3</u>
Other receivables				
Goldkey	\$ 19,702	8	\$ -	-
Lin Shin	16	-	-	-
	<u>\$ 19,718</u>	<u>8</u>	<u>\$ -</u>	<u>-</u>
Notes and accounts payable				
RITEK	\$ -	-	\$ 1,368	-
Global View Kunshan	-	-	68	-
	<u>\$ -</u>	<u>-</u>	<u>\$ 1,436</u>	<u>-</u>
Other current liabilities				
NXP	\$ 16,965	2	\$ -	-
AUO	1,132	-	-	-
	<u>\$ 18,097</u>	<u>2</u>	<u>\$ -</u>	<u>-</u>

The price, collection (payment) terms for products sold to (purchased from) related parties were similar to those for third parties.

Nonoperating income and gains included rental income and support transaction prices that were negotiated and thus not comparable with those in the market.

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

24. PLEDGED OR MORTGAGED ASSETS

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

	2006	2005
Sunplus' stock holding by subsidiary	\$ 238,500	\$ 77,800
Pledged time deposits	79,728	13,114
Land	-	279,956
Buildings and auxiliary equipment, net	<u>-</u>	<u>606,733</u>
	<u>\$ 318,228</u>	<u>\$ 977,603</u>

25. SIGNIFICANT LONG-TERM OPERATING LEASES

Sunplus

Sunplus 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
2007	\$ 7,522
2008	7,522
2009	7,522
2010	7,522
2011	7,522
2012 and thereafter	<u>53,849</u>
	<u>\$ 91,459</u>

Orise

Orise leases factories from Anpec Electronics Corporation under renewable agreements expiring in April 2011, with annual rentals aggregating \$11,551 thousand.

Future annual minimum rentals under the leases are as follows:

Year	Amount
2007	\$ 11,551
2008	11,551
2009	11,551
2010	11,551
2011	<u>1,924</u>
	<u>\$ 48,128</u>

26. GAIN ON SETTLEMENT COMPENSATION

In February 2003, the Company bought optoelectronic storage department of Oak Technology, Inc. (Oak Technology Inc. merged with Zoran Company) and acquired its related patent. Therefore, in the settlement of the patent authorization between Mediatek and Zoran, the Company and its subsidiary, Sunext, are able to use Mediatek Inc.'s patents of PC optoelectronic storage, Mediatek authorizing this using right of the patent to Zoran, and can obtain part of solatium.

27. ADDITIONAL DISCLOSURES

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

- a. Endorsement/guarantee provided: Table 1 (attached)
- b. 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. Acquisition of individual real estate properties at costs of at least NT\$100 million or 20% of the paid-in capital: Table 4 (attached)
- e. Total purchase from or sale to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 5 (attached)
- f. Receivable from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Please see Table 6 (attached)
- g. Names, locations, and related information of investees on which the Company exercises significant influences: Table 7 (attached)
- h. Investment in Mainland China: Table 8 (attached)
- i. Intercompany relationships and significant intercompany transactions: Table 9 (attached)

28. SEGMENT INFORMATION

- a. Industry information:

	Consume Integrated Circuit IC Design	Manufacture of TN/STN LCDS and LCD Modules	Other	Adjustment and Elimination	Consolidated
<u>2006</u>					
Sale to unaffiliated customers	\$ 22,435,119	\$ 5,003,559	\$ 6,546	\$ -	\$ 27,445,224
Transfer between affiliated party	<u>506,624</u>	<u>1,530,240</u>	<u>10,550</u>	<u>(2,047,414)</u>	<u>-</u>
Total sales	<u>\$ 22,941,743</u>	<u>\$ 6,533,799</u>	<u>\$ 17,096</u>	<u>\$ (2,047,414)</u>	<u>\$ 27,455,224</u>

(Continued)

	Consume Integrated Circuit IC Design	Manufacture of TN/STN LCDS and LCD Modules	Other	Adjustment and Elimination	Consolidated
Gross profit	\$ 7,328,262	\$ 822,367	\$ 17,096	\$ (260,412)	\$ 7,907,313
Operating expense					(5,432,693)
Nonoperating income and gains					1,382,412
Nonoperating expense and losses					(612,619)
Income before income tax					\$ 3,244,413
Minority interest					\$ 80,038
Identifiable asset	\$ 20,915,530	\$ -	\$ 716,950	\$ (173,829)	\$ 21,458,651
Long term investment	\$ 7,123,866	\$ -	\$ 2,862,391	\$ (6,751,357)	\$ 3,234,900
Total assets					\$ 24,693,551
Depreciation and amortization expense	\$ 1,026,673	\$ 134,750	\$ 14,850	\$ -	\$ 1,176,273
Capital expenditure	\$ 549,865	\$ 159,184	\$ 204,158	\$ -	\$ 913,207

2005

Sale to unaffiliated customers	\$ 19,308,539	\$ 7,760,751	\$ 15,220	\$ -	\$ 27,084,510
Transfer between affiliated party	720,818	2,177,700	53,923	(2,952,441)	-
Total sales	\$ 20,029,357	\$ 9,938,451	\$ 69,143	\$ (2,952,441)	\$ 27,084,510
Gross profit	\$ 6,599,382	\$ 1,308,912	\$ (82,709)	\$ (196,294)	\$ 7,629,291
Operating expense					(4,868,430)
Nonoperating income and gains					356,398
Nonoperating expense and losses					(638,070)
Income before income tax					\$ 2,479,189
Minority interest					\$ 61,404
Identifiable asset	\$ 16,862,111	\$ 6,248,970	\$ 1,795,382	\$ (765,568)	\$ 24,140,895
Long term investment	\$ 4,739,058	\$ 4,055,335	\$ 3,067,796	\$ (9,268,777)	\$ 2,593,412
Total assets					\$ 26,734,307
Depreciation and amortization expense	\$ 839,069	\$ 252,150	\$ 31,140	\$ -	\$ 1,122,359
Capital expenditure	\$ 608,848	\$ 237,588	\$ -	\$ -	\$ 846,436

(Concluded)

b. Geographic information:

	Other	Asia	Taiwan	Adjustment and Elimination	Consolidated
2006					
Sale to unaffiliated customer	\$ 4,629	\$ 2,041,563	\$ 25,399,032	\$ -	\$ 27,455,224
Transfers between geographic area	128,959	1,082,169	836,286	(2,047,414)	-
Total sales	\$ 133,588	\$ 3,123,732	\$ 26,235,318	\$ (2,047,414)	\$ 27,455,224
Gross profit	\$ 133,588	\$ 490,254	\$ 7,543,883	\$ (260,412)	\$ 7,907,313

(Continued)

	Other	Asia	Taiwan	Adjustment and Elimination	Consolidated
Operating expense					\$ (5,432,693)
Nonoperating income and gains					1,382,412
Nonoperating expense and losses					<u>(612,619)</u>
Income before income tax					<u>\$ 3,244,413</u>
Identifiable asset	<u>\$ 165,471</u>	<u>\$ 564,083</u>	<u>\$ 20,902,926</u>	<u>\$ (173,829)</u>	\$ 21,458,651
Long term investment	<u>\$ 400,023</u>	<u>\$ 970,195</u>	<u>\$ 8,616,039</u>	<u>\$ (6,751,357)</u>	<u>3,234,900</u>
Total assets					<u>\$ 24,693,551</u>

2005

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>	<u>-</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)
Nonoperating income and gains					356,398
Nonoperating expense and losses					<u>(638,070)</u>
Income before income tax					<u>\$ 2,479,189</u>
Identifiable asset	<u>\$ 273,685</u>	<u>\$ 3,517,915</u>	<u>\$ 21,114,863</u>	<u>\$ (765,568)</u>	\$ 24,140,895
Long term investment	<u>\$ 3,165,402</u>	<u>\$ 1,199,927</u>	<u>\$ 7,496,860</u>	<u>\$ (9,268,777)</u>	<u>2,593,412</u>
Total assets					<u>\$ 26,734,307</u> (Concluded)

c. Export sales:

Area	2006	2005
Asia	\$ 17,288,631	\$ 19,407,010
Others	<u>341,693</u>	<u>580,822</u>
	<u>\$ 17,630,324</u>	<u>\$ 19,987,832</u>

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

Customer	2006		2005	
	Amount	%	Amount	%
A	\$ 3,249,984	12	\$ 2,903,533	11
B	3,008,560	11	-	-

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

ENDORSEMENT/GUARANTEE PROVIDED

YEAR ENDED DECEMBER 31, 2006

(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	Orise Technology Co., Ltd	Equity-method investee	\$ 1,738,407 (Note 1)	\$ 684,910	\$ 684,910	\$ -	3.94%	\$ 3,476,815 (Note 2)
		Sunplus mMobile Inc.	Equity-method investee	1,738,407 (Note 1)	622,820	622,820	-	3.58%	3,476,815 (Note 2)
		Sunext Technology CO., Ltd.	Equity-method investee	1,738,407 (Note 1)	1,189,230	588,103	-	3.38%	3,476,815 (Note 2)
		Sunplus Technology (Shanghai) Co., Ltd.	Indirect subsidiary	1,738,407 (Note 1)	164,950	164,950	-	0.95%	3,476,815 (Note 2)
		Sunplus Innovation Technology Inc.	Equity-method investee	1,738,407 (Note 1)	147,510	147,510	-	0.85%	3,476,815 (Note 2)
		Waveplus Technology Co., Ltd.	Equity-method investee	1,738,407 (Note 1)	70,000	20,000	-	0.12%	3,476,815 (Note 2)
		Generalplus Technology Inc.	Equity-method investee	1,738,407 (Note 1)	65,260	-	-	-	3,476,815 (Note 2)

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

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

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2006

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

Holding Company	Type and Issuer of Marketable Security	Relationship with the Holding Company	Financial Statement Account	December 31, 2006				Note
				Shares or Units (Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
Sunplus Technology Company Limited	<u>Stock</u>							
	Sunplus mMobile Inc.	Equity-method investee	Equity-method investment	120,000	\$ 1,648,899	100	\$ 1,648,899	Note 1
	Giantplus Technology Co., Ltd.	Equity-method investee	Equity-method investment	69,450	1,040,819	33	1,040,819	Note 1
	Orise Technology Co., Ltd.	Equity-method investee	Equity-method investment	69,355	927,842	67	927,842	Note 1
	Sunplus Venture Capital Co., Ltd.	Equity-method investee	Equity-method investment	100,000	672,601	100	672,601	Note 1
	Lin Shih Investment Co., Ltd.	Equity-method investee	Equity-method investment	70,000	486,902	100	486,902	Notes 1 and 5
	Russell Holdings Limited	Equity-method investee	Equity-method investment	19,260	474,783	100	474,783	Note 1
	Ventureplus Group Inc.	Equity-method investee	Equity-method investment	17,000	322,289	100	322,289	Note 1
	Generalplus Technology Inc.	Equity-method investee	Equity-method investment	17,911	307,992	48	307,992	Note 1
	Sunplus Innovation Technology Inc.	Equity-method investee	Equity-method investment	22,000	295,858	100	295,858	Note 1
	Goldkey Technology Corp.	Equity-method investee	Equity-method investment	4,598	24,440	15	24,440	Notes 1
	Wei-Young Investment Inc.	Equity-method investee	Equity-method investment	1,400	12,946	100	12,946	Note 1
	Global Techplus Inc. (Techplus Capital Niue Inc.)	Equity-method investee	Equity-method investment	200	6,321	100	6,321	Note 1
	Sunplus Management Consulting Inc.	Equity-method investee	Equity-method investment	500	4,317	100	4,317	Note 1
	Waveplus Technology Co., Ltd.	Equity-method investee	Equity-method investment	2,856	2,478	10	2,478	Note 1
	Sunext Technology Co., Ltd.	Equity-method investee	Equity-method investment	12,600	2,126	16	2,126	Note 1
	Sunplus Technology (H.K.) Co., Ltd.	Equity-method investee	Equity-method investment	11,075	1,318	100	1,318	Note 1
	Electric Energy Application Technology Inc.	Equity-method investee	Equity-method investment	9,600	-	24	-	Note 1
	Credit-link note issued by the Industrial Bank of Taiwan	-	Financial assets at fair value through profit or loss	-	192,997	-	192,997	
	Inverse floaters issued by Citi Bank	-	Financial assets at fair value through profit or loss	-	149,636	-	149,636	
	Global View Co., Ltd.	The Company's supervisor	Available-for-sale financial assets	13,568	227,936	10	227,936	Note 3
	Harvatek Corp.	-	Available-for-sale financial assets	4,533	170,211	3	170,211	Note 3
	United Microelectronics Corp.	-	Available-for-sale financial assets	2,701	54,691	-	54,691	Note 3
	RITEK Corp.	The Company's director	Available-for-sale financial assets	5,000	47,746	-	47,746	Note 3
	WPG Holding Limited	-	Available-for-sale financial assets	1,076	19,315	-	19,315	Note 3
	Network Capital Global Fund	-	Financial assets carried at cost	3,333	33,333	7	33,333	Note 2
	Alpha Imaging Technology Corporation	-	Financial assets carried at cost	2,658	32,993	8	32,993	Note 2
	Technology Partners Venture Capital Corp.	-	Financial assets carried at cost	3,150	31,500	11	31,500	Note 2
	Quality Test System Inc.	-	Financial assets carried at cost	648	-	2	-	Note 2
	<u>Fund</u>							
	ABN AMRO Taiwan Bond Fund	-	Available-for-sale financial assets	37,626	567,000	-	567,000	Note 6
	Cathay Bond	-	Available-for-sale financial assets	46,226	533,000	-	533,000	Note 6
Ta Chong Bond	-	Available-for-sale financial assets	40,236	524,000	-	524,000	Note 6	
Jan-Ho Taiwan Bond Fund	-	Available-for-sale financial assets	32,366	456,000	-	456,000	Note 6	
Truswell Bond Fund	-	Available-for-sale financial assets	20,799	265,000	-	265,000	Note 6	

(Continued)

Holding Company	Type and Issuer of Marketable Security	Relationship with the Holding Company	Financial Statement Account	December 31, 2006				Note
				Shares or Units (Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
	TLAM Solomon Bond Fund	-	Available-for-sale financial assets	19,895	\$ 232,000	-	\$ 232,000	Note 6
	President James Bond	-	Available-for-sale financial assets	10,371	160,000	-	160,000	Note 6
	Prudential Financial Bond Fund	-	Available-for-sale financial assets	10,948	160,000	-	160,000	Note 6
	Tasihin Lucky Fund	-	Available-for-sale financial assets	12,188	125,000	-	125,000	Note 6
	NITC Europe Dynamic Blanced Fund	-	Available-for-sale financial assets	5,000	51,202	-	51,202	Note 6
	Capital Cash Reserves	-	Available-for-sale financial assets	4,270	50,043	-	50,043	Note 6
	INGCHB Taiwan Bond	-	Available-for-sale financial assets	4,258	50,020	-	50,020	Note 6
Orise Technology Co. Ltd.	Cathay Soaring Eagle Bond Fund	-	Available-for-sale financial assets	3,694	40,032	-	40,032	Note 6
	Cathay Bond	-	Available-for-sale financial assets	2,604	30,024	-	30,024	Note 6
	NITC Bond	-	Available-for-sale financial assets	243	40,030	-	40,030	Note 6
	Prudential Financial Bond Fund	-	Available-for-sale financial assets	2,191	32,020	-	32,020	Note 6
	Capital Cash Reserves	-	Available-for-sale financial assets	427	5,007	-	5,007	Note 6
Sunplus Venture Capital Co., Ltd.	<u>Stock</u>							
	Joining Technology Co., Ltd.	Equity-method investee	Equity-method investment	3,400	-	39	-	Note 1
	Waveplus Technology Co., Ltd.	Equity-method investee	Equity-method investment	4,271	3,707	14	3,707	Note 1
	Sunext Technology Co., Ltd.	Equity-method investee	Equity-method investment	16,000	2,699	20	2,699	Note 1
	Han Young Technology Co., Ltd.	Equity-method investee	Equity-method investment	420	1,780	70	1,780	Note 1
	Generalplus Technology Inc.	Equity-method investee	Equity-method investment	1,872	32,182	5	32,182	Note 1
	Orise Technology Co., Ltd.	Equity-method investee	Equity-method investment	800	11,270	1	11,270	Note 1
	Taiwan Nano Electro-Optical Technology Co., Ltd.	-	Available-for-sale financial assets	3,915	153,478	3	153,478	Note 3
	King Yuan Electronics Co., Ltd.	-	Available-for-sale financial assets	2,108	57,346	-	57,346	Note 3
	AIPTEK International Inc.	-	Available-for-sale financial assets	1,841	14,910	1	14,910	Note 3
	Ability Enterprise Co., Ltd.	-	Available-for-sale financial assets	3,363	82,732	1	82,732	Note 3
	Elite Advanced Laser Corp.	-	Available-for-sale financial assets	381	10,602	-	10,602	Note 3
	eWave System, Inc.	-	Financial assets carried at cost	1,833	-	22	-	Note 2
	Softchina Venture Capital Corp.	-	Financial assets carried at cost	407	4,073	8	4,073	Note 2
	Simple Act Inc.	-	Financial assets carried at cost	1,900	19,000	19	19,000	Note 2
	VenGlobal International Fund	-	Financial assets carried at cost	500	11,284	3	11,284	Note 2
	Cyberon Corporation	-	Financial assets carried at cost	780	13,691	19	13,691	Note 2
	WayTech Development Inc.	-	Financial assets carried at cost	1,000	10,000	4	10,000	Note 2
	Miracle Technology Co., Ltd.	-	Financial assets carried at cost	1,303	14,025	9	14,025	Note 2
	Feature Integration Technology Inc.	-	Financial assets carried at cost	3,950	51,750	14	51,750	Note 2
	Radiant Innovation Inc.	-	Financial assets carried at cost	573	11,460	5	11,460	Note 2
	Chiabon Venture Capital Co., Ltd.	-	Financial assets carried at cost	5,000	50,000	5	50,000	Note 2
	Socle Technology Corp.	-	Financial assets carried at cost	550	13,750	2	13,750	Note 2
MaxEmil Photonics Corp.	-	Financial assets carried at cost	598	14,280	2	14,280	Note 2	
Smec Media & Entertainment Corp.	-	Financial assets carried at cost	2,000	20,000	7	20,000	Note 2	
Minton Optic Industry Co., Ltd.	-	Financial assets carried at cost	5,000	75,000	8	75,000	Note 2	
Capella Micro System, Inc.	-	Financial assets carried at cost	630	9,450	3	9,450	Note 2	
Lin Shih Investment Co., Ltd.	<u>Stock</u>							
	Goldkey Technology Corp.	Equity-method investee	Equity-method investment	5,040	26,799	17	26,799	Note 1
	Waveplus Technology Co., Ltd.	Equity-method investee	Equity-method investment	5,742	4,983	19	4,983	Note 1
	Sunext Technology Co., Ltd.	Equity-method investee	Equity-method investment	17,332	2,924	22	2,924	Note 1
	Generalplus Technology Inc.	Equity-method investee	Equity-method investment	8,111	139,475	22	139,475	Note 1

(Continued)

Holding Company	Type and Issuer of Marketable Security	Relationship with the Holding Company	Financial Statement Account	December 31, 2006				Note
				Shares or Units (Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
	Sunplus Technology Company Limited	Parent company	Available-for-sale financial assets	6,450	\$ 256,404	1	\$ 256,404	Note 3
	Ability Enterprise co., Ltd	-	Available-for-sale financial assets	4,687	115,309	1	115,309	Note 3
	Taiwan Cellular Corp.	-	Available-for-sale financial assets	275	9,286	-	9,286	Note 3
	WPG Holding Limited	-	Available-for-sale financial assets	240	4,307	-	4,307	Note 3
	RITEK Corp.	The Company's director	Available-for-sale financial assets	833	7,958	-	7,958	Note 3
	Elite Advanced Laser Corp.	-	Available-for-sale financial assets	1,907	53,009	2	53,009	Note 3
	AIPTEK International Inc.	-	Available-for-sale financial assets	313	2,533	-	2,533	Note 3
	Taiwan Nano Electro-Optical Technology Co., Ltd.	-	Available-for-sale financial assets	907	35,573	1	35,573	Note 3
	Minton Optic Industry Co., Ltd.	-	Financial assets carried at cost	4,272	79,643	7	79,643	Note 2
	NCTU Spring Venture Capital Co., Ltd.	-	Financial assets carried at cost	2,000	20,000	6	20,000	Note 2
	GemFor Tech. Co., Ltd.	-	Financial assets carried at cost	831	10,685	6	10,685	Note 2
	MaxEmil Photonics Corporation	-	Financial assets carried at cost	609	10,100	2	10,100	Note 2
	WayTech Development Inc.	-	Financial assets carried at cost	1,500	15,000	5	15,000	Note 2
	Miracle Technology Co., Ltd.	-	Financial assets carried at cost	1,295	13,940	9	13,940	Note 2
	Radiant Innovation Inc.	-	Financial assets carried at cost	1,200	13,903	10	13,903	Note 2
	Socle Technology Corp.	-	Financial assets carried at cost	250	6,250	1	6,250	Note 2
	Glokie Technology Corp.	-	Financial assets carried at cost	2,300	23,000	16	23,000	Note 2
Russell Holdings Limited	<u>Stock</u>							
	Jet Focus Limited	Equity-method investee	Equity-method investment	4,794	US\$ 204 thousand	44	US\$ 204 thousand	Note 1
	Synerchip Co., Ltd.	Equity-method investee	Other current liabilities	700	US\$ (178) thousand	32	US\$ (178) thousand	Note 4
	Shang-Hai Fudan Microelectronics Company Limited	-	Available-for-sale financial assets	7,280	US\$ 403 thousand	-	US\$ 403 thousand	Note 3
	InveStar Excelsus Venture Capital (Int'l), Inc., LDC	-	Financial assets carried at cost	1,488	US\$ 1,139 thousand	-	US\$ 1,139 thousand	Note 2
	OZ Optics Ltd.	-	Financial assets carried at cost	1,000	US\$ 500 thousand	8	US\$ 500 thousand	Note 2
	Aicent, Inc.	-	Financial assets carried at cost	1,000	US\$ 500 thousand	2	US\$ 500 thousand	Note 2
	Ortega InfoSystem, Inc.	-	Financial assets carried at cost	2,557	US\$ 1,000 thousand	-	US\$ 1,000 thousand	Note 2
	Asia B2B on line Inc.	-	Financial assets carried at cost	1,000	US\$ 1,000 thousand	3	US\$ 1,000 thousand	Note 2
	Asia Tech Taiwan Venture Fund	-	Financial assets carried at cost	-	US\$ 3,000 thousand	5	US\$ 3,000 thousand	Note 2
	Ether Precision Inc.	-	Financial assets carried at cost	1,250	US\$ 500 thousand	3	US\$ 500 thousand	Note 2
	Innobrige Venture Fund ILP	-	Financial assets carried at cost	-	US\$ 1,200 thousand	-	US\$ 1,200 thousand	Note 2
Ventureplus Group Inc.	<u>Stock</u>							
	Ventureplus Mauritius Inc.	Subsidiary of Ventureplus Group Inc.	Equity-method investment	-	US\$ 9,894 thousand	100	US\$ 9,894 thousand	Note 1

(Continued)

Holding Company	Type and Issuer of Marketable Security	Relationship with the Holding Company	Financial Statement Account	December 31, 2006				Note
				Shares or Units (Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
Ventureplus Mauritius Inc.	<u>Stock</u> Ventureplus Cayman Inc.	Subsidiary of Ventureplus Mauritius Inc.	Equity-method investment	-	US\$ 9,897 thousand	100	US\$ 9,897 thousand	Note 1
Ventureplus Cayman Inc.	<u>Stock</u> Sunplus Technology (Shanghai) Co., Ltd.	Subsidiary of Ventureplus Cayman Inc.	Equity-method investment	-	US\$ 9,868 thousand	99	US\$ 9,868 thousand	Note 1
Sunplus Technology (Shanghai) Co., Ltd	Cmfchina Fund	-	Available-for-sale financial assets	14,770	RMB 14,770 thousand	-	RMB 14,770 thousand	
Wei-Young Investment Inc.	UNIWILL Co., Ltd.	-	Available-for-sale financial assets	500	\$ 10,900	-	\$ 10,900	Note 3
Generalplus Technology Inc.	<u>Stock</u> Generalplus International Samoa Inc.	Subsidiary of Generalplus Technology Inc.	Equity-method investment	700	3,423	100	3,423	Note 1
Generalplus International (Samoa) Inc.	<u>Stock</u> Generalplus (Mauritius) Inc.	Subsidiary of Generalplus International (Samoa) Inc.	Equity-method investment	700	US\$ 105 thousand	100	US\$ 105 thousand	Note 1
Generalplus (Mauritius) Inc.	<u>Stock</u> Generalplus Technology (Shenzhen) Co., Ltd.	Subsidiary of Generalplus (Mauritius) Inc.	Equity-method investment	700	US\$ 105 thousand	100	US\$ 105 thousand	Note 1
Global Techplus Capital Inc.	<u>Stock</u> Techplus Capital Samoa Inc.	Subsidiary of Global Techplus capital Inc.	Equity-method investment	-	US\$ 146 thousand	100	US\$ 146 thousand	Note 1
Techplus Samoa Inc.	Techplus Belize Inc.	-	Financial assets carried at cost	-	US\$ 150 thousand	4	US\$ 150 thousand	Note 2
Waveplus Technology Co., Ltd.	<u>Stock</u> Waveplus Holding Ltd.	Subsidiary of Waveplus Technology Co., Ltd.	Equity-method investment	-	2,067	100	2,067	Note 1
Waveplus Holding Ltd.	<u>Stock</u> Waveplus Design, Inc.	Subsidiary of Waveplus Holding Ltd.	Equity-method investment	-	US\$ 65 thousand	100	US\$ 65 thousand	Note 1
Sunext Technology Co., Ltd.	<u>Stock</u> Great Sun Corp.	Subsidiary of Sunext Technology Co., Ltd.	Equity-method investment	-	32,310	100	32,310	Note 1

(Continued)

Holding Company	Type and Issuer of Marketable Security	Relationship with the Holding Company	Financial Statement Account	December 31, 2006				Note
				Shares or Units (Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
Great Sun Corp.	<u>Stock</u> Sunext Design Inc.	Subsidiary of Great Sun Corp.	Equity-method investment	-	US\$ 792 thousand	100	US\$ 792 thousand	Note 1
	Sunext (Mauritius) Inc.	Subsidiary of Great Sun Corp.	Equity-method investment	-	US\$ 194 thousand	100	US\$ 194 thousand	Note 1
Sunext Mauritius Inc.	<u>Stock</u> Sunext Technology (Shanghai) Co., Ltd.	Subsidiary of Sunext Mauritius Inc.	Equity-method investment	-	US\$ 194 thousand	100	US\$ 194 thousand	Note 1

Note 1: The net asset value was based on unaudited financial data as of December 31, 2006.

Note 2: The market value was based on carrying value as of December 31, 2006.

Note 3: The market value was based on the closing price as of December 31, 2006.

Note 4: The credit balance on the carrying value of the equity-method investment is reported as other current liabilities.

Note 5: The investment carrying value excluded the carrying value of \$95,605 thousand of the shares of Sunplus Technology Company Limited held by its subsidiary.

Note 6: The market value was based on the net asset value of fund as of December 31, 2006.

Note 7: As of December 31, 2006, the above marketable securities, except the carrying value \$238,500 of the Sunplus Technology Company Limited holding by Lin Shih Investment Co., Ltd., had not been pledged or mortgaged. (Concluded)

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

YEAR ENDED DECEMBER 31, 2006

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

Company Name	Type and Issuer Name of Marketable Security	Financial Statement Account	Beginning Balance		Acquisition		Disposal			Ending Balance		
			Units (Thousands)	Amount	Units (Thousands)	Amount	Unit (Thousands)	Amount	Carrying Value	Gain (Loss) on Disposal	Unit (Thousands)	Amount
Sunplus Technology Company Limited	Orise Technology Co., Ltd.	Equity investments	100	\$ 1,000	95,805	\$ 1,175,265	26,550	\$ 357,350	\$ 349,377	\$ 7,973	69,355	\$ 972,842
	Sunplus mMobile Inc.	Equity investments	-	-	120,000	1,680,000	-	-	-	-	120,000	1,648,899
	Sunplus Innovation Inc.	Equity investments	-	-	22,000	308,000	-	-	-	-	22,000	295,858
	Credit Link Note issued by Chinatruck commercial Bank	Financial assets at fair value through profit or loss	-	-	-	300,000	-	301,381	300,000	1,381	-	-
	Credit Link Note issued by Citibank	Financial assets at fair value through profit or loss	-	-	-	260,000	-	261,977	261,036	941	-	-
	NAM short-term investment	Financial assets at fair value through profit or loss	1,837	839,866	-	-	1,837	830,330	839,866	(9,536)	-	-
	Prudential Financial Bond Fund	Financial assets at fair value through profit or loss	-	-	14,553	211,000	14,553	211,537	211,000	537	-	-
	Jan-Ho Taiwan Bond Fund	Financial assets at fair value through profit or loss	14,627	203,318	48,626	677,690	63,253	883,088	881,008	2,080	-	-
	NITC Bond	Financial assets at fair value through profit or loss	-	-	1,695	277,000	1,695	277,712	277,000	712	-	-
	Fuh Hwa Bond	Financial assets at fair value through profit or loss	2,466	32,428	10,479	139,000	12,945	171,839	171,428	411	-	-
	Tasihin Lucky Fund	Financial assets at fair value through profit or loss	-	-	27,895	284,000	27,895	284,936	284,000	936	-	-
	President James Bond	Financial assets at fair value through profit or loss	-	-	22,209	340,684	22,209	341,369	340,684	685	-	-
	Ta Chong Bond	Financial assets at fair value through profit or loss	-	-	45,629	591,038	45,629	592,075	591,038	1,037	-	-
	Truswell Bond Fund	Financial assets at fair value through profit or loss	-	-	44,968	570,750	44,968	571,500	570,750	750	-	-
	Fuhwa Commercial Bank Money Market Common Trust Fund	Financial assets at fair value through profit or loss	-	-	22,600	230,000	22,600	230,478	230,000	478	-	-
	Polaris De-Bao Fund	Financial assets at fair value through profit or loss	-	-	26,346	290,000	26,346	290,727	290,000	727	-	-
	JF (Taiwan) Bond Fund	Financial assets at fair value through profit or loss	-	-	10,689	162,000	10,689	162,418	162,000	418	-	-
	Fuhwa APEX Bond Fund	Financial assets at fair value through profit or loss	-	-	24,291	285,000	24,291	285,615	285,000	615	-	-
	ABN AMRO Tainan Bond Fund	Financial assets at fair value through profit or loss	-	-	39,334	590,308	39,334	590,616	590,308	308	-	-
	TLAM Solmon Bond Fund	Financial assets at fair value through profit or loss	-	\$ -	31,845	370,037	31,845	370,074	370,037	37	-	-
	Prudential Financial Bond Fund	Available-for-sale financial assets	-	-	35,621	520,000	24,673	360,382	360,000	382	10,948	160,000
	Jan-Ho Taiwan Bond Fund	Available-for-sale financial assets	-	-	68,419	962,396	36,053	507,785	506,396	1,389	32,366	456,000
	Tasihin Lucky Fund	Available-for-sale financial assets	-	-	24,399	250,000	12,211	125,243	125,000	243	12,188	125,000
President James Bond	Available-for-sale financial assets	-	-	20,816	320,684	10,445	161,138	160,684	454	10,371	160,000	
Ta Chong Bond	Available-for-sale financial assets	-	-	80,585	1,048,037	40,349	525,484	524,037	1,447	40,236	524,000	
Truswell Bond Fund	Available-for-sale financial assets	-	-	43,283	550,750	22,484	286,472	285,750	722	20,799	265,000	
ABN AMRO Taiwan Bond Fund	Available-for-sale financial assets	-	-	75,350	1,134,308	37,724	568,472	567,308	1,164	37,626	567,000	
TLAM Solomon Bond Fund	Available-for-sale financial assets	-	-	47,165	549,037	27,270	317,849	317,037	812	19,895	232,000	
Cathay Bond	Available-for-sale financial assets	-	-	92,576	1,066,000	46,350	534,424	533,000	1,424	46,226	533,000	
Sunplus Venture Capital Co., Ltd.	Sunext Technology Co., Ltd.	Equity investments	6,500	19,264	9,500	108,999	-	-	-	-	16,000	16,699
	Young Tek Electronics Corp.	Available-for-sale financial assets	1,344	92,051	117	-	1,461	104,516	92,051	12,465	-	-

Generalplus Technology Inc.	Dresdner ADAM Bond Fund	Available-for-sale financial assets	-	-	25,608	295,000	25,608	295,616	295,000	616	-	-
	President James Bond	Available-for-sale financial assets	-	-	8,079	124,000	8,079	124,202	124,000	202	-	-
	The Wan Pao Bon Fund	Available-for-sale financial assets	-	-	10,486	159,000	10,486	159,142	159,000	142	-	-
	President Home Run	Available-for-sale financial assets	-	-	7,273	101,000	7,273	101,240	101,000	240	-	-

Note: Includes the equity-method investment income, cumulative translation adjustments and the valuation gains (losses) on financial assets.

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

ACQUISITION OF INDIVIDUAL REAL ESTATES AT COSTS OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

FOR THE YEAR ENDED DECEMBER 31, 2006

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

Company Name	Types of Property	Transaction Date	Transaction Amount	Payment Term	Counter-party	Nature of Relationship	Prior Transaction of Related Counter-party				Price Reference	Purpose of Proceeds	Purpose of Acquisition	Other Terms
							Owner	Relationship	Transfer Date	Amount				
Sunplus Technology (Shanghai) Co., Ltd.	Buildings	September 30, 2006	\$ 361,384	Amounted to 93% had pay	ZheJiang XingRun Construction Co., Ltd. and etc.	-	N/A	N/A	N/A	N/A	Negotiated	-	Manufacturing purposes	Construction of buildings

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

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

FOR THE YEAR ENDED DECEMBER 31, 2006

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

Company	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	Generalplus Technology Inc.	Equity-method investee	Sale	\$ 193,554	1%	Net 45 days from monthly closing dates in principle.	Note	Note	\$ 5,071	-	-
Orise Technology Co., Ltd	AU Optronics (Labuan) Corporation	Subsidiary of AU Optronics Corp.	Sale	1,019,821	36%	Net 120 days from monthly closing dates in principle.	Note	Note	638,639	48	-
	AU Optronics Corp.	Equity-method investor of Orise Technology Co., Ltd	Sale	136,326	5%	Net 120 days from monthly closing dates in principle.	Note	Note	126,731	9	-
	Kunshan Giantplus Optoelectronics Technology Co., Ltd.	Subsidiary of Giantplus Technology Co., Ltd.	Sale	115,785	4%	Net 45 days from monthly closing dates in principle.	Note	Note	75,513	6	-

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

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

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

DECEMBER 31, 2006

(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		
Orise Technology Co. Ltd.	AU Optronics (Labuan) Corporation	Subsidiary of AU Optronics Corp.	\$ 638,639	3.19	\$ -	-	\$ 114,112	\$ -
	Tech-well Shanghai display Co., Ltd	100% indirect subsidiary of AU Optronics Corp.	138,317	-	9,696	-	-	485
	AU Optronics Corp.	An equity-method investor of Orise Technology Co. Ltd.	126,731	2.15	-	-	-	-

SUNPLUS TECHNOLOGY COMPANY LIMITED

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCES
 YEAR ENDED DECEMBER 31, 2006
 (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, 2006			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				December 31, 2006	December 31, 2005	Shares (Thousands)	Percentage of Ownership	Carrying Value			
Sunplus Technology Company Limited	Sunplus mMobile Inc.	Hsinchu Taiwan	Design and sale of ICS	\$ 1,680,000	\$ -	120,000	100	\$ 1,648,899	\$ (31,101)	\$ (31,101)	Subsidiary
	Giantplus Technology Co., Ltd.	Tofen Chen, Miaoli, Taiwan	Manufacture of TN/STN LCDs and LCD modules	645,334	660,220	69,450	33	1,040,819	521,515	174,904	Investee
	Orise Technology Co., Ltd.	Hsinchu, Taiwan	Design of ICS	852,046	1,000	69,355	67	972,842	176,275	144,797	Subsidiary
	Sunplus Venture Capital Co., Ltd.	Hsinchu, Taiwan	Investment	999,982	999,940	100,000	100	672,601	(28,546)	(28,518)	Subsidiary
	Lin Shih Investment Co., Ltd.	Hsinchu, Taiwan	Investment	699,988	699,940	70,000	100	486,902	(45,248)	(57,477)	Subsidiary
	Russell Holdings Limited	Cayman Islands, British West Indies.	Investment	646,610	646,610	19,260	100	474,783	(6,569)	(6,569)	Subsidiary
	Ventureplus Group Inc.	Belize	Investment	570,808	570,808	17,000	100	322,289	(85,718)	(85,718)	Subsidiary
	Generalplus Technology Inc.	Hsinchu, Taiwan	Design of ICs	146,000	146,000	17,911	48	307,992	253,459	128,919	Investee
	Sunplus Innovation Technology Inc.	Hsinchu, Taiwan	Design and sale of ICS	308,000	-	22,000	100	295,858	(12,142)	(12,142)	Subsidiary
	Goldkey Technology Corp.	Hsinchu, Taiwan	Design of ICs	32,836	52,538	4,598	15	24,440	(37,972)	(5,833)	Investee
	Wei-Young Investment Inc.	Taipei, Taiwan	Investment	14,000	20,000	1,400	100	12,946	926	926	Subsidiary
	Global Techplus Capital Inc. (Techplus Capital Niue Inc.)	Niue	Investment	6,896	6,896	200	100	6,321	(215)	(215)	Subsidiary
	Sunplus Management Consulting Inc.	Hsinchu, Taiwan	Investment	5,000	5,000	500	100	4,317	(101)	(101)	Subsidiary
	Waveplus Technology Co., Ltd.	Taipei, Taiwan	Design and sale of ICs	31,272	31,272	2,856	10	2,478	16,977	1,616	Investee
	Sunext Technology Co., Ltd.	Hsinchu, Taiwan	Design and sale of ICs	126,000	96,000	12,600	16	2,126	(505,287)	(97,250)	Investee
	Sunplus Technology (H.K.) Co., Ltd.	Kowloon Bay, Hong Kong	International trade	41,616	41,616	11,075	100	1,318	(124)	124	Subsidiary
	Electric Energy Application Technology Inc.	Hsinchu, Taiwan	Design and manufacture of environmental - friendly batteries	103,200	103,200	9,600	24	-	-	-	Investee
Sunplus Venture capital Co., Ltd.	Joing Technology Co., Ltd.	Hsinchu, Taiwan	Design of ICs	51,000	51,000	3,400	39	-	-	-	Investee
	Waveplus Technology Co., Ltd.	Taipei, Taiwan	Design and Sale of ICs	74,869	74,809	4,271	14	3,707	16,977	2,418	Investee
	Sunext Technology Co., Ltd.	Hsinchu, Taiwan	Design and sale of ICs	360,000	265,000	16,000	20	2,699	(505,287)	(77,737)	Investee
	Han Young Technology Co., Ltd.	Taipei, Taiwan	Design of ICs	4,200	4,200	420	70	1,780	-	-	Subsidiary
	Generalplus Technology Inc.	Hsinchu, Taiwan	Design of ICs	15,000	15,000	1,872	5	32,182	253,459	13,469	Investee
	Orise Technology Co., Ltd.	Hsinchu, Taiwan	Design of ICs	10,800	-	800	1	11,270	176,275	407	Investee
Lin Shih Investment Co., Ltd.	Goldkey Technology Corp.	Hsinchu, Taiwan	Design of ICs	26,400	48,000	5,040	17	26,799	(37,972)	(6,395)	Investee
	Waveplus Technology Co., Ltd.	Taipei, Taiwan	Design and sale of ICs	90,178	90,178	5,742	19	4,983	16,977	3,249	Investee
	Sunext Technology Co., Ltd.	Hsinchu, Taiwan	Design and sale of ICs	369,316	305,365	17,332	22	2,924	(505,287)	(115,529)	Investee
	Generalplus Technology Inc.	Hsinchu, Taiwan	Design of ICs	65,000	65,000	8,111	22	139,475	253,459	58,384	Investee
Russell Holdings Limited	Jet Focus Limited	Cayman Islands, British West Indies	Investment	US\$ 6,050 thousand	US\$ 6,050 thousand	4,794	44	US\$ 204 thousand	US\$ (3,620) thousand	US\$ (1,594) thousand	Investee
	Synerchip Co., Ltd.	Cayman Islands, British West Indies	Investment	US\$ 2,050 thousand	US\$ 700 thousand	700	32	US\$ (178) thousand	US\$ (1,843) thousand	US\$ (587) thousand	Investee
Ventureplus Group Inc.	Ventureplus Mauritius Inc.	Belize	Investment	US\$ 17,000 thousand	US\$ 17,000 thousand	-	100	US\$ 9,894 thousand	US\$ (2,632) thousand	US\$ (2,632) thousand	Subsidiary
Ventureplus Mauritius Inc.	Ventureplus Cayman Inc.	Cayman Islands, British West Indies	Investment	US\$ 17,000 thousand	US\$ 17,000 thousand	-	100	US\$ 9,897 thousand	US\$ (2,631) thousand	US\$ (2,631) thousand	Subsidiary
Ventureplus Cayman Inc.	Sunplus Technology (Shanghai) Co., Ltd.	Shanghai, China	Design, manufacture and sale of ICs.	US\$ 17,000 thousand	US\$ 17,000 thousand	-	99	US\$ 9,868 thousand	US\$ (2,628) thousand	US\$ (2,628) thousand	Subsidiary

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2006			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				December 31, 2006	December 31, 2005	Shares (Thousands)	Percentage of Ownership	Carrying Value			
Generalplus Technology Inc.	Generalplus International (SAMOA) INC	SAMOA	Investment	US\$ 700 thousand	US\$ 700 thousand	-	100	\$ 3,423	\$ (11,812)	(\$ 11,812)	Subsidiary
Generalplus International (SAMOA) Inc.	Generalplus (Mauritius) Inc.	Mauritius	Investment	US\$ 700 thousand	US\$ 700 thousand	-	100	US\$ 105 thousand	US\$ (363) thousand	US\$ (363) thousand	Subsidiary
Generalplus (Mauritius) Inc.	Sunplus Technology (Shenzhen) Co.	Shenzhen, China	After-care services	US\$ 700 thousand	US\$ 700 thousand	-	100	US\$ 105 thousand	US\$ (363) thousand	US\$ (363) thousand	Subsidiary
Global Techplus Capital Inc.	Techplus Capital Samoa Inc.	Samoa	Investment	US\$ 150 thousand	US\$ 150 thousand	-	100	US\$ 146 thousand	US\$ (4) thousand	US\$ (4) thousand	Subsidiary
Waveplus Technology Co., Ltd.	Waveplus Holding Ltd.	Mauritius	Investment	17,205	17,205	-	100	2,067	1	1	Subsidiary
Waveplus Holding Ltd.	Waveplus Design, Inc.	U.S.A.	Design of WLANs	17,205	17,205	-	100	US\$ 65 thousand	-	-	Subsidiary
Sunext Technology Co., Ltd.	Great Sun Corp.	SAMOA	Investment	54,449	44,684	-	100	32,310	(4,285)	(4,285)	Subsidiary
Great Sun Corp.	Sunext Design, Inc.	U.S.A.	Design of ICs	US\$ 1,000 thousand	US\$ 1,000 thousand	-	100	US\$ 792 thousand	US\$ 107 thousand	US\$ 107 thousand	Subsidiary
Great Sun Corp.	Sunext (Mauritius) Inc.	Mauritius	Investment	US\$ 600 thousand	US\$ 300 thousand	-	100	US\$ 194 thousand	US\$ (239) thousand	US\$ (239) thousand	Subsidiary
Sunext (Mauritius) Inc.	Sunext Technology (Shanghai) Co., Ltd	Shanghai, China	Design of software	US\$ 600 thousand	US\$ 300 thousand	-	100	US\$ 194 thousand	US\$ (239) thousand	US\$ (239) thousand	Subsidiary

(Concluded)

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

INVESTMENT IN MAINLAND CHINA

YEAR ENDED DECEMBER 31, 2006

(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, 2006	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2006	% Ownership of Direct or Indirect Investment	Investment Loss	Carrying Value as of December 31, 2006	Accumulated Inward Remittance of Earnings as of December 31, 2006
					Outflow	Inflow					
Sunplus Technology (Shanghai) Co., Ltd.	Research, development, design, manufacturing and sale of consumer ICs	US\$17,000 thousand	Indirect	US\$17,000 thousand	\$ -	\$ -	US\$17,000 thousand	99%	US\$(2,628) thousand	US\$9,868 thousand	\$ -

Accumulated Investment in Mainland China as of December 31, 2006	Investment Amount Authorized by Investment Commission, MOEA	Upper Limit on Investment
US\$17,000 thousand	US\$17,000 thousand	\$4,976,814

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, 2006	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2006	% Ownership of Direct or Indirect Investment	Investment Loss	Carrying Value as of December 31, 2006	Accumulated Inward Remittance of Earnings as of December 31, 2006
					Outflow	Inflow					
Generalplus Shenzhen	Pata processing service	US\$700 thousand	Indirect	US\$700 thousand	\$ -	\$ -	US\$700 thousand	100%	US\$362 thousand	US\$105 thousand	\$ -

Accumulated Investment in Mainland China as of December 31, 2006	Investment Amount Authorized by Investment Commission, MOEA	Upper Limit on Investment
US\$700 thousand	US\$700 thousand	\$254,749

Note: Recognized on the basis of the unaudited financial statements in the same period.

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, 2006	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2006	% Ownership of Direct or Indirect Investment	Investment Loss	Carrying Value as of December 31, 2006	Accumulated Inward Remittance of Earnings as of December 31, 2006
					Outflow	Inflow					

Sunext Technology (Shanghai)	Design of magnetic disc and software	US\$600 thousand	Indirect	US\$300 thousand	US\$300 thousand	\$ -	US\$600 thousand	100%	US\$239 thousand	US\$194 thousand	\$ -
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Accumulated Investment in Mainland China as of December 31, 2006	Investment Amount Authorized by Investment Commission, MOEA	Upper Limit on Investment
US\$600 thousand	US\$600 thousand	\$80,000

Note: Recognized on the basis of the audited financial statements in the same period.

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS

YEARS ENDED DECEMBER 31, 2006 and 2005

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

1. FOR THE YEAR ENDED DECEMBER 31, 2006

Company Name	Counter Party	Nature of Relationship (Note 7)	Intercompany Transactions			
			Financial Statements Account Item	Amount	Terms	Percentage of Consolidated Total Gross Sales or Total Assets
Sunplus Technology Co., Ltd.	Kunshan Giantplus Optoelectronics Technology Co., Ltd.	1	Sales	\$ 10,645	Note 1	0.04%
	Giantplus Technology Co., Ltd.	1	Sales	17,085	Note 1	0.06%
	Orise Technology Co., Ltd.	1	Sales	39,742	Note 1	0.14%
			Marketing expenses	15	Note 2	-
	Generalplus Technology Inc.	1	Notes and accounts receivables	11,977	Note 1	0.05%
			Sales	193,553	Note 1	0.71%
	Sunplus mMobile Inc.	1	Notes and accounts receivables	5,071	Note 1	0.02%
			Sales	2,339	Note 1	0.01%
			Nonoperating income and gains	22,330	Note 1	0.08%
			Notes and accounts receivables	2,472	Note 1	0.01%
	Sunplus Innovation Technology Inc.	1	Other receivables	22,330	Note 1	0.09%
			Sales	911	Note 1	-
			Nonoperating income and gains	8,806	Note 1	0.03%
Notes and accounts receivables			967	Note 1	-	
Waveplus Technology Co., Ltd.	1	Other receivables	8,806	Note 1	0.04%	
		Sales	7,808	Note 1	0.03%	
		Notes and accounts receivables	313	Note 1	-	
Sunext Technology Co., Ltd.	1	Other current liabilities	73,500	Note 1	0.30%	
		Sales	22,258	Note 1	0.08%	
		Nonoperating income and gains	4,395	Note 3	0.02%	
		Notes and accounts receivables	75	Note 1	-	
		Other receivables	295	Note 1	-	
Sunplus Technology (H.K.) Co., Ltd.	1	Deferred royalty income	45,088	-	0.18%	
Giantplus Technology Co., Ltd.	Kunshan Giantplus Optoelectronics Technology Co., Ltd.	1	Marketing expenses	8,265	Note 2	0.03%
			Sales	444,459	Note 1	1.62%
Sunplus mMobile Inc.	Sunplus Innovation Technology Inc.	2	Subcontract cost	1,071,618	Note 2	3.90%
			Operating expenses	2,501	Note 2	0.01%
Sunext Technology Co., Ltd.	Sunext USA	2	Other current liabilities	39	Note 1	-
			Research and development expense	88	Note 1	-
Generalplus Technology Co., Ltd.	Sunext Technology (Shanghai) Co., Ltd.	2	Other current liabilities	126,458	Note 2	0.46%
			Other current assets	17,344	Note 1	0.07%
Generalplus Technology Co., Ltd.	Giantplus Technology Co., Ltd.	2	Other current liabilities	712	Note 1	-
			Sales	26,360	Note 1	0.09%
	Kunshan Giantplus Optoelectronics Technology Co., Ltd.	2	Sales	3,541	Note 1	0.01%

(Continued)

Company Name	Counter Party	Nature of Relationship (Note 7)	Intercompany Transactions			
			Financial Statements Account Item	Amount	Terms	Percentage of Consolidated Total Gross Sales or Total Assets
Orise Technology Co., Ltd.	Giantplus Technology Co., Ltd.	2	Sales	\$ 16,774	Note 1	0.06%
	Kunshan Giantplus Optoelectronics Technology Co., Ltd.	2	Sales	38,595	Note 1	0.14%
	Generalplus Technology Co., Ltd.	2	Operating expenses Notes and accounts payables	49 34	Note 1 Note 1	- -

2. FOR THE YEAR ENDED DECEMBER 31, 2005

Company Name	Counter Party	Nature of Relationship (Note 7)	Intercompany Transactions			
			Financial Statements Item	Amount	Terms (Note 2)	Percentage of Consolidated Total Gross Sales or Total Assets
Sunplus Technology Co., Ltd.	Giantplus Technology Co., Ltd	1	Sales	\$ 252,595	Note 1	0.93%
			Nonoperating income and gains	1,609	Note 1	-
			Notes and accounts receivables	36,347	Note 1	0.14%
	Generalplus Technology Co., Ltd.	1	Sales	131,080	Note 1	0.48%
			Non-operating income	420	Note 1	-
			Notes and accounts receivables	17,795	Note 1	0.07%
	Waveplus Technology Co., Ltd.	1	Sales	119,840	Note 1	0.44%
			Commission expenses	14,011	Note 2	-
			Notes and accounts receivables	8,275	Note 1	-
			Other current liabilities	204	Note 1	-
Sunext Technology Co., Ltd	1	Sales	22,171	Note 1	0.08%	
		Nonoperating income and gains	3,700	Note 3	-	
		Notes and accounts receivables	457	Note 1	-	
		Deferred royalty income	67,259	-	-	
Sunplus Technology (H.K.) Co., Ltd.	1	Marketing expenses	13,756	Note 2	-	
Giantplus Technology Co., Ltd.	Kunshan Giantplus Optoelectronics Technology Co., Ltd.	2	Sales	397,874	Note 2	1.47%
			Subcontract cost	1,799,624	Note 2	6.56%
			Accounts receivables	312,020	Note 1	4.60%
			Accounts payables	246,656	Note 1	0.92%
			Nonoperating income and gains	1,206	Note 1	-
			Unrealized intercompany profit	4,823	Note 1	0.02%
			Deferred intercompany profit	30,901	Note 4	0.12%
Giantplus (SAMOA) Holding Co., Ltd.	2	Operating expenses	2,992	Note 1	0.01%	
Waveplus Technology Co., Ltd.	Waveplus USA	2	Research and development expenses	25,595	Note 2	0.09%
			Rent income	1,888	Note 3	0.01%
Sunext Technology Co., Ltd.	Sunext USA	2	Research and development expenses	168,969	Note 2	0.61%
			Other current liabilities	6,419	Note 1	0.02%
Jet Focus	Coolsands	2	Administrative expense	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 counter 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.

(Concluded)

7.6 Financial Difficulties

Impact to the Company or subsidiary if any turnover problems: None

VIII Financial Analysis

8.1 Financial Status

8.1.1 Comparing Financial Analysis

Unit: NT\$K

Item	Year	2006	2005	Comparison	
				Amount	%
Current Assets		10,317,882	12,545,989	(2,228,107)	(18)
Property, Plant & Equipment		1,307,777	1,561,258	(253,481)	(16)
Other Assets		751,258	572,650	178,608	31
Total Assets		20,425,267	20,371,998	53,269	0
Current Liabilities		2,587,433	3,749,300	(1,161,867)	(31)
Long-term Liabilities		453,761	633,679	(179,918)	(28)
Total Liabilities		3,041,194	4,382,979	(1,341,785)	(31)
Capital Stock		10,236,476	9,487,296	749,180	8
Capital Surplus		1,366,696	1,520,461	(153,765)	(10)
Retained Earnings		5,974,727	5,452,688	522,039	10
Total Shareholder's Equities		17,384,073	15,989,019	1,395,054	9

Remark:

1. Other assets increased primarily due to rental assets increased.
2. Current liabilities decreased primarily due to account payable decreased.
3. Long-term liabilities decreased primarily due to pension liability decreased.

8.2 Operational Results

8.2.1 Comparing Analysis of Operation Result

Unit: NT\$K

Item	Year	2006	2005	Variation	
				Amount	%
Gross Sale		\$17,463,778	\$18,918,687	(\$1,454,909)	(8)
Deduct: Sales Returns and Allowances		387,352	137,565	249,787	182
Net Sales		17,076,426	18,781,122	(1,704,696)	(9)
Deduct: Unrealized Gain on Inter-company Profit - Net		5,095	(6,583)	11,678	(177)
Cost of Sales		11,354,148	12,654,142	(1,299,994)	(10)
Gross Profit		5,727,373	6,120,397	(393,024)	(6)
Operating Expenses		3,551,627	3,536,392	15,235	-
Income From Operating		2,175,746	2,584,005	(408,259)	(16)
Non - Operating Income		1,216,492	196,783	1,019,709	518
Non - Operating Expenses		272,655	403,094	(130,439)	(32)
Income Before Tax		3,119,583	2,377,694	741,889	31
Income Tax Benefits		(114,279)	20,661	(134,940)	(653)
Cumulative Effect of Changes in Accounting Principles		(32,609)	-	(32,609)	-
Net Income		2,972,695	2,398,355	574,340	24

Remarks:

1. Sales returns and allowances increased primarily due to higher customers' complaints and returned-goods.
2. Unrealized gain on Inter-company profit increased primarily due to the inventory sold to subsidiaries had sold to third-parties.
3. Non-operating income increased primarily due to the gain from reconciliation.
4. Non-operating expenses decreased primarily due to lower investments loss recognized in 2006.
5. Income before tax increased primarily due to higher non-operating income.
6. Income Tax increased due to higher deferred income tax recognized in 2006.
7. Net income increased primarily due to higher non-operating income.

8.3 Cash Flow

8.3.1 Analysis of Cash Flow

(A) Analysis of Cash Flow for the Last Two Years

Unit: NT\$K

Item	Year	2006	2005	+/- (%)
Cash flow ratio		161.20	116.80	38.01
Cash flow adequacy ratio		111.58	121.83	(8.41)
Cash flow reinvestment ratio		11.87	15.84	(25.06)
Remarks:				
Cash flow ratio increased due to lower current liabilities; cash flow adequacy ratio decreased primarily due to cash dividends increased; cash flow reinvestment ratio decreased primarily due to higher long-term investments.				

(B) Estimated Cash Flow in 2007

Unit: NT\$K

Cash, beginning of the year	Cash Flow from Operating Activities	Net Cash Outflow	Net Cash Balance	Remedial Measure if cash not enough	
				Investment plan	financial leverage plan
Balance (1)	Net Cash Flow (2)	(3)	(1)+(2)-(3)		
\$3,394,346	\$2,682,790	\$3,390,647	\$2,686,489	-	-
1. Variation analysis of cash flow:					
(A) From operating activities: estimated profits from 2007 operation					
(B) From operating activities: estimated disposal of financial assets.					
(C) From financial leverage: estimated payment from capital reduction and 2006 profit distribution of dividends, employee bonus, and remuneration to directors and supervisors.					
2. Remedial measure if cash not enough: none					

8.4 Major Capital Expenditure

8.4.1 Major Capital Expenditure and Sources:

Unit: NT\$K

Item	Sources of Fund	Est. Due Date	Required Capital Amount	Capital Expenditure Plan						
				2005	2006	2007	2008	2009	2010	2011
Testing equipments	Sunplus' own reserves	2005-2011	\$ 353,041	\$ 39,978	\$ 55,563	\$ 51,500	\$ 51,500	\$ 51,500	\$ 51,500	\$ 51,500
Licensing fees	Sunplus' own reserves	2005-2006	954,379	335,173	619,206	-	-	-	-	-

8.4.2 Expected Benefits

Expected testing costs in the next five years

Unit: NT\$K

Year	Amount
2007	\$ 15,600
2008	15,600
2009	15,600
2010	15,600
2011	15,600
	<u>\$78,000</u>

8.5 Long-term Investment

Analysis Item	Amount (Note)	Policy	Reason of Gain or Loss	Improvement Plan	Investment Plan
Orise Technology	NT\$1,175,265,000	Spin-off of Sunplus TFT program	Orise's 2006 Net Income was NT\$176,275,000 due to the efforts of exploring new markets.	-	-
Sunplus mMobile	NT\$1,680,000,000	Spin-off of Sunplus Personal Entertainment and Advanced BUs	Established on December, 2006, Sunplus mMobile stated a profit loss because it is still in a pioneering stage.	-	-

Note: Disclosure of long-term investments which are invested more than 5% of Sunplus' capital.

8.6 Risk Management

8.6.1 The Impact of Inflation, Foreign Exchange and Interest Rate Fluctuation and Measures to Cope With

- (1) Interest Rate: The 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.

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

- (1) 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.

8.6.3 R&D Plan and Execution

Sunplus will keep investing in developing new products, such as IC solutions for recordable DVD player, HD DVD player, set-top-box, LCD TV, and etc.

Sunplus’ expenditure of R&D is around 12-14% of total sales. Except developing core technology on our own, Sunplus is also looking for outside resources like purchasing or licensing IPs to speed up the mass-production schedule.

8.6.4 Political and Regulatory Environment

According to the “Income Basic Tax Act” coming into force on January 1st, 2006, Sunplus will enjoy fewer benefits than before from investment tax credits. Although the investment plans that have been approved before this Act coming into force may apply for the investment tax credits, the tax that Sunplus has to pay will increase year by year.

8.6.5 Advanced Technology

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

volume and to share the research and development cost.

8.6.6 Corporate Identify and Image Change

The Company takes corporate image seriously 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.

8.6.7 Mergers &Acquisitions

None

8.6.8 Expansion of Facilities

None

8.6.9 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.

8.6.10 Major Shareholding Change

None

8.6.11 Ownership Change

None

8.6.12 Litigation Proceedings

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

Ritek Corp. (director): Ritek Corp. was accused for copyright infringement by Sandisk for its CF cards sold to American customers in 2001. The Court had announced a verdict that Ritek won this case; however the Appeal Court overthrew on October, 2003. This case is still in trial.

8.6.13 Other Risks

None

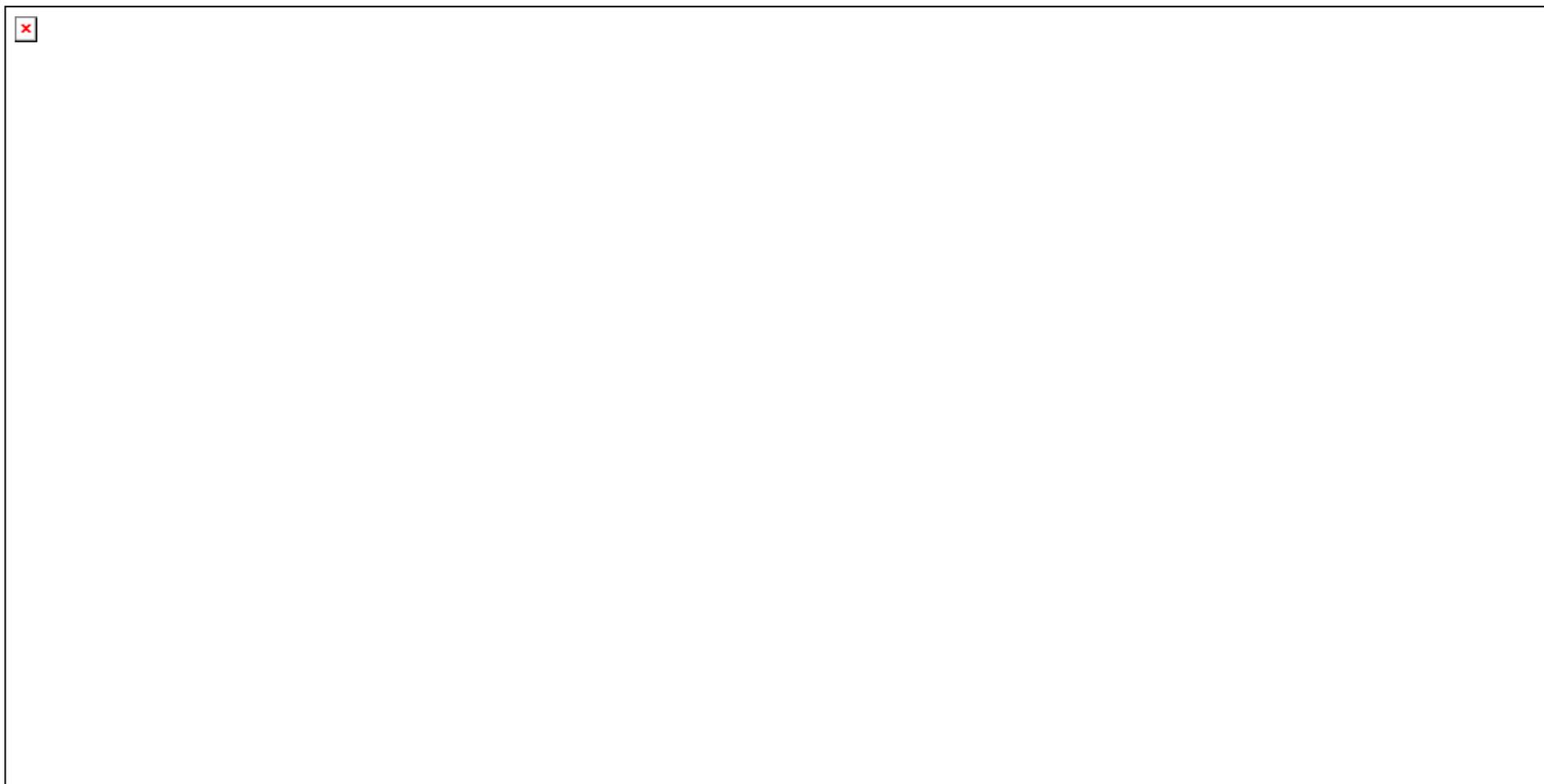
8.7 Others

Other important matters: 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	Capital	Business Activities
Sunplus Technology (HK) Co., Ltd.	Aug. 31, 1993	Kowloon, HK	HK\$11,075,000 (Note 1)	Trading
Lin Shih Investment Co., Ltd.	Jul. 2, 1998	Hsinchu, Taiwan	700,000	Investment
Russell Holdings Ltd.	Mar. 11, 1998	Cayman Islands, British West Indies.	US\$19,260 仟元 (Note 2)	Investment
Sunplus Venture Capital Co., Ltd.	Dec. 16, 1999	Hsinchu, Taiwan	1,000,000	Investment
Waveplus Technology Co., Ltd.	Dec. 6, 1999	Taipei, Taiwan	300,000	IC Design
Sunplus Management Consulting Inc.	Oct. 29, 2003	Taipei, Taiwan	5,000	Management Consulting
WeiYing Investment	Feb. 13, 2004	Taipei, Taiwan	14,000	Investment
Ventureplus Group Inc.	Jul. 27, 2001	Belize	US\$17,000,000 (Note 2)	Investment
Ventureplus Mauritius Inc.	Aug. 2, 2001	Mauritius	US\$17,000,000 (Note 2)	Investment
Ventureplus Cayman Inc.	Sep. 14, 2001	Cayman Islands, British West Indies.	US\$17,000,000 (Note 2)	Investment
Shanghai Sunplus Co., Ltd.	Dec. 7, 2001	Shanghai, Mainland China	US\$17,200,000 (Note 2)	IC Design
Global Techplus Capital Inc. (The original Name: Techplus Capital Niue Inc.)	Oct., 2001	Mahe, Seychelles	US\$200,000 (Note 2)	Investment
Techplus Capital Samoa Inc.	Oct. 23, 2001	Samoa	US\$150,000 (Note 2)	Investment
Sunext Technology Co., Ltd.	Mar. 13, 2003	Hsinchu, Taiwan	800,000	IC Design
Great Sun Corporation	Jan. 28, 2003	Samoa	US\$1,600,000 (Note 2)	Investment
Sunext Design, Inc.	Apr. 5, 2003	CA, USA	US\$1,000,000 (Note 2)	IC Design
Sunext (Mauritius) Inc.	Aug. 19, 2004	Mauritius	US\$600,000 (Note 2)	Investment
Sunext Optoelectronics Technology (Shanghai) Co. Ltd	Dec. 27, 2004	Shanghai, Mainland China	US\$600,000 (Note 2)	Software
Waveplus Holding Ltd.	May. 29, 2003	Mauritius	US\$500,000 (Note 2)	Investment
Waveplus Design Inc.	Jun. 17, 2003	CA, USA	US\$500,000 (Note 2)	IC Design
Generalplus	Mar. 30, 2004	Hsinchu, Taiwan	370,390	IC Design

Technology Co., Ltd				
Generalplus International (Samoa) Inc.	Nov. 12, 2004	Samoa	US\$700,000 (Note 2)	Investment
Generalplus (Mauritius) Inc.	Nov. 25, 2004	Mauritius	US\$700,000 (Note 2)	Investment
Linco Technology (Shenzhen) Co., Ltd.	Mar. 24, 2005	Shenzhen, Mainland China	US\$700,000 (Note 2)	Sales Service
Orise Technology Co., Ltd	Jan. 3, 2006	Hsinchu, Taiwan	1,030,000	IC Design
Sunplus mMobile Inc.	Dec. 20, 2006	Hsinchu, Taiwan	1,200,000	IC Design
Sunplus Innovation Technology Inc.	Dec. 14, 2006	Hsinchu, Taiwan	220,000	IC Design

Note 1: (foreign exchange rate on Dec. 31, 2006) HK\$1=NT\$4.192

Note 2: (foreign exchange rate on Dec. 31, 2006) US\$1= NT\$32.595

9.1.3 Business Scope of Affiliated Companies

Company	Business Activities	Business Relationship
Sunplus Technology (HK) Co., Ltd.	Trading	NA
Lin Shih Investment Co., Ltd.	Investment	NA
Russell Holdings Limited.	Investment	NA
Sunplus Venture Capital Co., Ltd.	Investment	NA
Waveplus Technology Co., Ltd.	IC Design	Customer
Sunplus Management Consulting Inc.	Management Consulting	NA
WeiYing Investment Co., Ltd.	Investment	NA
Waveplus Holding Ltd.	Investment	NA
Waveplus Design Inc.	IC Design	NA
Ventureplus Group Inc.	Investment	NA
Ventureplus Mauritius Inc.	Investment	NA
Ventureplus Cayman Inc.	Investment	NA
Shanghai Sunplus Co., Ltd.	IC Design	China Branch
Global Techplus Capital Inc. (The original Name: Techplus Capital Niue Inc.)	Investment	NA
Techplus Capital Samoa Inc.	Investment	NA
Generalplus Technology Co., Ltd	IC Design	Subsidiary
Generalplus International (Samoa) Inc.	Investment	NA
Generalplus (Mauritius) Inc.	Investment	NA
Linco Technology (Shenzhen) Co., Ltd.	Sales Service	NA
Sunext Technology Co., Ltd.	IC Design	NA
Great Sun Corporation	Investment	NA
Sunext Design, Inc.	IC Design	NA
Sunext (Maruitius) Inc.	Investment	NA
Sunext Optoelectronics Technology (Shanghai) Co. Ltd	Software	NA
Orise Technology Co., Ltd.	IC Design	Subsidiary
Sunplus mMobile Inc.	IC Design	Subsidiary
Sunplus Innovation Technology Inc.	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	
			Amount	%
Sunplus Technology (HK) Co., Ltd.	Chairman	Sunplus Technology Chou-Chye Huang (repr.)	HK11,075,000 (Note 1)	100% (Note 1)
	Director	Ming-Cheng Hsieh (repr.)	-	-
Lin Shih Investment Co., Ltd.	Chairman& President	Sunplus Technology Chou-Chye Huang (repr.)	70,000,000	100%
	Director	Bing-Huang Shih	-	-
	Director	Yarn-Chen Chen	-	-
	Supervisor	Shu-Lan Wang	-	-
Russell Holdings Ltd.	Director	Sunplus Technology Chou-Chye Huang (repr.)	US\$19,260,000 (Note 1)	100% (Note 1)
Sunplus Venture Capital Co., Ltd.	Chairman& President	Sunplus Technology Chou-Chye Huang (repr.)	100,000,000	100%
	Director	Yarn-Chen Chen	-	-
	Director	Bing-Huang Shih	-	-
	Director	Hou-Shien Chu	-	-
	Director	Chin-Nai Tsen	-	-
	Supervisor	Wayne Shen	-	-
Waveplus Technology Co., Ltd.	Chairman& President	Sunplus Venture Capital Chou-Chye Huang (repr.)	4,271,300	14.24%
	Director	Yarn-Chen Chen	-	-
	Director	Lin Shih Investment	5,741,718	19.14%
	Supervisor	Global View Chu-Chien Feng (repr.)	1,410,775	4.70%
	Supervisor	Venglobal Capital Fund,L.P.	1,200,000	4%
		You-Wei Cheng (repr.)	-	-
Ventureplus Group Inc.	Director	Sunplus Technology Chou-Chye Huang (repr.)	US\$17,000,000(Note 1)	100% (Note 1)
Ventureplus Mauritius Inc.	Director	Ventureplus Group Chou-Chye Huang (repr.)	US\$17,000,000 (Note 1)	100% (Note 1)
Ventureplus Cayman Inc.	Director	Ventureplus Mauritius Chou-Chye Huang (repr.)	US\$17,000,000 (Note 1)	100% (Note)
Shanghai Sunplus Co., Ltd.	Director	Ventureplus Cayman Chou-Chye Huang (repr.)	US\$17,000,000 (Note 1)	98.84% (Note 1)
	Director	Yarn-Chen Chen	-	-
Global Techplus Capital Inc. (The original name: Techplus Capital Niue Inc.)	Director	Sunplus Technology Chou-Chye Huang (repr.)	US\$200,000 (Note 1)	100% (Note 1)
Techplus Capital Samoa Inc.	Director	Global Techplus Capital Chou-Chye Huang (repr.)	US\$150,000 (Note 1)	100% (Note 1)

Company	Title	Name	Shareholding	
			Amount	%
Sunext Technology Co., Ltd.		Sunplus Venture Capital Co., Ltd.	16,000,000	20%
	Chairman	Chou-Chye Huang (repr.)	-	-
	Director	Yarn-Chen Chen	-	-
	Director	Bing-Huang Shih	-	-
	Director	NXP B.V., mersma (repr.)	19,386,000	24.23%
	Director & President	Kuang-Pu Mi	1,544,000	1.93%
	Supervisor	Sunplus Venture Capital Hans Tai (repr.)	16,000,000 -	20% -
Great Sun Corporation	Director	Sunext Technology Chou-Chye Huang (repr.)	US\$1,600,000 (Note 1) -	100% (Note 1) -
Sunext Design, Inc.	Director	Great Sun Corporation Chou-Chye Huang (repr.)	US\$1,000,000 (Note 1) -	100% (Note 1) -
Sunext (Mauritius) Inc.	Director	Great Sun Corporation Chou-Chye Huang (repr.)	US\$600,000 (Note 1) -	100% (Note 1) -
Sunext Optoelectronics Technology (Shanghai) Co. Ltd	Director	Sunext (Mauritius) Chou-Chye Huang (repr.)	US\$600,000 (Note 1) -	100% (Note 1) -
	Director	Yarn-Chen Chen	-	-
	Director	Kuang-Pu Mi	-	-
Generalplus Technology Co., Ltd	Chairman & President	Sunplus Technology Chou-Chye Huang (repr.)	17,911,630 -	48.36% -
	Director	Yarn-Chen Chen	-	-
	Director	Hou-Shien Chu	455,800	1.23%
	Supervisor	Sunplus Venture Capital	1,871,704	5.05%
Generalplus International (Samoa) Inc.	Director	Generalplus Technology Chou-Chye Huang (repr.)	US\$700,000 (Note 1) -	100% (Note 1) -
Generalplus (Mauritius) Inc.	Director	Generalplus International (Samoa) Chou-Chye Huang (repr.)	US\$700,000 (Note 1) -	100% (Note 1) -
Linco Technology (Shenzhen) Co., Ltd.	Director	Generalplus International (Mauritius) Chou-Chye Huang (repr.)	US\$700,000 (Note 1) -	100% (Note 1) -
	Director	Yarn-Chen Chen	-	-
	Director	Han-Hwa Lu	-	-

Company	Title	Name	Shareholding	
			Amount	%
WeiYing Investment Co., Ltd.		Sunplus Technology	1,400,000	100%
	Director	Chou-Chye Huang (repr.)	-	-
	Director	Yarn-Chen Chen	-	-
	Director	Bing-Huang Shih	-	-
	Supervisor	Shu-Lan Wang	-	-
Sunplus Management Consulting Inc.		Sunplus Technology	500,000	100%
	Director	Chou-Chye Huang (repr.)	-	-
	Director	Yarn-Chen Chen	-	-
	Director	Bing-Huang Shih	-	-
	Supervisor	Shu-Lan Wang	-	-
Waveplus Holding Ltd.		Waveplus Technology	US\$500,000 (Note 1)	100%
	Director	Chou-Chye Huang (repr.)	-	-
Waveplus Design Inc.		Waveplus Holding Ltd.	US\$500,000 (Note1)	100%
	Director	Hsien-Ching Dung (repr.)	-	-
Orise Technology Co., Ltd.		Sunplus Technology	69,355,000	67.33%
	Chairman	Chou-Chye Huang (repr.)	-	-
	Director	Bing-Huang Shih	-	-
	Director& President	Chin-Nai Tsen	1,042,000	1.01%
		Konly Venture Corporation	20,083,000	19.50%
	Director	Chun-Ting Liu (repr.)	-	-
	Director	Hsien-Ho Shen	-	-
	Director	Pi-Chin Li	-	-
	Director	Yi-Fang Kao	-	-
	Supervisor	Sunplus Venture Capital	800,000	0.78%
	Supervisor	Chi-Ying Chiu	-	-
Supervisor	Chao-Chang Chen	-	-	
Sunplus mMobile Inc.		Sunplus Technology	120,000,000	100%
	Chairman	Chou-Chye Huang (repr.)	-	-
	Director& President	Yarn-Chen Chen	-	-
	Director	Bing-Huang Shih	-	-
	Supervisor	Shu-Lan Wang	-	-
Sunplus Innovation Technology Inc.		Sunplus Technology	22,000,000	100%
	Chairman	Chou-Chye Huang (repr.)	-	-
	Director	Bing-Huang Shih	-	-
	Director& President	Chih-Hao Kung	-	-
	Supervisor	Hans Tai	-	-

Note 1: The amount and percentage of investments would be disclosed in case that the investees are not a limited company.

9.1.5 Common Shareholders of Sunplus and Its Subsidiaries or Its Affiliates with Actual of Deemed Control

None

9.1.6 Operation Highlights of Sunplus Affiliates

Unit: NT\$K ; except EPS(NT\$)

Company	Capital	Assets	Liabilities	Net Worth	Net Sales	Operation Income	Net Income (After Tax)	EPS (After Tax)
Sunplus Technology (HK) Co., Ltd.	41,616	1,716	4,652	(2,936)	10,655	(115)	(124)	NA
Lin Shih Investment Co., Ltd.	700,000	876,435	133,129	743,306	184,148	(35,295)	(45,248)	(0.65)
Russell Holdings Limited	627,780	480,752	5,969	474,783	75,530	61,208	(6,569)	NA
Sunplus Venture Capital Co., Ltd.	1,000,000	705,335	32,733	672,602	238,179	(29,241)	(28,546)	(0.29)
Waveplus Technology Co., Ltd.	300,000	243,719	217,685	26,034	133,542	(51,171)	16,977	0.57
Ventureplus Group Inc.	554,115	322,514	224	322,290	0	(85,884)	(85,718)	NA
Ventureplus Mauritius Inc.	554,115	322,612	114	322,498	0	(85,792)	(85,792)	NA
Ventureplus Cayman Inc.	554,115	322,588	0	322,588	0	(85,766)	(85,766)	NA
Shanghai Sunplus Co., Ltd.	560,634	546,616	224,993	321,623	6,604	(90,477)	(87,508)	NA
Global Techplus Capital Inc. (The original name: Techplus Capital Niue Inc.)	6,519	6,370	49	6,321	0	(158)	(215)	NA
Hang Young Technology Co., Ltd.	6,000	2,544	0	2,544	0	0	0	0
Sunext Technology Co., Ltd.	800,000	818,032	804,694	13,338	716,381	(481,956)	(505,287)	(6.32)
Sunplus Management Consulting Inc.	5,000	4,317	1	4,316	0	(165)	(101)	(0.20)
Waveplus Holding Ltd.	17,205	2,101	88	2,013	0	0	1	NA
Waveplus Design Inc.	17,205	3,999	879	3,120	0	0	0	NA
GreatSun Corporation	52,152	32,152	0	32,152	0	0	(4,285)	NA
Sunext Design Inc.	32,595	31,947	6,131	25,816	131,338	4,089	3,506	NA

Company	Capital	Assets	Liabilities	Net Worth	Net Sales	Operation Income	Net Income (After Tax)	EPS (After Tax)
WeiYing Investment Co., Ltd.	14,000	12,956	10	12,946	139,794	728	926	0.66
Generalplus Technology Co., Ltd.	370,390	1,037,555	400,682	636,873	1,672,847	251,911	253,459	6.84
Techplus Capital Samoa Inc.	4,889	4,889	114	4,775	0	(62)	(62)	NA
Sunext (Mauritius) Inc.	19,557	6,331	0	6,331	0	0	(7,799)	NA
Generalplus International Samoa Inc.	22,817	3,484	62	3,422	0	(29)	(11,812)	NA
Generalplus (Mauritius) Inc.	22,817	3,484	62	3,422	0	(29)	(11,835)	NA
Sunext Optoelectronics Technology (Shanghai) Co. Ltd	9,855	7,574	1,253	6,321	0	(7,978)	(7,963)	NA
Linco Technology (Shenzhen) Co., Ltd.	22,817	4,812	1,359	3,453	10,467	(11,807)	(11,807)	NA
Orise Technology Co., Ltd.	1,030,000	2,702,657	1,257,769	1,444,888	2,844,412	275,462	176,275	2.37
Sunplus mMobile Inc.	1,200,000	2,269,002	620,103	1,648,899	271,438	(22,425)	(31,101)	(0.26)
Sunplus Innovation Technology Inc.	220,000	489,744	193,886	295,858	85,167	(12,134)	(12,142)	(0.55)

9.1.7 Consolidated Financial Statements

Please refer to Sunplus' consolidated financial statements for the years ended December 31, 2006, page117 to page178.

9.2 Private Placement Securities

None

9.3 Status of Sunplus Common Shares/GDRs Acquired, Disposed of, or Held by Subsidiaries

Unit: NT\$K ; Shares ; %

Company	Capital	Source of Fund	% Owned by Sunplus	Transaction Date	Amount of Acquisition	Amount of Disposal	Investment Income	Balance (by the Date of this Report Printed)	Balance of Pledged Shares	Balance of Guarantee Provided by Sunplus	Balance of Financing Provided by Sunplus
Lin Shih Investment Co., Ltd.	700,000	self-owned reserves	100%	90.12.25	3,870,196 Shares \$95,605,000	—	—	—	None	None	None
				91.07.02	967,549 Shares Capital increase from profits and capital surplus	—	—	—	None	None	None
				92.07.13	483,774 Shares Capital increase from capital surplus	—	—	—	None	None	None
				93.08.23	532,151 Shares Capital increase from profits and capital surplus	—	—	—	None	None	None
				94.08.23	290,614 Shares Capital increase from profits and capital surplus	—	—	—	3,004,000 shares pledged on Aug. 15, 2005 and Aug. 17, 2005 (Note)	None	None
				95.08.05	306,132 Shares Capital increase from profits and capital surplus	—	—	—	None	None	None
				96.03.26	-3,220,429 Shares Capital reduction	—	—	—	None	None	None
				By the date of this report printed	—	—	—	3,229,987 Shares \$63,401,000	3,004,000 shares pledged on Aug. 15, 2005 and Aug. 17, 2005 (Note)	None	None

Note: The amount of shares dropped from 6,000,000 shares to 3,004,000 shares due to capital reduction.

9.4 Special Notes

Other necessary supplement: None

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