

# **Sunplus Technology Company Limited**

**Financial Statements for the  
Six Months Ended June 30, 2005 and 2004 and  
Independent Auditors' Report**

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and the Shareholders  
Sunplus Technology Company Limited

We have audited the accompanying balance sheets of Sunplus Technology Company Limited as of June 30, 2005 and 2004 and the related statements of income, changes in shareholders' equity and cash flows for the six months 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.

Except as stated in the following paragraph, 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 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.

As stated in Note 5 to the financial statements, we did not audit the financial statements as of and for the six months ended June 30, 2005 and 2004 of all investees accounted for by the equity method of accounting. The carrying values of those investments as of June 30, 2005 amounting to NT\$3,031,267 thousand and the carrying values and credit balances of those investments as of June 30, 2004 were NT\$3,483,789 thousand and NT\$10,456 thousand, and the related investment net losses for the six months ended June 30, 2005 and 2004 amounting to NT\$132,579 thousand and NT\$132,533 thousand, respectively, as well as related investment information as disclosed in Note 19 to the financial statements, were based on the investees' unaudited financial statements in the same period.

In our opinion, except for the effects of such adjustments, if any, as might have been made had we audited the investees' financial statements mentioned in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial positions of Sunplus Technology Company Limited as of June 30, 2005 and 2004 and the results of its operations and its cash flows for the six months then ended, in conformity with the guidelines governing the preparation of financial statements by securities issuers and accounting principles generally accepted in the Republic of China.

We have also reviewed the consolidated financial statements of Sunplus Technology Company Limited as of and for the six months ended June 30, 2005, and have issued a qualified reviewed report on such financial statements.

July 22, 2005

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. Also, as stated in Note 2 to the financial statements, the additional footnote disclosures that are not required under generally accepted accounting principles were not translated into English.*

# SUNPLUS TECHNOLOGY COMPANY LIMITED

## BALANCE SHEETS

JUNE 30, 2005 AND 2004

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

ASSETS	2005		2004	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash	\$ 5,746,304	30	\$ 459,807	3
Short-term investments (Notes 2 and 3)	602,788	3	3,154,263	17
Notes and accounts receivable				
Third parties, net of allowance for doubtful accounts of \$81,374 thousand in 2005 and \$30,854 thousand in 2004 (Note 2)	3,132,175	16	3,439,910	18
Related parties (Notes 2 and 17)	186,793	1	257,166	1
Other financial assets - current	4,533	-	47,159	-
Inventories, net (Notes 2 and 4)	2,132,209	11	3,631,179	19
Deferred income taxes - current (Notes 2 and 15)	26,979	-	37,067	-
Other current assets	124,393	1	208,469	1
<b>Total current assets</b>	<b>11,956,174</b>	<b>62</b>	<b>11,235,020</b>	<b>59</b>
<b>LONG-TERM INVESTMENTS (Notes 2 and 5)</b>				
Equity method	3,031,267	16	3,483,789	19
Cost method	579,931	3	764,446	4
Convertible bonds	19,600	-	36,642	-
<b>Total long-term investments</b>	<b>3,630,798</b>	<b>19</b>	<b>4,284,877</b>	<b>23</b>
<b>PROPERTY, PLANT AND EQUIPMENT (Notes 2, 6 and 17)</b>				
Cost				
Buildings	953,761	5	935,881	5
Auxiliary equipment	139,775	1	134,149	1
Machinery and equipment	449,193	2	420,297	2
Testing equipment	819,537	4	629,931	3
Transportation equipment	8,400	-	8,400	-
Furniture and fixtures	138,476	1	103,646	1
Leasehold improvements	458	-	458	-
Total cost	2,509,600	13	2,232,762	12
Less: Accumulated depreciation	1,028,690	5	796,593	4
Advance payments and construction in progress	86,517	-	31,864	-
<b>Net property, plant and equipment</b>	<b>1,567,427</b>	<b>8</b>	<b>1,468,033</b>	<b>8</b>
<b>INTANGIBLE ASSETS, NET (Notes 2 and 7)</b>	<b>1,182,536</b>	<b>6</b>	<b>1,096,861</b>	<b>6</b>
<b>OTHER ASSETS</b>				
Other financial assets - noncurrent (Note 8)	221,340	1	304,180	1
Deferred charges, net (Notes 2 and 9)	12,841	-	19,405	-
Deferred income taxes - noncurrent (Notes 2 and 15)	632,157	4	506,044	3
Miscellaneous	10,864	-	14,790	-
<b>Total other assets</b>	<b>877,202</b>	<b>5</b>	<b>844,419</b>	<b>4</b>
<b>TOTAL</b>	<b>\$ 19,214,137</b>	<b>100</b>	<b>\$ 18,929,210</b>	<b>100</b>

LIABILITIES AND SHAREHOLDERS' EQUITY	2005		2004	
	Amount	%	Amount	%
<b>CURRENT LIABILITIES</b>				
Short-term bank loans (Note 10)	\$ -	-	\$ 185,680	1
Notes and accounts payable (Notes 2 and 17)	2,099,073	11	2,621,979	14
Income taxes payable (Notes 2 and 15)	90	-	15,885	-
Bonus payable and remuneration to directors and supervisors (Note 12)	1,799,513	9	1,187,233	6
Other current liabilities (Notes 2, 5 and 19)	466,748	3	279,212	2
Deferred intercompany profit (Note 2)	7,201	-	10,556	-
Deferred royalty income - current (Notes 2, 7 and 17)	22,171	-	22,171	-
<b>Total current liabilities</b>	<b>4,394,796</b>	<b>23</b>	<b>4,322,716</b>	<b>23</b>
<b>OTHER LIABILITIES</b>				
Deferred royalty income - noncurrent (Notes 2, 7 and 17)	56,173	-	78,344	-
Accrued pension liability (Notes 2 and 11)	179,371	1	131,368	1
Guarantee deposits (Note 17)	366,648	2	287,024	1
<b>Total liabilities</b>	<b>4,996,988</b>	<b>26</b>	<b>4,819,452</b>	<b>25</b>
<b>SHAREHOLDERS' EQUITY (Note 12)</b>				
Capital stock - \$10 par value				
Authorized - 1,000,000 thousand shares				
Issued - 879,309 thousand shares in 2005 and 777,504 thousand shares in 2004	8,793,073	46	7,775,040	41
To be issued	662,627	3	977,504	5
Capital surplus (Note 2)				
Additional paid-in capital	839,558	5	945,304	5
Merger and others	635,496	3	635,496	4
Treasury stock	23,461	-	-	-
Retained earnings				
Legal reserve	1,590,387	8	1,316,618	7
Special reserve	338,488	2	-	-
Unappropriated earnings	1,744,219	9	2,648,260	14
Others				
Unrealized loss on long-term investments (Notes 2 and 5)	(246,385)	(1)	(91,125)	-
Cumulative translation adjustments (Note 2)	(68,170)	-	(1,734)	-
Treasury stock (at cost) - 5,854 thousand shares in 2005 and 5,322 thousand shares in 2004 (Notes 2 and 13)	(95,605)	(1)	(95,605)	(1)
<b>Total shareholders' equity</b>	<b>14,217,149</b>	<b>74</b>	<b>14,109,758</b>	<b>75</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 19,214,137</b>	<b>100</b>	<b>\$ 18,929,210</b>	<b>100</b>

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

(With Deloitte & Touche audit report dated July 22, 2005)

## SUNPLUS TECHNOLOGY COMPANY LIMITED

### STATEMENTS OF INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2005 AND 2004

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

	2005		2004	
	Amount	%	Amount	%
GROSS SALES	\$ 8,680,680		\$ 8,598,123	
SALES RETURNS AND ALLOWANCES	<u>68,061</u>		<u>125,147</u>	
NET SALES (Notes 2,7 and 17)	8,612,619	100	8,472,976	100
UNREALIZED INTERCOMPANY PROFITS, NET (Note 2)	1,684	-	1,916	-
COST OF SALES (Note 14)	<u>6,162,891</u>	<u>72</u>	<u>5,786,752</u>	<u>68</u>
GROSS PROFIT	<u>2,448,044</u>	<u>28</u>	<u>2,684,308</u>	<u>32</u>
OPERATING EXPENSES (Notes 14 and 17)				
Marketing	263,599	3	124,434	2
General and administrative	214,830	2	164,098	2
Research and development	<u>1,170,879</u>	<u>14</u>	<u>944,423</u>	<u>11</u>
Total operating expenses	<u>1,649,308</u>	<u>19</u>	<u>1,232,955</u>	<u>15</u>
OPERATING INCOME	<u>798,736</u>	<u>9</u>	<u>1,451,353</u>	<u>17</u>
NONOPERATING INCOME AND GAINS				
Gain on sales of investments, net (Note 2)	30,858	1	48,564	1
Interest income	24,949	-	12,136	-
Subsidies (Note 2)	6,750	-	11,800	-
Dividend income (Note 2)	-	-	6,874	-
Others (Note 17)	<u>14,025</u>	<u>-</u>	<u>12,659</u>	<u>-</u>
Total nonoperating income and gains	<u>76,582</u>	<u>1</u>	<u>92,033</u>	<u>1</u>
NONOPERATING EXPENSES AND LOSSES				
Equity-method investment loss, net (Notes 2 and 5)	132,579	2	132,533	1
Loss on inventory (Note 2)	119,520	1	67,689	1
Foreign exchange loss, net (Notes 2 and 19)	16,334	-	13,189	-
Unrealized loss on short-term investments (Notes 2 and 3)	-	-	6,204	-
Interest expense	411	-	892	-
Others	<u>1,992</u>	<u>-</u>	<u>4,051</u>	<u>-</u>
Total nonoperating expenses and losses	<u>270,836</u>	<u>3</u>	<u>224,558</u>	<u>2</u>

(Continued)

	<u>2005</u>		<u>2004</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
INCOME BEFORE INCOME TAX	\$ 604,482	7	\$ 1,318,828	16
INCOME TAX BENEFIT (Notes 2 and 15)	<u>14,279</u>	<u>-</u>	<u>42,319</u>	<u>-</u>
NET INCOME	<u>\$ 618,761</u>	<u>7</u>	<u>\$ 1,361,147</u>	<u>16</u>

  

	<u>2005</u>		<u>2004</u>	
	<u>Before</u>	<u>After</u>	<u>Before</u>	<u>After</u>
	<u>Income</u>	<u>Income</u>	<u>Income</u>	<u>Income</u>
	<u>Tax</u>	<u>Tax</u>	<u>Tax</u>	<u>Tax</u>
EARNINGS PER SHARE (Note 16)				
Basic	<u>\$ 0.70</u>	<u>\$ 0.71</u>	<u>\$ 1.52</u>	<u>\$ 1.57</u>
Diluted	<u>\$ 0.69</u>	<u>\$ 0.70</u>	<u>\$ 1.49</u>	<u>\$ 1.54</u>

The pro forma net income and earnings per share (EPS) based 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 13):

	<u>2005</u>		<u>2004</u>	
	<u>Before</u>	<u>After</u>	<u>Before</u>	<u>After</u>
	<u>Income</u>	<u>Income</u>	<u>Income</u>	<u>Income</u>
	<u>Tax</u>	<u>Tax</u>	<u>Tax</u>	<u>Tax</u>
NET INCOME	<u>\$ 604,482</u>	<u>\$ 618,761</u>	<u>\$ 1,318,828</u>	<u>\$ 1,361,147</u>
BASIC EPS				
Based on weighted-average shares				
Outstanding - 875,492 thousand shares in 2005 and 875,255 thousand shares in 2004	<u>\$0.69</u>	<u>\$0.71</u>	<u>\$1.51</u>	<u>\$1.56</u>
DILUTED EPS				
Based on weighted-average shares				
Outstanding - 884,833 thousand shares in 2005 and 891,198 thousand shares in 2004	<u>\$0.68</u>	<u>\$0.70</u>	<u>\$1.48</u>	<u>\$1.53</u>

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

(With Deloitte & Touche auditors' report dated July 22, 2005)

(Concluded)

**SUNPLUS TECHNOLOGY COMPANY LIMITED**

**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY  
FOR THE SIX MONTHS ENDED JUNE 30, 2005 AND 2004  
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

	Capital Stock Issued (Note 12)		Capital Stock to Be Issued (Note 12)	Capital Surplus (Notes 2 and 12)				Retained Earnings (Note 12)				Unrealized Loss on Long-term Investments (Note 2)	Cumulative Translation Adjustments (Note 2)	Treasury Stock (Note 13)	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					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	-	-	225,000	-	-	-	-	-	-	-	(225,000)	(225,000)	-	-	-	-
Bonus to employees - cash	-	-	-	-	-	-	-	-	-	-	(25,000)	(25,000)	-	-	-	(25,000)
Remuneration to directors and supervisors	-	-	-	-	-	-	-	-	-	-	(24,004)	(24,004)	-	-	-	(24,004)
Stock dividends - \$0.3 per share	-	-	262,576	-	-	-	-	-	-	-	(262,576)	(262,576)	-	-	-	-
Cash dividends - \$2 per share	-	-	-	-	-	-	-	-	-	-	(1,750,509)	(1,750,509)	-	-	-	(1,750,509)
Capital stock transferred from capital surplus	-	-	175,051	(175,051)	-	-	-	(175,051)	-	-	-	-	-	-	-	-
Issuance of share upon exercise of employee stock options	4,053	40,529	-	69,305	-	-	-	69,305	-	-	-	-	-	-	-	109,834
Net income for the six months ended June 30, 2005	-	-	-	-	-	-	-	-	-	-	618,761	618,761	-	-	-	618,761
Adjustment from changes in the shareholders' equity of investees	-	-	-	-	-	-	-	-	-	-	-	-	10,310	-	-	10,310
Unrealized loss on long-term investments	-	-	-	-	-	-	-	-	-	-	-	-	32,763	-	-	32,763
Translation adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-	(19,140)	-	(19,140)
<b>BALANCE, JUNE 30, 2005</b>	<b>879,307</b>	<b>\$ 8,793,073</b>	<b>\$ 662,627</b>	<b>\$ 839,558</b>	<b>\$ 478,073</b>	<b>\$ 157,423</b>	<b>\$ 23,461</b>	<b>\$ 1,498,515</b>	<b>\$ 1,590,387</b>	<b>\$ 338,488</b>	<b>\$ 1,744,219</b>	<b>\$ 3,673,094</b>	<b>\$ (246,385)</b>	<b>\$ (68,170)</b>	<b>\$ (95,605)</b>	<b>\$ 14,217,149</b>
BALANCE, JANUARY 1, 2004	777,504	\$ 7,775,040	\$ -	\$ 1,567,308	\$ 478,073	\$ 157,423	\$ -	\$ 2,202,804	\$ 1,115,921	\$ 58,633	\$ 2,971,910	\$ 4,146,464	\$ (9,908)	\$ 10,888	\$ (95,605)	\$ 14,029,683
Transfer of special reserve to retained earnings	-	-	-	-	-	-	-	-	-	(58,633)	58,633	-	-	-	-	-
Appropriation of prior year's earnings:																
Legal reserve	-	-	-	-	-	-	-	-	200,697	-	(200,697)	-	-	-	-	-
Bonus to employees - stock	-	-	200,000	-	-	-	-	-	-	-	(200,000)	(200,000)	-	-	-	-
Remuneration to directors and supervisors	-	-	-	-	-	-	-	-	-	-	(20,977)	(20,977)	-	-	-	(20,977)
Stock dividends - \$0.2 per share	-	-	155,500	-	-	-	-	-	-	-	(155,500)	(155,500)	-	-	-	-
Cash dividends - \$1.5 per share	-	-	-	-	-	-	-	-	-	-	(1,166,256)	(1,166,256)	-	-	-	(1,166,256)
Capital stock transferred from capital surplus	-	-	622,004	(622,004)	-	-	-	(622,004)	-	-	-	-	-	-	-	-
Net income for the six months ended June 30, 2004	-	-	-	-	-	-	-	-	-	-	1,361,147	1,361,147	-	-	-	1,361,147
Adjustment from changes in the shareholders' equity of investees	-	-	-	-	-	-	-	-	-	-	-	-	(22,804)	-	-	(22,804)
Unrealized loss on long-term investments	-	-	-	-	-	-	-	-	-	-	-	-	(58,413)	-	-	(58,413)
Translation adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-	(12,622)	-	(12,622)
<b>BALANCE, JUNE 30, 2004</b>	<b>777,504</b>	<b>\$ 7,775,040</b>	<b>\$ 977,504</b>	<b>\$ 945,304</b>	<b>\$ 478,073</b>	<b>\$ 157,423</b>	<b>\$ -</b>	<b>\$ 1,580,800</b>	<b>\$ 1,316,618</b>	<b>\$ -</b>	<b>\$ 2,648,260</b>	<b>\$ 3,964,878</b>	<b>\$ (91,125)</b>	<b>\$ (1,734)</b>	<b>\$ (95,605)</b>	<b>\$ 14,109,758</b>

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

(With Deloitte & Touche auditors' report dated July 22, 2005)

# SUNPLUS TECHNOLOGY COMPANY LIMITED

## STATEMENTS OF CASH FLOWS FOR THE SIX MONTHS ENDED JUNE 30, 2005 AND 2004 (In Thousands of New Taiwan Dollars)

	2005	2004
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 618,761	\$ 1,361,147
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	323,822	268,552
Gain on sales of long-term investments	(26,578)	(19,054)
Equity-method investment loss, net	132,579	132,533
Unrealized intercompany profits, net	1,684	1,916
Unrealized (realized) royalty income	(11,086)	42,515
Gain on disposal of property, plant and equipment	(98)	(33)
Deferred income taxes	(2,513)	(69,394)
Accrued pension liabilities	26,785	22,570
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Notes and accounts receivable		
Third parties	(343,807)	(1,020,714)
Related parties	(47,656)	(39,344)
Other financial assets - current	332,137	165,477
Inventories	1,036,679	(1,921,698)
Other current assets	14,127	(50,359)
Increase (decrease) in:		
Notes and accounts payable	399,046	844,701
Income tax payable	(64,103)	(59,503)
Other current liabilities	(79,116)	(35,882)
Net cash provided by (used in) operating activities	<u>2,310,663</u>	<u>(376,570)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Decrease in short-term investments	177,790	287,409
Proceeds from sales of:		
Long-term investments	97,015	44,525
Property, plant and equipment	564	699
Acquisitions of:		
Long-term investments	-	(320,000)
Property, plant and equipment	(215,703)	(197,143)
Intangible assets	(250,394)	(80,503)
Deferred charges	-	(921)
Decrease (increase) in other financial asset - noncurrent	630	(168,170)
Decrease (increase) in other assets - miscellaneous	4,090	(1,436)
Net cash used in investing activities	<u>(186,008)</u>	<u>(435,540)</u>

(Continued)

	<b>2005</b>	<b>2004</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in short-term bank loans	\$ -	\$ 185,680
Increase in guarantee deposits	81,673	26,805
Issuance of share upon exercise of employee stock options	<u>109,834</u>	<u>-</u>
Net cash provided by (used in) financing activities	<u>191,507</u>	<u>212,485</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	2,316,162	(599,625)
<b>CASH, BEGINNING OF THE PERIOD</b>	<u>3,430,142</u>	<u>1,059,432</u>
<b>CASH, END OF THE PERIOD</b>	<u>\$ 5,746,304</u>	<u>\$ 459,807</u>
<b>SUPPLEMENTAL INFORMATION:</b>		
Income tax paid	<u>\$ 42,190</u>	<u>\$ 15,675</u>
Interest paid	<u>\$ 534</u>	<u>\$ 892</u>
<b>NONCASH INVESTING AND FINANCING ACTIVITY:</b>		
Reclassification of other current liabilities to long-term investments	<u>\$ 2,331</u>	<u>\$ -</u>
Reclassification of credit balance of long-term investments to other current liabilities	<u>\$ -</u>	<u>\$ 3,998</u>
<b>PARTIAL CASH INVESTING ACTIVITY:</b>		
Acquisitions of property, plant and equipment	\$ 218,111	\$ 203,274
Increase in payables to contractors and equipment suppliers	<u>(2,408)</u>	<u>(6,131)</u>
Cash paid	<u>\$ 215,703</u>	<u>\$ 197,143</u>

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

(With Deloitte & Touche audit report dated July 22, 2005)

(Concluded)

# SUNPLUS TECHNOLOGY COMPANY LIMITED

## NOTES TO FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2005 AND 2004

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

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### 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 areas such 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, voice/music, and application specific.

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

As of June 30, 2005 and 2004, the Company had 1,055 and 891 employees, respectively.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements are prepared in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China (ROC). Under these guidelines and principles, the Company estimates the amounts of allowance for doubtful receivables, decline in market value of inventories, depreciation of property, plant and equipment, amortization of intangible assets, impairment loss on assets, and pension expenses. However, actual results may differ from estimates because of the uncertainty of circumstances.

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

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

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

#### **Short-term Investments**

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

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

### **Allowance for Doubtful Receivables**

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

### **Inventories**

Inventories consist of raw materials, work in process and finished goods, which are stated at the lower of cost or market value. 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 for raw materials and net realizable value for finished goods and work in process. Scrap and slow-moving items are recognized as allowance for losses.

### **Long-term Investments**

Investments in share of stock of companies in which the Company owns at least 20% of the outstanding voting shares or exercises significant influence on their operating and financial policy decisions are accounted for by the equity method. The difference between the investment cost and the Company's equity in the investees' net assets on the acquisition date is amortized over five years using the straight-line method. This amortization and the Company's equity in the investees' net income or net loss are recognized as equity-method investment income (loss), net. If the recognized carrying value of the investment plus any advances to the investee are reduced to zero, the Company will discontinue recognizing its investment loss. But (a) if the Company guarantees the 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 of which the Company owns less than a controlling interest are deferred in proportion to the Company's percentage of investee ownership. However, the entire gains or losses on the Company's sales to subsidiaries are deferred. Gains or losses from sales by investees to the Company are deferred in proportion to the Company's percentage of investee ownership. All of these deferred gains and losses are realized upon resale of products to third parties.

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

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

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

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

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

### **Property, Plant and Equipment**

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

On the balance sheet date, the Company evaluates property, plant and equipment for any impairment. If impairment is identified, the Company 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 in the future, 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 8 years; transportation equipment - 3 to 5 years; furniture and fixtures - 3 to 10 years; and leasehold improvements - 3 years. Property, plant and equipment still in use beyond their initially estimated service lives are depreciated over their newly estimated service lives.

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

### **Intangible Assets**

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

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

## **Deferred Charges**

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

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

## **Revenue Recognition**

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

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

## **Government Subsidies**

Amounts received by the Company from the government to sponsor the development of certain products are recognized as other income when realized or as deferred income when unrealized.

## **Pension Costs**

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

## **Income Tax**

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

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

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

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

## **Foreign-currency Transactions**

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

translation of the foreign currency financial statements are recognized as a translation adjustment under shareholders' equity.

### Derivative Transactions

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

The Company enters into cross-currency swap contracts to manage currency exposures on foreign currency-denominated assets and liabilities. The principal amount is recorded at spot rate on the contract date. The difference between the spot rate at the start of the contract and the forward rate is amortized over the term of the cross-currency swap contract using the straight-line method and recorded under interest income or expense. On the balance sheet dates, the receivables or payables arising from the cross-currency swap contracts are restated at the prevailing spot rates, and the resulting differences between these rates and spot rates on the contract starting dates are recognized and charged to income. Also, the receivables and payables on the contracts are netted out, with the resulting amount presented as either an asset or a liability.

For the currency option and stock option contracts entered into for non-hedging purposes, the premiums paid would be amortized over the contract period and recorded as gain or loss in the current income. Any resulting gain upon exercise settlement is credited or charged to income in the year of exercise.

### Reclassifications

Certain accounts in the financial statements as of for the six months ended June 30, 2004 have been reclassified to conform to the financial statements as of and for the six months ended June 30, 2005

### 3. SHORT-TERM INVESTMENTS

	<u>June 30</u>	
	<u>2005</u>	<u>2004</u>
Open-end funds	\$ 602,788	\$ 3,160,467
Less: Allowance for losses	<u>-</u>	<u>6,204</u>
	<u>\$ 602,788</u>	<u>\$ 3,154,263</u>
Market value	<u>\$ 607,923</u>	<u>\$ 3,154,263</u>

#### 4. INVENTORIES, NET

	<u>June 30</u>	
	2005	2004
Finished goods	\$ 1,222,153	\$ 2,171,360
Work in process	823,463	1,085,129
Raw materials	<u>371,754</u>	<u>491,998</u>
	2,417,370	3,748,487
Less: Allowance for losses	<u>285,161</u>	<u>117,308</u>
	<u>\$ 2,132,209</u>	<u>\$ 3,631,179</u>

#### 5. LONG-TERM INVESTMENTS

	<u>June 30</u>			
	2005		2004	
	Carrying Value	% of Ownership	Carrying Value	% of Ownership
Shares:				
Equity method				
Giantplus Technology Co., Ltd.	\$ 834,274	37	\$ 819,759	42
Sunplus Venture Capital Co., Ltd.	714,726	100	801,640	100
Lin Shih Investment Co., Ltd.	479,235	100	624,926	100
Russell Holdings Limited	414,394	100	548,476	100
Wei-Young Investment Inc.	180,263	100	203,225	100
Ventureplus Group Inc.	173,128	100	260,321	100
Generalplus Technology Corp.	157,585	60	123,820	60
Goldkey Technology Corp.	56,837	15	65,906	15
Waveplus Technology Co., Ltd.	7,706	10	24,298	10
Techplus Capital Niue Inc.	6,318	100	6,752	100
Sunplus Management Consulting Inc.	4,496	100	4,666	100
Sunplus Technology (H.K.) Co., Ltd.	2,305	100	-	100
Electric Energy Application Technology Inc.	-	24	-	24
	<u>3,031,267</u>		<u>3,483,789</u>	
Cost method				
Listed stocks				
RITEK Corp.	\$ 335,069	-	\$ 335,069	-
Global View Co., Ltd.	223,455	10	223,455	10
United Microelectronics Corp.	45,887	-	45,887	-
Harvatek Corp.	37,488	3	37,488	4
Silicon Application Corp.	26,700	1	26,700	1
Broadcom Corp.	-	-	37,608	-
Unlisted stocks				
Network Capital Global Fund	60,000	7	60,000	7
Technology Partners Venture Capital Corp.	50,000	11	50,000	11
Quality Test System Inc.	-	2	<u>6,652</u>	2
	778,599		822,859	
Less: Allowance for losses	<u>198,668</u>		<u>58,413</u>	
	<u>579,931</u>		<u>764,446</u>	

(Continued)

	<b>June 30</b>			
	<b>Carrying Value</b>	<b>% of Ownership</b>	<b>Carrying Value</b>	<b>% of Ownership</b>
Convertible bonds:				
AIPTEK International Inc.	20,000	-	20,000	-
Sin Bon Electronics Co., Ltd.	<u>-</u>	-	<u>16,642</u>	-
	20,000		36,642	
Less: Allowance for losses	<u>400</u>		<u>-</u>	-
	<u>19,600</u>		<u>36,642</u>	
	<u>\$ 3,630,798</u>		<u>\$ 4,284,877</u>	

Credit balance of long-term investments - (recorded as other current liabilities)				
Sunplus Technology (H.K.) Co., Ltd.	<u>\$ -</u>	100	<u>\$ 10,456</u>	100

The equity-method investment gains and losses for the six months ended June 30, 2005 and 2004 were based on the investees' unaudited financial statements for the same period. The related amounts were as follows:

	<b>Six Months Ended</b>	
	<b>June 30</b>	
	<b>2005</b>	<b>2004</b>
Giantplus Technology Co., Ltd.	\$ 65,126	\$ 48,588
Sunplus Venture Capital Co., Ltd.	(58,775)	(52,673)
Lin Shih Investment Co., Ltd.	(66,805)	(57,022)
Russell Holdings Limited	(23,250)	(42,021)
Wei-Young Investment Inc.	(8,496)	3,225
Ventureplus Group Inc.	(35,845)	(27,806)
Generalplus Technology Corp.	7,616	3,820
Goldkey Technology Corp.	(9,570)	1,690
Waveplus Technology Co., Ltd.	(7,107)	(6,350)
Techplus Capital Niue Inc.	10	13
Sunplus Management Consulting Inc.	(77)	(334)
Sunplus Technology (H.K.) Co., Ltd.	<u>4,594</u>	<u>(3,663)</u>
	<u>\$ (132,579)</u>	<u>\$ (132,533)</u>

As of June 30, 2005 and 2004, the Company and its subsidiaries collectively owned 32% of Goldkey Technology Co., Ltd., and 43%, respectively, of Waveplus Technology Co., Ltd. Thus, these investments were accounted for by the equity method.

Information on the market value of cost-method long-term investment was as follows:

	<u>June 30</u>	
	2005	2004
Publicly traded stocks		
RITEK Corp.	\$ 64,244	\$ 76,343
Global View Co., Ltd.	201,479	250,585
United Microelectronics Corp.	56,212	55,729
Harvatek Corp.	129,293	144,609
Silicon Application Corp.	15,988	20,900
Broadcom Corp.	2,712	97,365
Convertible bonds		
AIPTEK International Inc.	20,744	21,100
Sin Bon Electronics Co., Ltd.	-	18,906

The consolidated financial statements as of and for the six months ended June 30, 2005 included all of Corporation's subsidiaries.

## 6. PROPERTY, PLANT AND EQUIPMENT

	<u>June 30</u>	
	2005	2004
Accumulated depreciation:		
Buildings	\$ 78,455	\$ 58,922
Auxiliary equipment	87,923	78,453
Machinery and equipment	318,735	261,389
Testing equipment	462,534	339,337
Transportation equipment	4,966	3,591
Furniture and fixtures	75,899	54,834
Leasehold improvements	<u>178</u>	<u>67</u>
	<u>\$ 1,028,690</u>	<u>\$ 796,593</u>

## 7. INTANGIBLE ASSETS, NET

	<u>June 30</u>	
	2005	2004
Technology license fees	\$ 1,097,024	\$ 1,005,805
Patents	<u>85,512</u>	<u>91,056</u>
	<u>\$ 1,182,536</u>	<u>\$ 1,096,861</u>

Intangible assets consisted of fees paid to Oak Technology ("Oak") for the Company to use Oak's technology on light storage solutions to develop SOC DVD/VCD (system on a chip digital compact disk/video compact disk) players.

The Company also authorized Sunext Technology (a 49.5 % indirect investee) to research, design and manufacture products using Oak's technology in exchange for royalty income (shown under "gross sales" in the income statements and as "deferred royalty income" in the balance sheets).

## 8. OTHER FINANCE ASSETS – NONCURRENT

	<b>Investment (In thousand US\$)</b>	<b>Book Value</b>	<b>At maturity</b>
<b><u>June 30, 2005</u></b>			
Inverse floater interest fixed deposit	\$ <u>7,000</u>	\$ <u>221,340</u>	September 2010~April, 2014
<b><u>June 30, 2004</u></b>			
Inverse floater interest fixed deposit	\$ <u>9,000</u>	\$ <u>304,180</u>	September 2010~April, 2014

The investor bought Inverse floater product must take the risk of losing Capital while rescinding the contract before expiring.

## 9. DEFERRED CHARGES, NET

	<b>June 30</b>	
	<b>2005</b>	<b>2004</b>
Software and system design	\$ 12,841	\$ 19,349
Electricity installation	<u>-</u>	<u>56</u>
	<u>\$ 12,841</u>	<u>\$ 19,405</u>

## 10. SHORT-TERM BANK LOANS

	<b>June 30 2004</b>
Export trade loans - US\$3,000 thousand, due in September 2004, 1.79% annual interest	\$ 101,280
Unsecured loans - US\$2,500 thousand, due in May 2005, 1.86%-2.13% annual interest	<u>84,400</u>
	<u>\$ 185,680</u>

## 11. PENSION PLAN

The Company has a pension plan for all regular employees, which provides benefits based on length of service and average monthly salary for the final six months of service. The Corporation contributes an amount equal to 2% of salaries every month to a pension fund (the "Fund"). The Fund is administered by a pension fund monitoring committee (the "Committee") and deposited in the Committee's name in the Central Trust of China. The fund balances as of June 30, 2005 and 2004 were \$62,224 thousand and \$46,792 thousand, respectively.

The accrued pension liability is summarized as follows:

	<b>Six Months Ended</b>	
	<b>June 30</b>	
	<b>2005</b>	<b>2004</b>
Balance, beginning of the period	\$ 152,586	\$ 108,798
Pension costs	34,526	28,353
Contributions	<u>(7,741)</u>	<u>(5,783)</u>
Balance, end of the period	<u>\$ 179,371</u>	<u>\$ 131,368</u>

The Labor Pension Act became effective on July 1, 2005 and this pension mechanism is deemed a defined contribution plan. The employees who were subject to the Labor Standards Law prior to the enforcement of this Act may choose to be subject to the pension mechanism under this Act or may continue to be subject to the pension mechanism under the Labor Standards Law. For those employees who were subject to the Labor Standards Law prior to July 1, 2005 and still work for the same company after July 1, 2005 and choose to be subject to the pension mechanism under this Act, their seniority as of July 1, 2005 shall be maintained. The rate of contribution by an employer to the Labor Pension Fund per month shall not be less than 6% of each employee's monthly salary or wage.

## 12. SHAREHOLDERS' EQUITY

### Employee Stock Option Plan

On March 7, 2003, the Securities and Futures Bureau (SFB: formerly known as "Securities and Futures Commission") approved the Company's adoption of an employee stock option plan. The plan provides for the grant of 30,000 thousand options, with each representing one common share. The option rights may be granted to qualified employees of the company and subsidiaries. A total of 30,000 thousand common shares are reserved for issuance. The options are valid for six years and exercisable at certain percentages after the second anniversary of the grant date. Stock option right are granted at an exercise price equal to the closing price of the Company's common shares listed on the Taiwan Stock Exchange on the date of grant and the exercise price shall be subject to adjustment in accordance with the regulated formula upon the occurrence of changes in paid-in capital of the Company.

Information on outstanding option rights in June 30 is as follows:

	<b>Six Months Ended June 30, 2005</b>		<b>Six Months Ended Six 30, 2004</b>	
	<b>Unit (in thousands)</b>	<b>Weighted-average price(NT\$)</b>	<b>Unit (in thousands)</b>	<b>Weighted-average price(NT\$)</b>
Beginning outstanding balance	\$ 32,589	\$ 32.34	\$ 31,049	\$ 39.90
Options exercised	(4,053)	27.10	-	-
Options cancelled	(445)		(843)	
Ending outstanding balance	<u>\$ 28,091</u>		<u>\$ 30,206</u>	

Note: The numbers of outstanding option rights and exercise prices have been adjusted to reflect the issuance of stock dividends based on the plan.

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

<u>Exercise Price</u>	<u>Options Outstanding</u>			<u>Options Exercisable</u>	
	<u>Number of Outstanding Options (in thousands)</u>	<u>Weighted Average Remaining Contractual Life (in Years)</u>	<u>Weighted Average Exercise Price (NT\$)</u>	<u>Number of Exercisable Options (in thousands)</u>	<u>Weighted Average Exercise Price (NT\$)</u>
\$ 27.10~47.10	28,091	3.85~4.15	\$ 27.10~47.10	19,639	\$ 27.10

### **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 June 30, 2005, the GDRs have been converted into 76,176 thousand of common shares amounting to US\$223,868 thousand. The outstanding GDRs, representing 2,333 thousand common shares, are accounted for 0.27% of outstanding common stock.

### **Capital Surplus**

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

### **Appropriation of Earnings and Dividend Policy**

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

The current year's net income less all the foregoing appropriations and distributions plus the 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.

A special reserve equivalent to the debit balance of any account shown in the shareholders' equity section of the balance sheet (for example, unrealized loss on long-term investments and cumulative translation adjustments) should be made from unappropriated retained earnings pursuant to regulations promulgated by SFB. The special reserve is allowed to be appropriated to the extent that the debit balance of such accounts is reversed.

Under the ROC Company Law, legal reserve should be appropriated until the reserve equals the Company's paid-in capital. This reserve may be used to offset a deficit. When the balance reaches 50% of the Company's paid-in capital, up to half of this reserve may be distributed as stock dividends.

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

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

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

	2004		2003	
	Appropriation of Earnings	Dividends (NT\$)	Appropriation of Earnings	Dividends (NT\$)
Legal reserve	\$ 273,769		\$ 200,697	
Special reserve	338,488		-	
Bonus to employees - stock	225,000		200,000	
Bonus to employees - cash	25,000		-	
Remuneration of directors and supervisors	24,004		20,977	
Common dividends - stock	262,576	\$ 0.3	155,500	\$ 0.2
Common dividends - cash	<u>1,750,509</u>	2.0	<u>1,166,256</u>	1.5
	<u>\$ 2,899,346</u>		<u>\$ 1,743,430</u>	

The shareholders' meeting also approved the conversion of the employees' stock bonuses \$225,000 thousand, stock dividends of \$262,576 thousand and capital surplus of 175,051 thousand into new shares. The expected issuance of capital stock will \$9,455,700 thousand totally. These appropriations have been approved by the SFB and will be taken into effect on September 7, 2005.

### 13. TREASURY STOCK (COMMON STOCK)

Purpose of Purchase	(Shares in Thousands)			
	Beginning Shares	Increase	Decrease	Ending Shares
<u>Six months ended June 30, 2005</u>				
Company stocks held by subsidiaries as investments	<u>5,854</u>	<u>-</u>	<u>-</u>	<u>5,854</u>
<u>Six months ended June 30, 2004</u>				
Company stocks held by subsidiaries as investments	<u>5,322</u>	<u>-</u>	<u>-</u>	<u>5,322</u>

In January 2002, the Company transferred \$95,605 thousand of its shares held by Lin Shih Investment Co., Ltd. as investments to treasury stock. As of June 30, 2005 and 2004, the book values of these stocks were \$95,605 thousand and the market values of these stocks were \$260,781 thousand and \$325,730 thousand, respectively. Effective January 1, 2002, capital stock of the Company held by a subsidiary as an investment is recorded as treasury stock, but shareholders of treasury stock retain their shareholders' rights on these shares.

The subsidiaries' holding parent company's issued shares retain shareholders' rights and privileges on these shares, except for the right to subscribe to capital in the issuance of new common stock. Starting from June 22, 2005, in accordance with the revised Company Law, the subsidiaries' holding parent

company's issued shares will no longer be entitled to the voting right.

#### 14. LABOR COST, DEPRECIATION AND AMORTIZATION EXPENSES

	For the Six Months Ended June 30					
	2005			2004		
	Classified as Cost of Sales	Classified as Operating Expense	Total	Classified as Cost of Sales	Classified as Operating Expense	Total
Labor cost						
Salary	\$ 54,013	\$ 500,927	\$ 554,940	\$ 47,030	\$ 389,106	\$ 436,136
Insurance	3,644	26,696	30,340	3,053	22,368	25,421
Pension	3,173	31,353	34,526	2,791	25,562	28,353
Employee benefits	1,637	11,690	13,327	1,823	11,133	12,956
Food stipend	1,396	9,647	11,043	1,201	7,530	8,731
	<u>\$ 63,863</u>	<u>\$ 580,313</u>	<u>\$ 644,176</u>	<u>\$ 55,898</u>	<u>\$ 455,699</u>	<u>\$ 511,597</u>
Depreciation	<u>\$ 33,761</u>	<u>\$ 96,754</u>	<u>\$ 130,515</u>	<u>\$ 40,442</u>	<u>\$ 76,257</u>	<u>\$ 116,699</u>
Amortization	<u>\$ 481</u>	<u>\$ 192,826</u>	<u>\$ 193,307</u>	<u>\$ 446</u>	<u>\$ 151,407</u>	<u>\$ 151,853</u>

#### 15. INCOME TAX

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

	Six Months Ended June 30	
	2005	2004
Income tax expense on income before income tax at statutory rate (25%)	\$ 151,121	\$ 329,707
Tax effects of adjustments:		
Tax-exempt income	(132,923)	(267,161)
Permanent difference	31,119	30,331
Temporary difference	<u>32,058</u>	<u>27,306</u>
Income tax expense before tax credits	<u>\$ 81,375</u>	<u>\$ 120,183</u>

- b. Income tax benefit consisted of the following:

	Six Months Ended June 30	
	2005	2004
Income tax expense before tax credits	\$ (81,375)	\$ (120,183)
Income tax (10%) on unappropriated earnings	(21,541)	(57,774)
Investment tax credits	102,825	162,071
Net change in deferred income taxes	2,513	69,394
Nondeductible tax credits - income from overseas	(10,080)	(14,015)
Adjustment of prior years' income tax expense	<u>21,937</u>	<u>2,826</u>
Income tax benefit	<u>\$ 14,279</u>	<u>\$ 42,319</u>

- c. Deferred income tax assets consisted of the following:

June 30	
2005	2004

Current:

Investment tax credits	\$ 5,809	\$ 8,470
Temporary difference	<u>21,170</u>	<u>28,597</u>
	<u>\$ 26,979</u>	<u>\$ 37,067</u>

Noncurrent:

Investment tax credits	\$ 879,449	\$ 509,075
Temporary difference	28,533	37,612
Allowance	<u>(275,825)</u>	<u>(40,643)</u>
	<u>\$ 632,157</u>	<u>\$ 506,044</u>

The effective tax rate for deferred income taxes as of June 30, 2005 and 2004 was 25%.

As of June 30, 2005, investment tax credits shown as deferred tax assets consisted of the following:

Regulation	Items	Total Creditable Amounts	Remaining Creditable Amounts	Expiry Year
Statute for Upgrading Industries	Purchase of machinery and equipment	\$ 1,956	\$ -	2005
		2,360	2,360	2006
		2,432	2,432	2007
		8,952	8,952	2008
		<u>1,319</u>	<u>1,319</u>	2009
		<u>\$ 17,019</u>	<u>\$ 15,063</u>	
Statute for Upgrading Industries	Research and development expenditures	\$ 55,263	\$ 5,809	2005
		177,474	177,474	2006
		189,636	189,636	2007
		323,664	323,664	2008
		<u>225,027</u>	<u>173,612</u>	2009
		<u>\$ 971,064</u>	<u>\$ 870,195</u>	

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

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

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

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

d. Integrated income tax information:

	<u>June 30</u>	
	<u>2005</u>	<u>2004</u>
Imputation credit account balance (ICA)	<u>\$ 74,989</u>	<u>\$ 80,879</u>
Unappropriated earnings before 1997	<u>\$ 452,310</u>	<u>\$ 452,310</u>

The expected and actual creditable tax ratios for 2004 and 2003 were 2.10% and 3.19%, respectively.

The imputation credits allocated to the shareholders are based on the balance in the ICA as of the date of dividend distribution. The expected creditable ratio for distribution of earnings of 2004 may be adjusted when the allocation imputation credits is made.

## 16. EARNINGS PER SHARE

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

	<u>Amounts (Numerator)</u>		Share (Denominator) (in Thousands)	<u>EPS (NT\$)</u>	
	<u>Before Income Tax</u>	<u>After Income Tax</u>		<u>Before Income Tax</u>	<u>After Income Tax</u>
<u>Six months ended June 30, 2005</u>					
Net income	<u>\$ 604,482</u>	<u>\$ 618,761</u>			
Basic EPS					
Income of common shareholders	<u>\$ 604,482</u>	<u>\$ 618,761</u>	<u>869,638</u>	<u>\$ 0.70</u>	<u>\$ 0.71</u>
Pro-forma adjusted EPS for stock dividends with ex-dividend date after the issuance of financial statements	<u>\$ 604,482</u>	<u>\$ 618,761</u>	<u>935,419</u>	<u>\$ 0.65</u>	<u>\$ 0.66</u>
Income of common shareholders	\$ 604,482	\$ 618,761	869,938		
Effect of dilutive securities - stock options	-	-	<u>9,341</u>		
Diluted EPS					
Income of common shareholders	<u>\$ 604,482</u>	<u>\$ 618,761</u>	<u>878,979</u>	<u>\$ 0.69</u>	<u>\$ 0.70</u>
Pro-forma adjusted EPS for stock dividends with ex-dividend date after the issuance of financial statements	<u>\$ 604,482</u>	<u>\$ 618,761</u>	<u>945,127</u>	<u>\$ 0.64</u>	<u>\$ 0.65</u>
<u>Six months ended June 30, 2004</u>					
Net income	<u>\$ 1,318,828</u>	<u>\$ 1,361,147</u>			
Basic EPS					
Income of common shareholders	<u>\$ 1,318,828</u>	<u>\$ 1,361,147</u>	<u>869,401</u>	<u>\$ 1.52</u>	<u>\$ 1.57</u>
Pro-forma adjusted EPS for stock dividends with ex-dividend date after the issuance of financial	<u>\$ 1,318,828</u>	<u>\$ 1,361,147</u>	<u>935,170</u>	<u>\$ 1.41</u>	<u>\$ 1.46</u>

statements

Income of common shareholders	\$ 1,318,828	\$ 1,361,147	869,401		
Effect of dilutive securities - stock options	<u>-</u>	<u>-</u>	<u>15,943</u>		
Diluted EPS					
Income of common shareholders	<u>\$ 1,318,828</u>	<u>\$ 1,361,147</u>	<u>885,344</u>	<u>\$ 1.49</u>	<u>\$ 1.54</u>
	<u>Amounts (Numerator)</u>		<u>Share</u>	<u>EPS (NT\$)</u>	
	<u>Before</u>	<u>After</u>	<u>(Denominator)</u>	<u>Before</u>	<u>After</u>
	<u>Income Tax</u>	<u>Income Tax</u>	<u>(in Thousands)</u>	<u>Income Tax</u>	<u>Income Tax</u>
Pro-forma adjusted EPS for stock dividends with ex-dividend date after the issuance of financial statements	<u>\$ 1,318,828</u>	<u>\$ 1,361,147</u>	<u>951,854</u>	<u>\$ 1.39</u>	<u>\$ 1.43</u>

The average number of shares outstanding for EPS calculation was adjusted retroactively for issuance of stock dividends and stock bonuses (see statements of changes in shareholders' equity and Note 12). The retroactive adjustment caused the basic and diluted EPS after income tax for the six months ended June 30, 2004 to decrease from NT\$1.76 and NT\$1.73 to NT\$1.57 and NT\$1.54, respectively.

## 17. RELATED PARTY TRANSACTIONS

The Company's related parties were as follows:

- a. Global View Co., Ltd. ("Global View") - the Company's supervisor
- b. Giantplus Technology Co., Ltd. ("Giantplus") - equity-method investee
- c. Goldkey Technology Corp. ("Goldkey") - equity-method investee
- d. Waveplus Technology Co., Ltd. ("Waveplus") - equity-method investee
- e. Sunplus Technology (H.K.) Co., Ltd. ("Sunplus H.K.") - 100% subsidiary
- f. Generalplus Technology Inc. ("Generalplus") - 60% subsidiary
- g. Sunplus Technology (Shanghai) Co., Ltd. (Sunplus Shanghai) - 98% indirect subsidiary
- h. Sunext Technology Co., Ltd. ("Sunext") - 49.5% indirect investee
- i. Joing Tecnology Co., Ltd. ("Joing") - 39% indirect investee (liquidated in March 2004)
- j. Others - please refer to Note 19 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:

a. Sales

	<b>Six Months Ended June 30</b>			
	<b>2005</b>		<b>2004</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Giantplus	\$ 130,118	2	\$ 204,784	2
Generalplus	95,262	1	81,358	1
Waveplus	83,022	1	77,080	1
Global View	37,407	-	66,644	1
Sunext	11,085	-	62,276	1
Goldkey	7,240	-	21,640	-
Sunplus H.K.	<u>-</u>	<u>-</u>	<u>9,126</u>	<u>-</u>
	<u>\$ 364,134</u>	<u>4</u>	<u>\$ 522,908</u>	<u>6</u>

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

b. Commission Expenses

	<b>Six Months Ended June 30</b>			
	<b>2005</b>		<b>2004</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Waveplus	<u>\$ 645</u>	<u>-</u>	<u>\$ 1,516</u>	<u>-</u>

Under the developmental and sales agreement with Waveplus and A Company, Sunplus should pay a commission expenses at an agreed amount by this contract.

c. Nonoperating income and gains

	<b>Six Months Ended June 30</b>			
	<b>2005</b>		<b>2004</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Nonoperating income and gains-other				
Sunext	\$ 1,800	13	\$ -	-
Joing	<u>-</u>	<u>-</u>	<u>1,317</u>	<u>10</u>
	<u>\$ 1,800</u>	<u>13</u>	<u>\$ 1,317</u>	<u>10</u>

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

d. Notes and accounts receivable

	<b>June 30</b>			
	<b>2005</b>		<b>2004</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Generalplus	\$ 63,354	2	\$ 85,655	2
Giantplus	58,351	2	97,182	3

Waveplus	48,192	2	33,800	1
Global View	14,981	-	21,490	1
Sunext	1,915	-	132	-
Goldkey	-	-	11,414	-
Sunplus H.K.	-	-	<u>7,493</u>	-
	<u>\$ 186,793</u>	<u>6</u>	<u>\$ 257,166</u>	<u>7</u>

e. Guarantee deposits

	<b>June 30</b>			
	<b>2005</b>		<b>2004</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Global View	\$ 241	-	\$ 4,362	2
Gaintplus	156	-	-	-
Goldkey	-	-	<u>86</u>	-
	<u>\$ 397</u>	<u>-</u>	<u>\$ 4,448</u>	<u>2</u>

f. Deferred royalty income (current and noncurrent)

	<b>June 30</b>			
	<b>2005</b>		<b>2004</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Sunext	\$ 78,344	<u>100</u>	<u>\$ 100,515</u>	<u>100</u>

g. Transactions of property, plant and equipment

As of June 30, 2005, the Company sold the property, plant and equipment to Generalplus for \$155 thousand and the resulting gain on sales of property, plant and equipment was \$5 thousand.

As of June 30, 2004, the Company sold the property, plant and equipment to Sunext and Generalplus for \$693 thousand and the resulting gain on sales of property, plant and equipment was \$53 thousand.

h. Related party borrowings guaranteed by the Company

	<b>June 30</b>	
	<b>2005</b>	<b>2004</b>
Giantplus	\$ 546,495	\$ 636,495
Sunext	200,000	-
Sunplus Shanghai	164,950	164,950
Sunplus H.K.	<u>17,252</u>	<u>17,252</u>
	<u>\$ 928,697</u>	<u>\$ 818,697</u>

## 18. SIGNIFICANT LONG TERM OPERATING LEASES

The Company leases land from the Science-Based Industrial Park Administration under renewable operating lease 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
2005 (3 <sup>rd</sup> to 4 <sup>th</sup> quarters)	\$ 3,761
2006	7,522
2007	7,522
2008	7,522
2009	7,522
2010 and thereafter	<u>68,893</u>
	<u>\$ 102,742</u>

## 19. ADDITIONAL DISCLOSURES

Following are the additional disclosures required for the Company and its affiliates by the SFB:

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

The Company entered into derivative transactions for the six months ended June 30, 2005 and 2004 to manage exposures related to foreign-currency receivables or payables and interest rate fluctuations. The strategy is to hedge most of the market price risks. Certain information on these contracts is as follows:

- a) Forward exchange contracts

Sunplus (No. 0)

Outstanding forward exchange contracts:

June 30,2005

June 30,2004

<b>Items</b>	<b>Contract Amount (In Thousands)</b>	<b>Credit Risk</b>	<b>Contract Amount (In Thousands)</b>	<b>Credit Risk (In Thousand s)</b>
Sell forward exchange contracts	US\$48,000 (US\$ to NT\$)	\$ -	US\$33,000 (US\$ to NT\$)	\$15,001

As of June 30, 2005 and 2004, payables from forward exchange contracts (shown in the balance sheets as part of "other current liabilities") aggregated \$21,108 thousand and 17,506 thousand, respectively.

Net exchange gains on settled forward exchange contracts for the six months ended June 30, 2005 and 2004 were \$82,452 thousand and \$17,144 thousand, respectively, presented under nonoperating income and gains.

#### Giantplus (No. 1)

<b>Items</b>	<b>June 30, 2004</b>	
	<b>Contract Amount (In Thousands)</b>	<b>Credit Risk (In Thousand s)</b>
Sell forward exchange contracts	US\$9,000 (US\$ to NT\$)	\$ 296

As of June 30, 2005, all forward contracts of Giantplus had been settled.

As of June 30, 2004, payables from forward contracts aggregated 62 thousand. (shown in the balance sheets as part of "other current liabilities")

For the six months ended June 30, 2005 and 2004, the net exchange losses and gains on settled forward exchange contracts and option contracts were \$188 thousand and \$7,417 thousand, respectively, presented under nonoperating income and gains and nonoperating expenses and losses, respectively.

#### b) Stock and currency option contracts

##### Sunplus (No. 0)

As of June 30, 2004, the stock option contracts had expired

Outstanding currency option contracts as of June 30, 2005 were as follows:

<b>Type</b>	<b>Trade</b>	<b>Option</b>	<b>Contract Amount (In Thousands)</b>	<b>Book Value</b>	<b>Fair Value (In Thousands)</b>	<b>Execute Price (US\$ to NT\$)</b>	<b>Maturity Date</b>
Europe	Sell	Put	US\$2,000	-	(\$ 164)	31.009	2005.08
Europe	Buy	Call	US\$2,000	-	-	31.009	2005.08

For the six months ended June 30, 2005 and 2004, the net exchange gains and losses on settled

currency option contracts were \$197 thousand and \$116 thousand, respectively, presented under nonoperating income and gains and nonoperating expenses and losses, respectively.

In June 30, 2005 and 2004, Sunplus recognized net premium income on currency option contracts of \$0 thousand and \$3,159 thousand, respectively, presented under nonoperating income and gains and nonoperating expenses and losses, respectively.

Giantplus (No. 1)

Giantplus did not enter into any currency option contracts during the six months ended June 30, 2005.

Giantplus entered into currency option contracts to hedge risks of exchange rate fluctuations arising from its anticipated U.S. dollar cash receipts on export sales  
Outstanding currency option contracts as of June 30, 2004 were as follows:

Type	Trade	Option	Contract Amount (In Thousands)	Book Value (In Thousands)	Fair Value (In Thousands)	Execute Price (US\$ to NT\$)	Maturity Date
Europe	Sell	Call	US\$48,000	\$920	-	32.90-33.82	2004.9-2004.11

For the six months ended June 30, 2004, Giantplus recognized net premium income and losses on currency option contracts of \$3,391 thousand and \$7,743 thousand, respectively, presented under nonoperating income and gains and nonoperating expenses and losses, respectively.

d) Transaction risks

- i. Credit risk: Credit risk represents the positive net settlement amount of those contracts with positive fair value on the balance sheet date. The positive net settlement amount represents the loss incurred by the Company if the counter-parties breached the contracts. The banks, which are the counter-parties to the foregoing derivative financial instruments, are reputable financial institutions. Management believes its exposure related to the potential default by those counter-parties is low.
- ii. Market price risk: All derivative financial instruments are intended as hedges for adverse fluctuations of currency exchange rates for foreign currency-denominated receivables or payables. Gains or losses on forward exchange contracts are likely to offset gains or losses on receivables and payables. Thus, market price risks from exchange rate fluctuations are minimal.
- iii. Liquidity, cash flow risk and uncertainty of amounts and terms of future cash demand:

Sunplus (No. 0)

As of June 30, 2005 the Company's future cash demand for derivative transactions was as follows:

Term	(In Thousands)	
	Forward exchange contracts Inflow	Outflow
	<u>June 30, 2005</u>	

Within one year NT\$ 1,495,430    US\$ 48,000

The Company has sufficient operating capital to meet the above cash demand and the exchange rates for forward exchange contracts are fixed. So, there is no material fund-raising or cash flow risk.

Gaintplus (No. 1)

As of June 30, 2005, all forward contracts of Giantplus had been settled. In addition, there will be no future cash needed.

2) Fair values of financial instruments

	<b>June 30</b>			
	<b>2005</b>		<b>2004</b>	
	<b>Carrying Amount</b>	<b>Fair Value</b>	<b>Carrying Amount</b>	<b>Fair Value</b>
<u>Nonderivative financial instruments</u>				
Assets				
Cash	\$ 5,746,304	\$ 5,746,304	\$ 459,807	\$ 459,807
Short-term investments	602,788	607,923	3,154,263	3,154,263
Notes and accounts receivable				
Third parties	3,132,175	3,132,175	3,439,910	3,439,910
Related parties	186,793	186,793	257,166	257,166
Other financial assets - current	4,533	4,533	47,159	47,159
Long-term investments	3,630,798	3,631,939	4,284,877	4,379,983
Other financial assets - noncurrent	221,340	221,340	304,180	304,180
Other assets - miscellaneous	10,864	10,864	14,790	14,790
Liabilities				
Short-term bank loans	-	-	185,680	185,680
Notes and accounts payable	2,099,073	2,099,073	2,621,979	2,621,979
Bonus payable and remuneration to directors and supervisors	1,799,513	1,799,513	1,187,233	1,187,233
Guarantee deposits	366,648	366,648	287,024	287,024

Derivative financial instruments

Assets (liabilities)				
Forward exchange contracts (sell)	( 17,527 )	( 19,224 )	( 15,638 )	( 15,001 )
Currency option contracts	-	( 164 )	-	-

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

- a) Cash, notes and accounts receivable, other financial assets-current, other assets-miscellaneous, short-term bank loans, notes and accounts payable and bonus payable and remuneration to directors and supervisors - carrying amounts in the balance sheets since these amounts approximate their fair values.
- b) Short-term and long-term investments - quoted market prices. If quoted market prices are unavailable, fair value is based on the net asset value or book value of the investment.
- c) Other financial assets - noncurrent and guarantee deposits - carrying values.

- d) Derivative instruments - estimated net receivable or (payable) if the contracts are terminated on the balance sheet date.

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

**TABLE 1****SUNPLUS TECHNOLOGY COMPANY LIMITED****ENDORSEMENT/GUARANTEE PROVIDED  
FOR THE SIX MONTHS ENDED JUNE 30, 2005****(In Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

No.	Endorsement/Guarantee Provider	Counter-party		Limits on Each Counter-party's Endorsement/Guarantee Amounts	Maximum Balance for the Period	Ending Balance	Value of Collateral Property, Plant, or Equipment	Percentage of Accumulated Amount of Collateral to Net Equity of the Latest Financial Statement	Maximum Collateral/Guarantee Amounts Allowable
		Name	Nature of Relationship						
0	Sunplus Technology Company Limited	Giantplus Technology Co., Ltd.	Equity-method investee	\$ 1,421,715	\$ 636,495	\$ 546,495	\$ -	3.84%	\$ 2,843,430
		Sunplus Technology (H.K.) Co., Ltd.	100% Subsidiary	1,421,715	17,252	17,252	-	0.12%	2,843,430
		Sunplus Technology (Shanghai) Co., Ltd.	98% indirect subsidiary	1,421,715	164,950	164,950	-	1.16%	2,843,430
		Sunext Technology Co., Ltd.	49.5% indirect investee	1,421,715	200,000	200,000	-	1.41%	2,843,430
				(Note 1)					(Note 2)
1	Giantplus Technology Co., Ltd	Giantplus Holding L.L.C.	100% indirect subsidiary	452,846	166,600	166,600	-	7.36%	679,269
				(Note 3)					(Note 4)
2	Giantplus Holding L.L.C.	Kunshan Giantplus Optoelectronics Technology Co., Ltd.	Subsidiary	452,846	166,600	166,600	-	7.36%	679,269
				(Note 3)				(Note 5)	(Note 4)

Note 1: For each transaction entity, up to 10% of the endorsement/guarantee provider's net equity as of the latest financial statements.

Note 2: Up to 20% of the endorsement/guarantee provider's net equity based on the latest financial statements.

Note 3: For each transaction entity, up to 20% of the Giantplus Technology Co., Ltd's net equity as of the latest financial statements.

Note 4: Up to 30% of the Giantplus Technology Co., Ltd's net equity based on the latest financial statements.

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

## SUNPLUS TECHNOLOGY COMPANY LIMITED

## MARKETABLE SECURITIES HELD

JUNE 30, 2005

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

Holding Company Name	Type and Name of Marketable Security	Relationship with the Holding Company	Financial Statement Account	June 30, 2005				Note	
				Shares or Units (Thousands)	Carrying Value	Percentage of Ownership (%)	Market Value or Net Asset Value		
Sunplus Technology Company Limited	<u>Stock</u>								
	Giantplus Technology Co., Ltd.	Equity-method investee	Long-term investments	58,972	\$ 834,274	37	\$ 834,274	Note 1	
	Sunplus Venture Capital Co., Ltd.	Subsidiary	Long-term investments	99,994	714,726	100	714,726	Note 1	
	Lin Shih Investment Co., Ltd.	Subsidiary	Long-term investments	69,994	479,235	100	479,235	Notes 1 and 4	
	Russell Holdings Limited	Subsidiary	Long-term investments	17,360	414,394	100	414,394	Note 1	
	Wei-Young Investment Inc.	Subsidiary	Long-term investments	20,000	180,263	100	180,263	Note 1	
	Ventureplus Group Inc.	Subsidiary	Long-term investments	10,000	173,128	100	173,128	Note 1	
	Generalplus Technology Inc.	Subsidiary	Long-term investments	12,000	157,585	60	157,585	Note 1	
	Goldkey Technology Corp.	Equity-method investee	Long-term investments	6,568	56,837	15	56,837	Note 1	
	Waveplus Technology Co., Ltd.	Equity-method investee	Long-term investments	2,856	7,706	10	7,706	Note 1	
	Techplus Capital Niue Inc.	Subsidiary	Long-term investments	200	6,318	100	6,318	Note 1	
	Sunplus Management Consulting Inc.	Subsidiary	Long-term investments	500	4,496	100	4,496	Note 1	
	Sunplus Technology (H.K.) Co., Ltd.	Subsidiary	Long-term investments	11,075	2,305	100	2,305	Note 1	
	Electric Energy Application Technology Inc.	Equity-method investee	Long-term investments	9,600	-	24	-	Note 1	
	RITEK Corp.	Cost-method investee	Long-term investments	5,000	335,069	-	64,244		
	Global View Co., Ltd.	Cost-method investee	Long-term investments	13,568	223,455	10	201,479		
	United Microelectronics Corp.	Cost-method investee	Long-term investments	2,424	45,887	-	56,212		
	Harvatek Corp.	Cost-method investee	Long-term investments	3,971	37,488	3	129,293		
	Silicon Application Corp.	Cost-method investee	Long-term investments	1,015	26,700	1	15,988		
	Broadcom Corp.	Cost-method investee	Long-term investments	2	-	-	2,712		
	Network Capital Global Fund	Cost-method investee	Long-term investments	6,000	60,000	7	60,000	Note 2	
	Technology Partners Venture Capital Corp.	Cost-method investee	Long-term investments	5,000	50,000	11	50,000	Note 2	
	Quality Test System Inc.	Cost-method investee	Long-term investments	648	-	2	-	Note 2	
		<u>Convertible bond</u>							
	AIPTEK International Inc.	-	-	Long-term investments	200	20,000	-	20,744	
		<u>Fund</u>							
NAM short term investment fund	-	-	Short-term investments	539	224,635	-	228,473		
NITC Taiwan Bond Fund	-	-	Short-term investments	14,627	201,294	-	201,954		
Fuh Hwa Bond Fund	-	-	Short-term investments	13,587	176,859	-	177,496		

(Continued)

Holding Company Name	Type and Name of Marketable Security	Relationship with the Holding Company	Financial Statement Account	June 30, 2005				Note
				Shares or Units (Thousands)	Carrying Value	Percentage of Ownership (%)	Market Value or Net Asset Value	
Lin Shih Investment Co., Ltd.	<u>Stock</u>							
	Goldkey Technology Corp.	Equity-method investee	Long-term investments	7,200	\$ 62,323	17	\$ 62,323	Note 1
	Waveplus Technology Co., Ltd.	Equity-method investee	Long-term investments	5,742	15,491	19	15,491	Note 1
	Sunext Technology Co., Ltd.	Equity-method investee	Long-term investments	24,500	29,672	24	29,672	Note 1
	Generalplus Technology Inc.	Equity-method investee	Long-term investments	6,500	85,367	32	85,367	Note 1
	Sunplus Technology Company Limited	Parent company	Long-term investments	5,854	95,605	1	260,781	
	Ability Enterprise co., Ltd	Cost-method investee	Long-term investments	4,293	54,914	1	73,273	
	Taiwan Cellular Corp.	Cost-method investee	Long-term investments	275	6,529	-	8,764	
	Silicon Application Corp.	Cost-method investee	Long-term investments	226	3,869	-	3,565	
	RITEK Corp.	Cost-method investee	Long-term investments	833	53,822	-	10,707	
	AIPTEK International Inc.	Cost-method investee	Long-term investments	313	5,930	-	4,457	
	Minton Optic Industry Co., Ltd.	Cost-method investee	Long-term investments	4,352	81,135	7	81,135	Note 2
	NCTU Spring Venture Capital Co., Ltd.	Cost-method investee	Long-term investments	2,000	20,000	6	20,000	Note 2
	GemFor Tech. Co., Ltd.	Cost-method investee	Long-term investments	831	10,685	6	10,685	Note 2
	Elite Advanced Laser Corp.	Cost-method investee	Long-term investments	1,500	15,000	2	15,000	Note 2
	MaxEmil Photonics Corporation	Cost-method investee	Long-term investments	609	10,100	2	10,100	Note 2
	Taiwan Nano Electro-Optical Technology Co., Ltd.	Cost-method investee	Long-term investments	533	8,738	1	8,738	Note 2
	WayTech Development Inc.	Cost-method investee	Long-term investments	1,500	15,000	5	15,000	Note 2
	Miracle Technology Co., Ltd.	Cost-method investee	Long-term investments	1,295	13,940	9	13,940	Note 2
	AVAC system, Inc.	Cost-method investee	Long-term investments	1,920	22,080	12	22,080	Note 2
	Radiant Innovation Inc.	Cost-method investee	Long-term investments	1,200	13,903	10	13,903	Note 2
	Socle Technology Corp.	Cost-method investee	Long-term investments	250	6,250	1	6,250	Note 2
		<u>Fund</u>						
	NITC Bond Fund	-	Short-term investments	85	13,546	-	13,694	
	Jin Sun Foresight Balanced Fund	-	Short-term investments	2,000	20,000	-	19,466	
Giantplus Technology Co., Ltd.	<u>Stock</u>							
	Giantplus (SAMOA) Holding Co., Ltd. Stock	Subsidiary of Giantplus Technology Co., Ltd.	Long-term investments	20,000	1,067,814	100	1,067,814	Note 1
	<u>Fund</u>							
	Public Bond Fund	-	Short-term investments	3,841	49,000	-	49,000	
	Jan-Ho Family Bond Fund	-	Short-term investments	2,262	45,005	-	45,037	
Giantplus (SAMOA) Holding Co., Ltd	Giantplus Holding L.L.C. stock	Subsidiary of Giantplus (SAMOA) Holding Ltd.	Long-term investments	-	US\$ 33,701 thousand	100	US\$ 33,701 thousand	Note 1
Giantplus Holding L.L.C.	Kunshan Giantplus Optoelectronics Technology Co., Ltd.	Subsidiary of Giantplus Holding L.L.C.	Long-term investments	-	US\$ 33,661 thousand	100	US\$ 33,661 thousand	Note 1
Russell Holdings Limited	<u>Stock</u>							
	Jet Focus Limited	Equity-method investee of Russell Holdings Limited	Long-term investments	2,294	(US\$ 1,106) thousand	29	(US\$ 1,106) thousand	Note 1
	Shang-Hai Fudan Microelectronics Company Limited	Cost-method investee	Long-term investments	7,280	US\$ 1,009 thousand	-	US\$ 283 thousand	
	Investar Excelsus Venture Capital (Int'l), Inc. ,LDC	Cost-method investee	Long-term investments	6,105	US\$ 3,856 thousand	19	US\$ 3,856 thousand	Note 2
	OZ Optics Ltd.	Cost-method investee	Long-term investments	1,000	US\$ 500 thousand	8	US\$ 500 thousand	Note 2

	Aicent, Inc.	Cost-method investee	Long-term investments	1,000	US\$ 500 thousand	-	US\$ 500 thousand	Note 2
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Holding Company Name	Type and Name of Marketable Security	Relationship with the Holding Company	Financial Statement Account	June 30, 2005				Note
				Shares or Units (Thousands)	Carrying Value	Percentage of Ownership (%)	Market Value or Net Asset Value	
Jet Focus Limited	Ortega InfoSystem, Inc.	Cost-method investee	Long-term investments	2,557	US\$ 1,000 thousand	-	US\$ 1,000 thousand	Note 2
	Asia B2B on line Inc.	Cost-method investee	Long-term investments	1,000	US\$ 1,000 thousand	3	US\$ 1,000 thousand	Note 2
	Asia Tech Taiwan Venture Fund	Cost-method investee	Long-term investments	-	US\$ 3,000 thousand	-	US\$ 3,000 thousand	Note 2
	Ether Precision Inc.	Cost-method investee	Long-term investments	1,250	US\$ 500 thousand	3	US\$ 500 thousand	Note 2
	<u>Stock</u> Coolsand Technologies SARL	Subsidiary of Jet Focus Limited	Long-term investments	-	US\$ 51 thousand	100	US\$ 51 thousand	Note 1
Sunplus Venture Capital Co., Ltd.	<u>Stock</u> Joing Technology Co., Ltd.	Equity-method investee	Long-term investments	3,400	-	39	-	Note 1
	Waveplus Technology Co., Ltd.	Equity-method investee	Long-term investments	4,271	11,526	14	11,526	Note 1
	Sunext Technology Co., Ltd.	Equity-method investee	Long-term investments	25,000	30,277	25	30,277	Note 1
	Han Young Technology Co., Ltd.	Equity-method investee	Long-term investments	420	1,778	70	1,778	Note 1
	Generalplus Technology Inc.	Equity-method investee	Long-term investments	1,500	19,700	8	19,700	Note 1
	Young Tek Electronic Corp.	Cost-method investee	Long-term investments	1,120	18,902	2	70,774	
	King Yuan Electronics Co., Ltd.	Cost-method investee	Long-term investments	1,716	70,000	-	49,274	
	AIPTEK International Inc.	Cost-method investee	Long-term investments	1,841	36,000	1	26,230	
	Ability Enterprise Co., Ltd.	Cost-method investee	Long-term investments	3,080	68,250	1	52,572	
	eWave System, Inc.	Cost-method investee	Long-term investments	1,833	69,740	22	69,740	Note 2
	Softchina Venture Capital Corp.	Cost-method investee	Long-term investments	1,418	14,175	8	14,175	Note 2
	SimpleAct Inc.	Cost-method investee	Long-term investments	1,900	19,000	19	19,000	Note 2
	Taiwan Nano Electro-Optical Technology Co., Ltd.	Cost-method investee	Long-term investments	2,297	35,421	4	35,421	Note 2
	VenGlobal International Fund	Cost-method investee	Long-term investments	-	11,284	-	11,284	Note 2
	Cyberon Corporation	Cost-method investee	Long-term investments	780	13,691	19	13,691	Note 2
	WayTech Development Inc.	Cost-method investee	Long-term investments	1,000	10,000	4	10,000	Note 2
	Miracle Technology Co., Ltd.	Cost-method investee	Long-term investments	1,303	14,025	9	14,025	Note 2
	Feature Integration Technology Inc.	Cost-method investee	Long-term investments	3,700	46,250	14	46,250	Note 2
	Radiant Innovation Inc.	Cost-method investee	Long-term investments	573	11,460	5	11,460	Note 2
	Chiabon Venture Capital Co., Ltd.	Cost-method investee	Long-term investments	5,000	50,000	5	50,000	Note 2
	Socle Technology Corp.	Cost-method investee	Long-term investments	550	13,750	2	13,750	Note 2
	MaxEmil Photonics Corp.	Cost-method investee	Long-term investments	598	14,280	2	14,280	Note 2
	AVAC system, Inc.	Cost-method investee	Long-term investments	500	5,750	3	5,750	Note 2
	Minton Optic Industry Co., Ltd.	Cost-method investee	Long-term investments	5,000	75,000	8	75,000	Note 2
	Elite Advanced Laser Corp.	Cost-method investee	Long-term investments	300	7,500	-	7,500	Note 2
	Capella Microsystems Inc.	Cost-method investee	Long-term investments	630	9,450	3	9,450	Note 2
Wei-Young Investment Inc.	<u>Fund</u> ABN ARMO Select Bond Fund	-	Short-term investments	1,952	28,550	-	28,813	
	<u>Fund</u> Dresdner Bond DAM Fund	-	Short-term investments	7,344	82,000	-	83,344	
	Fubon Chi-hsiang III Found	-	Short-term investments	5,116	52,075	-	53,143	
	ABN ARMO Select Bond Fund	-	Short-term investments	123	1,800	-	1,816	

Holding Company Name	Type and Name of Marketable Security	Relationship with the Holding Company	Financial Statement Account	June 30, 2005				Note
				Shares or Units (Thousands)	Carrying Value	Percentage of Ownership (%)	Market Value or Net Asset Value	
Generalplus Technology Inc.	<u>Stock</u> Generalplus International (Samoa) Inc.	Subsidiary of Generalplus Technology Inc.	Long-term investments	-	\$ 4,952	100	\$ 4,952	Note 1
Generalplus International (Samoa) Inc.	<u>Stock</u> Generalplus (Mauritius) Inc.	Subsidiary of Generalplus International (Samoa) Inc.	Long-term investments	-	US\$ 155 thousand	100	US\$ 155 thousand	Note 1
Generalplus (Mauritius) Inc.	<u>Stock</u> Generalplus Technology (Shenzhen) Co., Ltd.	Subsidiary of Generalplus (Mauritius) Inc.	Long-term investments	-	US\$ 155 thousand	100	US\$ 155 thousand	Note 1
Ventureplus Group Inc.	<u>Stock</u> Ventureplus Mauritius Inc.	Subsidiary of Ventureplus Group Inc.	Long-term investments	-	US\$ 5,478 thousand	100	US\$ 5,478 thousand	Note 1
Ventureplus Mauritius Inc.	<u>Stock</u> Ventureplus Cayman Inc.	Subsidiary of Ventureplus Mauritius Inc.	Long-term investments	-	US\$ 5,478 thousand	100	US\$ 5,478 thousand	Note 1
Ventureplus Cayman Inc.	<u>Stock</u> Sunplus Technology (Shanghai) Co., Ltd.	Subsidiary of Ventureplus Cayman Inc.	Long-term investments	-	US\$ 5,444 thousand	98	US\$ 5,444 thousand	Note 1
Sunext Technology Co., Ltd.	<u>Stock</u> Great Sun Corp.	Subsidiary of Sunext Technology Co., Ltd.	Long-term investments	-	43,677	100	43,677	Note 1
Great Sun Corp.	<u>Stock</u> Sunext (Mauritius) Inc.	Subsidiary of Great Sun Corp.	Long-term investments	-	US\$ 1,148 thousand	100	US\$ 1,148 thousand	Note 1
	<u>Stock</u> Sunext Design, Inc.	Subsidiary of Great Sun Corp.	Long-term investments	-	US\$ 229 thousand	100	US\$ 229 thousand	Note 1
Sanext (Mauritius) Inc.	<u>Stock</u> Sunext Optoelectronics Technology (Shanghai) Co. Ltd.	Subsidiary of Sunext (Mauritius) Inc.	Long-term investments	-	US\$ 229 thousand	100	US\$ 229 thousand	Note 1
Waveplus Technology Co., Ltd.	<u>Stock</u> Waveplus Holding Ltd.	Subsidiary of Waveplus Technology Co., Ltd.	Long-term investments	-	7,324	100	7,324	Note 1
Waveplus Holding Ltd.	<u>Stock</u> Waveplus Design, Inc.	Subsidiary of Waveplus Holding Ltd.	Long-term investments	-	7,324	100	7,324	Note 1

(Continued)

Holding Company Name	Type and Name of Marketable Security	Relationship with the Holding Company	Financial Statement Account	June 30, 2005				Note
				Shares or Units (Thousands)	Carrying Value	Percentage of Ownership (%)	Market Value or Net Asset Value	
Techplus Capital Niue Inc.	<u>Stock</u> Techplus Capital Samoa Inc.	Subsidiary of Techplus Capital Niue Inc.	Long-term investments	-	US\$ 150 thousand	100	US\$ 150 thousand	Note 1
Techplus Samoa Inc.	<u>Stock</u> Techplus Capital Belize Inc.	Subsidiary of Techplus Samoa Inc.	Long-term investments	-	US\$ 150 thousand	4	US\$ 150 thousand	Note 1

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

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

Note 3: As of June 30, 2005, no securities had been pledged or restricted.

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

TABLE 3

## 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  
FOR THE SIX MONTHS ENDED JUNE 30, 2005  
(In Thousands of New Taiwan Dollars, Unless Otherwise Specified)

Company Name	Type and Name of Marketable Security	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal			Ending Balance		
					Units (Thousands)	Amount	Units (Thousands)	Amount	Unit (Thousands)	Amount	Carrying Value	Gain (Loss) on Disposal	Unit (Thousands)	Amount
Sunplus Technology Company Limited	NAM short term investment fund	Short-term investments	-	-	-	\$ -	1,047	\$ 436,674	508	\$ 212,568	\$ 212,039	\$ 529	539	\$ 224,635
	NITC Taiwan Bond Fund	Short-term investments	-	-	14,627	200,605	14,627	201,294	14,627	201,294	200,605	689	14,627	201,294
	Fuh Hwa Bond Fund	Short-term investments	-	-	17,415	225,814	17,415	226,682	21,243	276,682	275,637	1,045	13,587	176,859
	APIT Asia Pacific Bond Fund	Short-term investments	-	-	16,843	209,721	16,843	210,470	33,686	421,397	420,191	1,206	-	-
	Jung-Shin Peaceful Fund	Short-term investments	-	-	13,867	144,438	13,867	144,937	27,734	290,188	289,375	813	-	-
Giantplus Technology Co., Ltd.	Public Bond Fund	Short-term investments	-	-	-	-	19,521	248,400	15,680	199,497	199,400	97	3,841	49,000
	Jan-Ho Taiwan Bond Fund	Short-term investments	-	-	-	-	11,265	155,000	8,003	110,047	109,995	52	3,262	45,005
	Jan-Ho Family Bond Fund	Short-term investments	-	-	-	-	873	140,000	873	140,105	140,000	105	-	-
	Public Gallant Hourse Fund	Short-term investments	-	-	-	-	9,413	100,000	9,413	100,049	100,000	49	-	-

**TABLE 4****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 SIX MONTHS ENDED JUNE 30, 2005****(In Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Note/Accounts Payable or Receivable		Note
			Purchase/Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
Sunplus Technology Company Limited	Giantplus Technology Co., Ltd.	Equity-method investee	Sale	\$ 130,118	2	Net 45 days from monthly closing dates in principle.	-	-	\$ 58,351	2	-
Giantplus Technology Co., Ltd.	Kunshan Giantplus Optoelectronics Technology Co., Ltd.	100% indirect subsidiary	Sale	278,761	11	Note	Note	Note	605,518	38	Note

Note: The Company's product sales with related parties were not comparable to other transactions with third parties. Collection terms were net 90 days after monthly closing.

**SUNPLUS TECHNOLOGY COMPANY LIMITED**

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

**JUNE 30, 2005**

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

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts and Sales Discount
					Amount	Action Taken		
Gaintplus Technolgoy Co., Ltd.	Kunshan Ginantplus Optoelectronics Technology Co., Ltd.	100% indirect subsidiary	\$ 605,518	2.52	\$ -	-	\$ 143,526	\$ -

TABLE 6

## SUNPLUS TECHNOLOGY COMPANY LIMITED

NAMES, LOCATIONS, AND RELATED INFORMATION  
OF INVESTEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCES  
FOR THE SIX MONTHS ENDED JUNE 30, 2005  
(In Thousands of New Taiwan Dollars, Unless Otherwise Specified)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of June 30, 2005			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				June 30 2005	December 31, 2004	Shares (Thousands)	Percentage of Ownership (%)	Carrying Value			
Sunplus Technology Company Limited	Giantplus Technology Co., Ltd.	Tofen Chen, Miaoli, Taiwan	Manufacture of TN/STN LCDs and LCD modules	\$ 662,481	\$ 662,481	58,972	37	\$ 834,274	\$ 179,367	\$ 65,126	Investee
	Sunplus Venture Capital Co., Ltd.	Hsinchu, Taiwan	Investment	999,940	999,940	99,994	100	714,726	(58,782)	(58,775)	Subsidiary
	Lin Shih Investment Co., Ltd.	Hsinchu, Taiwan	Investment	699,940	699,940	69,994	100	479,235	(66,811)	(66,805)	Subsidiary
	Russell Holdings Limited	Cayman Islands, British West Indies.	Investment	583,436	583,436	17,360	100	437,416	(23,250)	(23,250)	Subsidiary
	Wei-Young Investment Inc.	Taipei, Taiwan	Investment	200,000	200,000	20,000	100	180,263	(8,496)	(8,496)	Subsidiary
	Ventureplus Group Inc.	Belize	Investment	347,578	347,578	10,000	100	173,128	(35,845)	(35,845)	Subsidiary
	Generalplus Technology Inc.	Hsinchu, Taiwan	Design of ICs	120,000	120,000	12,000	60	157,585	12,694	7,616	Subsidiary
	Waveplus Technology Co., Ltd.	Taipei, Taiwan	Design and sale of ICs	31,272	31,272	2,856	10	7,706	(74,667)	(7,107)	Investee
	Techplus Capital Niue Inc.	Niue	Investment	6,896	6,896	200	100	6,318	10	10	Subsidiary
	Sunplus Management Consulting Inc.	Hsinchu, Taiwan	Investment	5,000	5,000	500	100	4,496	(77)	(77)	Subsidiary
Sunplus Technology (H.K.) Co., Ltd.	Kowloon Bay, Hong Kong	Marketing and engineering support	41,616	41,616	11,075	100	2,305	4,594	4,594	Subsidiary	
Electric Energy Application Technology Inc.	Hsinchu, Taiwan	Design and manufacture of environment - friendly batteries	103,200	103,200	9,600	24	-	-	-	Investee	
Lin Shih Investment Co., Ltd.	Waveplus Technology Co., Ltd.	Taipei, Taiwan	Design and sale of ICs	90,178	90,178	5,742	19	15,491	(74,667)	(14,291)	Investee
	Sunext Technology Co., Ltd.	Hsinchu, Taiwan	Design and sale of ICs	245,000	245,000	24,500	24	29,672	(196,124)	(48,050)	Investee
	Generalplus Technology Inc.	Hsinchu, Taiwan	Design of ICs	65,000	65,000	6,500	32	85,367	12,694	4,125	Investee
Giantplus Technology Co., Ltd.	Giantplus (SAMOA) Holding Co., Ltd.	Samoa	Investment	US\$ 20,000 thousand	US\$ 20,000 thousand	20,000	100	1,067,814	146,985	146,985	Subsidiary
Giantplus (SAMOA) Holding Co., Ltd.	Giantplus Holding L.L.C.	U.S.A.	Investment	US\$ 20,000 thousand	US\$ 20,000 thousand	-	100	US\$ 33,701 thousand	US\$ 4,689 thousand	US\$ 4,689 thousand	Subsidiary
Giantplus Holding L.L.C.	Kunshan Giantplus Optoelectronics Technology, Co., Ltd.	Kunshan, China	Manufacture of TN/STN LCDs and LCD modules.	US\$ 20,000 thousand	US\$ 12,206 thousand	-	100	US\$ 33,661 thousand	RMB 38,751 thousand	US\$ 4,682 thousand	Subsidiary
Russell Holdings Limited	Jet Focus Limited	Cayman Islands, British West Indies	Investment	US\$ 2,750 thousand	US\$ 2,750 thousand	2,294	29	(US\$ 1,106) thousand	(US\$ 1,072) thousand	(US\$ 942) thousand	Subsidiary
Jet Focus Limited	Coolsands	France	Design of ICs	EUR 1,000 thousand	EUR 1,000 thousand	-	100	US\$ 51 thousand	(US\$ 24) thousand	(US\$ 24) thousand	Subsidiary
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	74,869	4,271	14	11,526	(74,667)	(10,633)	Investee
	Sunext Technology Co., Ltd.	Hsinchu, Taiwan	Design and sale of ICs	250,000	250,000	25,000	25	30,277	(196,124)	(49,031)	Investee
	Han Young Technology Co., Ltd.	Taipei, Taiwan	Design of ICs	4,200	4,200	420	70	1,778	(47)	(33)	Subsidiary
	Generalplus Technology Inc.	Hsinchu, Taiwan	Design of ICs	15,000	15,000	1,500	8	19,700	12,694	952	Investee
Generalplus Technology Inc.	Generalplus International (Samoa) Inc.	SAMOA	Investment	US\$ 200 thousand	US\$ 200 thousand	-	100	4,952	(1,396)	(1,396)	Subsidiary
Generalplus International (Samoa) Inc.	Generalplus (Mauritius) Inc.	Mauritius	Investment	US\$ 200 thousand	US\$ 200 thousand	-	100	US\$ 155 thousand	(US\$ 45) thousand	(US\$ 45) thousand	Subsidiary
Generalplus (Mauritius) Inc.	Sunext Optoelectronics Technology (Shanghai) Co. Ltd.	Shenzhen, China	After-sale service expense	US\$ 200 thousand	-	200,000	100	US\$ 155 thousand	(US\$ 45) thousand	(US\$ 45) thousand	Subsidiary

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of June 30, 2005			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				June 30, 2005	December 31, 2004	Shares (Thousands)	Percentage of Ownership (%)	Carrying Value			
Ventureplus Group Inc.	Ventureplus Mauritius Inc.	Mauritius	Investment	US\$ 10,000 thousand	US\$ 10,000 thousand	-	100	US\$ 5,478 thousand	(US\$ 1,137) thousand	(US\$ 1,137) thousand	Subsidiary
Ventureplus Mauritius Inc.	Ventureplus Cayman Inc.	Cayman Islands, British West Indies	Investment	US\$ 10,000 thousand	US\$ 10,000 thousand	-	100	US\$ 5,478 thousand	(US\$ 1,136) thousand	(US\$ 1,136) thousand	Subsidiary
Ventureplus Cayman Inc.	Sunplus Technology (Shanghai) Co., Ltd.	Shanghai, China	Design, manufacture and sale of ICs.	US\$ 10,000 thousand	US\$ 10,000 thousand	-	98	US\$ 5,444 thousand	(US\$ 1,156) thousand	(US\$ 1,133) thousand	Subsidiary
Sunext Technology Co., Ltd.	Great Sun Corp.	Samoa	Investment	44,684	44,684	1,300	100	43,677	(1,009)	(1,009)	Subsidiary
Great Sun Corp.	Sunext (Mauritius) Inc.	Mauritius	Investment	US\$ 300 thousand	US\$ 300 thousand	300	100	US\$ 229 thousand	(US\$ 71) thousand	(US\$ 71) thousand	Subsidiary
Sunext (Mauritius) Inc.	Sunext Optoelectronics Technology (Shanghai) Co. Ltd.	Shanghai, China	Software Design	US\$ 300 thousand	US\$ 300 thousand	-	100	US\$ 229 thousand	(US\$ 71) thousand	(US\$ 71) thousand	Subsidiary
Great Sun Corp.	Sunext Design, Inc.	U.S.A.	Design of ICs	US\$ 1,000 thousand	US\$ 1,000 thousand	-	100	US\$ 1,148 thousand	US\$ 39 Thousand	US\$ 39 Thousand	Subsidiary
Waveplus Technology Co., Ltd.	Waveplus Holding Ltd.	Mauritius	Investment	17,205	17,205	500	100	7,324	1,151	1,151	Subsidiary
Waveplus Holding Ltd.	Waveplus Design, Inc.	U.S.A	Design of WLANs.	17,205	17,205	-	100	7,324	1,151	1,151	Subsidiary
Techplus Captial Niue Inc.	Techplus Samoa Inc.	SAMOA	Investment	US\$ \$150 thousand	US\$ 150 thousand	150,000	100	US\$ 150 thousand	-	-	Subsidiary

TABLE 7

## SUNPLUS TECHNOLOGY COMPANY LIMITED

**INVESTMENT IN MAINLAND CHINA  
 FOR THE SIX MONTHS ENDED JUNE 30, 2005  
 (In Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

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, 2004	Investment Flows		Accumulated Outflow of Investment from Taiwan as of June 30, 2005	% Ownership of Direct or Indirect Investment	Investment Loss (Note 1)	Carrying Value as of June 30, 2005	Accumulated Inward Remittance of Earnings as of June 30, 2005	Accumulated Investment in Mainland China as of June 30, 2005	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
					Outflow	Inflow								Up to 40% of the Net Equity of the Company or \$80,000 (Whichever Is Higher)
Sunplus Technology (Shanghai) Co., Ltd.	Research, development, design, manufacturing and sale of consumer ICs	US\$10,200 thousand	Indirect (Note 1)	US\$10,000 thousand	\$ -	\$ -	US\$10,000 thousand	98%	US\$1,133 thousand	US\$5,444 thousand	\$ -	US\$10,000 thousand	US\$10,000 thousand	\$5,686,860

Note 1: The investment loss was based on investee's unaudited financial statements for the six months ended June 30, 2005.