

**Sunplus Technology Company Limited
and Subsidiaries**

**Consolidated Financial Statements for the
Years Ended June 30, 2006 and 2005 and
Independent Auditors' Report**

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

The Board of Directors and Shareholders
Sunplus Technology Company

We have reviewed the accompanying consolidated balance sheet of Sunplus Technology Company and subsidiaries ("the Group") as of June 30, 2006 and 2005, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the six months then ended. These consolidated financial statements are the responsibility of the Group's management. Our responsibility is to issue a report on these consolidated financial statements based on our reviews.

Except as discussed in the following paragraph, we conducted our reviews in accordance with the Statement of Auditing Standards No. 36 "Review of Financial Statements" issued by the Auditing Committee of the Accounting Research and Development Foundation of the Republic of China. A review consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Republic of China, the objective of which is the expression of an opinion regarding the consolidated financial statements taken as a whole. Accordingly, we do not express such an opinion.

As stated in Note 2 to the consolidated financial statements, we did not review the financial statements of some insignificant subsidiaries as of and for the six months ended June 30, 2006 and 2005, which statements reflect total assets and liabilities of 45% (NT\$13,769,205 thousand) and 58% (NT\$7,087,087 thousand); 37% (NT\$9,383,497 thousand) and 49% (NT\$4,544,715 thousand), respectively, of consolidated assets and liabilities as of June 30, 2006 and 2005, and net sales and net income (loss) of 41% (NT\$6,302,472 thousand) and 6% (NT\$113,664 thousand), 30% (NT\$3,588,880 thousand) and (47)% (NT\$269,316 thousand), respectively, of consolidated net sales and net income (loss) for the six months then ended. Also, as stated in Note 6 to the consolidated financial statements, we did not review the financial statements for the six months ended June 30, 2006 and 2005 of investees accounted for by the equity method. The carrying value of those investments as of June 30, 2006 and 2005 were NT\$170,069 thousand and NT\$119,160 thousand, respectively, and the related net investment loss of NT\$33,099 thousand and NT\$20,062 thousand, respectively. These investment amounts, as well as related information disclosed in Note 27 to the consolidated financial statement, were based on unreviewed financial statements of the investees for the same reporting periods as those of the Group.

Based on our reviews, except for the effects of such adjustment, if any, as might have been made had the financial statements of subsidiaries and investees referred to in preceding paragraph been reviewed, we are not aware of any material modifications that should be made to the consolidated financial statements referred to in the first paragraph for them to be in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China.

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

July 14, 2005

Notice to Readers

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

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

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
JUNE 30, 2006 AND 2005
(In Thousands of New Taiwan Dollars, Except Par Value)
(Reviewed, Not Audited)

ASSETS	2006		2005	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash	\$ 6,129,186	20	\$ 6,404,242	26
Pledged time deposits (Note 23)	1,014	-	78,570	-
Financial assets at fair value through profit or loss-current (Notes 2, 3 and 4)	1,395,681	5	840,614	3
Available-for-sale financial assets-current (Notes 2, 3 and 7)	688,538	2	210,343	1
Notes and accounts receivable				
Third parties, net of allowance for doubtful receivables of \$62,387 thousand in 2006 and 81,374 thousand in 2005 (Note 2)	6,209,698	20	4,762,238	19
Related receivables (Notes 2 and 22)	363,287	1	193,662	1
Other receivables	199,842	1	65,735	-
Inventories, net (Notes 2 and 5)	5,380,394	18	3,671,020	15
Deferred income taxes - current (Notes 2 and 19)	319,701	1	45,766	-
Other current assets	314,679	1	292,289	1
Total current assets	21,002,020	69	16,564,479	66
LONG-TERM INVESTMENTS				
Equity method investment (Notes 2 and 6)	170,069	1	119,160	1
Financial assets at fair value through profit or loss-noncurrent (Notes 2, 3 and 4)	531,494	2	240,940	1
Available-for-sale financial assets-noncurrent (Notes 2, 3 and 7)	757,403	2	772,735	3
Financial assets carried at cost (Notes 2, 3 and 8)	1,065,015	3	1,079,792	4
Total long-term investments	2,523,981	8	2,212,627	9
PROPERTIES (Notes 2, 9 and 23)				
Cost				
Land	279,956	1	279,956	1
Buildings and auxiliary equipment	2,326,774	8	2,314,414	9
Machinery and equipment	2,270,060	8	1,959,038	8
Testing equipment	1,270,138	4	992,012	4
Transportation equipment	16,393	-	16,335	-
Furniture and fixtures	439,742	1	313,009	1
Leasehold improvements	27,325	-	8,607	-
Miscellaneous equipment	15,535	-	76,425	1
Total cost	6,645,923	22	5,959,796	24
Less: Accumulated depreciation	2,630,683	9	2,079,558	9
Advance payments and construction in progress	421,827	2	239,021	1
Net properties	4,437,067	15	4,119,259	16
INTANGIBLE ASSETS, NET (Notes 2 and 10)	1,733,064	6	1,437,234	6
OTHER ASSETS				
Deferred income taxes - noncurrent (Notes 2 and 19)	471,661	2	654,518	3
Pledged time deposits-noncurrent (Note 23)	78,300	-	-	-
Deferred charges, and others (Notes 2 and 11)	74,025	-	92,733	-
Total other assets	623,986	2	747,251	3
TOTAL	\$ 30,320,118	100	\$ 25,080,850	100

ASSETS	Amount	%
CURRENT ASSETS		
Cash	\$ 6,404,242	26

LIABILITIES AND SHAREHOLDERS' EQUITY	2006		2005	
	Amount	%	Amount	%
CURRENT LIABILITIES				
Bank loans (Notes 12 and 23)	\$ 2,522,333	8	\$ 958,243	4
Commercial paper (Notes 13 and 23)	79,894	-	69,839	-
Notes and accounts payable (Note 22)	4,745,352	16	3,600,808	15
Dividend payable and bonus payable to directors and supervisors	1,941,812	7	1,799,513	7
Current portion of long-term loans (Notes 14 and 23)	650,000	2	324,673	1
Other current liabilities (Note 2, 3, 4 and 19)	1,186,047	4	1,272,892	5
Deferred intercompany profit (Note 2)	2,733	-	2,843	-
Total current liabilities	11,128,171	37	8,028,811	32
LONG-TERM LIABILITY BEARING INTEREST				
Long-term loans (Notes 14 and 23)	505,834	1	630,833	3
OTHER LIABILITIES				
Accrued pension liability (Notes 2 and 15)	189,385	1	186,848	1
Guarantee deposits (Note 22)	416,222	1	387,431	1
Consolidated credit	-	-	53,373	-
Total other liabilities	605,607	2	627,652	2
Total liabilities	12,239,612	40	9,287,296	37
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT (Notes 2, 3, 16 and 17)				
Capital stock - NT\$10 par value				
Authorized - 1,050,000 thousand shares in 2006 and 1,000,000 thousand shares in 2005				
Issued - 951,550 thousand shares in 2006 and 879,307 thousand shares in 2005	9,515,503	31	8,793,073	35
Capital stock to be issued	698,074	2	662,627	3
Capital surplus:				
Additional paid-in capital	741,122	3	839,558	3
Merger and others	690,252	2	635,496	3
Treasury stock transactions	35,084	-	23,461	-
Retained earnings:				
Legal reserve	1,830,223	6	1,590,387	6
Special reserve	294,860	1	338,488	2
Unappropriated earnings	2,720,794	9	1,744,219	7
Other				
Cumulative translation adjustments	(21,376)	-	(68,170)	-
Unrealized loss on long-term investments	(232,858)	(1)	(246,385)	(1)
Treasury stock (at cost) - 8,726 thousand shares in 2006 and 5,854 thousand shares in 2005	(176,566)	-	(95,605)	(1)
Equity attributable to shareholders of the parent	16,095,112	53	14,217,149	57
MINORITY INTEREST IN SUBSIDIARIES (Note 2)	1,985,394	7	1,576,405	6
Total shareholders' equity	18,080,506	60	15,793,554	63
TOTAL	\$ 30,320,118	100	\$ 25,080,850	100

LIABILITIES AND SHAREHOLDERS' EQUITY	Amount	%
CURRENT LIABILITIES		
Short-term bank loans (Note 11)	\$ 958,243	4

Pledged time deposits (Note 2)	78,570	-		
Short-term investments (Notes 2 and 3)	1,050,957	4		
Notes and accounts receivable				
Third parties, net of allowance for doubtful receivables of \$81,734 thousand (Note 2)	4,768,650	19		
Related parties (Notes 2 and 19)	187,250	1		
Other financial assets - current	65,735	-		
Inventories, net (Notes 2 and 4)	3,671,020	15		
Deferred income taxes - current (Notes 2 and 17)	45,766	-		
Other current assets	<u>292,289</u>	<u>1</u>		
Total current assets	<u>16,564,479</u>	<u>66</u>		
LONG-TERM INVESTMENTS (Notes 2 and 5)				
Equity method	119,160	1		
Cost method	1,852,527	7		
Convertible bonds	<u>19,600</u>	<u>-</u>		
Total long-term investments	<u>1,991,287</u>	<u>8</u>		
PROPERTIES (Notes 2, 6 and 20)				
Cost				
Land	279,956	1		
Buildings	2,174,639	9		
Auxiliary equipment	139,775	1		
Machinery and equipment	1,959,038	8		
Testing equipment	992,012	4		
Transportation equipment	16,335	-		
Furniture and fixtures	313,009	1		
Leasehold improvements	8,607	-		
Miscellaneous equipment	<u>76,425</u>	<u>-</u>		
Total cost	5,959,796	24		
Less: Accumulated depreciation	() ()	(2,079,558)	(9)	
Advance payments and construction in progress	<u>239,021</u>	<u>1</u>		
Net properties	<u>4,119,259</u>	<u>16</u>		
INTANGIBLE ASSETS, NET (Notes 2 and 7)	<u>1,437,234</u>	<u>6</u>		
OTHER ASSETS				
Other financial Assets - noncurrent (Note 8)	221,340	1		
Deferred charges, net (Notes 2 and 9)	55,861	-		
Deferred income taxes - noncurrent (Notes 2 and 15)	654,518	3		
Miscellaneous	<u>36,872</u>	<u>-</u>		
Total other assets	<u>968,591</u>	<u>4</u>		
TOTAL	<u>\$ 25,080,850</u>	<u>100</u>		

Commercial paper (Note 10)	69,839	-		
Notes and accounts payable (Notes 2 and 19)	3,600,808	15		
Bonus payable and remuneration to directors and supervisors (Note 14)	1,799,513	7		
Current portion of long-term loans (Note 12)				
	324,673	1		
Other current liabilities	1,272,892	5		
Deferred intercompany profit (Note 2)	<u>2,843</u>	<u>-</u>		
Total current liabilities	<u>8,028,811</u>	<u>32</u>		
LONG-TERM LIABILITY BEARING INTEREST				
Long-term loans (Note 12)	<u>630,833</u>	<u>3</u>		
OTHER LIABILITIES				
Accrued pension liability (Notes 2 and 13)	186,848	1		
Guarantee deposits (Note 19)	387,431	1		
Consolidated credit	<u>53,373</u>	<u>-</u>		
Total other liabilities	<u>627,652</u>	<u>2</u>		
Total liabilities	<u>9,287,296</u>	<u>37</u>		
SHAREHOLDERS' EQUITY (Note 14)				
Capital stock - NT\$10 par value				
Authorized - 1,000,000 thousand shares				
Issued - 879,307 thousand shares	8,793,073	35		
To be issued	662,627	3		
Capital surplus (Note 2):				
Additional paid-in capital	839,558	3		
Merger and others	635,496	3		
Treasury stock transactions	23,461	-		
Retained earnings:				
Legal reserve	1,590,387	6		
Special reserve	338,488	2		
Unappropriated earnings	1,744,219	7		
Other				
Unrealized loss on long-term investments (Notes 2 and 5)	() ()	(246,385)	(1)	
Cumulative translation adjustments (Note 2)	()	(68,170)	-	
Treasury stock (at cost) - 5,854 thousand shares (Notes 2 and 15)	() ()	(95,605)	(1)	
Minority interest in subsidiaries (Note 2)	<u>1,576,405</u>	<u>6</u>		
Total shareholders' equity	<u>15,793,554</u>	<u>63</u>		
TOTAL	<u>\$ 25,080,850</u>	<u>100</u>		

The accompanying notes are an integral part of the consolidated financial statements.
(With Deloitte & Touche review report dated July 14, 2006)

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME FOR THE SIX MONTHS ENDED JUNE 30, 2006 and 2005 (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

	2006		2005	
	Amount	%	Amount	%
NET SALES (Notes 2 and 22)	\$ 15,537,674	100	\$ 11,882,012	100
UNREALIZED (REALIZED) INTERCOMPANY PROFIT (Note 2)	73	-	(112)	-
COST OF SALES (Note 18)	<u>11,144,575</u>	<u>72</u>	<u>8,874,739</u>	<u>75</u>
GROSS PROFIT	<u>4,393,172</u>	<u>28</u>	<u>3,007,161</u>	<u>25</u>
OPERATING EXPENSES (Notes 18 and 22)				
Marketing	470,415	3	356,347	3
General and administrative	559,643	4	402,877	3
Research and development	<u>1,751,633</u>	<u>11</u>	<u>1,530,247</u>	<u>13</u>
Total operating expenses	<u>2,781,691</u>	<u>18</u>	<u>2,289,471</u>	<u>19</u>
OPERATING INCOME	<u>1,611,481</u>	<u>10</u>	<u>717,690</u>	<u>6</u>
NONOPERATING INCOME AND GAINS				
Reconciliation compensation (Notes 2 and 25)	806,032	5	-	-
Interest	46,030	1	28,290	-
Gain on sale of investments, net (Note 2)	29,332	-	19,836	-
Subsidies (Note 2)	13,710	-	6,750	-
Foreign exchange gain (Note 2)	-	-	24,108	-
Commission Income	-	-	6,396	-
Other (Note 2)	<u>35,850</u>	<u>-</u>	<u>28,412</u>	<u>1</u>
Total nonoperating income and gain	<u>930,954</u>	<u>6</u>	<u>113,792</u>	<u>1</u>
NONOPERATING EXPENSES AND LOSSES				
Losses on inventory (Note 2)	222,229	2	196,892	2
Interest	53,808	-	41,326	-
Equity-method investment loss, net (Notes 2 and 6)	33,099	-	20,062	-
Valuation loss on financial assets, net (Note 2)	30,053	-	-	-
Foreign exchange loss (Note 2)	28,918	-	-	-
Other (Note 2)	<u>15,055</u>	<u>-</u>	<u>2,416</u>	<u>-</u>
Total nonoperating expenses and losses	<u>383,162</u>	<u>2</u>	<u>260,696</u>	<u>2</u>

(Continued)

	<u>2006</u>		<u>2005</u>	
	Amount	%	Amount	%
INCOME BEFORE INCOME TAX	\$ 2,159,273	14	\$ 570,786	5
INCOME TAX EXPENSES (BENEFIT) (Notes 2 and 19)	<u>166,351</u>	<u>1</u>	<u>(2,011)</u>	<u>-</u>
NET INCOME BEFORE CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES	1,992,922	13	572,797	5
CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES (NET OF TAX BENEFIT OF \$12,438 THOUSAND) (Notes 3, 19 and 20)	<u>(32,564)</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET INCOME	<u>\$ 1,960,358</u>	<u>13</u>	<u>\$ 572,797</u>	<u>5</u>
ATTRIBUTABLE TO				
Shareholders of the parent	\$ 1,843,845	12	\$ 618,761	5
Minority interest	<u>116,513</u>	<u>1</u>	<u>(45,964)</u>	<u>-</u>
	<u>\$ 1,960,358</u>	<u>13</u>	<u>\$ 572,797</u>	<u>5</u>

	<u>2006</u>		<u>2005</u>	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
CONSOLIDATED EARNINGS PER SHARE (Note 20)				
Basic earnings per share	<u>\$ 2.14</u>	<u>\$ 1.96</u>	<u>\$ 0.66</u>	<u>\$ 0.66</u>
Diluted earnings per share	<u>\$ 2.12</u>	<u>\$ 1.95</u>	<u>\$ 0.65</u>	<u>\$ 0.65</u>

	Amount	%	Amount	%
GROSS SALES	\$		\$ 12,086,875	
SALES RETURNS AND ALLOWANCES	<u> </u>		<u>204,863</u>	
NET SALES (Notes 2 and 20)			11,882,012	100
UNREALIZED INTERCOMPANY PROFIT (Note 2)		()	(112)	25
COST OF SALES (Note 16)	<u> </u>		<u>8,874,739</u>	<u>75</u>
GROSS PROFIT	<u> </u>		<u>3,007,161</u>	<u>25</u>
OPERATING EXPENSES (Notes 16 and 20)				
Marketing			356,347	3
General and administrative			402,877	3
Research and development	<u> </u>		<u>1,530,247</u>	<u>13</u>

Total operating expenses			<u>2,289,471</u>	<u>19</u>
OPERATING INCOME			<u>717,690</u>	<u>6</u>
NONOPERATING INCOME AND GAINS				
Interest			28,290	1
Foreign exchange, net (Note 2)			24,108	-
Gain on sale of investments, net (Note 2)			19,836	-
Subsidies (Note 2)			6,750	-
Commission Income			6,396	-
Dividend income (Note 2)			5,875	-
Reversal of allowance for decline in value of short-term investment (Note 2)			5,441	-
Other			<u>17,096</u>	<u>-</u>
Total nonoperating income and gain			<u>113,792</u>	<u>1</u>
NONOPERATING EXPENSES AND LOSSES				
Losses on inventory (Note 2)			196,892	2
Interest			41,326	-
Equity-method investment loss, net (Notes 2 and 5)			20,062	-
Other			<u>2,416</u>	<u>-</u>
Total nonoperating expenses and losses			<u>260,696</u>	<u>2</u>
INCOME BEFORE INCOME TAX			570,786	5
INCOME TAX BENEFIT (Notes 2 and 15)			<u>2,011</u>	<u>-</u>
NET INCOME			<u>\$ 572,797</u>	<u>5</u>
ATTRIBUTABLE TO				
Shareholders of the parent			\$ 618,761	5
Minority interest			<u>(45,964)</u>	<u>-</u>
			<u>\$ 572,797</u>	<u>5</u>

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

(With Deloitte & Touche review report dated July 14, 2006)

(Concluded)

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE SIX MONTHS ENDED JUNE 30, 2006 and 2005 (In Thousands of New Taiwan Dollars, Except Per Share) (Reviewed, Not Audited)

	Equity attributable to shareholders of the parent																		
	Capital Stock Issued (Note 16)		Capital Stock to Be Issued	Capital Surplus (Note 2 and 16)				Retained Earnings (Note 16)				Cumulative Translation Adjustments	Unrealized Loss on Long-term Investments	Unrealized Loss on financial assets	Treasury Stock (Notes 2 and 17)	Total	Minority Interest (Note 2)	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, 2006	948,730	\$ 9,487,296	\$ -	\$ 890,447	\$ 437,507	\$ 157,423	\$ 35,084	\$ 1,520,461	\$ 1,590,387	\$ 338,488	\$ 3,523,813	\$ 5,452,688	\$ (9,775)	\$ (285,085)	\$ -	\$ (176,566)	\$ 1,598,019	\$ 1,961,21	\$ 17,950,240
Effect of adopting the newly released SFASs and related revisions of previously released SFASs														285,085	(98,867)	-	186,218		186,218
Appropriation of prior year's earnings:																			
Legal reserve	-	-	-	-	-	-	-	-	239,836	-	(239,836)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	-	-	-	-	-	-	(43,628)	43,628	-	-	-	-	-	-	-	-
Bonus to employees - stock	-	-	225,000	-	-	-	-	-	-	-	(225,000)	(225,000)	-	-	-	-	-	-	-
Bonus to employees - cash	-	-	-	-	-	-	-	-	-	-	(25,000)	(25,000)	-	-	-	-	(25,000)	-	(25,000)
Remuneration to directors and supervisors	-	-	-	-	-	-	-	-	-	-	(24,517)	(24,517)	-	-	-	-	(24,517)	-	(24,517)
Stock dividends - \$0.3 per share	-	-	283,844	-	-	-	-	-	-	-	(283,844)	(283,844)	-	-	-	-	-	-	-
Cash dividends - \$2 per share	-	-	-	-	-	-	-	-	-	-	(1,892,295)	(1,892,295)	-	-	-	-	(1,892,295)	-	(1,892,295)
Capital stock transferred from capital surplus	-	-	189,230	(189,230)	-	-	-	(189,230)	-	-	-	-	-	-	-	-	-	-	-
Issuance of share upon exercise of employee stock options	2,820	28,207	-	39,905	-	-	-	39,905	-	-	-	-	-	-	-	-	68,112	-	68,112
Adjustment from changes in the shareholders' equity of investees	-	-	-	-	94,899	-	-	94,899	-	-	-	-	-	-	-	-	94,899	6	94,905
Adjustment others capital surplus	-	-	-	-	423	-	-	423	-	-	-	-	-	-	-	-	423	-	423
Net income for the six months ended June 30, 2006	-	-	-	-	-	-	-	-	-	-	1,843,845	1,843,845	-	-	-	-	1,843,845	116,513	1,960,358
Translation adjustments	-	-	-	-	-	-	-	-	-	-	-	-	(11,601)	-	-	-	(11,601)	(3,011)	(14,612)
Valuation loss on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	-	-	-	(133,991)	-	-	(133,991)	690	(133,301)
Effect of consolidated individual	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(90,779)	(90,779)
Increase in minority interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	754	754
BALANCE, JUNE 30, 2006	951,550	\$ 9,515,503	\$ 698,074	\$ 741,122	\$ 532,829	\$ 157,423	\$ 35,084	\$ 1,466,458	\$ 1,830,223	\$ 294,860	\$ 2,720,794	\$ 4,845,877	\$ (21,376)	\$ -	\$ (232,858)	\$ (176,566)	\$ 16,095,112	\$ 1,985,394	\$ 18,080,506
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	\$ (49,030)	\$ (289,458)	\$ -	\$ (95,605)	\$ 15,264,134	\$ 1,587,021	\$ 16,851,155
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)	-	(25,000)
Remuneration to directors and supervisors	-	-	-	-	-	-	-	-	-	-	(24,004)	(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)	-	(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	-	109,834
Net income for the six months ended June 30, 2005	-	-	-	-	-	-	-	-	-	-	618,761	618,761	-	-	-	-	618,761	(45,964)	572,797
Translation adjustments	-	-	-	-	-	-	-	-	-	-	-	-	(19,140)	-	-	-	(19,140)	(26,415)	(45,555)
Unrealized loss on long-term investments	-	-	-	-	-	-	-	-	-	-	-	-	-	43,073	-	-	43,073	-	43,073
Increase in minority interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	61,763	61,763
BALANCE, JUNE 30, 2005	879,307	\$ 8,793,073	\$ 662,627	\$ 839,558	\$ 478,073	\$ 157,423	\$ 23,461	\$ 1,498,515	\$ 1,590,387	\$ 338,488	\$ 1,744,219	\$ 3,673,094	\$ (68,170)	\$ (246,385)	\$ -	\$ (95,605)	\$ 14,217,149	\$ 1,576,405	\$ 15,793,554

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

(With Deloitte & Touche review report dated July 14, 2006)

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE SIX MONTHS ENDED JUNE 30, 2006 AND 2005 (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income attributable to shareholders of the parent	\$ 1,843,845	\$ 618,761
Net loss attributable to minority interest	116,513	(45,964)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	638,509	524,707
Unrealized (Realized) intercompany profits, net	(73)	112
Gain on disposal of long-term investments, net	(18,547)	(19,836)
Investment loss recognized by equity method, net	33,099	20,062
Valuation loss on financial assets, net	30,053	(5,441)
Loss (gain) on disposal of properties, net	2,696	(220)
Deferred income tax assets	(8,383)	1,888
Accrued pension liabilities	(171)	26,449
Changes in operating assets and liabilities:		
Financial assets for trading	(175,677)	300,787
Notes and accounts receivable		
Third parties	(847,051)	(565,129)
Related parties	(203,717)	(108,969)
Other receivable	(37,503)	300,892
Inventories	(1,177,119)	1,062,733
Other current assets	(2,577)	(41,324)
Notes and Accounts payable	(90,613)	730,418
Other current liabilities	(106,918)	157,033
	(3,634)	2,956,959
Net cash provided by (used) in operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in pledged time deposits	(66,200)	(56,593)
Decrease in financial assets at fair value	72,830	38,302
Acquisition of		
Equity method investment	(22,659)	-
Financial assets carried at cost	(75,993)	(8,517)
Available-for-sale financial assets	(1,371,000)	(88,921)
Properties	(561,583)	(338,531)
Intangible assets	(711,843)	(251,059)
Proceeds from disposal of		
Available-for-sale financial assets	1,050,385	59,591
Financial assets carried at cost	110,852	-
Properties	2,551	804

(Continued)

	2006	2005
Deferred charges, net and others	\$ <u>(10,623)</u>	\$ <u>(2,227)</u>
Net cash used in investing activities	<u>(1,583,283)</u>	<u>(647,151)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in bank loans	1,852,211	(323,344)
Decrease in commercial paper	(4,995)	(299,848)
Increase (decrease) in long-term loans	(199,499)	287,093
Increase (decrease) in guarantee deposits	(17,726)	94,002
Issuance of share upon exercise of employee stock option	68,112	109,834
Increase in consolidated credit	-	53,373
Increase in minority interest	<u>118,109</u>	<u>61,763</u>
Net cash provided by (used) in financing activities	<u>1,816,212</u>	<u>(17,127)</u>
NET INCREASE IN CASH	229,295	2,292,681
EFFECT OF EXCHANGE RATE CHANGES ON CASH	91,928	(69,796)
EFFECT OF CONSOLIDATED INDIVIDUAL	(54,469)	-
CASH , BEGINNING OF PERIOD	<u>5,862,432</u>	<u>4,181,357</u>
CASH , END OF PERIOD	<u>\$ 6,129,186</u>	<u>\$ 6,404,242</u>
SUPPLEMENTAL INFORMATION		
Income tax paid	<u>\$ 95,191</u>	<u>\$ 66,831</u>
Interest paid	<u>\$ 48,053</u>	<u>\$ 45,740</u>
NONCASH INVESTING AND FINANCING ACTIVITIES		
Reclassification of leased assets to properties	<u>\$ -</u>	<u>\$ 19,104</u>
PARTIAL CASH INVESTING ACTIVITY:		
Acquisitions of properties	\$ 525,745	\$ 328,603
Decrease in payables to contractors and equipment suppliers	<u>35,838</u>	<u>9,928</u>
Cash paid	<u>\$ 561,583</u>	<u>\$ 338,531</u>

The accompanying notes are an integral part of the consolidated financial statements.
(With Deloitte & Touche review report dated July 14, 2006)

(Concluded)