

Sunplus Technology Company Limited

**Financial Statements for the
Years Ended December 31, 2006 and 2005 and
Independent Auditors' Report**

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Sunplus Technology Company Limited

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

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

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

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

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

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

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

February 1, 2007

Notice to Readers

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

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

SUNPLUS TECHNOLOGY COMPANY LIMITED

BALANCE SHEETS

DECEMBER 31, 2006 AND 2005

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

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

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

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

SUNPLUS TECHNOLOGY COMPANY LIMITED

STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2006 AND 2005

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

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

(Continued)

SUNPLUS TECHNOLOGY COMPANY LIMITED

STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2006 AND 2005

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

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

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

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

(Continued)

SUNPLUS TECHNOLOGY COMPANY LIMITED

STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2006 AND 2005

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

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

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

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

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

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SUNPLUS TECHNOLOGY COMPANY LIMITED

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

	Capital Stock Issued and Outstanding (Note15)		Capital Surplus (Notes2 and 15)					Retained Earnings (Notes 2 and 15)				Others (Notes 2 and 3)		Treasury Stock (Notes 2 and 16)	Total Shareholders' Equity
	Shares (Thousands)	Amount	Additional Paid-in Capital	From Long-term Investments	From Merger	From Treasury Stock	Total	Legal Reserve	Special Reserve	Unappropriated Earnings		Unrealized (Loss) Gain on Financial Assets	Cumulative Translation Adjustments		
											Total				
BALANCE, JANUARY 1, 2005	875,254	\$ 8,752,544	\$ 945,304	\$ 478,073	\$ 157,423	\$ 23,461	\$ 1,604,261	\$ 1,316,618	\$ -	\$ 4,024,804	\$ 5,341,422	\$ (289,458)	\$ (49,030)	\$ (95,605)	\$ 15,264,134
Appropriation of prior year's earnings:															
Legal reserve	-	-	-	-	-	-	-	273,769	-	(273,769)	-	-	-	-	-
Special reserve	-	-	-	-	-	-	-	-	338,488	(338,488)	-	-	-	-	-
Bonus to employees - stock	22,500	225,000	-	-	-	-	-	-	-	(225,000)	(225,000)	-	-	-	-
Bonus to employees - cash	-	-	-	-	-	-	-	-	-	(25,000)	(25,000)	-	-	-	(25,000)
Remuneration to directors and supervisors	-	-	-	-	-	-	-	-	-	(24,004)	(24,004)	-	-	-	(24,004)
Stock dividends - NT \$0.29788 per share	26,258	262,576	-	-	-	-	-	-	-	(262,576)	(262,576)	-	-	-	-
Cash dividends - NT \$1.98586 per share	-	-	-	-	-	-	-	-	-	(1,750,509)	(1,750,509)	-	-	-	(1,750,509)
Capital stock transferred from capital surplus	17,505	175,051	(175,051)	-	-	-	(175,051)	-	-	-	-	-	-	-	-
Issuance of shares upon exercise of employee stock options	7,213	72,125	120,194	-	-	-	120,194	-	-	-	-	-	-	-	192,319
Net income in 2005	-	-	-	-	-	-	-	-	-	2,398,355	2,398,355	-	-	-	2,398,355
Adjustment arising from changes in percentage of ownership of investees	-	-	-	(44,097)	-	-	(44,097)	-	-	-	-	-	-	-	(44,097)
Adjustment for changes in shareholders' equities in equity-method investees	-	-	-	3,531	-	-	3,531	-	-	-	-	31,880	-	-	35,411
Unrealized losses on long-term investment	-	-	-	-	-	-	-	-	-	-	-	(27,507)	-	-	(27,507)
Treasury stock repurchased by the Company - 2,582 thousand shares	-	-	-	-	-	-	-	-	-	-	-	-	-	(80,961)	(80,961)
Cash dividends received by subsidiaries from the Company	-	-	-	-	-	11,623	11,623	-	-	-	-	-	-	-	11,623
Translation adjustments on long-term investments	-	-	-	-	-	-	-	-	-	-	-	-	39,255	-	39,255
BALANCE, DECEMBER 31, 2005	948,730	9,487,296	890,447	437,507	157,423	35,084	1,520,461	1,590,387	338,488	3,523,813	5,452,688	(285,085)	(9,775)	(176,566)	15,989,019
Effect of accounting changes (Note 3)	-	-	-	-	-	-	-	-	-	-	-	41,606	-	-	41,606
Appropriation of prior year's earnings:															
Legal reserve	-	-	-	-	-	-	-	239,836	-	(239,836)	-	-	-	-	-
Special reserve	-	-	-	-	-	-	-	-	(43,628)	43,628	-	-	-	-	-
Bonus to employees - stock	22,500	225,000	-	-	-	-	-	-	-	(225,000)	(225,000)	-	-	-	-
Bonus to employees - cash	-	-	-	-	-	-	-	-	-	(25,000)	(25,000)	-	-	-	(25,000)
Remuneration to directors and supervisors	-	-	-	-	-	-	-	-	-	(24,517)	(24,517)	-	-	-	(24,517)
Stock dividends - NT\$0.29894 per share	28,384	283,844	-	-	-	-	-	-	-	(283,844)	(283,844)	-	-	-	-
Cash dividends - NT\$1.99295 per share	-	-	-	-	-	-	-	-	-	(1,892,295)	(1,892,295)	-	-	-	(1,892,295)
Capital stock transferred from capital surplus	18,923	189,230	(189,230)	-	-	-	(189,230)	-	-	-	-	-	-	-	-
Issuance of shares upon exercise of employee stock options	5,111	51,106	67,173	-	-	-	67,173	-	-	-	-	-	-	-	118,279
Adjustment arising from changes in percentage of ownership of investees	-	-	-	(44,453)	-	-	(44,453)	-	-	-	-	-	-	-	(44,453)
Adjustment from capital surplus - others	-	-	-	501	-	-	501	-	-	-	-	-	-	-	501
Net income in 2006	-	-	-	-	-	-	-	-	-	2,972,695	2,972,695	-	-	-	2,972,695
Translation adjustments on long-term investments	-	-	-	-	-	-	-	-	-	-	-	-	26,981	-	26,981
Cash dividends received by subsidiaries from the Company	-	-	-	-	-	12,244	12,244	-	-	-	-	-	-	-	12,244
Adjustment for changes in shareholders' equities in equity-method investees	-	-	-	-	-	-	-	-	-	-	-	138,717	-	-	138,717
Valuation gain on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	-	70,296	-	-	70,296
BALANCE, DECEMBER 31, 2006	<u>1,023,648</u>	<u>\$ 10,236,476</u>	<u>\$ 768,390</u>	<u>\$ 393,555</u>	<u>\$ 157,423</u>	<u>\$ 47,328</u>	<u>\$ 1,366,696</u>	<u>\$ 1,830,223</u>	<u>\$ 294,860</u>	<u>\$ 3,849,644</u>	<u>\$ 5,974,727</u>	<u>\$ (34,466)</u>	<u>\$ 17,206</u>	<u>\$ (176,566)</u>	<u>\$ 17,384,073</u>

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

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

SUNPLUS TECHNOLOGY COMPANY LIMITED

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

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

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SUNPLUS TECHNOLOGY COMPANY LIMITED

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

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

(Continued)

SUNPLUS TECHNOLOGY COMPANY LIMITED

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

SUPPLEMENTARY DISCLOSURE OF SPIN-OFF:

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

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

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

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

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

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

(Concluded)

SUNPLUS TECHNOLOGY COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2006 AND 2005

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

1. ORGANIZATION AND OPERATIONS

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

The Company’s shares have been listed on the Taiwan Stock Exchange since January 2000. Some of the company’s shares have been issued in the form of global depository receipts, which have been listed on the London Stock Exchange since March 2001 (refer to Note 15).

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, the Business Accounting Law, Guidelines Governing Business Accounting and accounting principles generally accepted in the Republic of China (ROC). Under these guidelines and principles, the Company is required to make certain estimates and assumptions that could affect the amounts of allowance for doubtful accounts, allowance for inventory devaluation, property depreciation, amortization of intangible assets, impairment loss on assets and pension expenses. Actual results could differ from these estimates.

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

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

Current/Noncurrent Assets and Liabilities

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

Cash Equivalents

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

Financial Assets/Liabilities at Fair Value Through Profit or Loss

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

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

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

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

Revenue Recognition and Allowance for Doubtful Accounts

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

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

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

Inventories

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

Available-for-sale Financial Assets

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

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

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

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

Financial Assets Carried At Cost

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

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

Equity-method Investments

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

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

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

If an investee issues additional shares and the Company subscribes for these shares at a percentage different from its current equity, the resulting increase is credited to capital surplus. If a decrease results, the decrease is debited to capital surplus. But if capital surplus is not enough for debiting purposes, the decrease is debited to unappropriated retained earnings.

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

Properties and Assets Leased to Others

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

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

Depreciation is computed using the straight-line method over service lives initially estimated as follows: buildings - 3 to 55 years; auxiliary equipment - 3 to 10 years; machinery and equipment - 3 to 5 years; testing equipment - 3 to 5 years; transportation equipment - 3 to 5 years; furniture and fixtures - 3 to 10 years; leasehold improvements - 3 years; and assets leased to others - 7 to 50 years.

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

Intangible Assets

Intangible assets consist of technology license fees and patents, which are booked at the acquisition cost and amortized using the straight-line method over 1 to 5 years and 5 to 18 years, respectively.

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

Deferred Charges

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

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

Government Subsidies

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

Pension Costs

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

Treasury Stock

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

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

Income Tax

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

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

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

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

Foreign-currency Transactions

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

- a. Financial instruments at fair value through shareholders' equity - as an adjustment component under shareholders' equity;
- b. Financial instruments at fair value through profit or loss - as credits or charges to current income; and

- c. Long-term investments accounted for by the equity method - as cumulative translation adjustments under shareholders' equity.

Spin-off

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

Reclassification

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

3. ACCOUNTING CHANGES

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

The effects of the accounting changes are summarized as follows:

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

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

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

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

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

b. Reclassification of financial statement accounts

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

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

1) Short-term investments

Short-term investments are open-end funds, which are carried at the lower of aggregate cost or market value. Declines in market value are recognized as a loss in the period of occurrence. An allowance for losses is provided when the aggregate carrying value of the investments exceeds their total market value. Any recovery of the market value to the extent of the original carrying value is recognized as income.

2) Long-term investments

Investments in which the Company owns less than 20% of the outstanding voting shares are accounted for by the cost method. Shares of stock with no quoted market prices are stated at cost, and these with quoted market prices are accounted for at the lower of aggregate cost or market. An other than temporary decline either in carrying value or in market value below carrying value is charged to current income, and the carrying amount of these investments after recognizing the recognition of losses will become the new cost of the investment.

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

3) Derivative transactions

The Company enters into forward contracts to manage currency exposures in cash flows and foreign- currency assets and liabilities. Premiums or discounts, which are the differences between the spot rates at the start of the contracts and the contracted forward rates, are recognized in the current year and amortized over the terms of the forward contracts. On the balance sheet date, the receivables or payables arising from gain or losses on forward contracts are computed by multiplying the foreign-currency amounts of the contracts by the difference between the spot rates on the contract starting dates and the balance sheet date rates (or the spot rates last used to measure a gain or loss on that contract for an earlier period) restated at the prevailing spot rates, and the resulting differences between these balance sheet date rates and spot rates on the contract starting dates are recognized and are charged to income. Also, the receivables and payables on the forward contracts open as of the balance sheet date are netted out, and the resulting amount is presented as an asset or a liability.

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

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

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

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

4. CASH AND CASH EQUIVALENTS

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

5. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

The Company used derivative contracts in 2005 and 2006 to hedge the effect of exchange rate fluctuations on net foreign currency-denominated assets and liabilities.

The strategy is to hedge most of the market price risks to which the Company is exposed.

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

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

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

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

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

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

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

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

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

6. INVENTORIES, NET

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

7. EQUITY-METHOD INVESTMENTS

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

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

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

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

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

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

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

9. FINANCIAL ASSETS CARRIED AT COST

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

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

10. PROPERTIES

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

11. INTANGIBLE ASSETS, NET

	2006	2005
Technology license fee	\$ 926,863	\$ 962,045
Patents	<u>77,195</u>	<u>82,739</u>
	<u>\$ 1,004,058</u>	<u>\$ 1,044,784</u>

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

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

12. DEFERRED CHARGES AND OTHERS

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

13. SHORT-TERM BANK LOANS

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

14. PENSION PLAN

The Labor Pension (the “Act”) took effect on July 1, 2005. The employees subject to the Labor Standards Law before July 1, 2005 were allowed to choose to be subject to the pension mechanism under the Act or to continue being subject to the pension mechanism under the Labor Standards Law. For Company employees who were subject to the Labor Standards Law before July 1, 2005 and choose to be subject to the Act, their service years as of July 1, 2005 will be retained. Those hired on or after July 1, 2005 are automatically subject to the Act. Based on the Act, the Company’s monthly contributions to employees’ individual pension accounts starting from July 1, 2005 have been at 6% of employees’ salaries. Thus, the pension costs recognized by the Company were \$46,245 and \$22,733 thousand for the years ended December 31, 2006 and 2005, respectively.

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

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

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

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

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

15. SHAREHOLDERS' EQUITY

a. Employee Stock Option Plan

On March 7, 2003, the Securities and Futures Bureau (SFB; known as "Securities and Futures Commission" before July 1, 2004) approved the Company's adoption of an employee stock option plan. The plan provides for the grant of 30,000 thousand options, with each unit representing one common share. The option rights are granted to qualified employees of the Company. A total of 30,000 thousand common shares have been reserved for issuance. The options are valid for six years and exercisable at certain percentages after the second anniversary of the grant date. Stock option rights are granted at an exercise price equal to the closing price of the Company's common shares listed on the Taiwan Stock Exchange on the grant date. All options had been granted or canceled as of December 31, 2006.

Outstanding option rights were as follows:

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

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

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

Exercise Price (NT\$)	<u>Options Outstanding</u>			<u>Options Exercisable</u>	
	Number of Options (in Thousands)	Weighted- average Remaining Contractual Life (Years)	Weighted- average Exercise Price (NT\$)	Number of Options (in Thousands)	Weighted- average Exercise Price (NT\$)
\$21.10	11,249	2.35	\$21.10	8,437	\$21.10
\$36.60	7,150	2.66	36.60	5,363	36.60

b. Global depositary receipts (GDRs)

In March 2001, the Company issued 20,000 thousand units of Global Depositary Receipts (GDRs), representing 40,000 thousand common shares consisting of newly issued and originally outstanding shares. The GDRs are listed on the London Stock Exchange (code: SUPD) with an issuance price of US\$9.57 per unit. As of December 31, 2006, the GDRs have been redeemed into 85,665 thousand of common shares amounting to US\$226,972 thousand. The outstanding GDRs, representing 2,995 thousand common shares, are accounted for 0.29% of outstanding common stock.

c. Capital surplus

Under ROC regulations, capital surplus may be used to offset deficit, and only the capital surplus from the issue of stock in excess of par value (including the stock issued for new capital and mergers and surplus arising from treasury stocks transactions) may be transferred to capital as stock dividend; this transfer is restricted to a certain percentage based on shareholders' ownership.

d. Appropriation of earnings and dividend policy

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

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

Under regulations promulgated by the Securities and Futures Bureau, a special reserve equivalent to the debit balance of any account shown in the shareholders' equity section of the balance sheet (for example, unrealized loss on financial assets and cumulative translation adjustments) should be made from unappropriated retained earnings. The special reserve is allowed to be appropriated to the extent that the debit balance of such accounts is reversed.

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

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

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

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

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

The above appropriation of the earnings is consistent with the resolutions passed at the meetings of the board of directors on April 21, 2006 and April 28, 2005. Had the above employee stock bonus been paid in cash and had all of the bonus to employees and remuneration to directors and supervisors been charged against income for 2005 and 2004, the after-tax basic earnings per share in 2005 and 2004 would have decreased from NT\$2.56 and NT\$3.15 to NT\$2.26 and NT\$2.83.

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

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

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

16. TREASURY STOCK

(Units: Shares in Thousands)

Purpose of Purchase	Beginning Shares	Increase	Ending Shares
<u>2006</u>			
Company stocks held by subsidiaries	6,144	306	6,450
For subsequent transfer to employees	<u>2,582</u>	<u>-</u>	<u>2,582</u>
	<u>8,726</u>	<u>306</u>	<u>9,032</u>
<u>2005</u>			
Company stocks held by subsidiaries	5,854	290	6,144
For subsequent transfer to employees	<u>-</u>	<u>2,582</u>	<u>2,582</u>
	<u>5,854</u>	<u>2,872</u>	<u>8,726</u>

Starting from January 2002, the Company accounted for its stocks amounting to \$95,605 thousand held by the subsidiary, Lin Shin Investment Co., Ltd., as treasury stock. As of December 31, 2006 and 2005, the book values of these stocks were both \$95,605 thousand, and the market values of these stocks were \$256,404 thousand and \$232,131 thousand, respectively.

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

17. PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

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

18. INCOME TAX

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

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

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

c. Deferred income tax assets consisted of the following:

Current:

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

Noncurrent:

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

As of December 31, 2006, investment tax credits were as follows:

Regulatory Basis of Tax Credits	Items	Total Creditable Amounts	Remaining Creditable Amounts	Expiry Year
Statute for Upgrading Industries	Purchase of machinery and equipment	\$ 2,360	\$ -	2006
		2,432	2,432	2007
		10,376	10,376	2008
		<u>3,606</u>	<u>3,606</u>	2009
		<u>\$ 18,774</u>	<u>\$ 16,414</u>	
Statue for upgrading Industries	Research and development expenditures	\$ 177,474	\$ -	2006
		189,636	189,636	2007
		323,664	323,664	2008
		469,540	469,540	2009
		<u>271,277</u>	<u>271,277</u>	2010
		<u>\$ 1,431,591</u>	<u>\$ 1,254,117</u>	

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

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

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

d. Integrated income tax information is as follows:

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

The expected and actual creditable tax ratios for 2006 and 2005 were 0.49% and 2.95%, respectively.

The imputation credits allocated to the shareholders are based on the balance as of the date of dividend distribution. The expected creditable ratio for distribution of earnings of 2006 may be adjusted when the allocation of the imputation credits is made.

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

19. EARNINGS PER SHARE

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

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

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

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

20. FINANCIAL INSTRUMENTS

a. Fair values of financial instruments were as follows:

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

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

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

1) For cash and cash equivalents, notes and accounts receivable, other receivables, short-term bank loans, and notes and accounts payable, the carrying amounts reported in the balance sheets approximate their fair values because of their short maturities.

2) Fair values of financial assets at fair value through profit or loss and available-for-sale financial assets are based on their quoted prices in active markets. For those instruments not traded in active markets, their fair values are determined using valuation techniques incorporating estimates and assumptions that are consistent with prevailing market conditions.

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

d. As of December 31, 2006 and 2005, financial assets exposed to cash flow interest rate risk were \$1,004,179 thousand and \$775,350 thousand, respectively; financial assets exposed to fair value interest rate risk were \$2,731,989 thousand and \$4,394,750 thousand, respectively. As of December 31, 2006, financial liabilities exposed to fair value interest rate risk was \$277,057 thousand.

e. Interest income arising from the financial assets other than the financial assets at fair value through profit or loss for the years ended December 31, 2006 and 2005 were \$66,110 thousand and \$69,353 thousand, respectively; interest expense arising from the financial assets other than the financial assets at fair value through profit or loss for the years ended December 31, 2006 and 2005 were \$16,395 thousand and \$5,933 thousand, respectively. The Company recognized an unrealized gain of \$70,296 thousand in shareholders' equity for the changes in fair value of available-for-sale financial assets for the year ended December 31, 2006.

f. Financial risks

1) Market risk. The financial instruments held by the Company are exposed to interest rate, foreign exchange rate and price risks.

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

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

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

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

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

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

21. RELATED-PARTY TRANSACTIONS

The Company's related parties were as follows:

- a. Global View Co., Ltd. ("Global View") - the Company's supervisor
- b. Giantplus Technology Co., Ltd. ("Giantplus") - equity-method investee
- c. Goldkey Technology Corp. ("Goldkey") - equity-method investee
- d. Waveplus Technology Co., Ltd. ("Waveplus") - equity-method investee
- e. Sunext Technology Co., Ltd. ("Sunext") - equity-method investee
- f. Generalplus Technology Inc. ("Generalplus") - equity-method investee
- g. Sunplus Innovation Technology Inc. ("Sunplus Innovation") - 100% subsidiary
- h. Sunplus mMobile Inc. ("Sunplus mMobile") - 100% subsidiary
- i. Sunplus Technology (H.K.) Co., Ltd. ("Sunplus H.K.") - 100% subsidiary
- j. Orise Technology Co., Ltd. ("Orise") - 67% subsidiary
- k. Sunplus Technology (Shanghai) Co., Ltd. ("Sunplus Shanghai") - 99% indirect subsidiary
- l. Lin Shin Technology Co., Ltd. ("Lin Shin") - affiliate

- m. Kunshan Giantplus Optoelectronics Technology Co., Ltd. (“Kunshan Giantplus”) - 100% indirect Subsidiary of Generalplus
- n. Others - please refer to Note 26 for related parties that did not have business transactions with the Company in the current period.

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

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

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

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

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

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

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

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

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

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

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

22. SIGNIFICANT LONG-TERM OPERATING LEASES

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

Future annual minimum rentals under the leases are as follows:

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

23. GAIN ON SETTLEMENT COMPENSATION

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

24. DIVIDED SEGMENT INFORMATION

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

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

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

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

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

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

25. ADDITIONAL DISCLOSURES

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

- a. Endorsement/guarantee provided: Table 1 (attached)
- b. Marketable securities held: Table 2 (attached)
- c. Marketable securities acquired and disposed of at costs or prices of at least NT\$100 million or 20% of the paid-in capital: Table 3 (attached)
- d. Acquisition of individual real estate properties at costs of at least NT\$100 million or 20% of the paid-in capital: Table 4 (attached)
- e. Total purchase from or sale to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 5 (attached)
- f. Receivable from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Please see Table 6 (attached)
- g. Names, locations, and related information of investees on which the Company exercises significant influences: Table 7 (attached)
- h. Investment in Mainland China: Table 8 (attached)

26. SEGMENT INFORMATION

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

c. Export sales:

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

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

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

SUNPLUS TECHNOLOGY COMPANY LIMITED

ENDORSEMENT/GUARANTEE PROVIDED

YEAR ENDED DECEMBER 31, 2006

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

No.	Endorsement/Guarantee Provider	Counter-party		Limits on Each Counter-party's Endorsement/Guarantee Amounts	Maximum Balance for the Period	Ending Balance	Value of Collateral Property, Plant, or Equipment	Percentage of Accumulated Amount of Collateral to Net Equity of the Latest Financial Statement	Maximum Collateral/Guarantee Amounts Allowable
		Name	Nature of Relationship						
0	Sunplus Technology Company Limited	Orise Technology Co., Ltd	Equity-method investee	\$ 1,738,407 (Note 1)	\$ 684,910	\$ 684,910	\$ -	3.94%	\$ 3,476,815 (Note 2)
		Sunplus mMobile Inc.	Equity-method investee	1,738,407 (Note 1)	622,820	622,820	-	3.58%	3,476,815 (Note 2)
		Sunext Technology CO., Ltd.	Equity-method investee	1,738,407 (Note 1)	1,189,230	588,103	-	3.38%	3,476,815 (Note 2)
		Sunplus Technology (Shanghai) Co., Ltd.	Indirect subsidiary	1,738,407 (Note 1)	164,950	164,950	-	0.95%	3,476,815 (Note 2)
		Sunplus Innovation Technology Inc.	Equity-method investee	1,738,407 (Note 1)	147,510	147,510	-	0.85%	3,476,815 (Note 2)
		Waveplus Technology Co., Ltd.	Equity-method investee	1,738,407 (Note 1)	70,000	20,000	-	0.12%	3,476,815 (Note 2)
		Generalplus Technology Inc.	Equity-method investee	1,738,407 (Note 1)	65,260	-	-	-	3,476,815 (Note 2)

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

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

SUNPLUS TECHNOLOGY COMPANY LIMITED

MARKETABLE SECURITIES HELD

DECEMBER 31, 2006

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

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

(Continued)

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

(Continued)

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

(Continued)

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

(Continued)

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

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

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

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

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

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

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

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

SUNPLUS TECHNOLOGY COMPANY LIMITED

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
 YEAR ENDED DECEMBER 31, 2006
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Type and Issuer Name of Marketable Security	Financial Statement Account	Beginning Balance		Acquisition		Disposal				Ending Balance	
			Units (Thousands)	Amount	Units (Thousands)	Amount	Unit (Thousands)	Amount	Carrying Value	Gain (Loss) on Disposal	Unit (Thousands)	Amount
Sunplus Technology Company Limited	Orise Technology Co., Ltd.	Equity investments	100	\$ 1,000	95,805	\$ 1,175,265	26,550	\$ 357,350	\$ 349,377	\$ 7,973	69,355	\$ 972,842
	Sunplus mMobile Inc.	Equity investments	-	-	120,000	1,680,000	-	-	-	-	120,000	1,648,899
	Sunplus Innovation Inc.	Equity investments	-	-	22,000	308,000	-	-	-	-	22,000	295,858
	Credit Link Note issued by Chinatrust commercial Bank	Financial assets at fair value through profit or loss	-	-	-	300,000	-	301,381	300,000	1,381	-	-
	Credit Link Note issued by Citibank	Financial assets at fair value through profit or loss	-	-	-	260,000	-	261,977	261,036	941	-	-
	NAM short-term investment	Financial assets at fair value through profit or loss	1,837	839,866	-	-	1,837	830,330	839,866	(9,536)	-	-
	Prudential Financial Bond Fund	Financial assets at fair value through profit or loss	-	-	14,553	211,000	14,553	211,537	211,000	537	-	-
	Jan-Ho Taiwan Bond Fund	Financial assets at fair value through profit or loss	14,627	203,318	48,626	677,690	63,253	883,088	881,008	2,080	-	-
	NITC Bond	Financial assets at fair value through profit or loss	-	-	1,695	277,000	1,695	277,712	277,000	712	-	-
	Fuh Hwa Bond	Financial assets at fair value through profit or loss	2,466	32,428	10,479	139,000	12,945	171,839	171,428	411	-	-
	Tasihin Lucky Fund	Financial assets at fair value through profit or loss	-	-	27,895	284,000	27,895	284,936	284,000	936	-	-
	President James Bond	Financial assets at fair value through profit or loss	-	-	22,209	340,684	22,209	341,369	340,684	685	-	-
	Ta Chong Bond	Financial assets at fair value through profit or loss	-	-	45,629	591,038	45,629	592,075	591,038	1,037	-	-
	Truswell Bond Fund	Financial assets at fair value through profit or loss	-	-	44,968	570,750	44,968	571,500	570,750	750	-	-
	Fuhwa Commercial Bank Money Market Common Trust Fund	Financial assets at fair value through profit or loss	-	-	22,600	230,000	22,600	230,478	230,000	478	-	-
	Polaris De-Bao Fund	Financial assets at fair value through profit or loss	-	-	26,346	290,000	26,346	290,727	290,000	727	-	-
	JF (Taiwan) Bond Fund	Financial assets at fair value through profit or loss	-	-	10,689	162,000	10,689	162,418	162,000	418	-	-
	Fuhwa APEX Bond Fund	Financial assets at fair value through profit or loss	-	-	24,291	285,000	24,291	285,615	285,000	615	-	-
	ABN AMRO Tainan Bond Fund	Financial assets at fair value through profit or loss	-	-	39,334	590,308	39,334	590,616	590,308	308	-	-
	TLAM Solmon Bond Fund	Financial assets at fair value through profit or loss	-	-	31,845	370,037	31,845	370,074	370,037	37	-	-
	Prudential Financial Bond Fund	Available-for-sale financial assets	-	-	35,621	520,000	24,673	360,382	360,000	382	10,948	160,000
	Jan-Ho Taiwan Bond Fund	Available-for-sale financial assets	-	-	68,419	962,396	36,053	507,785	506,396	1,389	32,366	456,000
	Tasihin Lucky Fund	Available-for-sale financial assets	-	-	24,399	250,000	12,211	125,243	125,000	243	12,188	125,000
	President James Bond	Available-for-sale financial assets	-	-	20,816	320,684	10,445	161,138	160,684	454	10,371	160,000
	Ta Chong Bond	Available-for-sale financial assets	-	-	80,585	1,048,037	40,349	525,484	524,037	1,447	40,236	524,000
	Truswell Bond Fund	Available-for-sale financial assets	-	-	43,283	550,750	22,484	286,472	285,750	722	20,799	265,000
ABN AMRO Taiwan Bond Fund	Available-for-sale financial assets	-	-	75,350	1,134,308	37,724	568,472	567,308	1,164	37,626	567,000	
TLAM Solomon Bond Fund	Available-for-sale financial assets	-	-	47,165	549,037	27,270	317,849	317,037	812	19,895	232,000	
Cathay Bond	Available-for-sale financial assets	-	-	92,576	1,066,000	46,350	534,424	533,000	1,424	46,226	533,000	
Sunplus Venture Capital Co., Ltd.	Sunext Technology Co., Ltd.	Equity investments	6,500	19,264	9,500	108,999	-	-	-	-	16,000	16,699
	Young Tek Electronics Corp.	Available-for-sale financial assets	1,344	92,051	117	-	1,461	104,516	92,051	12,465	-	-
Generalplus Technology Inc.	Dresdner ADAM Bond Fund	Available-for-sale financial assets	-	-	25,608	295,000	25,608	295,616	295,000	616	-	-
	President James Bond	Available-for-sale financial assets	-	-	8,079	124,000	8,079	124,202	124,000	202	-	-
	The Wan Pao Bon Fund	Available-for-sale financial assets	-	-	10,486	159,000	10,486	159,142	159,000	142	-	-
	President Home Run	Available-for-sale financial assets	-	-	7,273	101,000	7,273	101,240	101,000	240	-	-

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

SUNPLUS TECHNOLOGY COMPANY LIMITED

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

FOR THE YEAR ENDED DECEMBER 31, 2006

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

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

SUNPLUS TECHNOLOGY COMPANY LIMITED

TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2006

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

Company	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Note/Account Payable or Receivable		Note
			Purchase/Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
Sunplus Technology Company Limited	Generalplus Technology Inc.	Equity-method investee	Sale	\$ 193,554	1%	Net 45 days from monthly closing dates in principle.	Note	Note	\$ 5,071	-	-
Orise Technology Co., Ltd	AU Optronics (Labuan) Corporation	Subsidiary of AU Optronics Corp.	Sale	1,019,821	36%	Net 120 days from monthly closing dates in principle.	Note	Note	638,639	48	-
	AU Optronics Corp.	An equity-method investor of Orise Technology Co., Ltd	Sale	136,326	5%	Net 120 days from monthly closing dates in principle.	Note	Note	126,731	9	-
	Kunshan Giantplus Optoelectronics Technology Co., Ltd.	Subsidiary of Giantplus Technology Co., Ltd.	Sale	115,785	4%	Net 45 days from monthly closing dates in principle.	Note	Note	75,513	6	-

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

SUNPLUS TECHNOLOGY COMPANY LIMITED

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

DECEMBER 31, 2006

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

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts and Sales Discounts
					Amount	Action Taken		
Orise Technology Co. Ltd.	AU Optronics (Labuan) Corporation	Subsidiary of AU Optronics Corp.	\$ 638,639	3.19	\$ -	-	\$ 114,112	\$ -
	Tech-well Shanghai display Co., Ltd	100% indirect subsidiary of AU Optronics Corp.	138,317	-	9,696	-	-	485
	AU Optronics Corp.	An equity-method investor of Orise Technology Co. Ltd.	126,731	2.15	-	-	-	-

SUNPLUS TECHNOLOGY COMPANY LIMITED

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCES
 YEAR ENDED DECEMBER 31, 2006
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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

(Continued)

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

(Concluded)

SUNPLUS TECHNOLOGY COMPANY LIMITED

INVESTMENT IN MAINLAND CHINA

YEAR ENDED DECEMBER 31, 2006

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

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type (e.g., Direct or Indirect)	Accumulated Outflow of Investment from Taiwan as of January 1, 2006	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2006	% Ownership of Direct or Indirect Investment	Investment Loss	Carrying Value as of December 31, 2006	Accumulated Inward Remittance of Earnings as of December 31, 2006	Accumulated Investment in Mainland China as of December 31, 2006	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
					Outflow	Inflow								
Sunplus Technology (Shanghai) Co., Ltd.	Research, development, design, manufacturing and sale of consumer ICs	US\$17,000 thousand	Indirect	US\$17,000 thousand	-	\$ -	US\$17,000 thousand	99	US\$(2,628) thousand	US\$9,868 thousand	\$ -	US\$17,000 thousand	US\$17,000 thousand	\$4,976,814