

**Sunplus Technology Company Limited
and Subsidiaries**

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

REPRESENTATION LETTER

The entities to be included in the combined financial statements of Sunplus Technology Company Limited as of and for the year ended December 31, 2006, which were prepared in conformity with the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises, are the same as the entities included in the consolidated financial statements prepared in conformity with the revised R.O.C. Statement of Financial Accounting Standards No. 7 "Consolidated Financial Statements." In addition, the information needed to be disclosed in the combined financial statements is included in the consolidated financial statements. Thus, Sunplus Technology Company Limited and Subsidiaries did not prepare a separate set of combined financial statements.

Very truly yours,

SUNPLUS TECHNOLOGY COMPANY LIMITED

By

CHOU-CHIEH HUANG
Chairman

February 1, 2007

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Sunplus Technology Company Limited

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

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

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

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

February 1, 2007

Notice to Readers

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

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

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2006 AND 2005

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

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

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

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

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2006 AND 2005

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

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

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SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME YEARS ENDED DECEMBER 31, 2006 AND 2005

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

	2006		2005	
	Amount	%	Amount	%
INCOME BEFORE INCOME TAX	\$ 3,244,413	12	\$ 2,479,189	9
INCOME TAX EXPENSE (Notes 2 and 20)	<u>159,116</u>	<u>1</u>	<u>19,430</u>	<u>-</u>
NET INCOME BEFORE CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES	<u>3,085,297</u>	<u>11</u>	<u>2,459,759</u>	<u>9</u>
CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES, NET OF TAX BENEFIT OF \$12,438 THOUSAND (Notes 3, 20 and 21)	<u>(32,564)</u>	<u>-</u>	<u>-</u>	<u>-</u>
CONSOLIDATED NET INCOME	<u>\$ 3,052,733</u>	<u>11</u>	<u>\$ 2,459,759</u>	<u>9</u>
ATTRIBUTABLE TO				
Shareholders of the parent	\$ 2,972,695	11	\$ 2,398,355	9
Minority interest	<u>80,038</u>	<u>-</u>	<u>61,404</u>	<u>-</u>
	<u>\$ 3,052,733</u>	<u>11</u>	<u>\$ 2,459,759</u>	<u>9</u>
	2006		2005	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
CONSOLIDATED EARNINGS PER SHARE (Note 21)				
Basic	<u>\$ 3.09</u>	<u>\$ 2.94</u>	<u>\$ 2.40</u>	<u>\$ 2.38</u>
Diluted	<u>\$ 3.08</u>	<u>\$ 2.92</u>	<u>\$ 2.38</u>	<u>\$ 2.36</u>

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

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

(Concluded)

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

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

	Equity Attributable to Shareholders of the Parent																
	Capital Stock Issued and Outstanding (Note 17)		Capital Surplus (Notes 2 and 17)					Retained Earnings (Notes 2 and 17)				Unrealized Gain on Financial Assets (Notes 2 and 3)	Cumulative Translation Adjustments (Note 2)	Treasury Stock (Notes 2 and 18)	Minority Interest (Note 2)	Total Shareholder's Equity	
	Shares (Thousands)	Amount	Additional Paid-in Capital	From Long-term Investments	From Merger	Treasury Stock Transactions	Total	Legal Reserve	Special Reserve	Unappropriated Earnings	Total			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	\$ -	\$15,264,134
Appropriation of prior year's earnings:																	
Legal reserve	-	-	-	-	-	-	-	273,769	-	(273,769)	-	-	-	-	-	-	-
Special reserve	-	-	-	-	-	-	-	-	338,488	(338,488)	-	-	-	-	-	-	-
Bonus to employees - stock	22,500	225,000	-	-	-	-	-	-	-	(225,000)	(225,000)	-	-	-	-	-	-
Bonus to employees - cash	-	-	-	-	-	-	-	-	-	(25,000)	(25,000)	-	-	-	(25,000)	-	(25,000)
Remuneration to directors and supervisors	-	-	-	-	-	-	-	-	-	(24,004)	(24,004)	-	-	-	(24,004)	-	(24,004)
Stock dividends - NTS0.2980 per share	26,258	262,576	-	-	-	-	-	-	-	(262,576)	(262,576)	-	-	-	-	-	-
Cash dividends - NTS1.9859 per share	-	-	-	-	-	-	-	-	-	(1,750,509)	(1,750,509)	-	-	-	(1,750,509)	-	(1,750,509)
Capital stock transferred from capital surplus	17,505	175,051	(175,051)	-	-	-	(175,051)	-	-	-	-	-	-	-	-	-	-
Issuance of shares upon exercise of employee stock options	7,213	72,125	120,194	-	-	-	120,194	-	-	-	-	-	-	-	192,319	-	192,319
Consolidated net income in 2005	-	-	-	-	-	-	-	-	-	2,398,355	2,398,355	-	-	-	2,398,355	61,404	2,459,759
Adjustment arising from changes in percentage of ownership of investees	-	-	-	(44,097)	-	-	(44,097)	-	-	-	-	-	-	-	(44,097)	-	(44,097)
Adjustment for changes in shareholders' equities in equity-method investees	-	-	-	3,531	-	-	3,531	-	-	-	-	31,880	-	-	35,411	-	35,411
Unrealized losses on long-term investment	-	-	-	-	-	-	-	-	-	-	-	(27,507)	-	-	(27,507)	-	(27,507)
Treasury stock repurchased by the Company - 2,582 thousand shares	-	-	-	-	-	-	-	-	-	-	-	-	-	(80,961)	(80,961)	-	(80,961)
Cash dividends received by subsidiaries from the Company	-	-	-	-	-	11,623	11,623	-	-	-	-	-	-	-	11,623	-	11,623
Increase in minority interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	300,105	300,105
Effect of first inclusion for consolidated of certain subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,587,021	1,587,021
Translation adjustments on long-term investments	-	-	-	-	-	-	-	-	-	-	-	-	39,255	-	39,255	12,691	51,946
BALANCE, DECEMBER 31, 2005	948,730	9,487,296	890,447	437,507	157,423	35,084	1,520,461	1,590,387	338,488	3,523,813	5,452,688	(285,085)	(9,775)	(176,566)	15,989,019	1,961,221	17,950,240
Effect of accounting changes (Note 3)	-	-	-	-	-	-	-	-	-	-	-	41,606	-	-	41,606	-	41,606
Appropriation of prior year's earnings:																	
Legal reserve	-	-	-	-	-	-	-	239,836	-	(239,836)	-	-	-	-	-	-	-
Special reserve	-	-	-	-	-	-	-	-	(43,628)	43,628	-	-	-	-	-	-	-
Bonus to employees - stock	22,500	225,000	-	-	-	-	-	-	-	(225,000)	(225,000)	-	-	-	-	-	-
Bonus to employee - cash	-	-	-	-	-	-	-	-	-	(25,000)	(25,000)	-	-	-	(25,000)	-	(25,000)
Remuneration to directors and supervisors	-	-	-	-	-	-	-	-	-	(24,517)	(24,517)	-	-	-	(24,517)	-	(24,517)
Stock dividends - NTS0.2990 per share	28,384	283,844	-	-	-	-	-	-	-	(283,844)	(283,844)	-	-	-	-	-	-
Cash dividends - NTS1.9930 per share	-	-	-	-	-	-	-	-	-	(1,892,295)	(1,892,295)	-	-	-	(1,892,295)	-	(1,892,295)
Capital stock transferred from capital surplus	18,923	189,230	(189,230)	-	-	-	(189,230)	-	-	-	-	-	-	-	-	-	-
Issuance of shares upon exercise of employee stock options	5,111	51,106	67,173	-	-	-	67,173	-	-	-	-	-	-	-	118,279	-	118,279
Adjustment arising from changes in percentage of ownership of investees	-	-	-	(44,453)	-	-	(44,453)	-	-	-	-	-	-	-	(44,453)	7,054	(37,399)
Adjustment from capital surplus - others	-	-	-	501	-	-	501	-	-	-	-	-	-	-	501	-	501
Consolidated net income in 2006	-	-	-	-	-	-	-	-	-	2,972,695	2,972,695	-	-	-	2,972,695	80,038	3,052,733
Increase in minority interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	536,828	536,828
Effect of changes in consolidated entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,943,691)	(1,943,691)
Translation adjustments on long-term investments	-	-	-	-	-	-	-	-	-	-	-	-	26,981	-	26,981	(2,802)	24,179
Cash dividends received by subsidiaries from the Company	-	-	-	-	-	12,244	12,244	-	-	-	-	-	-	-	12,244	-	12,244
Adjustment for changes in shareholders' equities in equity-method investees	-	-	-	-	-	-	-	-	-	-	-	138,717	-	-	138,717	-	138,717
Valuation gain on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	-	70,296	-	-	70,296	728	71,024
BALANCE, DECEMBER 31, 2006	<u>1,023,648</u>	<u>\$10,236,476</u>	<u>\$768,390</u>	<u>\$393,555</u>	<u>\$157,423</u>	<u>\$47,328</u>	<u>\$1,366,696</u>	<u>\$1,830,223</u>	<u>\$294,860</u>	<u>\$3,849,644</u>	<u>\$5,974,727</u>	<u>\$ (34,466)</u>	<u>\$ 17,206</u>	<u>\$ (176,566)</u>	<u>\$17,384,073</u>	<u>\$ 639,376</u>	<u>\$18,023,449</u>

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

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

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

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

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

(Continued)

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

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

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

(Continued)

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2006 AND 2005

(In Thousands of New Taiwan Dollars)

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

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

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

(Concluded)

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2006 AND 2005

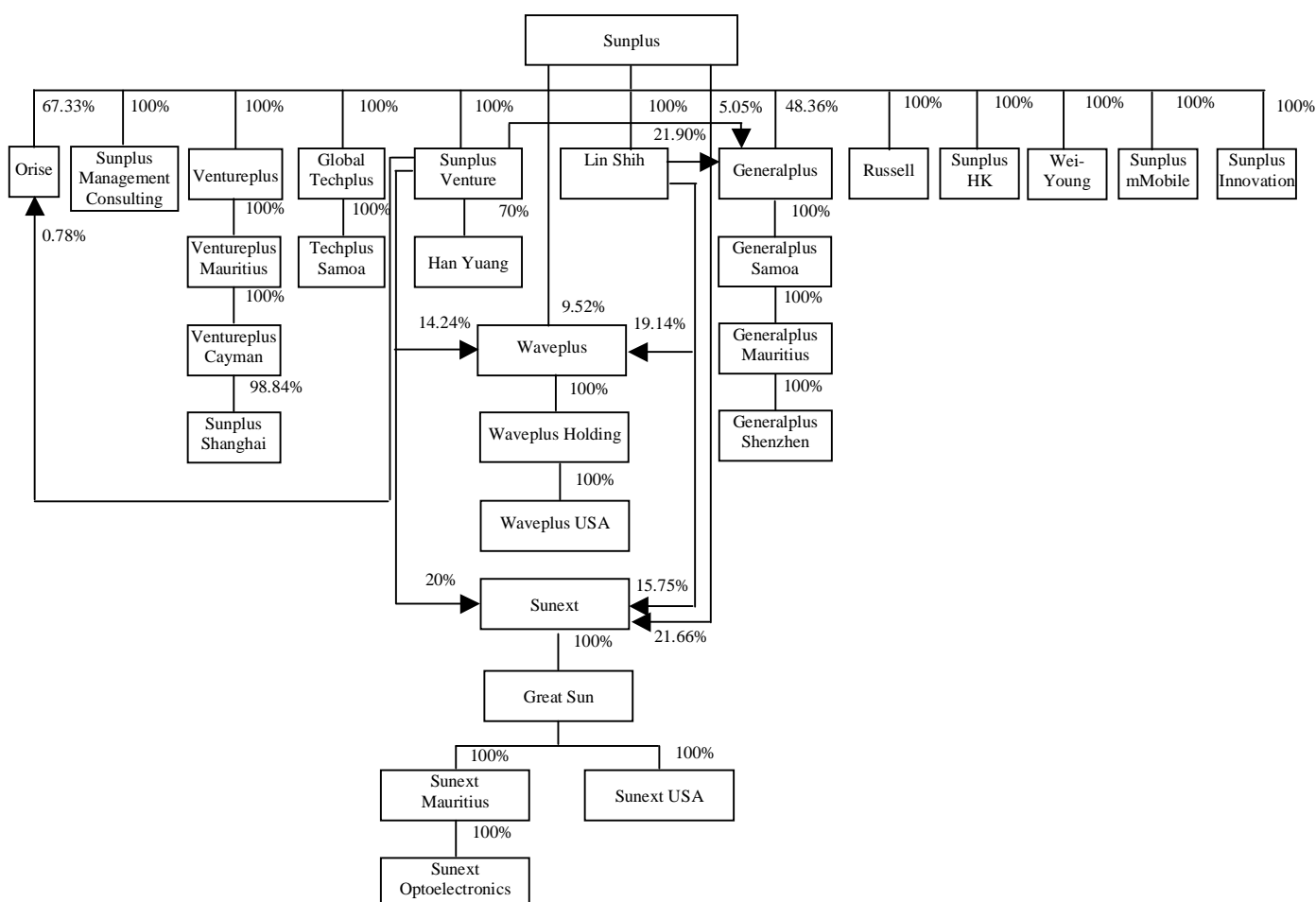
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. ORGANIZATION AND OPERATIONS

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

Sunplus’ shares have been listed on the Taiwan Stock Exchange since January 2000. Some of its shares have been issued in the form of global depository receipts, which have been listed on the London Stock Exchange since March 2001 (refer to Note 17).

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



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

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

Sunplus together with its consolidated entities hereinafter referred to collectively as the “Company”. As of December 31, 2006 and 2005, the Company had 1,720 and 5,251 employees, respectively.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

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

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

Principles of Consolidation

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

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

Investor	Investee	% of Ownership as of December 31 2006	% of Ownership as of December 31 2005	Remark	
Sunplus	Orise	67.33	-	Orise was established in January 2006.	
	Sunplus Innovation	100.00	-	Sunplus Innovation was established in December 2006.	
	Sunplus mMobile	100.00	-	Sunplus mMobile was established in December 2006.	
	Sunplus Management Consulting	100.00	100.00	-	
	Ventureplus	100.00	100.00	-	
	Global Techplus	100.00	100.00	-	
	Sunplus Venture	100.00	99.99	-	
	Lin Shih	100.00	99.99	-	
	Generalplus	48.36	52.84	Sunplus and the Subsidiaries held 75.31% ownership of Generalplus.	
	Russell	100.00	100.00	-	
	Giantplus	33.27	35.75	The chairman of Sunplus and the general manager of Giantplus were the same until July 2006. Thus, Sunplus had a controlling interest in Giantplus. However, Sunplus no longer had a controlling interest in Giantplus beginning in August 2006; thus, Giantplus ceased to be a consolidated entity from then on.	
		Sunplus HK	100.00	100.00	-
		Wei-Young	100.00	100.00	-
	Waveplus	9.52	9.52	Sunplus and the Subsidiaries occupied 2 of 3 Waveplus' Board of Directors. Thus, Sunplus had a controlling interest in Waveplus.	
	Sunext	15.75	24.00	Sunplus and the Subsidiaries occupied 2 of 3 Sunext's Board of Directors. Thus, Sunplus had a controlling interest in Sunext.	
Ventureplus	Ventureplus Mauritius	100.00	100.00	-	
Ventureplus Mauritius	Ventureplus Cayman	100.00	100.00	-	
Ventureplus Cayman	Sunplus Shanghai	98.84	98.84	-	
Global Techplus	Techplus Samoa	100.00	100.00	-	
Sunplus Venture	Han Yuang	70.00	70.00	-	
	Sunext	20.00	16.25	Sunplus and the Subsidiaries occupied 2 of 3 Sunext's Board of Directors. Thus, Sunplus had a controlling interest in Sunext.	
	Waveplus	14.24	14.24	Sunplus and the Subsidiaries occupied 2 of 3 waveplus's Board of Directors. Thus, Sunplus had a controlling interest in Waveplus.	
	Generalplus	5.05	5.52	Sunplus and the Subsidiaries held 75.31% ownership of Generalplus.	
	Orise	0.78	-	Sunplus and Subsidiaries jointly owned 68.11% of Orise.	
Lin Shih	Generalplus	21.90	23.93	Sunplus and the Subsidiaries held 75.31% ownership of Generalplus.	
	Sunext	21.66	27.34	Sunplus and the Subsidiaries occupied 2 of 3 Sunext's Board of Directors. Thus, Sunplus had a controlling interest in Sunext.	
	Waveplus	19.14	19.14	Sunplus and the Subsidiaries occupied 2 of 3 Waveplus's Board of Directors. Thus, Sunplus had a controlling interest in Waveplus.	
Russell	Jet Focus	44.03	44.03	In 2006, Sunplus no longer had a controlling interest in Jet Focus; thus, Jet Focus ceased to be a consolidated entity from then on.	
	Synerchip	31.82	57.80	In 2006, Sunplus no longer had a controlling interest in Synerchip; thus, Synerchip ceased to be a consolidated entity from then on.	

(Continued)

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

(Concluded)

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

Significant accounting policies are summarized as follows:

Current/Noncurrent Assets and Liabilities

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

Cash Equivalents

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

Financial Assets/Liabilities at Fair Value Through Profit or Loss

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

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

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

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

Revenue Recognition and Allowance for Doubtful Accounts

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

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

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

Inventories

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

Available-for-sale Financial Assets

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

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

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

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

Financial Assets Carried at Cost

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

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

Equity-method Investments

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

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

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

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

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

Properties

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

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

Depreciation is computed using the straight-line method over service lives initially estimated as follows: buildings - 3 to 55 years; auxiliary equipment - 3 to 35 years; machinery and equipment - 1 to 10 years; testing equipment - 1 to 6 years; transportation equipment - 5 years; furniture and fixtures - 1 to 10 years; leasehold improvements - 3 to 10 years; and other equipment - 2 to 5 years.

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

Intangible Assets

Intangible assets consist of technology license fee, technological Know-how, patents, land grant, and others booked at the acquisition cost, which are amortized using the straight-line method over 1 to 5 years, 5 years, 5 to 18 years, 50 years, and 3 years, respectively.

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

Deferred Charges

Deferred charges are mainly costs of electricity installation and software and system design, which are booked at the installation or acquisition cost. The amounts are amortized using the straight-line method over 1 to 5 and 5 to 10 years, respectively.

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

Employee Stock Option

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

Government Subsidies

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

Pension Costs

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

Treasury Stock

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

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

Income Tax

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

Tax credits for certain purchases of machinery, equipment and technology, research and development expenditures, personnel training, investments in poor area and investments in important technology-based enterprise are recognized in the current period.

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

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

Foreign-currency Transactions

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

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

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

Reclassifications

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

3. ACCOUNTING CHANGES

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

The effects of the accounting changes are summarized as follows:

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

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

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

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

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

- b. Reclassification of financial statement accounts

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

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

1) Short-term investments

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

2) Long-term investments

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

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

3) Derivative transactions

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

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

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

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

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

4. CASH AND CASH EQUIVALENTS

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

5. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

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

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

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

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

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

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

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

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

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

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

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

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

6. INVENTORIES, NET

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

7. EQUITY-METHOD INVESTMENTS

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

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

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

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

9. FINANCIAL ASSETS CARRIED AT COST

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

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

10. PROPERTIES

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

11. INTANGIBLE ASSETS, NET

	2006	2005
Technology license fee	\$ 1,470,015	\$ 1,006,975
Patents	77,195	82,739
Technological Know-how	68,751	174,868
Land grant	33,822	81,124
Others	<u>-</u>	<u>16</u>
	<u>\$ 1,649,783</u>	<u>\$ 1,345,722</u>

Intangible assets consisted of fee paid to Oak Technology ("Oak") for the Company to use Oak's technology on light storage solutions to develop SOC DVD/VCD (system on a chip digital compact disk/video compact disk) players and the fee paid to Royal Philips Electronics ("Philips") for the Company to use Philips' technology on Optical Disc Drive (ODD) semiconductor technology. Technological know-how includes the knowledge of CD-RW, Combo, Recordable-DVD, WLAN and Gate Way SOC.

12. DEFERRED CHARGES AND OTHERS

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

13. SHORT-TERM LOANS

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

14. COMMERCIAL PAPER PAYABLE

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

15. LONG-TERM LOANS

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

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

16. PENSION PLAN

The Labor Pension (the "Act") took effect on July 1, 2005. The employees subject to the Labor Standards Law before July 1, 2005 were allowed to choose to be subject to the pension mechanism under the Act or to continue being subject to the pension mechanism under the Labor Standards Law. For Company employees who were subject to the Labor Standards Law before July 1, 2005 and choose to be subject to the Act, their service years as of July 1, 2005 will be retained. Those hired on or after July 1, 2005 are automatically subject to the Act. Based on the Act, the Company's monthly contributions to employees' individual pension accounts starting from July 1, 2005 have been at 6% of employees' salaries. Thus, the pension costs recognized by the Company were \$61,027 and \$31,569 thousand for the years ended December 31, 2006 and 2005, respectively.

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

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

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

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

17 SHAREHOLDERS' EQUITY

a. Employee Stock Option Plan

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

Outstanding option rights were as follows:

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

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

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

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

b. Global Depositary Receipts (GDRs)

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

c. Capital Surplus

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

d. Appropriation of Earnings and Dividend Policy

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

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

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

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

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

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

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

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

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

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

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

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

18. TREASURY STOCK

(Units: Shares in Thousands)

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

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

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

19. PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

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

20. INCOME TAX

a. Income tax expense consisted of the following:

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

b. Deferred income tax assets consisted of the following:

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

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

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

(Continued)

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

(Concluded)

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

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

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

c. Integrated income tax information of Sunplus:

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

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

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

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

21. CONSOLIDATED EARNINGS PER SHARE

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

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

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

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

22. FINANCIAL INSTRUMENTS

a. Fair values of financial instruments were as follows:

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

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

- b. Methods and assumptions used in determining fair values of financial assets and liabilities, based on quoted market prices or valuation techniques, were as follows:
- 1) For cash and cash equivalents, certificate of deposit - restricted, notes and accounts receivable, other receivables, short-term loans, commercial paper payable, and notes and accounts payable, the carrying amounts reported in the balance sheets approximate their fair values because of their short maturities.
 - 2) Fair values of financial assets at fair value through profit or loss and available-for-sale financial assets are based on their quoted prices in active markets. For those instruments not traded in active markets, their fair values are determined using valuation techniques incorporating estimates and assumptions that are consistent with prevailing market conditions.
 - 3) Fair value of long-term loans with fixed interest rates is estimated using discounted cash flow analysis based on the Company's current incremental borrowing rates for borrowings with similar types (similar maturity dates). The fair value of long-term loans with floating interest rates is equivalent to their carrying value.
- c. Loss recognized for the changes in fair value of financial instruments using valuation techniques was \$3,012 thousand for the year ended December 31, 2006.

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

- 1) Market risk. The financial instruments held by the Company are exposed to interest rate, foreign exchange rate and price risks. Interest rates and foreign exchange rate on credit-linked deposits were already in determined. Thus, the fluctuation of interest rate and foreign exchange rate would result in changes in fair values of these financial instruments.

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

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

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

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

23. RELATED-PARTY TRANSACTIONS

The Company's related parties were as follows:

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

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

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

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

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

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

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

24. PLEDGED OR MORTGAGED ASSETS

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

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

25. SIGNIFICANT LONG-TERM OPERATING LEASES

Sunplus

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

Future annual minimum rentals under the leases are as follows:

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

Orise

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

Future annual minimum rentals under the leases are as follows:

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

26. GAIN ON SETTLEMENT COMPENSATION

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

27. ADDITIONAL DISCLOSURES

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

- a. Endorsement/guarantee provided: Table 1 (attached)
- b. Marketable securities held: Table 2 (attached)
- c. Marketable securities acquired and disposed of at costs or prices of at least NT\$100 million or 20% of the paid-in capital: Table 3 (attached)
- d. Acquisition of individual real estate properties at costs of at least NT\$100 million or 20% of the paid-in capital: Table 4 (attached)
- e. Total purchase from or sale to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 5 (attached)
- f. Receivable from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Please see Table 6 (attached)
- g. Names, locations, and related information of investees on which the Company exercises significant influences: Table 7 (attached)
- h. Investment in Mainland China: Table 8 (attached)
- i. Intercompany relationships and significant intercompany transactions: Table 9 (attached)

28. SEGMENT INFORMATION

- a. Industry information:

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

(Continued)

	Consume Integrated Circuit IC Design	Manufacture of TN/STN LCDs and LCD Modules	Other	Adjustment and Elimination	Consolidated
Gross profit	\$ 7,328,262	\$ 822,367	\$ 17,096	\$ (260,412)	\$ 7,907,313
Operating expense					(5,432,693)
Nonoperating income and gains					1,382,412
Nonoperating expense and losses					(612,619)
Income before income tax					\$ 3,244,413
Minority interest					\$ 80,038
Identifiable asset	\$ 20,915,530	\$ -	\$ 716,950	\$ (173,829)	\$ 21,458,651
Long term investment	\$ 7,123,866	\$ -	\$ 2,862,391	\$ (6,751,357)	3,234,900
Total assets					\$ 24,693,551
Depreciation and amortization expense	\$ 1,026,673	\$ 134,750	\$ 14,850	\$ -	\$ 1,176,273
Capital expenditure	\$ 549,865	\$ 159,184	\$ 204,158	\$ -	\$ 913,207
<u>2005</u>					
Sale to unaffiliated customers	\$ 19,308,539	\$ 7,760,751	\$ 15,220	\$ -	\$ 27,084,510
Transfer between affiliated party	720,818	2,177,700	53,923	(2,952,441)	-
Total sales	\$ 20,029,357	\$ 9,938,451	\$ 69,143	\$ (2,952,441)	\$ 27,084,510
Gross profit	\$ 6,599,382	\$ 1,308,912	\$ (82,709)	\$ (196,294)	\$ 7,629,291
Operating expense					(4,868,430)
Nonoperating income and gains					356,398
Nonoperating expense and losses					(638,070)
Income before income tax					\$ 2,479,189
Minority interest					\$ 61,404
Identifiable asset	\$ 16,862,111	\$ 6,248,970	\$ 1,795,382	\$ (765,568)	\$ 24,140,895
Long term investment	\$ 4,739,058	\$ 4,055,335	\$ 3,067,796	\$ (9,268,777)	2,593,412
Total assets					\$ 26,734,307
Depreciation and amortization expense	\$ 839,069	\$ 252,150	\$ 31,140	\$ -	\$ 1,122,359
Capital expenditure	\$ 608,848	\$ 237,588	\$ -	\$ -	\$ 846,436
					(Concluded)

b. Geographic information:

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

(Continued)

	Other	Asia	Taiwan	Adjustment and Elimination	Consolidated
Operating expense					\$ (5,432,693)
Nonoperating income and gains					1,382,412
Nonoperating expense and losses					<u>(612,619)</u>
Income before income tax					<u>\$ 3,244,413</u>
Identifiable asset	<u>\$ 165,471</u>	<u>\$ 564,083</u>	<u>\$ 20,902,926</u>	<u>\$ (173,829)</u>	\$ 21,458,651
Long term investment	<u>\$ 400,023</u>	<u>\$ 970,195</u>	<u>\$ 8,616,039</u>	<u>\$ (6,751,357)</u>	<u>3,234,900</u>
Total assets					<u>\$ 24,693,551</u>
<u>2005</u>					
Sale to unaffiliated customer	\$ 642	\$ 1,749,937	\$ 25,333,931	\$ -	\$ 27,084,510
Transfers between geographic area	<u>238,474</u>	<u>1,790,407</u>	<u>923,560</u>	<u>(2,952,441)</u>	<u>-</u>
Total sales	<u>\$ 239,116</u>	<u>\$ 3,540,344</u>	<u>\$ 26,257,491</u>	<u>\$ (2,952,441)</u>	<u>\$ 27,084,510</u>
Gross profit	<u>\$ 101,551</u>	<u>\$ 549,610</u>	<u>\$ 7,174,424</u>	<u>\$ (196,294)</u>	\$ 7,629,291
Operating expense					(4,868,430)
Nonoperating income and gains					356,398
Nonoperating expense and losses					<u>(638,070)</u>
Income before income tax					<u>\$ 2,479,189</u>
Identifiable asset	<u>\$ 273,685</u>	<u>\$ 3,517,915</u>	<u>\$ 21,114,863</u>	<u>\$ (765,568)</u>	\$ 24,140,895
Long term investment	<u>\$ 3,165,402</u>	<u>\$ 1,199,927</u>	<u>\$ 7,496,860</u>	<u>\$ (9,268,777)</u>	<u>2,593,412</u>
Total assets					<u>\$ 26,734,307</u> (Concluded)

c. Export sales:

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

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

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

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

ENDORSEMENT/GUARANTEE PROVIDED

YEAR ENDED DECEMBER 31, 2006

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

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

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

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

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2006

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

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

(Continued)

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

(Continued)

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

(Continued)

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

(Continued)

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

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

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

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

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

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

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

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

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
YEAR ENDED DECEMBER 31, 2006

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

Company Name	Type and Issuer Name of Marketable Security	Financial Statement Account	Beginning Balance		Acquisition		Disposal			Ending Balance		
			Units (Thousands)	Amount	Units (Thousands)	Amount	Unit (Thousands)	Amount	Carrying Value	Gain (Loss) on Disposal	Unit (Thousands)	Amount
Sunplus Technology Company Limited	Orise Technology Co., Ltd.	Equity investments	100	\$ 1,000	95,805	\$ 1,175,265	26,550	\$ 357,350	\$ 349,377	\$ 7,973	69,355	\$ 972,842
	Sunplus mMobile Inc.	Equity investments	-	-	120,000	1,680,000	-	-	-	-	120,000	1,648,899
	Sunplus Innovation Inc.	Equity investments	-	-	22,000	308,000	-	-	-	-	22,000	295,858
	Credit Link Note issued by 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 AND SUBSIDIARIES

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

FOR THE YEAR ENDED DECEMBER 31, 2006

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

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

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

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

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

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

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

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

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

DECEMBER 31, 2006

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

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

SUNPLUS TECHNOLOGY COMPANY LIMITED

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCES
YEAR ENDED DECEMBER 31, 2006

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

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

(Continued)

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

(Concluded)

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

INVESTMENT IN MAINLAND CHINA
YEAR ENDED DECEMBER 31, 2006
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Sunplus (Nature of Relationship: 0)

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

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

Generalplus Technology (Nature of Relationship: 1)

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type (e.g., Direct or Indirect)	Accumulated Outflow of Investment from Taiwan as of January 1, 2006	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2006	% Ownership of Direct or Indirect Investment	Investment Loss	Carrying Value as of December 31, 2006	Accumulated Inward Remittance of Earnings as of December 31, 2006
					Outflow	Inflow					
Generalplus Shenzhen	Pata processing service	US\$700 thousand	Indirect	US\$700 thousand	\$ -	\$ -	US\$700 thousand	100%	US\$362 thousand	US\$105 thousand	\$ -

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

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

Sunext Technology (Nature of Relationship: 1)

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type (e.g., Direct or Indirect)	Accumulated Outflow of Investment from Taiwan as of January 1, 2006	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2006	% Ownership of Direct or Indirect Investment	Investment Loss	Carrying Value as of December 31, 2006	Accumulated Inward Remittance of Earnings as of December 31, 2006
					Outflow	Inflow					
Sunext Technology (Shanghai)	Design of magnetic disc and software	US\$600 thousand	Indirect	US\$300 thousand	US\$300 thousand	\$ -	US\$600 thousand	100%	US\$239 thousand	US\$194 thousand	\$ -

Accumulated Investment in Mainland China as of December 31, 2006	Investment Amount Authorized by Investment Commission, MOEA	Upper Limit on Investment
US\$600 thousand	US\$600 thousand	\$80,000

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

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS

YEARS ENDED DECEMBER 31, 2006 and 2005

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

1. FOR THE YEAR ENDED DECEMBER 31, 2006

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

(Continued)

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

2. FOR THE YEAR ENDED DECEMBER 31, 2005

Company Name	Counter Party	Nature of Relationship (Note 7)	Intercompany Transactions			
			Financial Statements Item	Amount	Terms (Note 2)	Percentage of Consolidated Total Gross Sales or Total Assets
Sunplus Technology Co., Ltd.	Giantplus Technology Co., Ltd	1	Sales	\$ 252,595	Note 1	0.93%
			Nonoperating income and gains	1,609	Note 1	-
			Notes and accounts receivables	36,347	Note 1	0.14%
	Generalplus Technology Co., Ltd.	1	Sales	131,080	Note 1	0.48%
			Non-operating income	420	Note 1	-
			Notes and accounts receivables	17,795	Note 1	0.07%
	Waveplus Technology Co., Ltd.	1	Sales	119,840	Note 1	0.44%
			Commission expenses	14,011	Note 2	-
			Notes and accounts receivables	8,275	Note 1	-
			Other current liabilities	204	Note 1	-
Sunext Technology Co., Ltd	1	Sales	22,171	Note 1	0.08%	
		Nonoperating income and gains	3,700	Note 3	-	
		Notes and accounts receivables	457	Note 1	-	
		Deferred royalty income	67,259	-	-	
Sunplus Technology (H.K.) Co., Ltd.	1	Marketing expenses	13,756	Note 2	-	
Giantplus Technology Co., Ltd.	Kunshan Giantplus Optoelectronics Technology Co., Ltd.	2	Sales	397,874	Note 2	1.47%
			Subcontract cost	1,799,624	Note 2	6.56%
			Accounts receivables	312,020	Note 1	4.60%
			Accounts payables	246,656	Note 1	0.92%
			Nonoperating income and gains	1,206	Note 1	-
			Unrealized intercompany profit	4,823	Note 1	0.02%
	Deferred intercompany profit	30,901	Note 4	0.12%		
Generalplus (SAMOA) Holding Co., Ltd.	2	Operating expenses	2,992	Note 1	0.01%	
Waveplus Technology Co., Ltd.	Waveplus USA	2	Research and development expenses	25,595	Note 2	0.09%
			Rent income	1,888	Note 3	0.01%
Sunext Technology Co., Ltd.	Sunext USA	2	Research and development expenses	168,969	Note 2	0.61%
			Other current liabilities	6,419	Note 1	0.02%
Jet Focus	Coolsands	2	Administrative expense	40,350	Note 2	-

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

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

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

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

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

No. 2 represents the transaction between the subsidiaries.

(Concluded)