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FTSE : SUPD



SUNPLUS

SUNPLUS TECHNOLOGY

THE CONSUMER IC DESIGN COMPANY

2004 ANNUAL REPORT

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Please read following notice before using this report:

Readers are advised that the original version of the reports financial is in Chinese. If there is any conflict between these financial statements and the Chinese version or any difference in the interpretation of the two versions, the Chinese-language report shall prevail.

In addition, certain of our financial information has been published in accordance with requirements of the Republic of China Securities and Futures Commission and is presented in conformity with accounting principles generally accepted in the Republic of China. Readers should be cautioned that these accounting principles differ in many material respects from accounting principles generally accepted in other countries.

The materials and information provided on this report have been issued by Sunplus and are posted solely for informational purposes and is not an offer to buy or sell or a solicitation of an offer to buy or sell any securities issued by us or otherwise.

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I. Letter to Shareholders

Dear Shareholders,

Sunplus revenue reached NT\$18.94 billion as record high in 2004, which grew 70.7% compared to NT\$11.1 billion in 2003. Sunplus is the Top12 fabless IC design company worldwide in 2004 in terms of revenue. But the gross margin dropped to 31.4% in 2004 from 34.4% in 2003 due to product mix change since more sales contribution came from standard and lower margin products. In order to improve margin and develop new products, we used more advanced wafer process and the R&D expenses increased to NT\$2.05 billion as 10.8% of total revenue in 2004. The operating income in 2004 were NT\$2.93 billion. In terms of our affiliated investments, Giantplus Technology recorded profit growth, however, Waveplus Technology and Sunext Technology still lost money. Thus, the long-term investment losses by equity method were NT\$278 million in 2004. Besides, the inventory losses were NT\$176 million and the foreign exchange losses totaled NT\$23 million. The net non-operating expenses summed up NT\$ 528 million and the non-operating income, such as interests revenue, dividend incomes and the disposal gain of long-term and short-term investment, were about NT\$235 million. As the result, the profits before tax were NT\$2.63 billion, and the profits after tax totaled NT\$2.74 billion.

The Company revenue were contributed mostly by multimedia products and micro-controllers, for example, DVD player SoC, VCD MPEG1 decoder, DSC image processor, TV game, and ICs for educational learning aids and interactive toys, etc. Furthermore, Sunplus has already launched TFT LCD drivers and controllers, which started to contribute sales in 2004, and we will keep to promote various new and competitive products including media processor for handset, digital TV controller, etc. going to 2005.

The total employees were 1004 persons at the end of 2004 with yearly growth 36%, 74% of them were R&D staff. We plan to increase our human resources to about 1200 employees in 2005 to develop new products and expand new market.

A review of our marketing and sales data indicated that 63.2% percent of 2004 sales revenue came from our top 10 customers, with sales evenly distributed amongst these customers. North America and Europe are the main markets for our end-user products in 2004 and Mainland China is growing market. Because of revenue increase from Multimedia products, market in Japan and other developing countries will be also highly growing, besides North America, Europe and China.

In terms of production, Sunplus has maintained strategic cooperation with the leading wafer foundries around the world. We also actively expanded our advanced process technologies proportionally in order to lower the cost of wafers and alleviate the pressure of gross profits gliding. In 2004, over 80 percent of our total product demands were 8-inch wafers. The mainstream process technologies in 2004 were 0.18 μm and 0.35 μm ,

which made up to 66 percent of our totally supplies. We anticipate there will be demand for 0.15 or even 0.13 μ m in 2005. In-house wafer testing capacity is approximate 18,000 pieces 8-inch wafer monthly. We also maintain an outstanding cooperative relationship with our IC testing vendors to ensure sufficient production capacity during the peak season.

As an overview, the Company will keep focusing on consumer electronic field and investing more and more in new products development to assure the continuation of operation. Finally, we would like to thank all of our shareholders for your support, encouragement and dedication to our long-term goals. We will work harder to requite you with better profits.

All the best,

Handwritten signature of Chou-Chye Huang in black ink.

Chairman, Chou-Chye Huang

Handwritten signature of Yarn-Chen Chen in black ink.

President, Yarn-Chen Chen

II. Brief Introduction to Sunplus

2.1 Company Profile

Sunplus was established in August 1990.

The major events & achievement are listed below :

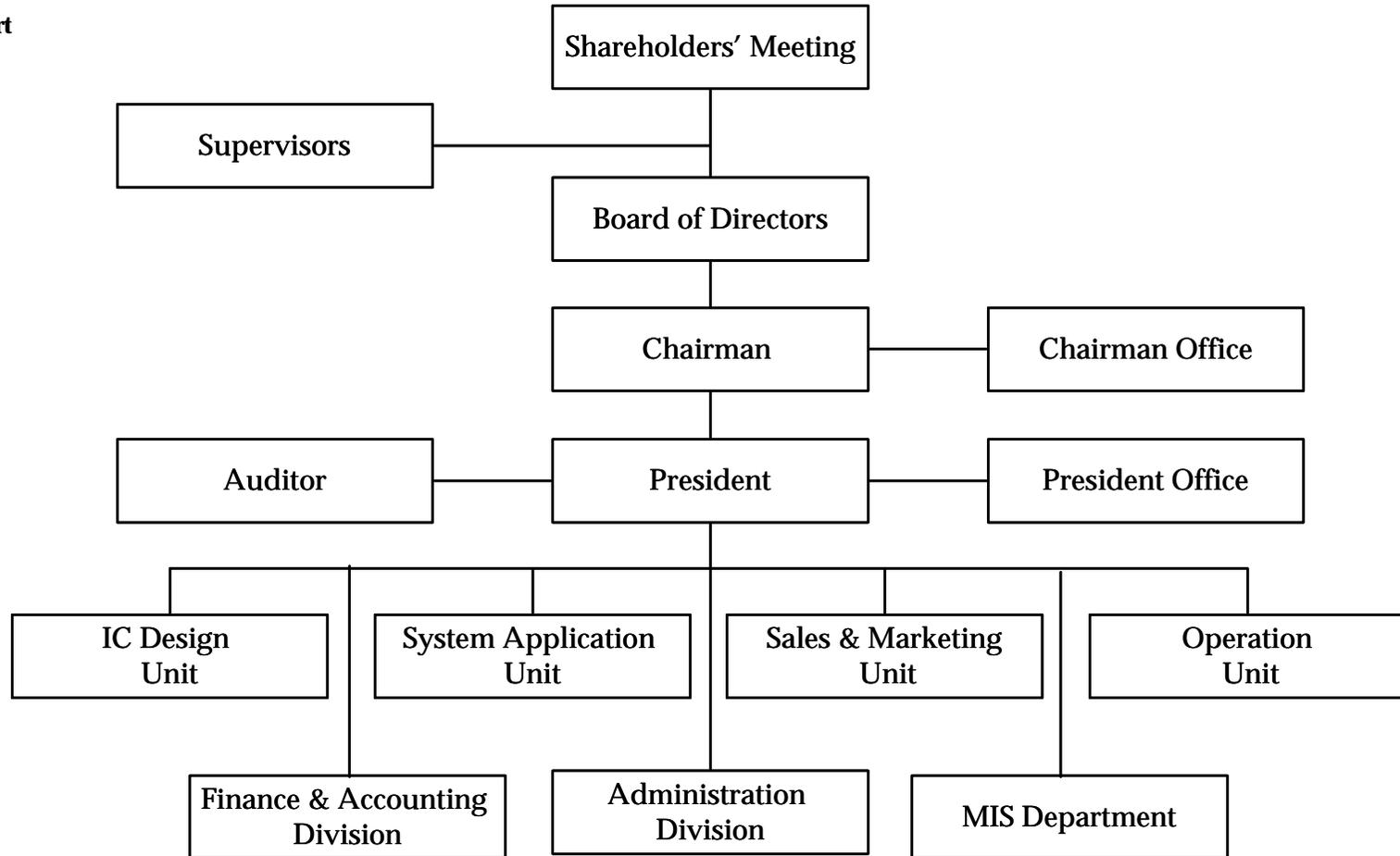
- Aug.1990 Sunplus Technology was found with NT\$23 million in registered capital.
- Feb.1992 An audio/video controller, SPV01 (1.2μm), was announced for TV applications.
- May.1993 Obtained approval from the SIPA to set up company in Science Park.
- Oct.1993 Company increased capital to NT\$60 million and moved into Science Park.
- Sep.1994 Company increased capital to NT\$198 million and started in-house wafer circuit probe testing.
- Jun.1995 100 % Stock dividends rose from NT\$198 million to NT\$396 million.
- Apr.1996 Evaluated as “The most productive IC design company” by Hsinchu Science-Based Industrial Park Administration.
- May.1996 Stock dividends reinvested as new capital rose from NT\$396 million to NT\$643.6 million.
- Jan.1997 Grand opening of Sunplus building with 10Kpcs 6” Wafers/Month in-house wafer circuit probe testing capacity.
- Jun.1997 Stock dividends reinvested as new capital rose from NT\$643 million to NT\$1,055 million.
- Sep.1997 Sunplus Technology was IPO on the Over-The-Counter stock market.
- Jul.1998 Stock dividends reinvested as new capital rose from NT\$1,055 million to NT\$1,840 million.
- Aug.1999 Stock dividends reinvested as new capital rose from NT\$1,840 million to NT\$2,691 million.
- Jan. 2000 Sunplus was listed on the main board of the Taiwan Stock Exchange (TSE).
- Jun. 2000 Received certificate of ISO 9001 Quality Assessment by RWTUV.
- Aug. 2000 Monthly sales of NT\$711 million set record high.
- Sep. 2000 Company reorganized, set Consumer and Multimedia Business Units for company’s long-term development and the board meeting appointed Mr. Yarn Chen Chen as the president.
- Dec. 2000 Sunplus received the Distinguished Achievement Award from the Hsin-Chu Science-Based Industrial Park for its outstanding achievement in technological research and development.
- Mar. 2001 Sunplus successfully lunched its Global Depository Receipts on the London Stock Exchange.
- Jul. 2001 Stock dividends reinvested as new capital rose from NT\$2,691 million to NT\$5,447 million
- Aug. 2001 Monthly sales of NT\$720million set record high.
- Dec. 2001 Complete the Grandtech merger and announced the company’s reorganization.
- Feb. 2002 Launched the ERP “my SAP” system successfully to enhance company’s operational efficiency and competence.
- Jan. 2002 Established a sub-company at Shanghai, China to provide better service to customers in Mainland.
- Jul. 2002 Stock dividends, employee bonus, capital surplus reinvested as capital rose to NT\$6,949 million.
- Jun. 2002 Purchased a new office building (B Building) at Science Park.
- Jul. 2002 Sponsored the new Innovation Park and Parking Lot at Science Park, Hsin-Chu.

- Sep. 2002 Monthly sales of NT\$862million set record high.
- Feb. 2003 32-bit core IP licensed from MIPS Technology for next-generation consumer electronic products.
- Apr. 2003 Completed acquisition of Oak Optical Storage Business and spin-off a new venture, Sunext Technology
- May.2003 Licensed MPEG-4 video compression technology from DivXNetworks to create DivX certified IC solutions for consumer electronic products.
- Jun. 2003 Announced reorganization by altering the Product Business Unit Systems to Functional Unit Systems including IC Design Unit, System Application Unit, Sales& Marketing Unit and Operation Unit.
- Jul. 2003 Licensed Panellink DVI core IP from Silicon Image to develop dual-mode LCD controller solutions.
- Jul. 2003 Stock dividends, employee bonus, capital surplus reinvested as capital rose to NT\$7,775 million.
- Aug. 2003 Aligned to joint-develop of System-on-Chip (SoC) solutions and deliver broad portfolio of digital media solutions with Silicon Image Inc.
- Aug. 2003 Established new milestone for monthly sales over NT\$1 Billion.
- Dec. 2003 Won "Innovation Product Award 2003" and "R&D Performance Award 2003" from Hsinchu Science Park Administration
- Dec. 2003 Monthly sales of NT\$ 1,275 million set record high while the net sales for 2003 added up to NT\$11.1 billion as landmark.
- Aug.2004 Stock dividends, employee bonus, capital surplus reinvested as capital rose to NT\$8,753 million.
- Sep.2004 Monthly sales of NT\$1,875million set record high.
- Dec.2004 Won "R&D Performance Award 2004" from Hsinchu Science Park Administration
- Dec.2004 MFP SoC with 4800dpi super high photo image quality won "Innovation Product Award 2004" from Hsinchu Science Park Administration

2.2 Organization

2.2.1 Organization System

A. Organization Chart



B. Department Function Description

(As of March 31, 2005)

Chairman Office	(1)Planning company's strategic alliance (2)Planning and executing investment plan (3)Arranging Board meeting
President Office	(1)Establishing company's operational directions, strategies and goals (2)Auditing management and improving management performance (3)Communicating with investor/ public and press (4)Planning company's business plans and strategic investments
IC Design Unit	(1)Planning and managing product development projects (2)Advanced technology research and development (3)CPU/DSP hardware, software core technology development (4)IC layout and database maintenance
System Application Unit	(1)Support to software design per customer request (2)Customer services and FAE support (3)Developing application software and emulation tools (4)Customer complaints
Sale s& Marketing Unit	(1)In charge of all sales channels (2) Marketing and developing business worldwide
Operation B.U.	(1)Product testing and testing engineering software & hardware facilities development (2)Production& material control, managing import/export affairs (3)Developing and follow-up Quality Assurance System
MIS Department	(1)Establishing operation system and office automation (2)Purchasing, maintenance of IT equipment and software
Finance & Accounting Division	(1)Finance, accounting operation and capital, assets management (2)Arranging annual shareholders meeting
Administration Division	(1)General services, (2)Human resources management

2.2.2 Directors and Supervisors

(As of April 15,2005)

Title	Name	Date Elected/ term of office	Initial Date elected	Share holding When Elected		Current Shareholding		Spouse & Minor Shareholding		Education	Position currently held with other company
				Amount	%	Amount	%	Amount	%		
Chairman	Chou-Chye Huang	2003.5.06 / 3 years	1990.7.09	126,023,083	18.13	152,487,930	17.42	5,045,939	0.58	M.S. Electrical Engineering National Tsing Hua University	Chairman of Sunplus HK Technology, Shanghai Sunplus Technology, Sunplus Venture Capital, Lin Shih Investment, Giantplus Technology, Russell Holding, Waveplus Technology, Sunext Technology, Weiyong Investment, Waveplus Holding, Sunplus Management Consulting, Generalplus Technology, Jet Focus, Techplus Capital Niue, Ventureplus Group, Techplus Capital(Samoa), Ventureplus Mauritius, Ventrueplus Cayman, Giantplus Holding, Giantplus(Samoa)Holding, Kunshan Giantplus, Generalplus International(Samoa), Generalplus(Mauritius), Generalplus Technology (Shenzhen), Sunext Optoelectronics Technology (Shanghai) Co. Ltd., Sunext Design, Great Sun, Sunext(Mauritius) Supervisor of NCTU Spring Venture Capital Director of Goldkey Technology, Spring Foundation of NCTU, Minton, Taiwan NapoElectro-Optical, Ritek Corp., Avl Technologies, Gemfor, Feature Integration Technology Inc., Gigarams Semiconductor Device Corp., Promise Technology, Hsinchu Golf Club, SimpleAct Incorporated, TPVC, President of Giantplus, Generalplus
Director & President	Yarn-Chen Chen	2003.5.06 / 3 years	1990.7.09	25,511,377	3.67	31,032,765	3.55	5,214,729	0.6	M.S. Computer & Electrical Engineering University of California Santa Barbara	Director of Shanghai Sunplus Technology, Lin Shih Investment, Goldkey, ABCO, Waveplus, Sunplus VC, WI Harper VC, Global View Technology, Sunext, Chiabon VC, Cyberon, Weiyong Investment, Sunplus Management Consulting, Generalplus Technology, Sunext Design, Generalplus Technology (Shenzhen), Sunext Optoelectronics Technology (Shanghai) Co. Ltd.,
Director	Bing Huang Shih	2003.5.06 / 3 years	1990.7.09	18,845,417	2.71	18,925,023	2.16	3,343,454	0.38	M.S. Electrical Engineering National Taiwan University	Director of Lin Shih Investment., Global View , Shanghai Sunplus Technology, Sunplus VC, Sunplus Management Consulting, Wei Young Investment Supervisor of Radiant

Title	Name	Date Elected/ term of office	Initial Date elected	Share holding When Elected		Current Shareholding		Spouse & Minor Shareholding		Education	Position currently held with other company
				Amount	%	Amount	%	Amount	%		
Director	Hou-Shien Chu	2003.5.06 / 3 years	1994.9.28	7,466,531	1.07	7,720,712	0.88	2,135,343	0.24	M.S. Application Physics National Tsing Hua University	Director of Giantplus Technology, Sunplus VC, Gerenalplus
Director	Chwei Jing Yhe (Ritek Corp. Representative of Legal Entity)	2003.5.06 / 3 years	2000.5.31	3,946,350	0.57	4,775,083	0.55	-	-	M.S. Steven Institute of Technology	CEO & President of Ritek Technology Chairman of Chungyuan Investments, Chungfu Investments, Chungyuan Venture Capital & Investment International., Kuo Fu Development Venture , Ritek Display, Director of Yeh-Te Investment Co., Ltd., Prodisc Technology Inc., Gigastorage Corp., Prodisc Technology, Giantplus Technology Inc., Prorit Corporation, Kinik Co., managing director at U-TECK Media Co., Supervisor of China TV Corp.,
Supervisor	Feng, Chu-Chien (Global View Technology Co., Ltd. Representative of Legal Entity)	2003.5.06 / 3 years	1990.7.09	24,987,831	3.6	25,148,625	2.87	-	-	B.S. EE of National Chiao-Tung University	President of Global View Director of Global View, Global View (HK), Global View (KunShan) Chairman of Radiant. Supervisor of Giantplus
Supervisor	Liang-Chung Chang	2003.5.06 / 3 years	2000.5.31	30,000	-	44,000	0.01	-	-	B.A. Accounting Fu-Jen Unversity	-
Independent Supervisor	Duen-Chian Cheng	2003.5.06 / 3 years	2003.5.06	-	-	-	-	-	-	MBA of Columbia University	Director of ITE Tech, Sercomm Corp., Coretronic corp., Havertek, Edom, Supervisor of QDI, Faraday, United MicroDisplay

2.2.3 Major Shareholders of Institution Shareholders

(As of April 15, 2005)

Institution Shareholders	Top 10 shareholders or Institution shareholders holding more than 10 % of shares
Global View Technology Co., Ltd.	Sunplus Technology Co,Ltd., Chih-Yuan Chou, Meng-Hui Lin, HSBC, Feng, Chu-Chien ,Kun-Ting Huang, Lin Hua Laio, Hsin-Fei Ma, ING, Yun-Lung Huang
Ritek Corporation	Central Trust of China Trusted Account for Shih -Fu-Po-Teng-Te-La-Wa New Market Value, Central Trust of China Trusted Account for California State Civil Servants' Retirement System, Chwei-Jing Yeh, Chung-Fu Investment, Citibank Trusted account for Singapore Government's Fund, Labor Retirement Fund Management Council, Central Trust of China trusted account for the investment of Bernstein Company, Chin-tai Yeh, Central Trust of China trusted Ya-Kai-Te-En New Market Stock fund Investment, HSBC Trusted Account for Morganstanley International Co., Ltd.

2.2.4 Major Shareholders of Institution Shareholders

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Institution Shareholders	Major Shareholder
Chungfu Investment Co.,Ltd. ,	Ritek Corp.

2.2.5 Management

(As of April 15,2005)

Title	Name	Date Effective	Current Shareholding		Spouse & Minor Shareholding		Education	Position currently held with other company
			Amount	%	Amount	%		
President	Yarn-Chen Chen	2000.09.01	31,032,765	3.55	5,214,729	0.60	M.S. Computer & Electrical Engineering University of California Santa Barbara	Director of Shanghai Sunplus Technology, Lin-Shih Investment, Goldkey, ABCO, Waveplus, Sunplus VC, WI Harper VC, Global View Technology, Sunext, Chiabon VC, Cyberon, Weiying Investment, Sunplus Management advisory, Generalplus Technology,
VP	Oh-Jung Ou	2001.12.25	5,371,908	0.61	839,592	0.10	B.S. Electrical Engineering Chung Yuan Christian University	-
VP	Chih-Hao Kung	2003.06.02	15,668,132	1.79	1,277,473	0.15	M.S. Electronic Engineering National Chiao-Tung University	Director of Han Young Technology
VP	Kuo-Bin Huang	2003.06.02	2,193,371	0.25	994,230	0.11	B.S. Electronic Engineering Chung Yuan Christian University	Director of Miracle Technology Co., Ltd.
VP	Steven Huang	2004.05.07	353,298	0.04	15,199	0.00	EMBA of Graduate Institute of Technology & Innovation Management (TIM) in College of Commerce at National Chengchi University	-
VP	Gwo-Chin Su	2004.05.07	331,231	0.04	-	-	M.S. Electrical Engineering	-
Director of Finance & Accounting Division	Ming-Cheng Liao	2000.10.02	115,934	0.01	33,880	0.00	BA, Business Administration Fu Jen Catholic University	Director of Harvatek Supervisor of AIR2U Inc.

2.2.6 Rewards for Directors, Supervisors & President and Vice President

(As of Dec. 31, 2004)

Title	Name	(1)Transportation Allowance	(2) Honorarium from Profit Distribution	(3) Employee Bonus from Profit Distribution			Subtotal of (1)+(2)+(3)	% of Net Income	Stock Options (shares)	Others	
				Cash Bonus	Stock Bonus						
					Amount of Shares	Market Price*					Total Amount
Chairman	Chou-Chye Huang	NT\$117,000	NT\$16,360,000	-	120,000	NT\$43.98	NT\$5,278,000	NT\$21,755,000	0.79%	577,170	CarNT\$3,110,000 Rent for Cost NT\$547,000
Director & President	Yarn-Chen Chen										
Director	Bing Huang Shih										
Director	Hou-Shien Chu										
Director	Chwei Jing Yhe (Ritek Corp. Representative of Legal Entity)										
Director	Hsien Cheng Liu										

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Title	Name	(1)Transportation Allowance	(2) Honorarium from Profit Distribution	Subtotal of (1)+(2)	% of Net Income	Others
Supervisor	Liang Chung Chang	NT\$60,000	NT\$4,615,000	NT\$4,675,000	0.17%	-
Supervisor	Feng. Chu-Chien (Global View Technology Co., Ltd representative of legal entity)					
Supervisor	Duen-Chian Cheng					

Title	Name	(1) Wages	(2) Bonus, Special allowance	(3) Employee Bonus from Profit Distribution			Subtotal of (1)+(2)+(3)	% of Net Income	Stock Options (shares)	Others	
				Cash Bonus	Stock Bonus						
					Amount of Shares	Market Price*					Total Amount
President	Yarn-Chen Chen	NT\$23,989,000	-	-	625,000	NT\$43.98	NT\$27,488,000	NT\$51,477,000	1.88%	1,760,060	-
VP	Oh-Jung Ou										
VP	Chih-Hao Kung										
VP	Kuo-Bin Huang										
VP	Steven Huang										
VP	Gwo-Chin Su										

	Title	Name	Stock Bonus			Cash Bonus	Subtotal	Portion of Net Income
			Shares	Market Price*	Total Amount	Total Amount		
Management Team	President	Yarn-Chen Chen	665,000	NT\$43.98	NT\$29,247,000	-	NT\$29,247,000	1.07%
	VP	Oh-Jung Ou						
	VP	Chih-Hao Kung						
	VP	Kuo-Bin Huang						
	VP	Steven Huang						
	VP	Gwo-Chin Su						
	Director of Finance & Accounting Division	Ming-Cheng Liao						

*Market Price based on the average market price from Dec.1~Dec.31 2004

2.2.7 Net Change of Director, Supervisor, Management & Major Shareholder

(Unit: Thousand Shares)

Title (Note1)	Name	2003		Ended to March 31, 2005	
		Change in Shareholding	Shareholding Change in Shares Pledged	Change in Shareholding	Shareholding Change in Shares Pledged
Chairman	Chou-Chye Huang	13,863	19,050	-	-
Director & President	Yarn-Chen Chen	2,930	5,000	-	-
Director	Bing Huang Shih	191	-	(513)	-
Director	Hou Shien Chu	313	-	(441)	-
Director	Hsien Cheng Liu (Note1)	25	-	-	-
Director	Chwei Jing Yhe (Ritek Corp. Representative of Legal Entity)	434	-	-	-
Supervisor	Feng, Chu-Chien (Global View Technology Co., Ltd Representative of legal Entity)	205	-	(513)	-
Supervisor	Liang Chung Chang	4	-	-	-
Supervisor	Duen-Chian Cheng	-	-	-	-
VP	Oh-Jung Ou	627	-	(261)	-
VP	Chyh-Cherg Chen (Note 2)	88	-	-	-
VP	Chih-Hao Kung	1,387	-	(72)	-
VP	Kuo-Bin Huang	277	-	(36)	-
VP	Steven Huang (Note3)	111	-	(18)	-
VP	Gwo-Chin Su (Note3)	74	-	(149)	-
Director of Finance & Accounting Division	Ming-Cheng Liao	33	-	(36)	-

Note1: No disclosure after relief on 2004.Dec.31

Note2: No disclosure after relief on 2004.Dec.23

Note3: Disclosure after appointing on 2004. May 07

2.2.8 Stock Trade with Related Party

Name(Note1)	Transfer Reason (Note2)	Transaction Date	Name of Counter Party	Nature of Relationship	Amount. of Shares	Transaction Price
-	-	-	-	-	-	-

2.2.9 Stock Pledge with Related Party

Name(Note1)	Reason of Pledge (Note2)	Date of Change	Name of Counter Party	Nature of Relationship	Amount. of Shares	Transaction Price
--	--	--	--	--	--	--

2.2.10 Sunplus Long-term Investments Ownership

(As of March 31, 2005; unit: NT\$ thousand, thousand shares)

Investee Company (Note)	Sunplus Investment		Shareholding of Sunplus Director, Supervisor, management, or subsidiary		Synthetic Shareholding	
	Amount of Shares	Holding Ratio %	Amount of Shares	Holding Ratio %	Amount of Shares	Holding Ratio %
	Giantplus Technology	58,972	37	7,568	5	66,540
Lin Shih Investment	69,994	100	5	0	69,999	100
Sunplus Venture Capital	99,994	100	4	0	99,998	100
Harvetek Corp.	3,971	3	5,951	5	9,921	8
Goldkey Technology	6,568	15	7,343	17	13,911	32
Ritek Corp.	5,000	0	35,546	2	40,546	2
Waveplus Technology	2,856	10	10,013	33	12,869	43
Silicon Application Corp.	1,015	1	226	0	1,241	1
Generalplus Technology	12,000	60	8,000	40	20,000	100

Note: Except the listed companies above, other investee companies are held separately by Sunplus or Sunplus 100% held subsidiaries.

2.3 Capital and Shares

2.3.1 History of Capitalization

(Ended of March 31 2005)

Month/ Year	Price	Authorized capital		Issued capital		Note		
		Shares (Thousand Shares)	Amount (NTSK)	Shares (Thousand Shares)	Amount (NTSK)	Sources of Capital (NTSK)	Non- monetary capital expansion	Date of Approval & Approval Document No.
08/1990	10	2,300	23,000	620	6,200	Cash Offering 6,200	None	Not IPO yet
08/1990	10	2,300	23,000	1,150	11,500	Cash Offering 5,300	None	Not IPO yet
03/1992	10	2,300	23,000	2,300	23,000	Cash Offering 11,500	None	Not IPO yet
12/1993	10	6,000	60,000	6,000	60,000	Cash Offering 20,900 Capitalization of Profits 16,100	None	Not IPO yet
09/1994	10	19,800	198,000	19,800	198,000	Cash Offering 60,000 Capitalization of Profits 78,000	None	Not IPO yet
06/1995	10	39,600	396,000	39,600	396,000	Capitalization of Profits 198,000	None	28/06/1995 SFC No. 37335

06/1996	10	64,360	643,600	64,360	643,600	Capitalization of Profits 247,600	None	06/26/1996 SFC No. 40155
06/1997	10	105,500	1,055,000	105,500	1,055,000	Capitalization of Profits 411,400	None	06/10/1997 SFC No.46641
06/1998	10	184,000	1,840,000	184,000	1,840,000	Capitalization of Profits 785,000	None	06/ 08/1998 SFC No.49408
06/1999	10	269,120	2,691,200	269,120	2,691,200	Capitalization of Profits 851,200	None	06/23/1999 SFC No.57760
06/2000	10	600,000	6,000,000	370,000	3,700,000	Capitalization of Profits 1,008,800	None	06/03/2000 SFC No.48003
09/2000	10	600,000	6,000,000	390,000	3,900,000	Cash Offering for GDR 200,000	None	09/18/2000 SFC No 72620
06/2001	10	700,000	7,000,000	534,000	5,340,000	Capitalization of Profits 1,440,000	None	06/27/2001 SFC No 40791
12/2001	10	700,000	7,000,000	544,742	5,447,424	Merger from Grandtech 10,742	None	12/12/2001 SFC No 173137
06/2002	10	1,000,000	10,000,000	694,950	6,949,500	Capitalization of Profits 957,334 And capital surplus 544,742	None	05/30/2002 SFC No.129546
07/2003	10	1,000,000	10,000,000	777,504	7,775,040	Capitalization of Profits 130,590 And capital surplus 694,950	None	05/22/2003 SFC No.0920122560
06/2004	10	1,000,000	10,000,000	875,254	8,752,544	Capitalization of Profits 355,500 And capital surplus 622,004	None	06/15/2004 SFC No.0930126644

(Unit : Shares)

Type of stock	Authorized Capital			Note
	Issued shares	Un-issued shares	Total	
Common shares	875,254,000	124,745,600	1,000,000,000	

2.3.2 Status of Shareholders

(As of April 15, 2005, Unit : thousand shares)

Shareholder	Government Agencies	Financial Institutions	Others Juridical Person	Domestic Natural Persons	Foreign Insititions & Natural Persons	Total
Person	0	8	121	27,815	224	28,168
Holding shares	0	9,958	76,679	516,276	272,341	875,254
Holding ratio%	0.00	1.14	8.76	58.98	31.12	100.00

2.3.3 Distribution Profile of Shareholding Ownership

(Par value @ NT\$10, As of April 15,2005)

Shareholding Classification	Amount of Shareholders	Amount of Shares	Holding %
1~ 999	9,588	2,378,918	0.27
1,000~ 5,000	12,893	28,226,855	3.22
5,001~ 10,000	2,614	19,011,550	2.17
10,000~ 15,000	915	11,055,804	1.26
15,001~ 20,000	498	8,866,339	1.01
20,001~ 30,000	480	11,839,837	1.35
30,001~ 40,000	235	8,219,362	0.94
40,001~ 50,000	162	7,330,443	0.84
50,001~ 100,000	317	22,315,415	2.55
100,001~ 200,000	168	23,866,451	2.73
200,001~ 400,000	107	30,866,100	3.53
400,001~ 600,000	37	18,975,431	2.17
600,001~ 800,000	17	11,958,088	1.37
800,001~ 1,000,000	18	16,303,256	1.86
More than 1,000,000	119	654,040,551	74.73
Total	28,168	875,254,400	100.00

2.3.4 Major Shareholder

(As of April 15, 2005)

Name	Shares	Amount of Shares	Holding %
Chou-Chye Huang		152,487,930	17.42%
Yarn-Chen Chen		31,032,765	3.55%
Global View Technology Co., Ltd.		25,148,625	2.87%
De Zhong Liu		20,931,685	2.39%
Bing Huang Shih		18,925,023	2.16%
Templeton developing Markets Trust		17,662,010	2.02%
Chih-Hao Kung		15,668,132	1.79%
Wen-Qin Lee		15,094,579	1.72%
Chunghwa Post Co., Ltd		13,141,080	1.50%
Columbia Acorn Trust –Columbia Acorn fund		10,000,000	1.14%

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

Item		Year			
		2003	2004	2005 (Jan.~Mar.)	
Market price per share	Highest market price		66.5	82.0	52.2
	Lowest market price		34.6	40.1	39.9
	Average market price		53	58.09	46.04
Net value per share	Before distribution		18.04	17.44	17.68
	After distribution		16.52	-	-
Earnings per share	Weighted average shares		772,182,481	869,400,729	869,400,729
	Earnings per share*	Before adjustment	2.60	3.15	0.21
		After Adjustment	2.31	-	-
Dividends per share	Cash dividends		1.5	-	-
	Stock dividends	From retained earnings	0.2	-	-
		From capital surplus	0.8	-	-
	Unpaid Dividend		-	--	--
Return on investment	Price/ Earning ratio**		2038	18.44	54.81
	Price/Dividend ratio***		48.035.33	-	-
	Cash Dividends yield Ratio****		2.83%	-	-

* Earnings per share : Retroactive adjustment for capitalization of un-appropriated earnings and bonus employees

** Price/Earning ratio = Average market price / Earnings per share

***Price/Dividends ratio = Average market price / Cash dividends per share

***Cash dividends yield rate = cash dividend per share / Average market price per share

2.3.6 Dividend Policy

(a) Dividend policy according to regulations in the company law and the article of incorporation

Our dividend policy is made according to regulations set forth in the company law and the article of incorporation. The dividends can be in the form of cash or stock, which depends on the status of company's capital, financial structure, operational needs, retained earnings and industrial environment. The dividend policy for this year will follow the aforementioned rules and maintain the policy of cash dividend with stock dividend, while cash part shall not be less than 10% of the total dividend.

(b) The proposal for distribution of 2004 profits on this shareholders' meeting

Stock dividends : Each shareholder of common shares will be entitled to receive a stock dividend of **30 common shares (from profits distribution of 2004) and 20 common shares (from capital surplus) for each 1,000 shares.**

Cash dividends : Each shareholder of common shares will receive cash dividend of **NT\$ 2.0 per common share.**

2.3.7 Impact on Business Performance and EPS from Dividend Distribution This Year

Due to no official financial guidance for 2004, no related information this year.

2.3.8 Bonus to Employees, Directors and Supervisors

(a) Company Articles of Incorporation about bonus to employees, directors& supervisors

The Company's Articles of Incorporation provides that Company appropriates earnings every year as follows: (1) legal reserve equivalent to 10% of the net income of the latest completed year less any accumulated deficit in prior years except the amount of legal reserve are over the capital, and (2) special reserve equivalent to the debit balance of any accounts shown in the shareholders' equity section of the balance sheet, other than the deficit. In addition, any distribution of the remaining earnings, will be made as follow: (i) up to 6% of the par value of the outstanding capital stock will first be paid/distributed as dividends, (ii) 1.5% and at least 1% of the remaining distributable earnings after (i) is distributed as remuneration to directors and supervisors and as bonus to employees, respectively.

The balance of the current year net income after all the foregoing appropriations and distributions plus the accumulated balance of the un-appropriated prior years' earnings may be distributed as additional dividend. It is the Company's policy that cash dividends shall be at least 10% of total dividends paid/distributed. Stock dividend will be distributed in lieu of cash dividends when the minimum cash dividend distributable is less than NT\$0.5 per share.

A special reserve equivalent to the debit balance of any account shown in the shareholder equity section of the balance sheets, other than the deficit, is made from retained earnings pursuant to existing regulations promulgated by the ROC Securities and Futures Commission (SFC). The special reserve is adjusted accordingly based on the balance of such accounts at year-end.

(b) BOD proposal for 2003 bonus to employees, directors and supervisors

A. BOD proposal (resolution by Board meeting at April 28 , 2005)

	Amount (NT\$K)	Ratio of capital increase from profits
Employee Bonus in Stock	225,000	56.26%
Employee Bonus in Cash	25,000	
Rewards for Directors& Supervisors in Cash	24,004	
Total	<u>274,004</u>	

B. If foregoing bonus was cash and be expensed in 2004, the EPS in 2004 would be NT\$2.83 (EPS in 2004 are NT\$3.15)

(c) Bonus to Employees, Directors & Supervisors for last year

Approval by shareholders' meeting at June 1st, 2004, about distribution of bonus to employees, directors and supervisors

	Amount (NT\$K)
Employee Bonus in Stock	200,000
Directors& Supervisors Bonus in Cash	20,977
Total	<u>220,977</u>

The distribution tallied with the proposal by BOD at April 20, 2004.

2.3.9 Buyback Shares Program: None

2.4 Issuance of Corporate Bonds: None

2.5 Preferred Shares: None

2.6 GDR Issuance

(as March 31, 2005)

Issuing Date		March 16, 2001	
Item			
Issuing Date	March 16, 2001		
Issuance & Listing	FTSE (London Stock Exchange)		
Total Amount	US\$191,400,000		
Offering Price per Unit	US\$9.57		
Issued Units	29,227,435.5		
Underlying Securities	Offering 20,000,000 new shares of common stock of par value NT\$10		
Common Shares Represented	Common shares 58,454,871		
Rights and Obligations of GDR holders	Same as those of common share holders		
Trustee	N/A		
Depository Bank	The Bank of New York		
Custodian Bank	International Commercial Bank of China		
GDRs Outstanding	1,486,361.5 units		
Apportionment of the expenses for the issuance and maintenance	All fees and expenses related to issuance of GDRs were borne to the selling shareholders and Sunplus, while the maintenance expenses such as annual listing fees, information disclosure fees and other expenses were borne by Sunplus		
Terms and Conditions in the Deposit Agreement and Custody Agreement	--		
Closing price per GDRs	2004	Highest	US\$4.35
		Lowest	US\$2.28
		Average	US\$3.35
	01/01/2005~ 03/31/2005	Highest	US\$3.25
		Lowest	US\$2.60
		Average	US\$2.89

2.7 Employee Stock Options Plan

2.7.1 Issuance of Employee Stock Option & Impact to Shareholders' Equity

(as March 31, 2005)

Employee Stock Option Plan	1 st Grant	2 nd Grant
Approval Date by the Securities & Future Commission	March 06, 2003	
Issue (Grant) Date	May 06, 2003	August 28, 2003
Number of Shares Issued	23,874,840	8,478,700
Percentage of Issued Shares to Outstanding Common Shares	2.72776%	0.96871%
Option Duration	2005/05/06 ~ 2009/05/05	2005/08/28 ~ 2009/08/27
Source of Option Shares	New common shares	
Vesting Schedule	2 nd Year	50%
	3 rd Year	75%
	4 th Year	100%
Shares Exercised	0	0
Value of Shares Exercised	0	0
Shares Unexercised	23,874,840	8,478,700
Grant Price per Unexercised Shares	NT\$27.10	NT\$47.10
Percentage of Unexercised Shares to Outstanding Common Shares	2.72776%	0.96871%
Impact to Shareholders' Equity	Dilution to shareholders' equity is limited	

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

(as March 31, 2005)

Title	Name	Number of Shares Grant (Shares)	Percentage of Grant Shares to Outstanding Common Shares (%)	Unexercised			
				Number of Shares Unexercised (Shares)	Grant Price per Unexercised Shares (NT\$)	Value of Shares Exercised (NT\$K)	Percentage of Unexercised Shares to Outstanding Common Shares
President	Yarn-Chen Chen	2,041,270	0.23%	2,041,270	27.1	55,318	0.23%
VP	Oh-Jung Ou						
VP	Chyh-Cherg Chen						
VP	Chih-Hao Kung						
VP	Kuo-Bin Huang						
VP	Steven Huang						
VP	Gwo-Chin Su						
Director of Finance & Accounting Division	Ming-Cheng Liao						

Note: Management don't title any option at 2nd Grant.

2.8 Mergers and Acquisitions

Disclosure of the merger in 2004 and till the date of annual report printed: None

III. Operational Highlights

3.1 Business Activities

3.1.1 Business Scope

(1) Major business

- A. CC01080 Manufacturing of electronic component.
- B. I501010 Product Designing
- C. F401010 International Trading
- D. I301010 Software Design Services
- E. I301020 Data Processing Services
- F. Researching, Developing, Manufacturing and Promoting of the following products:
 - a. ICs R&D, Manufacture, Test, Sale
 - b. ICs module R&D, Manufacture, Test, Sale
 - c. Application software R&D, Sale
 - d. IPs R&D, Sale
 - e. Trading Business and Agency Business of ICs.

(2) Product segments and sales percentage

unit : NT\$ K

Product Categories	Sales of 2004	%
LCD IC	2,684,415	14.18
Micro controller IC	4,256,471	22.47
Multimedia IC	10,405,850	54.94
Others	1,593,320	8.41
Total	18,940,056	100.00

(3) Products

- A. LCD IC: LCD controllers and drivers, for TN, STN, TFT, OLED Type. Product examples:
 - Electrical dictionary, Handheld game, Watch, Mobile phone, PDA, Educational toys,
 - Display for DSC, Notebook, Monitor, etc.
- B. Micro Controller IC: applied to Interactive toys, TV games, PC peripherals, Home appliance, etc.
- C. Multimedia IC: applied to VCD, DVD and MP3 player, DSC, Camera phone, Multi-function Printer, DTV, etc.
- D. Others: including Memory, RF IC, Smart card IC and ASIC.

(4) New products

1. Media processor for handset
2. DVD recordable player IC
3. HD DVD player IC
4. MPEG decoder for STB
5. Portable media player(PMP) IC
6. High resolution digital video camera solution
7. TFT LCD Drivers and Controller IC
8. Controller for high-end interactive toys
9. TV Game IC
10. MCU for home appliance
11. Communication IC

3.1.2 Industry overview

A. Industry supply-chain

In the product development flow, Sunplus focus on IC design, system design, wafer testing and sales services but out-sources most aspects of the manufacturing including mask making, wafer fabrication, wafer sawing, packaging and final testing. The infrastructure of semiconductor industry in Taiwan is very efficient; we have foundries like TSMC, UMC, etc., and backend assembly and testing houses such ASE, SPIL and KYEC. Since those factories are located in Hsinchu Science Park or nearby, the “Cluster” effect could make higher production efficiency.

Our major customers are distributors, which means our products are shipped to end customers via distributors. The end customers’ manufactories are located in Taiwan, HK and Mainland China, and the end products after assembly are sold to North America and Europe or other emerging countries per different applications.

B. Product developing trend and competition

LCD IC: LCD controller/driver ICs such as TN, STN, ECB, TFT, and OLED, can be applied to LCD products with a full range of resolution and colors (black-and-white, grayscale, and full-color). Our major competitors for LCD IC include local IDM and design houses like Novatek, Himax, Solomon Systech and international IDM manufacturers as well.

MCU: Our micro-controllers have been applied to products like toys, gift items, TV games, digital recorders, language learning machines, e-Books, audio electronic dictionaries and digital home appliance and Sunplus is one of the leading IC suppliers. The core technology of our micro controller IC products includes 8-bit and 16-bit RISC with complicated mathematic algorithm, such as voice encoding/decoding, voice recognition, image recognition, and communication protocol. It allows us to meet the customers’ demand by choosing the most appropriate instruction set. As a result, not only is the performance satisfactory, but the cost will also become more competitive. Competitors

include Holtek, Sonix, Windbond, Elan, and etc. We are also aggressive to promote our 32-bit Micro-processor to high-end interactive toys and TV games.

Multimedia IC: The main technology of our multimedia IC products is based on DSP and RISC hardware. In accordance with different image processing and voice processing algorithm, this technology can handle complicated mathematic operations. It can be used on products like digital cameras, VCD/SVCD/DVD players, and Multi-function printers. At present, our main competitors such as ESS, ZORAN, Mediatek and Cheertek.

3.1.3 Overview of technology and R&D

A. R&D expenditure in 2004 and 2005 YTD

Unit : NT\$K

Year	2004	2005 end at March 31
Expense	2,046,236	548,570
Percentage of sales	11%	13%

B. R&D accomplishments

- a. MPEG4 decoding technology for DSC, DVD player.
- b. MPEG2 decoding and servo control technology for DVD player SoC.
- c. MP3 decoding technology for MP3 player.
- d. TFT-LCD driver for mobile phone, PDA, DSC, laptop, LCD monitor, LCD TV, etc.
- e. Multi-function Printer SoC
- f. MPEG decoding Technology for Set Top Box
- g. 27MHz RF technology for remote controllers of home appliance, interactive toys, games and wireless products.
- h. Embedded Flash controller for such as GSM SIM card, Telephone IC card, financial IC card and smart card
- i. 16-bit DSP technology for human intonation electronic dictionary, handwriting input recognition devices, electronic storybooks and digital recording product
- j. 16-bit RISC micro controller for SOC Caller ID telephone with voice recognition function toys and digital telephone answering machine
- k. TV encoding technology for video player, TV game consoles and digital TV

3.1.4 Business plan

Sunplus' R&D technology is oriented toward consumer electronic products. The potential of this market is infinite. The future product development plan is still focused on consumer electronics market for mobile imaging terminal, intelligent toys and connected home appliance, etc. The goal is looking forward to being worldwide silicon creator for digital life.

3.2 Sales and Marketing

3.2.1 Market Outlook

(1) Market distribution

Unit : NTS K

Sales Area	2004	
	Amount	(%)
Hong Kong	10,177,045	53.73
Taiwan	7,090,901	37.44
Others	1,672,110	8.83
Total	18,940,056	100.00

(2) Market Share

The production value of worldwide fables IC design Industry in 2004 is US\$33.0 billion roughly. Sunplus 2004 sales were NTS18.94billion (equals to US\$590million) and we took around 1.7 % of the total market.

(3) Market supply, demand and growth in the future

A. Micro-controller

Most end product applications for of Sunplus micro-controllers are for toys and gifts, and we also started to promote Sunplus 32-bit microprocessor to high-end interactive toys. There are various applications and huge demands for micro-controller, which the estimated worldwide market for micro-controller in 2007 could reach 6 billion pieces. Besides the toys and gifts applications, the company will keep going to develop more products targeting the home appliance and IT market.

MCU Market Estimation

Unit: thousand pieces

Applications	8-bit			16-bit			32-bit		
	2002	2007(f)	CAGR%	2002	2007(f)	CAGR%	2002	2007(f)	CAGR%
Communication	265,958	340,392	5.06%	79,156	106,306	6.08%	48,719	106,423	16.91%
IT	641,457	995,743	9.19%	338,016	607,252	12.43%	87,180	222,256	20.58%
Automobile	606,102	825,195	6.37%	71,508	127,074	12.19%	50,579	91,340	12.55%
Consumer	1,056,559	1,611,910	8.82%	199,251	318,927	9.86%	102,775	233,148	17.80%
Industry	288,078	428,344	8.26%	121,753	247,301	15.23%	29,651	64,021	16.64%
Military	29,759	39,766	5.97%	24,340	31,910	5.57%	16,536	30,723	13.19%
Total	2,887,913	4,241,350	7.99%	834,023	1,438,770	11.52%	335,439	747,912	17.39%

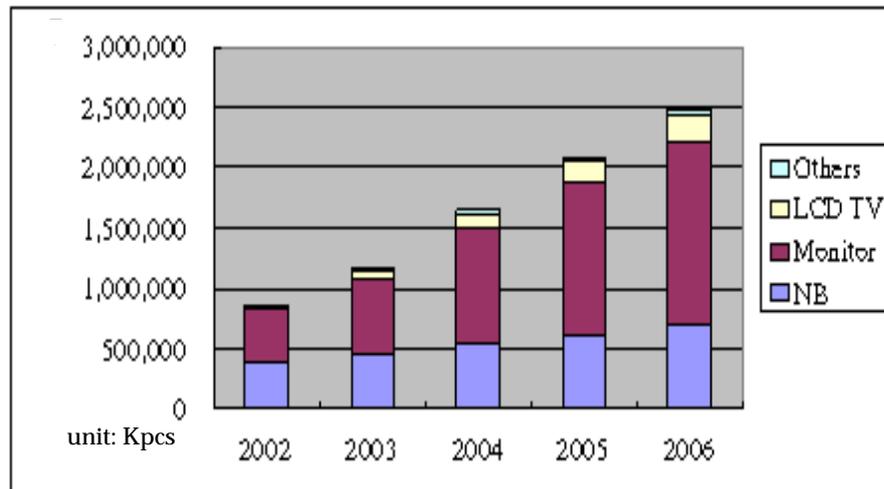
Source : In-Stat (2003/10)

B. LCD IC

The growing demand of LCD monitor, Notebook, LCD TV and smart phone triggers the market demand of LCD ICs. The worldwide market demand will reach 2.2 billion pieces for large panel LCD drivers according to IEK research, and the driver ICs for handset could be one billion pieces referring

to Topology research. There are coming huge demands for LCD drivers IC. The major supplier of LCD drivers are Japanese and Korean, but Taiwan IC design house also are well-positioned and have opportunity to gain more market share with completed supplier-chain in Taiwan. The going down cost triggered the demand for TFT-LCD panel and ICs for panel as well. The infrastructure of TFT-LCD industry in Taiwan is getting efficient. With panel cost keep dropping, there will be more and more consumer electronic products with colorful TFT-LCD display.

Estimated Demand for Large panel LCD Drivers



Source : ITRI IEK(2003/04)

Driver IC for handset panel

Unit: million pcs

DDI of Display Type/ Year	MSTN	CSTN	TFT	LTFS	OLED	Total
2003	531	232	48	2	0	813
2004	362	383	212	14	0	971
2005	226	307	410	68	0	1010
2006	199	199	517	163	2	1080
2007	150	186	410	273	27	1044
2008	105	0	550	340	116	1110
CAGR	-27.7%	n/a	62.7%	171.8%	n/a	6.4%

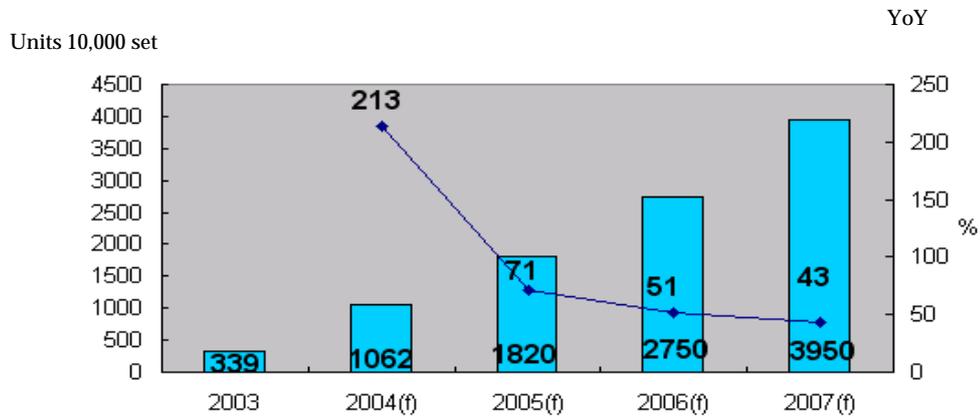
Source: Topology , 2005/02

C. Multimedia IC

The product applications of Sunplus multimedia ICs include DVD/VCD player, DSC, handset media processor, MP3 player, LCD TV controller and etc. Consumers are asking for higher quality and more features for their home entertainment system, which it will come with more features like recording and the demand is still strong in the few years. The handsets will also come out with more and more

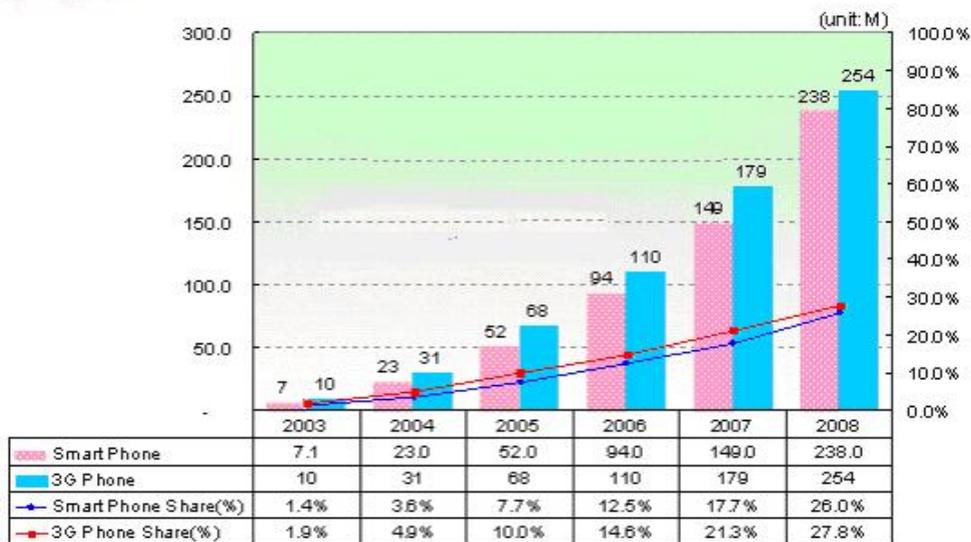
multimedia features integrated such as camera, polyphonic, MP3, games, and etc. The demands for consumer electronics, especially for multimedia products are highly growing.

Worldwide demand for DVD Recordable



Source: EITA, Topology, 2004/08

Shipment Estimation for Smart phone and 3G handset 2003-2008



Source: IDC, Topology 2004/12

(4) Advantages & disadvantages of competitive advantage & long-term development

A. Competitive advantage:

a. Accumulation and impartation of the experience of the R&D team

Eight engineers established Sunplus in 1990. They are the center of Sunplus' operational team. Each of them has accumulated almost twenty years of experience in new product development,

technology management and marketing. This invaluable experience has been deliberately passed on to the next generations of engineers at Sunplus. This continuity in the conveyance of experience has resulted in fewer complaints from customers and more rapid professional growth in our new employees. Consequently, the turn over rate remains relatively low compare to other IC design houses. End of March 2005, Sunplus has total 131 patents in ROC, 42 patents in PRC, 49 patents in US, and has more than hundred products for sale. No other company has come close to this exemplary record.

b. Focus on high-level consumptive IC market, enlarge the distance from competitors

Since the IC market is extremely competitive and stagnation is an ever-present trap, we keep on bringing in a large number of R&D resources to develop new high-level consumer products. At present, we are the number one local consumptive IC design house, and we constantly widen the distance between us and other local competitors.

However, Sunplus is not satisfied with this achievement and we are aiming at competing with other companies based in developed countries such as the US and Japan. We are excited about creating new products ahead of our competitors, but we also extend our product range gradually with an adequate amount of prudence and forethought. By this process, we will reduce our reliance on the products from those developed countries.

c. With economic scale and stable demand, plentiful wafer supply compared with competitors

Sunplus numerous product lines give us a tremendous advantage over our competitors. We are the kind of customer that is prized by most wafer foundries because our wafer demand does not fluctuate when a few products are eliminated. Due to our steady stream of orders to our wafer suppliers, we enjoy more consistent wafer supply during peak seasons than our competitors. This also allows us to keep our wafer costs at a competitive rate.

d. Strategic cooperation with upper stream and down stream factories

In recent years, Sunplus has increased cooperation between our upper stream and down stream factories more dynamically and strategically. We believe that this new strategic and more dynamic cooperative relationship will bring positive contributions to our production and marketing in the long term.

e. Maintain long-term and stable cooperative relationship with customers

Consumer electronic products rely on IC to raise their add-on value; consequently, the consumer electronic product manufacturers always pick their IC design houses with extreme caution. The IC design house needs to meet the customers' requirements to provide different functions for different products and fulfill customers' demand for original products. Furthermore, the end-product manufacturers also pay much attention to delivery, good quality ratings and service. Due to the demands in this relationship, it is clear that both sides' need to operate in coordination in the long run and to establish a permanent cooperative relationship.

Sunplus has always devoted itself to research and development. We use the real world experience that we have accumulated over many years to continually exploit new markets and channels. We also adopted an exclusive agency system to provide the down stream customers with a more

complete service. We have sustained a good long-term cooperative relationship with a lot of end-product manufacturers worldwide.

B. Advantage:

- a. Sunplus will continue to promote high value-added chips for consumer electronic products in order to gain an ever-increasing distance ahead of our competitors.
- b. Our next generation semiconductor process technology will accelerate the replacement of IC products and expand our consumer electronic markets.
- c. Higher entry barrier due to more complicated products R&D, it is more favorable to companies, which have larger economic scale.
- d. Robust design and integrated development capability will speed up development of new products and cut down production costs, which demonstrates the strong hold Sunplus has on the market and its unmatched ability to respond to new market changes.
- e. Long-term cooperation with major foundry sources and steady demand with economic scale, we have more plentiful wafer supply compared with competitors.

C. Disadvantages

- a. Due to the high performance of the IC industrial infrastructure, more competitors will be drawn into the industry since an IC design house is a high profit industry.
- b. Products change fast, and each one has a short life cycle of no more than one year.
- c. IC design is more integrated and complex so development cost is much higher.

D. Response Strategies

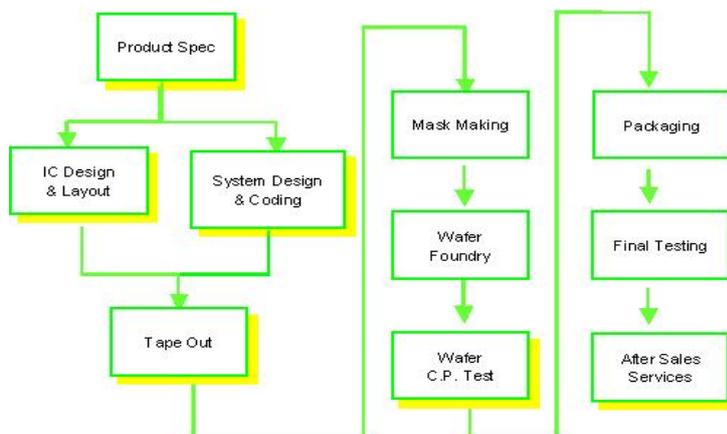
- a. Actively developing quality products that raise the market value of all our products.
- b. Process migration to make per wafer productivity higher and drive cost down.
- c. Expanding strategic partnership with clients to make win-win situation.
- d. Collaboration with partners to broaden IP licensing sources.

3.2.2 Product Application and Development Flow

(1) Product Application

- A. LCD IC : LCD TV, Monitor, Electronic dictionary, Handheld game, Mobile phone, PDA, DSC, etc.
- B. Micro-controller IC : Interactive Toys, Educational products, TV game, Mouse, Keyboard, Remote controller, etc.
- C. Multimedia IC : Digital Still Camera, Digital audio/video player, MP3 player, MFP, etc.
- D. Others : Communication product, Memory and ASICs.

(2) Product development flow



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

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

3.2.3 Key Suppliers

The major materials are Wafer to Sunplus' products. Sunplus' main foundries are TSMC and UMC. Wafers supplement are sufficient and stable.

3.2.4 Key Customers and Suppliers over the last two years

(1) Major customers

NT\$ K

2003			2004		
Customer	Sales Amount	Percentage of Total Sales	Customer	Sales Amount	Percentage of Total Sales
ZI-HUAN	1,727,719	15.57%	ZI-HUAN	3,833,567	20.24

(2) Major Suppliers

NT\$ K

2003			2004		
Company	Purchasing Value	%	Company	Purchasing Value	%
Company A	2,676,630	47.44	Company A	5,689,624	55.69
Company B	1,696,154	30.06	Company B	2,263,541	22.16
Company C	912,870	16.18	Company C	979,310	9.59

3.2.5 Production over the last two years

Kpcs/NT\$K

Product categories	2003		2004	
	Quantity	Amount	Quantity	Amount
LCD controller/driver IC	157,474	1,152,294	125,660	2,609,625
Micro controller IC	107,441	647,363	363,681	2,487,984
Multi media IC	128,369	5,258,687	171,373	8,261,796
Voice & Music synthesizer	78,440	193,947	-	-
Others	123,712	847,737	93,207	1,246,497
Total	595,436	8,100,028	753,921	14,605,902

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

3.2.6 Sales Figures over the last two years

Kpcs/NT\$K

Year	2003				2004			
	Local		Export		Local		Export	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
LCD IC	100,554	1,033,300	54,785	512,752	82,833	2,027,437	26,031	656,978
Micro-controller	49,004	545,351	53,051	585,400	172,384	2,231,889	171,139	2,024,582
Multi media IC	24,562	2,576,911	89,006	4,043,339	15,804	1,758,956	136,793	8,646,894
Voice & Music IC	35,145	161,338	41,988	154,125	-	-	-	-
Others	66,627	1,017,511	58,609	467,626	55,640	1,072,619	34,572	520,701
Total	275,892	5,334,411	297,439	5,763,242	326,661	7,090,901	368,535	11,849,155

3.3 Employees

Year	Department	2003	2004	Ended of 3.31.2005
Personnel	R & D	523	746	768
	Production	105	125	130
	Administration	112	133	136
	Total	740	1004	1034
Average Age		31.95	32.16	31.91
Average Working Experience (Years)		6.47	6.89	6.49
Distribution of Education Level among personnel by percentage	Ph.D.	2%	2%	2%
	MS/MA	58%	62%	63%
	BS/BA	22%	23%	22%
	College	14%	10%	10%
	High School	4%	3%	3%
	Total	100%	100%	100%

3.4 Environmental Protection & Expenditures

Sunplus is an IC design company focusing on the research and development of semiconductor products located in the Hsinchu Science based Industrial Park. We entrust notable local and foreign foundries to manufacture our wafers. We do not violate any EPA' regulations regarding pollutants and environmental protection.

3.5 Labor-Capital Relation

3.5.1 Employee Welfare

We strive to provide a clean and supportive environment for our employees. To create this environment we established an Employee Welfare Committee. It operates a variety of welfare activities

including emergency aid, educational grants, book purchase subsidies, social club activities and overseas trips. We also comply with the Labor Standards Law to conduct labor insurance and retirement system programs, and participation with the National Health Insurance plan according to the National Health Insurance Act. Moreover, we also handle group insurance and insurance for family dependants to ensure security for our employees. In 1996 we adopted a new system, which allowed our employees to be awarded with company stock.

3.5.2 Pension Plan

Sunplus has a pension plan for all regular employees, which provides benefits according to the Labor Standard Law. The Company makes monthly contributions, equal to 2% of salaries, to the pension fund, which is administered by a pension fund monitoring committee. The contributions are deposited in the committee's name in the Central Trust of China.

3.5.3 Other Affairs

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

3.5.4 Controversy between Labor and Capital: No.

3.6 Important Contracts

Nature of Agreement	Counter Party	Term	Content	Restriction
Lease of Land	Hsinchu Science Park Administration	1995/8/01-2015/07/31	Lease for constructing own-use only	Own use
Government Subsidy	The Ministry of Economic Affairs, ROC.	2003/05/31-2005/04/30	32-bit embedded RISC processor development	Achievement can't be sold in China market if restricted by government

IV. Financing Plan and Implementation: NA

V. Financial Statements

5.1. Brief Balance Sheets, Statements of Income and Auditors Opinion

5.1.1 Brief Balance Sheets

Unit : NT\$K

Item		2000	2001	2002	2003	2004	2005 (End of Mar.31)
Current assets		4,332,315	8,138,674	8,465,575	9,455,961	11,076,086	10,434,185
Long-term Stock investment		3,039,046	4,044,403	4,263,196	4,212,722	3,812,212	3,671,085
Fixed assets		576,072	658,954	1,380,456	1,382,124	1,480,297	1,495,625
Intangible assets		0	0	160,572	1,164,980	1,122,172	1,165,934
Other assets		191,176	280,337	339,629	407,184	615,882	868,112
Total assets		8,138,609	13,122,368	14,609,428	16,622,971	18,106,649	17,634,941
Current Liabilities	Before Distribution	897,165	818,021	1,100,332	2,178,068	2,337,695	1,583,434
	After Distribution	1,334,432	1,658,791	2,512,007	3,365,301	*	*
Long-term Liabilities		0	4,336	2,168	0	0	0
Other Liabilities		120,904	189,647	245,185	415,220	504,820	576,807
Total Liabilities	Before Distribution	1,018,069	1,012,004	1,347,685	2,593,288	2,842,515	2,160,241
	After Distribution	1,455,336	1,852,744	2,759,360	3,780,521	*	*
Capital Stock		3,700,000	5,447,424	6,949,500	7,775,040	8,752,544	8,752,544
Capital surplus		320,597	3,323,153	2,784,723	2,202,804	1,604,261	1,604,261
Retain earnings	Before Distribution	3,108,513	3,363,546	3,681,758	4,146,464	5,341,422	5,520,507
	After Distribution	1,231,246	1,565,442	2,139,493	2,603,731	*	*
Unrealized loss on long-term investment		(18,506)	(60,218)	(93,030)	(9,908)	(289,458)	(254,109)
Cumulative translation adjustments		9,936	36,459	34,397	10,888	(49,030)	(52,898)
Total Equity	Before Distribution	7,120,540	12,110,364	13,261,743	14,029,683	15,264,134	15,474,700
	After Distribution	6,683,273	11,269,594	11,850,068	12,842,450	*	*

* Subject to change after shareholders' meeting resolution

5.1.2 Brief Statements of Income

Unit : NT\$K(Except EPS : NT\$)

Item	2000	2001	2002	2003	2004	2005 (End of Mar.31
Net sales	6,609,253	6,639,352	8,635,911	11,097,653	18,940,056	4,163,961
Gross profit	2,609,253	2,696,841	3,141,066	3,822,309	5,943,206	1,057,184
Income from operation	1,842,115	1,817,854	1,807,004	1,978,627	2,926,528	288,419
Non-operating income	343,135	449,739	430,452	284,488	235,259	56,198
Non-operating expense	31,137	197,991	143,206	308,088	528,358	166,293
Income from operations of continued segments-before tax	2,154,113	2,069,602	2,094,250	1,955,027	2,633,429	178,324
Income from operations of continued segments-after tax	2,177,015	2,132,300	2,115,735	2,006,971	2,737,691	179,085
Income from operations of discontinued segments	0	0	0	0	0	0
Extraordinary gain (loss)	0	0	0	0	0	0
Cumulative effect of changes in accounting principles	0	0	0	0	0	0
Net Income	2,177,015	2,132,300	2,115,735	2,006,971	2,737,691	179,085
Earnings per share	5.88	4.03	3.07	2.60	3.15	0.21
EPS after dilution	0	0	0	2.58	3.10	0.20

5.1.3 Auditors Opinion from 2000 to 2004

Year	CPA	Audit Opinion
2000	S.C. Huang, Jackson Huang	An Unqualified Opinion
2001	S.C. Huang, Jackson Huang	An Unqualified Opinion
2002	Ricky Lin & S.C. Huang,	An Unqualified Opinion
2003	Ricky Lin & S.C. Huang,	An Unqualified Opinion
2004	Ricky Lin & Jackson Huang	An Unqualified Opinion

5.2 Financial Analysis

Item		2000	2001	2002	2003	2004	2005 (End of Mar.31)
Capital Structure Analysis	Debts ratio (%)	12.51	7.71	9.22	15.60	15.70	12.25
	Long-term fund to fixed assets (%)	1,236.05	1,838.47	960.84	1,015.08	1,031.15	1,034.662
Liquidity Analysis	Current ratio (%)	482.89	994.92	769.59	434.14	473.80	658.96
	Quick ratio (%)	362.17	892.47	683.98	343.73	329.25	498.71
	Times interest earned (times)	5,902.68	9,451.24	7,173.09	4,169.50	589.21	1,151.48
Operating Performance Analysis	Average collection turnover (times)	6.36	5.36	6.83	5.57	6.81	5.89
	Average collection days	57	68	53	66	54	62
	Average inventory turnover (times)	5.49	4.51	6.77	5.67	5.33	4.51
	Average payment turnover	6.86	4.92	6.30	4.37	5.88	4.39
	Average inventory turnover days	66	81	54	64	68	81
	Fixed assets turnover (times)	10.89	10.08	6.26	8.03	12.79	11.14
	Total assets turnover (times)	0.77	0.51	0.59	0.67	1.05	0.94
Profitability Analysis	Return on total assets (%)	31.84	20.06	15.26	12.85	15.79	1.00
	Return on stockholders' equity (%)	36.46	22.18	16.68	14.71	18.69	1.17
	Operating income to capital stock (%)	49.79	33.37	26.00	25.45	33.44	3.30
	Profit before tax to capital stock (%)	58.22	37.99	30.14	25.14	30.09	2.04
	Profit after tax to net sales (%)	34.70	32.12	24.50	18.08	14.45	4.30
	Earnings per share (NT\$)	3.01	2.82	2.74	2.60	3.15	0.21
	EPS after dilution	-	-	-	2.58	3.10	0.20
Cash Flow	Cash flow ratio (%)	139.74	324.80	193.90	56.5	64.60	63.30
	Cash flow adequacy ratio (%)	273.06	318.09	205.74	134.68	98.62	107.68
	Cash flow reinvestment ratio (%)	14.87	17.97	9.41	-	2.14	6.20
Leverage	Operating leverage	1.28	1.34	1.49	1.68	1.62	2.64
	Financial leverage	1.00	1.00	1.00	1.00	1.00	1.00

*The calculation formula of financial analysis was listed as follows :

1.Capital Structure Analysis

(1) Debts ratio

=Total Liabilities/Total Assets

(2) Long term fund to fixed assets

=(Shareholders equity + Long term Liabilities)/Net Properties

2. Liquidity Analysis

- (1) Current Ratio $= \text{Current Assets} / \text{Current Liabilities}$
- (2) Quick Ratio $= (\text{Current Assets} - \text{Inventories} - \text{Prepaid Expenses}) / \text{Current Liabilities}$
- (3) Times Interest Earned $= \text{Earnings before Interest and Taxes} / \text{Interest Expenses}$

3. Operating Performance Analysis

- (1) Average Turnover Collection Turnover $= \text{Net Sales} / \text{Average Trade Receivables}$
- (2) Average Turnover Collection Days $= 365 / \text{Receivables Turnover rate}$
- (3) Average Inventory Turnover $= \text{Cost of Sales} / \text{Average Inventory}$
- (4) Average Inventory Turnover Days $= 365 / \text{Average Inventory Turnover}$
- (5) Average Payment Turnover $= \text{Cost of Sales} / \text{average Trade Payables}$
- (6) Fixed Assets Turnover $= \text{Net sales} / \text{Net Properties}$
- (7) Total Assets Turnover $= \text{Net Sales} / \text{Total Assets}$

4. Profitability Analysis

- (1) Return on Total Assets $= \{ \text{Net Income} + \text{Interest Expense} * (1 - \text{Effective tax rate}) \} / \text{Average Total Assets}$
- (2) Return Ratio on Stockholders' Equity $= \text{Net Income} / \text{Average Stockholders' Equity}$
- (3) Profit after Tax to Net Sales $= \text{Net Income} / \text{Net Sales}$
- (4) Earnings Per Shares $= (\text{Net Income} - \text{Preferred Stock Dividend}) / \text{Weighted Average Number of Shares Outstanding}$

5. Cash Flow

- (1) Cash Flow Rate $= \text{Net Cash Provided by Operating Activities} / \text{Current Liabilities}$
- (2) Cash Flow Adequacy Ratio $= \text{Five-Year Cash from Sum of Operations} / (\text{Five-Year capital expenditure} + \text{inventory increase} + \text{cash dividend})$
- (3) Cash flow reinvestment ration $= (\text{Net operation cash Flow} - \text{cash dividend}) / (\text{Fixed Assets} + \text{Long-term Investment} + \text{Other assets} + \text{working capital})$

6. Leverage

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

5.3 Supervisors' Report

The Board of Directors have prepared and submitted to us the Company's 2004 business report, balance sheet, inventories of major assets, statement of profit and loss, statements of changes in shareholders' equity, statements of cash flow, and proposal for allocating profit. The CPAs of T.N. SOONG & CO. were retained to audit the balance sheet, inventories of major assets, statement of profit and loss, statements of changes in shareholders' equity and statements of cash flow and have submitted a report relating there to. The above reports, statements and proposal have been further examined as being correct and accurate by the undersigned, the supervisors of Sunplus Technology Co., Ltd. According to Article 219 of the Company Law, we hereby submit this report.

Sunplus Technology Co., Ltd.



Feng, Chu-Chien

Supervisor (Representative of Global View Technology Co., Ltd.)



Liang Chung Chang
Supervisor



Cheng, Duen-Chian
Supervisor

April 28, 2005

5.4 Financial Statements for the Years Ended December 31, 2004 and 2003 Together with Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

The Board of Directors and the Shareholders
Sunplus Technology Company Limited

We have audited the accompanying balance sheets of Sunplus Technology Company Limited as of December 31, 2004 and 2003, and the related statements of income, changes in shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sunplus Technology Company Limited as of December 31, 2004 and 2003, and the results of its operations and its cash flows for the years ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China.

January 28, 2005

Notice to Readers

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

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

SUNPLUS TECHNOLOGY COMPANY LIMITED

BALANCE SHEETS

DECEMBER 31, 2004 AND 2003

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

ASSETS	2004		2003		LIABILITIES AND SHAREHOLDERS' EQUITY	2004		2003	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash	\$ 3,430,142	19	\$ 1,195,442	7	Notes and accounts payable (Note 2)	\$ 1,700,027	10	\$ 1,777,278	11
Short-term investments (Notes 2 and 3)	780,578	4	3,441,672	21	Income taxes payable (Notes 2 and 13)	64,193	-	75,388	-
Notes and accounts receivable					Other current liabilities (Notes 2, 5 and 15)	545,787	3	304,965	2
Third parties, net of allowance for doubtful receivables of \$70,854 thousand in 2004 and \$26,089 thousand in 2003 (Note 2)	2,788,368	15	2,419,196	15	Deferred intercompany profit (Note 2)	5,517	-	8,640	-
Related parties (Notes 2 and 15)	139,137	1	217,822	1	Deferred royalty income - current (Notes 2, 7 and 15)	22,171	-	11,797	-
Other financial assets - current (Note 17)	558,640	3	212,636	1	Total current liabilities	2,337,695	13	2,178,068	13
Inventories, net (Notes 2 and 4)	3,168,888	18	1,709,481	10	OTHER LIABILITIES				
Deferred income taxes - current (Notes 2 and 13)	71,813	-	101,602	1	Accrued pension liability (Notes 2 and 9)	152,586	1	108,798	1
Other current assets	138,520	1	158,110	1	Deferred royalty income - noncurrent (Notes 2, 7 and 15)	67,259	-	46,203	-
Total current assets	11,076,086	61	9,455,961	57	Guarantee deposits (Note 15)	284,975	2	260,219	2
LONG-TERM INVESTMENTS (Notes 2, 5 and 11)					Total other liabilities	504,820	3	415,220	3
Equity method	3,175,007	18	3,327,750	20	Total liabilities	2,842,515	16	2,593,288	16
Cost method	584,528	3	838,330	5	SHAREHOLDERS' EQUITY (Notes 2 and 10)				
Convertible bonds	52,677	-	46,642	-	Capital stock - \$10 par value				
Total long-term investments	3,812,212	21	4,212,722	25	Authorized - 1,000,000 thousand shares				
PROPERTIES (Notes 2, 6 and 15)					Issued - 875,254 thousand shares in 2004 and 777,504 thousand shares in 2003	8,752,544	48	7,775,040	47
Cost					Capital surplus				
Buildings	952,952	5	932,421	6	Additional paid-in capital	945,304	5	1,567,308	9
Auxiliary equipment	134,248	1	130,027	1	Treasury stock transactions	23,461	-	-	-
Machinery and equipment	450,402	2	347,584	2	Merger and others	635,496	4	635,496	4
Testing equipment	701,402	4	526,075	3	Retained earnings				
Transportation equipment	8,400	-	7,228	-	Legal reserve	1,316,618	7	1,115,921	7
Furniture and fixtures	124,459	1	95,434	-	Special reserve	-	-	58,633	-
Leasehold improvements	459	-	89	-	Unappropriated earnings	4,024,804	22	2,971,910	18
Total cost	2,372,322	13	2,038,858	12	Other				
Less: Accumulated depreciation	912,713	5	683,970	4	Unrealized loss on long-term investments (Note 5)	(289,458)	(2)	(9,908)	-
Advance payments and construction in progress	20,688	-	27,236	-	Cumulative translation adjustments	(49,030)	-	10,888	-
Net properties	1,480,297	8	1,382,124	8	Treasury stock (at cost) - 5,854 thousand shares in 2004 and 5,322 thousand shares in 2003 (Note 11)	(95,605)	-	(95,605)	(1)
INTANGIBLE ASSETS, NET (Notes 2 and 7)	1,122,172	6	1,164,980	7	Total shareholders' equity	15,264,134	84	14,029,683	84
OTHER ASSETS					TOTAL	\$ 18,106,649	100	\$ 16,622,971	100
Deferred charges, net (Notes 2 and 8)	16,118	-	21,715	-					
Deferred income taxes - noncurrent (Notes 2 and 13)	584,810	4	372,115	3					
Miscellaneous	14,954	-	13,354	-					
Total other assets	615,882	4	407,184	3					
TOTAL	\$ 18,106,649	100	\$ 16,622,971	100					

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

SUNPLUS TECHNOLOGY COMPANY LIMITED

STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2004 AND 2003

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

	2004		2003	
	Amount	%	Amount	%
GROSS SALES	\$ 19,185,935		\$ 11,200,561	
SALES RETURNS AND ALLOWANCES	<u>245,879</u>		<u>102,908</u>	
NET SALES (Notes 2 and 15)	18,940,056	100	11,097,653	100
REALIZED (UNREALIZED) INTERCOMPANY PROFIT, NET (Note 2)	3,123	-	(4,120)	-
COST OF SALES (Note 12)	<u>12,999,973</u>	<u>68</u>	<u>7,271,224</u>	<u>65</u>
GROSS PROFIT	<u>5,943,206</u>	<u>32</u>	<u>3,822,309</u>	<u>35</u>
OPERATING EXPENSES (Notes 12 and 15)				
Marketing	538,165	3	127,096	1
General and administrative	432,277	2	200,959	2
Research and development	<u>2,046,236</u>	<u>11</u>	<u>1,515,627</u>	<u>14</u>
Total operating expenses	<u>3,016,678</u>	<u>16</u>	<u>1,843,682</u>	<u>17</u>
OPERATING INCOME	<u>2,926,528</u>	<u>16</u>	<u>1,978,627</u>	<u>18</u>
NONOPERATING INCOME AND GAIN				
Gain on sale of investments, net (Note 2)	90,436	1	172,205	2
Interest revenue	34,687	-	18,374	-
Dividend income (Notes 2 and 15)	24,554	-	18,406	-
Subsidies (Note 2)	23,000	-	18,000	-
Others (Note 15)	<u>62,582</u>	<u>-</u>	<u>57,503</u>	<u>1</u>
Total nonoperating income and gain	<u>235,259</u>	<u>1</u>	<u>284,488</u>	<u>3</u>
NONOPERATING EXPENSES AND LOSSES				
Equity-method investment loss, net (Notes 2 and 5)	278,206	2	201,761	2
Loss on inventory (Note 2)	175,990	1	24,000	-
Foreign exchange loss, net (Notes 2 and 17)	22,905	-	41,879	1
Permanent loss on long-term investments (Note 2)	7,036	-	30,124	-
Interest expense	4,477	-	468	-
Others	<u>39,744</u>	<u>-</u>	<u>9,856</u>	<u>-</u>
Total nonoperating expenses and losses	<u>528,358</u>	<u>3</u>	<u>308,088</u>	<u>3</u>

(Continued)

	<u>2004</u>		<u>2003</u>	
	Amount	%	Amount	%
INCOME BEFORE INCOME TAX	\$ 2,633,429	14	\$ 1,955,027	18
INCOME TAX BENEFIT (Notes 2 and 13)	<u>104,262</u>	<u>-</u>	<u>51,944</u>	<u>-</u>
NET INCOME	<u>\$ 2,737,691</u>	<u>14</u>	<u>\$ 2,006,971</u>	<u>18</u>

	<u>2004</u>		<u>2003</u>	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
EARNINGS PER SHARE (Note 14)				
Basic	<u>\$ 3.03</u>	<u>\$ 3.15</u>	<u>\$ 2.25</u>	<u>\$ 2.31</u>
Diluted	<u>\$ 2.98</u>	<u>\$ 3.10</u>	<u>\$ 2.23</u>	<u>\$ 2.29</u>

The pro forma net income and earnings per share on the assumption that the stock of parent company held by its subsidiary is treated as an investment and not as treasury stock are shown as follows (Notes 2 and 11):

	<u>2004</u>		<u>2003</u>	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
NET INCOME				
BASIC EARNINGS PER SHARE	<u>\$ 2,656,890</u>	<u>\$ 2,761,152</u>	<u>\$ 1,955,027</u>	<u>\$ 2,006,971</u>
Based on weighted-average shares outstanding - 875,254 thousand shares	<u>\$3.04</u>	<u>\$3.15</u>	<u>\$2.23</u>	<u>\$2.29</u>
DILUTED EARNINGS PER SHARE				
Based on weighted-average shares outstanding - 889,703 thousand shares in 2004 and 882,851 thousand shares in 2003	<u>\$2.99</u>	<u>\$3.10</u>	<u>\$2.21</u>	<u>\$2.27</u>

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

(Concluded)

SUNPLUS TECHNOLOGY COMPANY LIMITED

**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2004 AND 2003
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

	Capital Stock Issued		Capital Surplus (Note 2)				Retained Earnings (Note 10)				Unrealized Loss on Long-term Investments (Note 2)	Cumulative Translation Adjustments (Note 2)	Treasury Stock (Note 11)	Total Shareholders' 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
BALANCE, JANUARY 1, 2003	694,950	\$ 6,949,500	\$ 2,262,258	\$ 365,042	\$ 157,423	\$ -	\$ 2,784,723	\$ 904,289	\$ 23,759	\$ 2,753,710	\$ 3,681,758	\$ (93,030)	\$ 34,397	\$ (95,605)	\$ 13,261,743
Appropriation of prior year's earnings:															
Legal reserve	-	-	-	-	-	-	-	211,632	-	(211,632)	-	-	-	-	-
Special reserve	-	-	-	-	-	-	-	-	34,874	(34,874)	-	-	-	-	-
Bonus to employees - stock	13,059	130,590	-	-	-	-	-	-	-	(130,590)	(130,590)	-	-	-	-
Remuneration to directors and supervisors	-	-	-	-	-	-	-	-	-	(21,775)	(21,775)	-	-	-	(21,775)
Cash dividends - \$2 per share	-	-	-	-	-	-	-	-	-	(1,389,900)	(1,389,900)	-	-	-	(1,389,900)
Capital stock transferred from capital surplus	69,495	694,950	(694,950)	-	-	-	(694,950)	-	-	-	-	-	-	-	-
Net income in 2003	-	-	-	-	-	-	-	-	-	2,006,971	2,006,971	-	-	-	2,006,971
Adjustment from changes in ownership interests in investees	-	-	-	113,031	-	-	113,031	-	-	-	-	-	-	-	113,031
Adjustment due to changes in investees' equity in long-term investments	-	-	-	-	-	-	-	-	-	-	-	83,122	-	-	83,122
Translation adjustments on long-term investments	-	-	-	-	-	-	-	-	-	-	-	-	(23,509)	-	(23,509)
BALANCE, DECEMBER 31, 2003	777,504	7,775,040	1,567,308	478,073	157,423	-	2,202,804	1,115,921	58,633	2,971,910	4,146,464	(9,908)	10,888	(95,605)	14,029,683
Appropriation of prior year's earnings:															
Legal reserve	-	-	-	-	-	-	-	200,697	-	(200,697)	-	-	-	-	-
Special reserve	-	-	-	-	-	-	-	-	(58,633)	58,633	-	-	-	-	-
Bonus to employees - stock	20,000	200,000	-	-	-	-	-	-	-	(200,000)	(200,000)	-	-	-	-
Remuneration to directors and supervisors	-	-	-	-	-	-	-	-	-	(20,977)	(20,977)	-	-	-	(20,977)
Stock dividends - \$0.2 per share	15,550	155,500	-	-	-	-	-	-	-	(155,500)	(155,500)	-	-	-	-
Cash dividends - \$1.5 per share	-	-	-	-	-	-	-	-	-	(1,166,256)	(1,166,256)	-	-	-	(1,166,256)
Capital stock transferred from capital surplus	62,200	622,004	(622,004)	-	-	-	(622,004)	-	-	-	-	-	-	-	-
Net income in 2004	-	-	-	-	-	-	-	-	-	2,737,691	2,737,691	-	-	-	2,737,691
Unrealized losses on long-term investment	-	-	-	-	-	-	-	-	-	-	-	(231,832)	-	-	(231,832)
Adjustment due to changes in investees' equity in long-term investments	-	-	-	-	-	-	-	-	-	-	-	(47,718)	-	-	(47,718)
Treasury stock transactions	-	-	-	-	-	23,461	23,461	-	-	-	-	-	-	-	23,461
Translation adjustments on long-term investments	-	-	-	-	-	-	-	-	-	-	-	-	(59,918)	-	(59,918)
BALANCE, DECEMBER 31, 2004	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

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

SUNPLUS TECHNOLOGY COMPANY LIMITED

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2004 AND 2003
(In Thousands of New Taiwan Dollars)

	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 2,737,691	\$ 2,006,971
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	571,974	431,655
Permanent loss on long-term investments	7,036	30,124
Gain on sale of long-term investments, net	(44,394)	(88,399)
Equity-method investment loss, net	278,206	201,761
Unrealized (realized) intercompany profit, net	(3,123)	4,120
Unrealized royalty income	31,430	58,000
Loss on disposal of properties	8	-
Deferred income taxes	(182,906)	(161,809)
Net changes in operating assets and liabilities		
Notes and accounts receivable		
Third parties	(369,172)	(1,234,191)
Related parties	78,685	(56,820)
Other financial assets - current	(346,004)	(130,983)
Inventories	(1,459,407)	(852,935)
Other current assets	19,590	(116,822)
Notes and accounts payable	(77,251)	974,627
Income tax payable	(11,195)	75,388
Other current liabilities	235,004	47,912
Accrued pension liabilities	43,788	42,960
	<u>1,509,960</u>	<u>1,231,559</u>
Net cash provided by operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease in short-term investments	2,661,094	1,137,190
Proceeds from sale of:		
Long-term investments	175,716	162,787
Properties	712	2,556
Acquisition of:		
Long-term investments	(336,188)	(143,859)
Properties	(333,067)	(260,770)
Increase in intangible assets	(278,529)	(1,215,311)
Increase in deferred charges	(921)	-
Decrease (increase) in miscellaneous other assets	(1,600)	15,306
	<u>1,887,217</u>	<u>(302,101)</u>
Net cash provided by (used in) investing activities		

(Continued)

	2004	2003
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in long-term liability	\$ -	\$ (2,168)
Increase in guarantee deposits	24,756	80,872
Cash dividends	(1,166,256)	(1,389,900)
Remuneration paid to directors and supervisors	<u>(20,977)</u>	<u>(21,775)</u>
Net cash used in financing activities	<u>(1,162,477)</u>	<u>(1,332,971)</u>
NET INCREASE (DECREASE) IN CASH	2,234,700	(403,513)
CASH, BEGINNING OF YEAR	<u>1,195,442</u>	<u>1,598,955</u>
CASH, END OF YEAR	<u>\$ 3,430,142</u>	<u>\$ 1,195,442</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Income tax paid	<u>\$ 89,838</u>	<u>\$ 34,479</u>
Interest paid	<u>\$ 3,757</u>	<u>\$ 468</u>
NONCASH INVESTING AND FINANCING ACTIVITY:		
Reclassification of other current liabilities to long-term investments	<u>\$ 4,127</u>	<u>\$ -</u>
Reclassification of credit balance of long-term investments to other current liabilities	<u>\$ -</u>	<u>\$ 6,130</u>
PARTIAL CASH INVESTING AND FINANCING ACTIVITY:		
Acquisition of properties	\$ (343,012)	\$ (218,532)
Increase (decrease) in payables to contractors and equipment suppliers	<u>9,945</u>	<u>(42,238)</u>
Cash paid	<u>\$ (333,067)</u>	<u>\$ (260,770)</u>
Proceeds from sale of long-term investment	\$ 175,716	\$ 229,621
Receivable from sale of long-term investment	<u>-</u>	<u>(66,834)</u>
Cash received	<u>\$ 175,716</u>	<u>\$ 162,787</u>

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

(Concluded)

SUNPLUS TECHNOLOGY COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2004 AND 2003

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

1. ORGANIZATION AND OPERATIONS

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

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

As of December 31, 2004 and 2003, the Company had 1,004 and 739 employees, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

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

Current/Noncurrent Assets and Liabilities

Current assets are those to be converted to cash or consumed within one year. Current liabilities are those to be paid off or settled within one year. All other assets and liabilities are classified as noncurrent.

Short-term Investments

Short-term investments are open-end funds, which are carried at the lower of aggregate cost or market value. Declines in market value are recognized as a loss in the period of occurrence. An allowance for losses is provided when the aggregate carrying value of the investments exceeds their total market value. Any recovery of the market value to the extent of the original carrying value is recognized as income. Costs of the investments sold are determined using the weighted-average method. The market value of the open-end funds is their net asset value on the last trading day of the reporting period.

Allowance for Doubtful Receivables

Allowance for doubtful receivables is provided on the basis of a review of the collectibility of individual receivables, taking into account the age of receivables and the financial condition of the debtors.

Inventories

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

Long-term Investments

Investments in share of stock of companies in which the Company owns at least 20% of the outstanding voting shares or exercises significant influence on their operating and financial policy decisions are accounted for by the equity method. The Company's proportionate share in the net income or net loss of investee companies is recognized as a component of the "equity-method investment income (loss), net" account. If the recognized carrying value of the investment plus any advances to the investee are reduced to zero, the Company will discontinue recognizing its investment loss. But (a) if the Company guarantees the obligations of an investee or commits to provide financial support to an investee or (b) if the investee's losses are temporary and evidence sufficiently shows imminent return to profitability, the Company will continue to recognize its investment loss. This balance in the carrying value of a long-term investment and advances are credited to other current liabilities on the balance sheets. The difference between the investment cost and the Company's equity in the investees' net assets on the acquisition date is amortized over five years using the straight-line method. This amortization and the Company's equity in the investees' net income or net loss are recognized as equity-method investment income (loss), net. If an investment is impaired, an impairment loss is recognized if the carrying amount exceeds the expected recoverable amount. If an investee issues additional shares and the Company subscribes for these shares at a percentage different from its current equity, the resulting increase or decrease is credited or debited to capital surplus, respectively. If capital surplus is not enough for debiting purposes, the decrease is debited to unappropriated retained earnings.

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

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

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

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

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

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

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.

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

- 3 to 10 years; and leasehold improvements - 3 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 patents and technology license fee, which are booked at the acquisition cost and amortized using the straight-line method over 5 to 18 years and 2 to 5 years, respectively.

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 over 5 years, using the straight-line method.

Revenue Recognition

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

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

Government Subsidies

Amounts received by the Company from the government for the sponsorship of the development of certain products are recognized as other income when realized or as deferred income when unrealized. Under related contracts, half of the subsidies should be paid back to the Industrial Development Bureau in installment.

Pension Costs

The Company has a pension plan for all regular employees. This plan provides benefits based on the length of service and the average basic salary of the employee's final six months of service.

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

Income Tax

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

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

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

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

Foreign-currency Transactions

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

Derivative Transactions

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

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

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

Reclassifications

Certain 2003 accounts have been reclassified to be consistent with the financial statements as of and for the year ended December 31, 2004.

3. SHORT-TERM INVESTMENTS

	2004	2003
Open-end funds - acquisition costs	\$ <u>780,578</u>	\$ <u>3,441,672</u>
Market value	\$ <u>780,613</u>	\$ <u>3,443,030</u>

4. INVENTORIES, NET

	2004	2003
Finished goods	\$ 1,866,007	\$ 933,192
Work in process	962,955	692,697
Raw materials	<u>520,088</u>	<u>157,900</u>
	3,349,050	1,783,789
Less: Allowance for losses	<u>(180,162)</u>	<u>(74,308)</u>
	\$ <u>3,168,888</u>	\$ <u>1,709,481</u>

5. LONG-TERM INVESTMENTS

	2004		2003	
	Carrying Value	% of Owner- ship	Carrying Value	% of Owner- ship
Shares:				
Equity method				
Giantplus Technology Co., Ltd.	\$ 785,757	37	\$ 771,171	42
Sunplus Venture Capital Co., Ltd.	763,518	100	873,978	100
Lin Shih Investment Co., Ltd.	542,808	100	681,948	100
Russell Holdings Limited	442,314	100	603,778	100
Ventureplus Group Inc.	209,748	100	290,230	100
Wei-Young Investment Inc.	\$ 188,759	100	\$ -	-
Generaplus Technology Corp.	149,984	60	-	-
Goldkey Technology Corp.	66,407	15	64,216	15
Waveplus Technology Co., Ltd.	14,813	10	30,648	10
Techplus Capital Niue Inc.	6,326	100	6,781	100
Sunplus Management Consulting Inc.	4,573	100	5,000	100
Electric Energy Application Technology Inc.	-	24	-	24
	<u>3,175,007</u>		<u>3,327,750</u>	
Cost method				
Publicly traded stocks				
RITEK Corp.	335,069	-	335,069	-
Global View Co., Ltd.	223,455	10	223,455	10
United Microelectronics Corp.	45,887	-	45,887	-
Broadcom Corp.	37,608	-	53,079	-
Harvatek Corp.	37,488	3	37,488	4
Silicon Application Corp.	26,700	1	26,700	-
Non-publicly traded stocks				
Network Capital Global Fund	60,000	7	60,000	7
Technology Partners Venture Capital Corp.	50,000	11	50,000	11
Quality Test System Inc.	-	2	6,652	2
	<u>816,207</u>		<u>838,330</u>	
Less: Allowance for losses	<u>(231,679)</u>		<u>-</u>	
	<u>584,528</u>		<u>838,330</u>	
Convertible bonds:				
AIPTEK International Inc.	20,000	-	20,000	-
Sin Bon Electronics Co., Ltd.	16,642	-	16,642	-
Action Electronics Co., Ltd.	16,188	-	-	-
Signality System Engineering Co., Ltd.	-	-	10,000	-
	<u>52,830</u>		<u>46,642</u>	
Less: Allowance for loss	<u>(153)</u>		<u>-</u>	
	<u>52,677</u>		<u>46,642</u>	
	<u>\$ 3,812,212</u>		<u>\$ 4,212,722</u>	
Credit balance of long-term investments (recorded as other current liabilities)				
Sunplus Technology (H.K.) Co., Ltd.	<u>\$ 2,331</u>	100	<u>\$ 6,458</u>	100

In March 2004, the Company established Wei-Young Investment Inc. engaging in investments and Generaplus Technology Inc. engaging in design, manufacture and sales of ICs.

The financial statements used as basis for calculating the carrying values of the equity-method investments and the related investment gains and losses in 2004 and 2003 had all been audited, except those of Sunplus Management Consulting Inc. (SMCI). The Corporation's management believed that had SMCI's financial statements been audited, there would have been no material effect on the Company's financial statements. The equity-method investment amounts were as follows:

	2004	2003
Giantplus Technology Co., Ltd.	\$ 127,359	\$ 22,153
Sunplus Venture Capital Co., Ltd.	(99,709)	(132,490)
Lin Shih Investment Co., Ltd.	(134,269)	(29,885)
Russell Holdings Limited	(116,519)	5,943
Ventureplus Group Inc.	(64,472)	(30,218)
Wei-Young Investment Inc.	(11,241)	-
Generaplus Technology Corp.	30,049	-
Goldkey Technology Corp.	2,199	(3,961)
Waveplus Technology Co., Ltd.	(15,417)	(17,823)
Techplus Capital Niue Inc.	(4)	(13)
Sunplus Management Consulting Inc.	(427)	-
Electric Energy Application Technology Inc.	-	(9,271)
Sunplus Technology (H.K.) Co., Ltd.	<u>4,245</u>	<u>(6,196)</u>
	<u>\$ (278,206)</u>	<u>\$ (201,761)</u>

As of December 31, 2004 and 2003, the Company and its subsidiaries collectively owned 32% of Goldkey Technology Corp., Ltd., and 43% and 40%, respectively, of Waveplus Technology Co., Ltd. Thus, these investments were accounted for by the equity method.

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

	2004	2003
Publicly traded stocks		
RITEK Corp.	\$ 57,995	\$ 105,593
Global View Co., Ltd.	186,419	299,240
United Microelectronics Corp.	48,673	65,806
Broadcom Corp.	64,009	93,169
Harvatek Corp.	100,266	182,021
Silicon Application Corp.	17,166	22,350
Convertible bonds		
AIPTEK International Inc.	19,164	31,550
Sin Bon Electronics Co., Ltd.	17,658	18,303
Action Electronics Co., Ltd.	15,855	-
Signaligy System Engineering Co., Ltd.	-	10,382

Neither the total sales nor total assets of the Company's subsidiaries - Sunplus Venture Capital Co., Ltd., Lin Shih Investment Co., Ltd., Russell Holding Limited, Ventureplus Group Inc., Wei-Young Investment Inc., Generaplus Technology Corp. Techplus Capital Niue Inc., Sunplus Management Consulting Inc. and Sunplus Technology (H.K.) Co., Ltd. - individually reached 10% or collectively reached 30% of those of the Company. Thus, the Company did not have to prepare consolidated financial statements.

6. PROPERTIES

	2004	2003
Accumulated depreciation:		
Buildings	\$ 68,584	\$ 49,419
Auxiliary equipment	80,530	70,810
Machinery and equipment	292,132	225,485
Testing equipment	401,611	288,364
Transportation equipment	4,287	2,977
Furniture and fixtures	65,444	46,874
Leasehold improvements	<u>125</u>	<u>41</u>
	<u>\$ 912,713</u>	<u>\$ 683,970</u>

7. INTANGIBLE ASSETS, NET

	2004	2003
Patents	\$ 88,284	\$ 93,053
Technology license fee	<u>1,033,888</u>	<u>1,071,927</u>
	<u>\$ 1,122,172</u>	<u>\$ 1,164,980</u>

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

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

8. DEFERRED CHARGES, NET

	2004	2003
Electricity installation	\$ 23	\$ 110
Software and system design	<u>16,095</u>	<u>21,605</u>
	<u>\$ 16,118</u>	<u>\$ 21,715</u>

9. PENSION PLAN

The Company has a pension plan for all regular employees. It is a lump sum that is payable immediately on retirement and is equivalent to 2 months' unit for each of the first 15 years of service and 1 month's unit for each year of service thereafter. The total retirement benefit is subject to a maximum of 45 months' unit. The pension plan provides benefits based on the length of service and the average monthly basic salary of the employee's final six months of service.

The Company makes monthly contributions, equal to 2% of salaries, to the pension fund, which is administered by a fund monitoring committee. The contributions are deposited in the committee's name in the Central Trust of China.

Certain pension information is summarized as follows:

	2004	2003
a. Components of pension costs		
Service costs	\$ 48,097	\$ 44,608
Interest costs	6,026	6,453
Projected return on plan assets	(1,025)	(1,247)
Amortization	<u>3,607</u>	<u>3,170</u>
Net pension costs	<u>\$ 56,705</u>	<u>\$ 52,984</u>
b. Reconciliation of the fund status of the plan and accrued pension costs		
Benefit obligation		
Vested benefit obligation	\$ -	\$ -
Non-vested benefit obligation	<u>110,518</u>	<u>98,870</u>
Accumulated benefit obligation	110,518	98,870
Additional benefits based on future salaries	<u>177,767</u>	<u>142,172</u>
Projected benefit obligation	288,285	241,042
Fair value of plan assets	<u>(54,483)</u>	<u>(41,009)</u>

Funded status	233,802	200,033
Unrecognized net transition obligation	(4,309)	(4,800)
Unrecognized net loss	<u>(76,907)</u>	<u>(86,435)</u>
Accrued pension liability	<u>\$ 152,586</u>	<u>\$ 108,798</u>
Vested benefit	<u>\$ -</u>	<u>\$ -</u>
c. Actuarial assumptions		
Discount rate used in determining present values	2.5%	3.5%
Future salary increase rate	5.0%	6.0%
Expected rate of return on plan assets	2.5%	3.5%
d. Pension expense	<u>\$ 56,705</u>	<u>\$ 52,392</u>

The "Labor Pension Plan Regulations", enacted from July 1, 2005, is a defined contribution pension plan to all regular employees. Employees could continue applying either for the pension plan under "Labor Standard Law", or for the pension plan system under "Labor Pension Plan Regulations" and keep their length or service of prior jobs. According to the regulations, employers are required to contribute an amount no less than 6% of salaries and wages paid each month to a Pension Fund.

10. SHAREHOLDERS' EQUITY

Employee Stock Option Plan

On March 6, 2003, the Securities and Futures Bureau (SFB: Formerly known as "Securities and Futures Commission") approved the Company's adoption of an employee stock option plan. The plan provides for the grant of 30,000 thousand options, with each representing one common share. The option rights may be granted to qualified employees of the company and subsidiaries. A total of 30,000 thousand common shares are reserved for issuance. The options are valid for six years and exercisable at certain percentages after the second anniversary of the grant date. Stock option right are granted at an exercise price equal to the closing price of the Company's common shares listed on the TSE on the date of grant. All options had been granted as of December 31, 2004.

Information on outstanding option rights is as follows:

	Outstanding Option Rights			
	Number of Option Rights Available (in Thousands)	Number of Option Rights Granted (in Thousands)	Exercise Price (NT\$)	Weighted Average Exercise Price (NT\$)
Amount authorized in 2003	30,000	-		
Granted on May 6, 2003	(22,000)	22,000	\$27.1 (Note)	\$27.1 (Note)
Granted on August 28, 2003	(8,000)	8,000	47.1 (Note)	47.1 (Note)
Stock dividends (Note)	-	2,200		
	-	(Note)		
Options cancelled	<u>-</u>	<u>(1,092)</u>		
Balance, December 31, 2003	-	31,108		
Stock dividends (Note)	-	3,046		
	-	(Note)		
Options cancelled	<u>-</u>	<u>(1,565)</u>		
Balance, December 31, 2004	<u>-</u>	<u>32,589</u>		

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

Global Depositary Receipts (GDRs)

In March 2001, the Company issued 20,000 thousand units of Global Depositary Receipts (GDRs),

representing 40,000 thousand common shares consisting of newly issued and originally outstanding shares. The GDRs are listed on the London Stock Exchange (code: SUPD) with an issuance price of US\$9.57 per unit. In 2004, the GDRs have been converted into 73,098 thousand of common shares amounting to US\$219,336 thousand. The outstanding GDRs, representing 4,898 thousand common shares, are accounted for 0.56% of outstanding common stock.

Paid-in Capital

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) may be transferred to capital to a certain percentage as stock dividend.

Appropriation of Earnings and Dividend Policy

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

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

A special reserve equivalent to the net debit balance of the other components of shareholder's equity (for example, unrealized loss on long-term investments and cumulative translation adjustments, but excluding treasury stock), shall be made from unappropriated earnings pursuant to existing regulations promulgated by the R.O.C. Securities and Futures Bureau. Any special reserve appropriated may be reversed to the extent that the net debit balance of the related account reverses.

Legal reserve should be appropriated until the reserve equals the Company's paid-in capital. This reserve may only be used to offset a deficit or, when it has reached 50% of the Company's paid-in capital, up to 50% thereof may be capitalized.

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

Under the Integrated Income Tax System that became effective on January 1, 1998, the R.O.C. resident shareholders are allowed a tax credit for their proportionate share of the income tax paid by the Company on earnings generated since January 1, 1998.

The appropriations from the earnings of 2003 and 2002 were approved in the shareholders' meeting on June 1, 2004 and May 6, 2003, respectively. The appropriations, including dividends, were as follows:

	2003		2002	
	Appropriation of Earnings	Dividend (Dollars)	Appropriation of Earnings	Dividend (Dollars)
Legal reserve	\$ 200,697	\$ -	\$ 211,632	\$ -
Special reserve	-	-	34,874	-
Common dividends - in cash	1,166,256	1.5	1,389,900	2.0
Common dividends - in stock	155,500	0.2	-	-
Remuneration of directors and supervisors	20,977	-	21,775	-
Bonus to employees - in stock	<u>200,000</u>	-	<u>130,590</u>	-
	<u>\$ 1,743,430</u>		<u>\$ 1,788,771</u>	

The shareholders' meeting also approved the conversion of capital surplus of \$622,004 thousand into new shares. Under the approval of the Securities and Futures Bureau, the issuance of new shares took effect on August 23, 2004.

The above appropriation of the earnings is consistent with the resolutions passed at the meetings of the board of directors on April 20, 2004 and March 24, 2003. If the above employee bonus paid in stock had been paid in cash and all of the bonus to employees and remuneration to directors and supervisors had been charged against income for 2003 and 2002, the after income tax basic earnings per share for the years ended December 31, 2003 and 2002 would have decreased from NT\$2.60 to NT\$2.31 and NT\$ 3.07 to NT\$2.85, respectively. The shares distributed as a bonus to employees represented 2.57% and 1.88% of the Company's total outstanding common shares as of December 31, 2003 and 2002, respectively.

As of January 28, 2005, the board of directors have not resolved the appropriation for earnings of 2004. The above information about the appropriations of bonus to employees and remuneration to directors and supervisors is available at Market Observation System website.

11. TREASURY STOCK (COMMON STOCK)

Purpose of Purchase	(Shares in Thousands)			
	Beginning Shares	Increase	Decrease	Ending Shares
<u>2004</u>				
Company stocks held by subsidiaries	<u>5,322</u>	<u>532</u>	<u>-</u>	<u>5,854</u>
<u>2003</u>				
Company stocks held by subsidiaries	<u>4,838</u>	<u>484</u>	<u>-</u>	<u>5,322</u>

In January 2002, the Company transferred to treasury stock \$95,605 thousand, the book value of its shares held by Lin Shin Investment Co., Ltd. as investments to treasury stock. As of December 31, 2004 and 2003, the book values of these stocks were both \$95,605 thousand, and the market values of these stocks were \$257,444 thousand and \$330,998 thousand, respectively. Effective January 1, 2003, capital stock of Sunplus held by a subsidiary as an investment is recorded as treasury stock, but shareholders of treasury stock retain their shareholders' rights on these shares.

12. PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

	2004		
	Classified as Cost of Sales	Classified as Operating Expense	Total
Personnel expenses			
Salary	\$ 108,876	\$ 929,179	\$ 1,038,055
Labor and health insurance	5,901	44,860	50,761
Pension	5,438	51,267	56,705
Others	6,814	44,623	51,437
Depreciation	78,966	165,153	244,119
Amortization	<u>856</u>	<u>326,999</u>	<u>327,855</u>
	<u>\$ 206,851</u>	<u>\$ 1,562,081</u>	<u>\$ 1,768,932</u>
	2003		
	Classified as Cost of Sales	Classified as Operating Expense	Total
Personnel expenses			
Salary	\$ 85,425	\$ 666,729	\$ 752,154
Labor and health insurance	4,585	34,155	38,740
Pension	5,160	47,232	52,392
Others	4,668	28,212	32,880
Depreciation	72,147	142,161	214,308
Amortization	<u>910</u>	<u>216,437</u>	<u>217,347</u>
	<u>\$ 172,895</u>	<u>\$ 1,134,926</u>	<u>\$ 1,307,821</u>

13. INCOME TAX

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

	2004	2003
Income tax expense on income before income tax at statutory rate (25%)	\$ 658,357	\$ 488,757
Tax effects of adjustments:		
Tax-exempt income	(543,319)	(352,548)
Permanent difference	52,782	13,589
Temporary difference	<u>59,910</u>	<u>40,101</u>
Income tax expense before tax credits	<u>\$ 227,730</u>	<u>\$ 189,899</u>

- b. Income tax benefit consisted of the following:

	2004	2003
Income tax expense before tax credits	\$ (227,730)	\$ (189,899)
Income tax (10%) on undistributed earnings	(57,774)	(45,873)
Investment tax credits	218,189	149,588
Net change in deferred income taxes	182,906	161,809
Nondeductible tax credits - income from overseas	(14,015)	(23,681)
Adjustment of prior years' income tax expense	<u>2,686</u>	<u>-</u>
Income tax benefit	<u>\$ 104,262</u>	<u>\$ 51,944</u>

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

	2004	2003
Current:		
Investment tax credits	\$ 57,219	\$ 83,871
Temporary difference	<u>14,594</u>	<u>17,731</u>
	<u>\$ 71,813</u>	<u>\$ 101,602</u>
Noncurrent:		
Investment tax credits	\$ 612,596	\$ 434,902
Temporary difference	40,443	32,122
Allowance	<u>(68,229)</u>	<u>(94,909)</u>
	<u>\$ 584,810</u>	<u>\$ 372,115</u>

The effective tax rates for calculating deferred income tax as of December 31, 2004 and 2003 were both 25%.

As of December 31, 2004, investment tax credits consisted of the following:

Regulatory Basis of Tax Credits	Items	Total Creditable Amounts	Remaining Creditable Amounts	Expiry Year
Statute for Upgrading Industries	Purchase of machinery and equipment	\$ 1,956	\$ 1,956	2005
		5,004	5,004	2006
		2,432	2,432	2007
		<u>7,457</u>	<u>7,457</u>	2008
		<u>\$ 16,849</u>	<u>\$ 16,849</u>	
Statute for Upgrading Industries	Research and development expenditures	\$ 55,263	\$ 55,263	2005
		177,474	177,474	2006
		189,636	189,636	2007
		<u>372,322</u>	<u>230,593</u>	2008
		<u>\$ 794,695</u>	<u>\$ 652,966</u>	

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

Project	Tax Exemption Period
Third expansion	January 1, 2001 to December 31, 2004
Fourth expansion	January 1, 2002 to December 31, 2005
Fifth expansion	January 1, 2003 to December 31, 2006

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

Income tax returns for 1999 and 2001 had been examined by the tax authorities. However, the Company is contesting the assessment by the tax authorities for the 1998 returns.

d. Integrated income tax information:

	2004	2003
Balance of imputation credit account	<u>\$ 35,577</u>	<u>\$ 5,528</u>
Unappropriated earnings before (include) 1997	<u>\$ 452,310</u>	<u>\$ 452,310</u>

The expected and actual creditable tax ratios for 2004 and 2003 were 2.79% and 3.19%, 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 2004 may be adjusted when the allocation of the imputation credits is made.

14. EARNINGS PER SHARE

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

	<u>Amounts (Numerator)</u>		<u>Share (Denominator) (In Thousands)</u>	<u>EPS (Dollars)</u>	
	<u>Before Income Tax</u>	<u>After Income Tax</u>		<u>Before Income Tax</u>	<u>After Income Tax</u>
<u>2004</u>					
Net income	\$ <u>2,633,429</u>	\$ <u>2,737,691</u>			
Basic earnings per share					
Income of common shareholders	\$ 2,633,429	\$ 2,737,691	869,400	\$ <u>3.03</u>	\$ <u>3.15</u>
Effect of dilutive stock options	<u>-</u>	<u>-</u>	<u>14,449</u>		
Diluted earnings per share					
Income of common shareholders	\$ <u>2,633,429</u>	\$ <u>2,737,691</u>	<u>883,849</u>	\$ <u>2.98</u>	\$ <u>3.10</u>
<u>2003</u>					
Net income	\$ <u>1,955,027</u>	\$ <u>2,006,971</u>			
Basic earnings per share					
Income of common shareholders	\$ 1,955,027	\$ 2,006,971	869,400	\$ <u>2.25</u>	\$ <u>2.31</u>
Effect of dilutive stock option	<u>-</u>	<u>-</u>	<u>7,597</u>		
Diluted earnings per share					
Income of common shareholders	\$ <u>1,955,027</u>	\$ <u>2,006,971</u>	<u>876,997</u>	\$ <u>2.23</u>	\$ <u>2.29</u>

The weighted-average number of shares outstanding for EPS calculation is adjusted retroactively for stock dividends and stock bonuses issued subsequently. As a result of this retroactive adjustment, the basic EPS and diluted EPS after income tax in 2003 decreased from NT\$2.60 to NT\$2.31 and from NT\$2.58 to NT\$2.29, respectively.

15. RELATED-PARTY TRANSACTIONS

The Company's related parties were as follows:

- a. Global View Co., Ltd. ("Global View") - the Company's supervisor
- b. Giantplus Technology Co., Ltd. ("Giantplus") - equity-method investee
- c. Goldkey Technology Corp. ("Goldkey") - equity-method investee
- d. Waveplus Technology Co., Ltd. ("Waveplus") - equity-method investee
- e. Sunplus Technology (H.K.) Co., Ltd. ("Sunplus H.K.") - 100% subsidiary
- f. Generaplus Technology Inc. ("Generaplus") - 60% subsidiary
- g. Ventureplus Cayman Inc. ("Ventureplus") - 100% indirect subsidiary
- h. Sunplus Technology (Shanghai) Co., Ltd. ("Sunplus Shanghai") - 98% indirect subsidiary
- i. Sunext Technology Co., Ltd. ("Sunext") - 49.5% indirect investee
- j. Joing Technology Co., Ltd. ("Joing") - 39% indirect investee (liquidated in March 2004)
- k. Others - please refer to Note 17 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:

	2004		2003	
	Amount	%	Amount	%
<u>For the year</u>				
Sales:				
Giantplus	\$ 407,031	2	\$ 190,845	2
Global View	146,330	1	275,467	3
Waveplus	108,416	1	201,960	2
Generaplus	99,764	1	-	-
Sunext	73,361	-	247,387	2
Goldkey	41,957	-	38,132	-
Sunplus H.K.	9,126	-	98,231	1
Joing	-	-	3,205	-
	<u>\$ 885,985</u>	<u>5</u>	<u>\$ 1,055,227</u>	<u>10</u>
Commission expense:				
Waveplus	<u>\$ 3,399</u>	<u>-</u>	<u>\$ 3,181</u>	<u>-</u>
Dividend income:				
Global View	<u>\$ 10,962</u>	<u>45</u>	<u>\$ 15,314</u>	<u>83</u>
Nonoperating income - other:				
Sunext	\$ 3,600	6	\$ -	-
Global View	1,959	3	660	1
Joing	<u>1,317</u>	<u>2</u>	<u>-</u>	<u>-</u>
	<u>\$ 6,876</u>	<u>11</u>	<u>\$ 660</u>	<u>1</u>
<u>At year-end</u>				
Notes and accounts receivable:				
Giantplus	\$ 86,053	3	\$ 38,132	2
Global View	23,363	1	31,710	1
Waveplus	21,122	1	90,436	4
Goldkey	6,424	-	8,502	-
Generaplus	2,161	-	-	-
Sunext	14	-	4,154	-
Sunplus H.K.	-	-	44,888	2
	<u>\$ 139,137</u>	<u>5</u>	<u>\$ 217,822</u>	<u>9</u>
Other current liabilities:				
Waveplus	<u>\$ 1,446</u>	<u>-</u>	<u>\$ 2,697</u>	<u>-</u>
Guarantee deposits:				
Global View	\$ 615	-	\$ 3,737	2
Joing	-	-	1,365	-
	<u>\$ 615</u>	<u>-</u>	<u>\$ 5,240</u>	<u>2</u>
Deferred royalty income (including current and non-current)				
Sunext	<u>\$ 89,430</u>	<u>100</u>	<u>\$ 58,000</u>	<u>100</u>
Endorsement/guarantee provided:				
Giantplus	\$ 636,495		\$ 470,000	
Sunplus Shanghai	164,950		-	
Sunplus H.K.	17,252		17,252	
Ventureplus Cayman Inc.	-		174,890	
	<u>\$ 818,697</u>		<u>\$ 662,142</u>	

As of December 31, 2004, the Company sold properties to Sunext and Generaplus for \$707 thousand and the resulting gain on sales of properties was \$53 thousand.

As of December 31, 2003 the Company sold properties to Sumext on the book value \$2,256 thousand.

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

The Company, Waveplus and Company A entered into an agreement to develop and sell certain products, with Waveplus act as a commission sales agent. The commission that the Company paid to Waveplus was based on the agreement.

16. SIGNIFICANT LONG-TERM OPERATING LEASES

The Company leases land from the Science-Based Industrial Park Administration under renewable agreements expiring in July 2015, December 2020 and 2021, with annual rentals aggregating \$6,919 thousand.

Future annual minimum rentals under the leases are as follows:

Year	Amount
2005	\$ 6,919
2006	6,919
2007	6,919
2008	6,919
2009	6,919
2010 and thereafter	<u>63,168</u>
	<u>\$ 97,763</u>

17. ADDITIONAL DISCLOSURES

Following are the additional disclosures required for the Company and its affiliates 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. Total purchase from or sale to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 4 (attached)
- e. Names, locations, and related information of investees on which the Company exercises significant influences: Table 5 (attached)
- f. Investment in Mainland China: Table 6 (attached)
- g. Financial instrument transactions
 - 1) Derivative transactions

The Company and Giantplus entered into derivative transactions for the years ended December 31, 2004 and 2003 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. Certain information on these contracts was as follows:

a) Forward exchange contracts

Sunplus (No. 0)

Outstanding forward exchange contracts:

Items	2004		2003	
	Contract Amount (in Thousands)	Credit Risk	Contract Amount (in Thousands)	Credit Risk
Sell forward exchange contracts	US\$85,000 (US\$ to NT\$)	\$ 69,358	US\$31,500 (US\$ to NT\$)	\$ 2,075

As of December 31, 2004 and 2003, receivables from forward exchange contracts (shown in the balance sheets as part of "other financial assets - current") aggregated \$93,848 thousand and 1,855 thousand, respectively.

As of December 31, 2004, the stock options were not at maturity; As of December 31, 2003 the foreign-currency swap contracts and foreign-current option contracts were not at maturity.

In 2004, the net exchange gain on settled forward exchange contracts and stock options was \$50,308 thousand, presented under nonoperating income and gain. In 2003, the net exchange losses on settled forward exchange, foreign-currency swap and foreign-currency options contracts were \$9,542 thousand, presented under nonoperating expenses and losses.

Giantplus (No. 1)

Items	2004		2003	
	Contract Amount (in Thousands)	Credit Risk	Contract Amount (in Thousands)	Credit Risk
Sell forward exchange contracts	US\$3,000 (US\$ to NT\$)	\$ -	US\$7,000 (US\$ to NT\$)	\$ 873

As of December 31, 2004 and 2003, receivables from forward exchange contracts aggregated \$6,251 thousand and 604 thousand, respectively.

The net exchange losses on settled forward exchange contracts were \$2,460 thousand in 2004 and \$466 thousand in 2003, presented under nonoperating expenses and losses.

b) Currency option contracts

Giantplus (No. 1)

Giantplus entered into currency option contracts to hedge risks of exchange rate fluctuations on its anticipated U.S. dollar cash receipts on export sales. In 2004, the net exchange gain on settled currency option contracts was \$39,183 thousand, presented under nonoperating income and gain.

In 2004, Giantplus recognized net premium income and loss on currency option contracts of \$7,673 thousand and \$52,629 thousand, respectively, presented under nonoperating income and gains and nonoperating expenses and losses, respectively.

c) Transaction risks:

- i) Credit risk: Banks are the counter-parties of the foregoing derivative transactions. The potential for those counter-parties' default on the contracts is low.
- ii) Market price risk: All derivative financial instruments are intended as hedges for adverse fluctuations of currency exchange rates for foreign currency-denominated

receivables or payables. Gains or losses on forward exchange contracts are likely to offset gains or losses on receivables and payables. Thus, market price risks from exchange rate fluctuations are minimal.

iii) Liquidity and cash flows requirements:

Sunplus (No. 0)

As of December 31, 2004 and 2003, respectively, the Company's future cash demand for derivative transactions was as follows:

Term	(In Thousands)							
	2004				2003			
	Forward Exchange Contracts		Forward Exchange Contracts		Forward Exchange Contracts		Forward Exchange Contracts	
	Inflow	Outflow		Inflow	Outflow		Inflow	Outflow
Within one year	NT\$	2,768,278	US\$	85,000	NT\$	1,071,910	US\$	31,500

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

Giantplus (No. 1)

As of December 31, 2004 and 2003, respectively, Giantplus's future cash demand for derivative transactions was as follows:

Term	(In Thousands)							
	2004				2003			
	Forward Exchange Contracts		Forward Exchange Contracts		Forward Exchange Contracts		Forward Exchange Contracts	
	Inflow	Outflow		Inflow	Outflow		Inflow	Outflow
Within one year	NT\$	101,301	US\$	3,000	NT\$	238,227	US\$	7,000

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

2) Fair value of financial instruments

	2004		2003	
	Carrying	Fair	Carrying	Fair
	Amount		Amount	
	Value	Value	Value	Value
<u>Nonderivative financial instruments</u>				
Assets				
Cash	\$ 3,430,142	\$ 3,430,142	\$ 1,195,442	\$ 1,195,442
Short-term investments	780,578	780,613	3,441,672	3,443,030
Notes and accounts receivable				
Third parties	2,788,368	2,788,368	2,419,196	2,419,196
Related Parties	139,137	139,137	217,822	217,822
Other financial assets - current	558,640	558,640	212,636	212,636
Long-term investments	3,812,212	3,812,212	4,212,722	4,365,604
Other assets-miscellaneous	14,954	14,954	13,354	13,354
Liabilities				
Notes and accounts payable	1,700,027	1,700,027	1,777,278	1,777,278
Guarantee deposits	284,975	284,975	260,219	260,219
<u>Derivative financial instruments</u>				

Forward exchange contracts (sell)	93,848	69,056	1,855	2,066
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Fair values of financial instruments were based on the following assumptions and methods:

- a) Cash, notes and accounts receivable, other financial assets-current, other assets-miscellaneous, notes and accounts payable - carrying amounts on the balance sheets since these amounts approximate to their fair values.
- b). Short-term and long-term investments - quoted market prices. If quoted market prices are unavailable, fair value is based on the net asset value or book value of the investment.
- c) Guarantee deposits - carrying values.
- d) Derivative instruments - estimated net receivable or (payable) if the contracts are terminated on the balance sheet date.

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

18. SEGMENT INFORMATION

- a. The geographic information on the Company's net sales is summarized as follows:

Region	2004		2003	
Southeast Asia	\$	11,177,782	\$	5,381,330
Northeast Asia		253,956		367,569
Others		<u>417,417</u>		<u>14,343</u>
		<u>\$ 11,849,155</u>		<u>\$ 5,763,242</u>

- b. The customers each representing at least 10% of the Company's total sales were as follows:

Customer	2004		2003	
	Amount	%	Amount	%
A	\$ 3,833,567	20	\$ 1,727,719	16

TABLE 1**SUNPLUS TECHNOLOGY COMPANY LIMITED****ENDORSEMENT/GUARANTEE PROVIDED
YEAR ENDED DECEMBER 31, 2004****(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	Giantplus Technology Co., Ltd.	Equity-method investee	\$ 1,526,413 (Note 1)	\$ 636,495	\$ 636,495	\$ -	4.17%	\$ 3,052,827 (Note 2)
		Sunplus Technology (H.K.) Co., Ltd.	Subsidiary	1,526,413 (Note 1)	17,252	17,252	-	0.11%	3,052,827 (Note 2)
		Sunplus Technology (Shanghai) Co., Ltd.	98% indirect subsidiary	1,526,413 (Note 1)	164,950	164,950	-	1.08%	3,052,827 (Note 2)
		Ventureplus Cayman Inc.	100% indirect subsidiary	1,526,413 (Note 1)	174,890	-	-	-	3,052,827 (Note 2)
1	Giantplus Technology Co., Ltd	Giantplus Holding L.L.C.	100% indirect subsidiary	426,347 (Note 3)	166,600	166,600	-	7.82%	639,520 (Note 4)
2	Giantplus (SAMOA) Holding Co., Ltd.	Kunshan Giantplus Optoelectronics Technology Co., Ltd.	Subsidiary of Giantplus (SAMOA) Holding Ltd.	426,347 (Note 3)	104,266	-	-	-	639,520 (Note 4)
3	Giantplus Holding L.L.C.	Kunshan Giantplus Optoelectronics Technology Co., Ltd.	Subsidiary of Giantplus Holding L.L.C.	426,347 (Note 3)	166,600	166,600	-	7.82% (Note 5)	639,520 (Note 4)

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

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

Note 3: For each transaction entity, should not exceed 20% of Giantplus' net equity as of the latest financial statements.

Note 4: Should not exceed 30% of Giantplus' net equity based on the latest financial statements.

Note 5: Based on the percentage of Giantplus' net equity.

TABLE 2

SUNPLUS TECHNOLOGY COMPANY LIMITED

MARKETABLE SECURITIES HELD

DECEMBER 31, 2004

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

Holding Company Name	Type and Name of Marketable Security	Relationship with the Holding Company	Financial Statement Account	December 31, 2004				Note
				Shares or Units (Thousands)	Carrying Value	Percentage of Ownership (%)	Market Value or Net Asset Value	
Sunplus Technology Company Limited	<u>Stock</u>							
	Giantplus Technology Co., Ltd.	Equity-method investee	Long-term investments	58,972	\$ 785,757	37	\$ 785,757	Note 1
	Sunplus Venture Capital Co., Ltd.	Subsidiary	Long-term investments	99,994	763,518	100	763,518	Note 1
	Lin Shih Investment Co., Ltd.	Subsidiary	Long-term investments	69,994	542,808	100	542,808	Notes 1 and 5
	Russell Holdings Limited	Subsidiary	Long-term investments	17,360	442,314	100	442,314	Note 1
	Ventureplus Group Inc.	Subsidiary	Long-term investments	10,000	209,748	100	209,748	Note 1
	Wei-Young Investment Inc.	Subsidiary	Long-term investments	20,000	188,759	100	188,759	Note 1
	Generaplus Technology Inc.	Subsidiary	Long-term investments	12,000	149,984	60	149,984	Note 1
	Goldkey Technology Corp.	Equity-method investee	Long-term investments	6,568	66,407	15	66,407	Note 1
	Waveplus Technology Co., Ltd.	Equity-method investee	Long-term investments	2,856	14,813	10	14,813	Note 1
	Techplus Capital Niue Inc.	Subsidiary	Long-term investments	200	6,326	100	6,326	Note 1
	Sunplus Management Consulting Inc.	Subsidiary	Long-term investments	500	4,573	100	4,573	Note 1
	Sunplus Technology (H.K.) Co., Ltd.	Subsidiary	Other current liabilities	11,075	(2,331)	100	(2,331)	Note 4
	Electric Energy Application Technology Inc.	Equity-method investee	Long-term investments	9,600	-	24	-	Note 1
	RITEK Corp.	Cost-method investee	Long-term investments	5,000	335,069	-	57,995	
	Global View Co., Ltd.	Cost-method investee	Long-term investments	13,568	223,455	10	186,419	
	United Microelectronics Corp.	Cost-method investee	Long-term investments	2,424	45,887	-	48,673	
	Broadcom Corp.	Cost-method investee	Long-term investments	62	37,608	-	64,009	
	Harvatek Corp.	Cost-method investee	Long-term investments	3,971	37,488	3	100,266	
	Silicon Application Corp.	Cost-method investee	Long-term investments	1,015	26,700	1	17,166	
	Network Capital Global Fund	Cost-method investee	Long-term investments	6,000	60,000	7	60,000	Note 2
	Technology Partners Venture Capital Corp.	Cost-method investee	Long-term investments	5,000	50,000	11	50,000	Note 2
	Quality Test System Inc.	Cost-method investee	Long-term investments	648	-	2	-	Note 1
	<u>Convertible bond</u>							
	AIPTEK International Inc.	Investee	Long-term investments	200	20,000	-	19,164	
	Sin Bon Electronics Co., Ltd.	Investee	Long-term investments	500	16,642	-	17,658	
	Action Electionics Co., Ltd.	Investee	Long-term investments	500	16,188	-	15,855	
	<u>Fund</u>							
Fuh Hwa Bond Fund	-	-	Short-term investments	17,415	225,814	-	225,825	
Jin Fu Hwa Bond Fund	-	-	Short-term investments	16,843	209,721	-	209,729	
Jan-Ho Taiwan Bond Fund	-	-	Short-term investments	14,627	200,605	-	200,614	
Chung-Shin peaceful Fund	-	-	Short-term investments	13,867	144,438	-	144,445	

(Continued)

Holding Company Name	Type and Name of Marketable Security	Relationship with the Holding Company	Financial Statement Account	December 31, 2004				Note	
				Shares or Units (Thousands)	Carrying Value	Percentage of Ownership (%)	Market Value or Net Asset Value		
Lin Shih Investment Co., Ltd.	<u>Stock</u>								
	Goldkey Technology Corp.	Equity-method investee	Long-term investments	7,200	\$ 72,815	17	\$ 72,815	Note 1	
	Waveplus Technology Co., Ltd.	Equity-method investee	Long-term investments	5,742	29,782	19	29,782	Note 1	
	Sunext Technology Co., Ltd.	Equity-method investee	Long-term investments	24,500	77,722	24	77,722	Note 1	
	Generaplus Technology Inc.	Equity-method investee	Long-term investments	6,500	81,241	32	81,241	Note 1	
	Sunplus Technology Company Limited	Parent company	Long-term investments	5,854	95,605	1	257,444		
	Ability Enterprise co., Ltd	Cost-method investee	Long-term investments	4,293	54,914	1	70,225		
	Taiwan Cellular Corp.	Cost-method investee	Long-term investments	275	6,529	-	9,525		
	Silicon Application Corp.	Cost-method investee	Long-term investments	226	3,869	-	3,828		
	RITEK Corp.	Cost-method investee	Long-term investments	833	53,822	-	9,666		
	AIPTEK International Inc.	Cost-method investee	Long-term investments	313	5,930	-	4,291		
	Minton Optic Industry Co., Ltd.	Cost-method investee	Long-term investments	4,352	81,135	7	81,135	Note 2	
	NCTU Spring Venture Capital Co., Ltd.	Cost-method investee	Long-term investments	2,000	20,000	6	20,000	Note 2	
	GemFor Tech. Co., Ltd.	Cost-method investee	Long-term investments	831	10,685	6	10,685	Note 2	
	Elite Advanced Laser Corp.	Cost-method investee	Long-term investments	1,500	15,000	2	15,000	Note 2	
	MaxEmil Photonics Corporation	Cost-method investee	Long-term investments	609	10,100	2	10,100	Note 2	
	Taiwan Nano Electro-Optical Technology Co., Ltd.	Cost-method investee	Long-term investments	533	8,739	1	8,739	Note 2	
	WayTech Development Inc.	Cost-method investee	Long-term investments	1,500	15,000	5	15,000	Note 2	
	Miracle Technology Co., Ltd.	Cost-method investee	Long-term investments	1,295	13,940	9	13,940	Note 2	
	AVAC system, Inc.	Cost-method investee	Long-term investments	1,920	22,080	12	22,080	Note 2	
	Radiant Innovation Inc.	Cost-method investee	Long-term investments	1,200	13,903	10	13,903	Note 2	
	Socle Technology Corp.	Cost-method investee	Long-term investments	250	6,250	1	6,250	Note 2	
		<u>Fund</u>							
		NITC Bond Fund	-	Short-term investments	107	17,012	-	17,084	
		Jin Sun Foresight Balanced Fund	-	Short-term investments	2,000	20,000	-	19,098	
		<u>Convertible bond</u>							
		Silicon Application Corp.	-	Short-term investments	216	25,529	-	25,164	
Giantplus Technology Co., Ltd.	<u>Stock</u>								
	Giantplus (SAMOA) Holding Co., Ltd.,	Subsidiary of Giantplus Technology Co., Ltd.	Long-term investments	20,000	963,089	100	963,089	Note 1	
Giantplus (SAMOA) Holding Co., Ltd.	<u>Stock</u>								
	Giantplus Holding L.L.C.	Subsidiary of Giantplus (SAMOA) Holding Co., Ltd.	Long-term investments	-	US\$ 29,013 thousand	100	US\$ 29,013 thousand	Note 1	
Giantplus Holding L.L.C.	<u>Stock</u>								
	Kunshan Giantplus Optoelectronics Technology Co., Ltd.	Subsidiary of Giantplus Holding L.L.C.	Long-term investments	-	US\$ 21,186 thousand	100	US\$ 21,186 thousand	Note 1	

(Continued)

Holding Company Name	Type and Name of Marketable Security	Relationship with the Holding Company	Financial Statement Account	December 31, 2004				Note
				Shares or Units (Thousands)	Carrying Value	Percentage of Ownership (%)	Market Value or Net Asset Value	
Russell Holdings Limited	<u>Stock</u> Jet Focus Limited	Equity-method investee of Russell Holdings Limited	Long-term investments	2,294	US\$ (164) thousand	61	US\$ (164) thousand	Note 1
	Shang-Hai Fudan Microelectronics Company Limited	Cost-method investee	Long-term investments	7,280	US\$ 1,009 thousand	-	US\$ 375 thousand	
	InveStar Excelsus Venture Capital (Int'l), Inc., LDC	Cost-method investee	Long-term investments	4,205	US\$ 3,856 thousand	19	US\$ 3,856 thousand	Note 2
	OZ Optics Ltd.	Cost-method investee	Long-term investments	1,000	US\$ 500 thousand	8	US\$ 500 thousand	Note 2
	Aicent, Inc.	Cost-method investee	Long-term investments	1,000	US\$ 500 thousand	-	US\$ 500 thousand	Note 2
	Ortega InfoSystem, Inc.	Cost-method investee	Long-term investments	2,557	US\$ 1,000 thousand	-	US\$ 1,000 thousand	Note 2
	Asia B2B on line Inc.	Cost-method investee	Long-term investments	1,000	US\$ 1,000 thousand	3	US\$ 1,000 thousand	Note 2
	Asia Tech Taiwan Venture Fund	Cost-method investee	Long-term investments	-	US\$ 3,000 thousand	5	US\$ 3,000 thousand	Note 2
	Ether Precision Inc.	Cost-method investee	Long-term investments	1,250	US\$ 500 thousand	-	US\$ 500 thousand	Note 2
	Jet Focus Limited	<u>Stock</u> Coolsands Technology	Subsidiary of Jet Focus Limited	Long-term investments	-	EUR\$ 27 thousand	100	EUR\$ 27 thousand
Sunplus Venture Capital Co., Ltd.	<u>Stock</u> Joing Technology Co., Ltd.	Equity-method investee	Long-term investments	3,400	-	39	-	Note 1
	Waveplus Technology Co., Ltd.	Equity-method investee	Long-term investments	4,271	22,159	14	22,159	Note 1
	Sunext Technology Co., Ltd.	Equity-method investee	Long-term investments	25,000	79,308	25	79,308	Note 1
	Han Young Technology Co., Ltd.	Equity-method investee	Long-term investments	420	1,812	70	1,812	Note 1
	King Yuan Electronics Co., Ltd.	Cost-method investee	Long-term investments	1,716	70,000	-	37,659	
	YOUNGTEK Electronic Corp.	Cost-method investee	Long-term investments	1,120	18,902	2	63,708	
	Generaplus Technology Inc.	Equity-method investee	Long-term investments	1,500	18,748	8	18,748	Note 1
	AIPTEK International Inc.	Cost-method investee	Long-term investments	1,841	36,000	1	25,255	
	Ability Enterprise Co., Ltd.	Cost-method investee	Long-term investments	3,080	68,250	1	56,545	
	eWave System, Inc.	Cost-method investee	Long-term investments	1,833	69,740	22	69,740	Note 2
	Softchina Venture Capital Corp.	Cost-method investee	Long-term investments	1,418	14,175	8	14,175	Note 2
	SimpleAct Inc.	Cost-method investee	Long-term investments	1,900	19,000	19	19,000	Note 2
	Taiwan Nano Electro-Optical Technology Co., Ltd.	Cost-method investee	Long-term investments	2,297	35,421	4	35,421	Note 2
	VenGlobal International Fund	Cost-method investee	Long-term investments	1	11,284	3	11,284	Note 2
	Cyberon Corporation	Cost-method investee	Long-term investments	780	13,691	19	13,691	Note 2
	WayTech Development Inc.	Cost-method investee	Long-term investments	1,000	10,000	4	10,000	Note 2
	Miracle Technology Co., Ltd.	Cost-method investee	Long-term investments	1,303	14,025	10	14,025	Note 2
	Feature Integration Technology Inc.	Cost-method investee	Long-term investments	3,700	46,250	14	46,250	Note 2
	Radiant Innovation Inc.	Cost-method investee	Long-term investments	573	11,460	5	11,460	Note 2
	Chiabon Venture Capital Co., Ltd.	Cost-method investee	Long-term investments	5,000	50,000	5	50,000	Note 2
Socle Technology Corp.	Cost-method investee	Long-term investments	550	13,750	2	13,750	Note 2	
MaxEmil Photonics Corp.	Cost-method investee	Long-term investments	598	14,280	2	14,280	Note 2	
AVAC system, Inc.	Cost-method investee	Long-term investments	500	5,750	3	5,750	Note 2	

(Continued)

Holding Company Name	Type and Name of Marketable Security	Relationship with the Holding Company	Financial Statement Account	December 31, 2004				Note
				Shares or Units (Thousands)	Carrying Value	Percentage of Ownership (%)	Market Value or Net Asset Value	
Wei-Young Investment Inc.	Minton Optic Industry Co., Ltd.	Cost-method investee	Long-term investments	5,000	\$ 75,000	8	\$ 75,000	Note 2
	Elite Advamced Laser Corp.	Cost-method investee	Long-term investments	300	7,500	-	7,500	Note 2
	<u>Fund</u>							
	ABN ARMO Select Bond Fund	-	Short-term investments	2,633	38,504	-	38,615	
	<u>Stock</u>							
	Quanta Computer Inc.	-	Short-term investments	220	14,493	-	11,990	
	BenQ Corp.	-	Short-term investments	1,100	42,515	-	38,929	
Generaplus Technology Inc.	<u>Fund</u>							
	Dresdner Bond DAM Fund	-	Short-term investments	7,344	82,000	-	82,758	
	Fubon Chi-hsiang III Found	-	Short-term investments	5,116	52,075	-	52,769	
	ABN ARMO Select Bond Fund	-	Short-term investments	123	1,800	-	1,805	
	<u>Stock</u>							
Generaplus International Samoa Inc.	Subsidiary of Generaplus Technology Inc.	Long-term investments	-	US\$ 200 thousand	100	US\$ 200 thousand	Note 1	
Generaplus International Samoa Inc.	<u>Fund</u>							
	Wanpao Securities Investment Rust Fund	-	Short-term investments	2,044	30,023	-	30,217	
	Invesco GP Aggressive Income Fund	-	Short-term investments	3,959	44,000	-	44,056	
Generaplus International Samoa Inc.	<u>Stock</u>							
Generaplus International Mauritius Inc.	Subsidiary of Generaplus International Samoa Inc.	Long-term investments	-	US\$ 200 thousand	100	US\$ 200 thousand	Note 1	
Ventureplus Group Inc.	<u>Stock</u>							
Ventureplus Mauritius Inc.	Subsidiary of Ventureplus Group Inc.	Long-term investments	-	US\$ 6,614 thousand	100	US\$ 6,614 thousand	Note 1	
Ventureplus Mauritius Inc.	<u>Stock</u>							
Ventureplus Cayman Inc.	Subsidiary of Ventureplus Mauritius Inc.	Long-term investments	-	US\$ 6,614 thousand	100	US\$ 6,614 thousand	Note 1	
Ventureplus Cayman Inc.	<u>Stock</u>							
Sunplus Technology (Shanghai) Co., Ltd.	Subsidiary of Ventureplus Cayman Inc.	Long-term investments	-	US\$ 6,577 thousand	98	US\$ 6,577 Thousand	Note 1	
Sunext Technology Co., Ltd.	<u>Stock</u>							
Great Sun Corp.	Subsidiary of Sunext Technology Co., Ltd.	Long-term investments	-	44,686	100	44,686	Note 1	
Great Sun Corp.	<u>Stock</u>							
Sunext (Mauritius) Inc.	Subsidiary of Great Sun Corp.	Long-term investments	-	US\$ 300 thousand	100	US\$ 300 thousand	Note 1	
Sunext Design, Inc.	Subsidiary of Great Sun Corp.	Long-term investments	-	US\$ 1,109 thousand	100	US\$ 1,109 thousand	Note 1	

(Continued)

Holding Company Name	Type and Name of Marketable Security	Relationship with the Holding Company	Financial Statement Account	December 31, 2004				Note
				Shares or Units (Thousands)	Carrying Value	Percentage of Ownership (%)	Market Value or Net Asset Value	
Waveplus Technology Co., Ltd.	<u>Stock</u> Waveplus Holding Ltd.	Subsidiary of Waveplus Technology Co., Ltd.	Long-term investments	-	\$ 6,173	100	\$ 6,173	Note 1
Waveplus Holding Ltd.	<u>Stock</u> Waveplus Design, Inc.	Subsidiary of Waveplus Holding Ltd.	Long-term investments	-	6,215	100	6,215	Note 1
Techplus Capital Niue Inc.	<u>Stock</u> Techplus Capital Samoa Inc.	Subsidiary of Techplus Capital Niue Inc.	Long-term investments	-	US\$ 150 thousand	100	US\$ 150 thousand	Note 1
Techplus Capital Samoa Inc.	Techplus Belize Inc.	Subsidiary of Techplus Capital Samoa Inc.	Long-term investments	-	US\$ 150 thousand	100	US\$ 150 thousand	Note 1

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

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

Note 3: As of December 31, 2004, no securities had been pledged or restricted.

Note 4: Credit balance of long-term investments was reclassified as other current liabilities.

Note 5: The investment carrying value excluded the carrying value (\$95,605 thousand) of the parent company's stock held by the subsidiary.

TABLE 3

SUNPLUS TECHNOLOGY COMPANY LIMITED

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

YEAR ENDED DECEMBER 31, 2004

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

Company Name	Type and Name of Marketable Security	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal			Ending Balance		
					Units (Thousands)	Amount	Units (Thousands)	Amount	Unit (Thousands)	Amount	Carrying Value	Gain (Loss) on Disposal	Unit (Thousands)	Amount
Sunplus Technology Company Limited	En Trust Phoenix Bond Fund	Short-term investments	-	-	30,591	\$ 442,000	103,552	\$ 1,506,000	134,143	\$ 1,953,288	\$ 1,948,000	\$ 5,288	-	\$ -
	INVESCO GP Agressive Income Bond Fund	Short-term investments	-	-	24,650	270,295	29,178	321,407	53,828	593,174	591,702	1,472	-	-
	TIIM Bond Fund	Short-term investments	-	-	17,452	237,000	31,562	431,000	49,014	670,001	668,000	2,001	-	-
	Fuhwa Bond Fund	Short-term investments	-	-	8,167	100,000	70,360	869,721	61,684	764,099	760,000	4,099	16,843	209,721
	Fuhwa Advantage Bond Fund	Short-term investments	-	-	-	-	72,463	727,000	72,463	729,568	727,000	2,568	-	-
	United Bond Fund	Short-term investments	-	-	7,817	98,000	22,402	282,000	30,219	380,912	380,000	912	-	-
	Jan-Ho Taiwan Bond Fund	Short-term investments	-	-	-	-	86,501	1,177,605	71,874	979,558	977,000	2,558	14,627	200,605
	Yuan Ta Fixed Income Bond Fund	Short-term investments	-	-	-	-	15,904	255,000	15,904	255,389	255,000	389	-	-
	President Home Run Fund	Short-term investments	-	-	7,585	102,000	20,603	279,000	28,188	382,274	381,000	1,274	-	-
	KGI Victory Bond Fund	Short-term investments	-	-	-	-	64,592	670,500	64,592	671,280	670,500	780	-	-
	President James Bond Fund	Short-term investments	-	-	10,934	162,000	6,653	99,000	17,587	261,365	261,000	365	-	-
	IIT Increment Fund	Short-term investments	-	-	29,462	430,000	-	-	29,462	431,487	430,000	1,487	-	-
	Truswell Bond Fund	Short-term investments	-	-	8,682	105,910	17,516	215,500	26,198	321,983	321,410	573	-	-
	Cathay Bond Fund	Short-term investments	-	-	15,336	170,000	3,222	36,000	18,558	206,150	206,000	150	-	-
	Union Bond Fund	Short-term investments	-	-	2,142	25,000	43,886	515,000	46,028	540,560	540,000	560	-	-
	Fuh Hwa You Li Fund	Short-term investments	-	-	14,173	167,167	28,115	334,334	42,288	504,261	501,501	2,760	-	-
	Fuh Hwa Bond Fund	Short-term investments	-	-	26,966	343,000	70,944	911,814	80,495	1,035,268	1,029,000	6,268	17,415	225,814
	Fuh Hwa Albatross Bond Fund	Short-term investments	-	-	38,351	412,000	76,133	824,000	114,484	1,242,296	1,236,000	6,296	-	-
	En Trust Kirin Bond Fund	Short-term investments	-	-	5,193	55,000	15,359	164,000	20,552	219,611	219,000	611	-	-
	Poaris De-Bao Fund	Short-term investments	-	-	8,646	92,000	19,883	213,000	28,529	305,305	305,000	305	-	-
	NTS High Yield Fund	Short-term investments	-	-	-	-	18,661	299,500	18,661	300,094	299,500	594	-	-
	Ta Chong Bond Fund	Short-term investments	-	-	-	-	23,764	299,000	23,764	299,121	299,000	121	-	-
	NITC Bond Fund	Short-term investments	-	-	-	-	628	100,000	628	100,197	100,000	197	-	-
	TLAM Solomon Bond Fund	Short-term investments	-	-	-	-	15,994	180,000	15,994	180,311	180,000	311	-	-
	Grand Cathy Bond Fund	Short-term investments	-	-	-	-	11,003	138,000	11,003	138,073	138,000	73	-	-
	Chung-Shin Peaceful Fund	Short-term investments	-	-	-	-	29,658	308,438	15,791	164,438	164,000	438	13,867	144,438
	Ta Chong Diamond Fund	Short-term investments	-	-	5,066	50,000	4,488	50,000	9,554	101,564	100,000	1,564	-	-
	Wei-Young Investment Inc.	Long-term investments	-	Subsidiary	-	-	20,000	200,000	-	-	-	-	20,000	188,759 (Note 1)
	Generaplus Technology Inc.	Long-term investments	-	Subsidiary	-	-	12,000	120,000	-	-	-	-	12,000	149,984 (Note 2)
Wei-Young Investment Inc.	Fubon Chi-hsiang III Fund	Short-term investments	-	-	-	-	19,451	198,000	14,335	146,000	145,925	75	5,116	52,075
Generaplus Technology Inc.	Wanpao Securities Investment Rust Fund	Short-term investments	-	-	-	-	15,645	229,000	13,601	200,000	198,977	1,023	2,044	30,023
Giantplus Technology Co., Ltd.	Giantplus (SAMOA) Holding Co., Ltd.	Long-term investments	-	Subsidiary	16,400	620,995	3,600	119,339	-	-	-	-	20,000	963,089 (Note 2)
Giantplus (SAMOA) Holding Co., Ltd.	Giantplus Holding L.L.C.	Long-term investments	-	Subsidiary	-	US\$ 16,698 thousand	-	US\$ 5,100 thousand	-	-	-	-	-	US\$ 29,013 (Note 2)

Note 1: Includes investment gain recognized by the equity method.

Note 2: Includes equity-method investment gain and cumulative translation adjustments.

SUNPLUS TECHNOLOGY COMPANY LIMITED

TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES AMOUNTING TO AT LEAST NTS100 MILLION OR 20% OF THE PAID-IN CAPITAL

YEAR ENDED DECEMBER 31, 2004

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

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Note/Accounts Payable or Receivable		Note
			Purchase/Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
Sunplus Technology Company Limited	Giantplus Technology Co., Ltd.	Equity-method investee	Sale	\$ 407,031	2%	Net 45 days from monthly closing dates in principle.	-	-	\$ 86,053	3%	-
	Global View Co., Ltd	The Company's supervisor	Sale	146,330	1%	Net 45 days from monthly closing dates in principle.	-	-	23,363	1%	-
	Waveplus Technology Co., Ltd.	Equity-method investee	Sale	108,416	1%	Net 45 days from monthly closing dates in principle.	-	-	21,122	1%	-

TABLE 5

SUNPLUS TECHNOLOGY COMPANY LIMITED
NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCES
YEAR ENDED DECEMBER 31, 2004
(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, 2004			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				December 31, 2004	December 31, 2003	Shares (Thousands)	Percentage of Ownership (%)	Carrying Value			
Sunplus Technology Company Limited	Giantplus Technology Co., Ltd.	Tofen Chen, Miaoli, Taiwan	Manufacture of TN/STN LCDs and LCD modules	\$ 662,481	\$ 768,332	58,972	37	\$ 785,757	\$ 314,828	\$ 127,359	Investee
	Sunplus Venture Capital Co., Ltd.	Hsinchu, Taiwan	Investment	999,940	999,940	99,994	100	763,518	(99,720)	(99,709)	Subsidiary
	Lin Shih Investment Co., Ltd.	Hsinchu, Taiwan	Investment	699,940	699,940	69,994	100	542,808	(110,819)	(134,269)	Subsidiary
	Russell Holdings Limited	Cayman Islands, British West Indies.	Investment	583,436	583,436	17,360	100	442,314	(116,519)	(116,519)	Subsidiary
	Ventureplus Group Inc.	Belize	Investment	347,578	347,578	10,000	100	209,748	(64,472)	(64,472)	Subsidiary
	Wei-Young Investment Inc.	Taipei, Taiwan	Investment	200,000	-	20,000	100	188,759	(11,241)	(11,241)	Subsidiary
	Generaplus Technology Inc.	Hsinchu, Taiwan	Design of ICs	120,000	-	12,000	60	149,984	50,082	30,049	Subsidiary
	Goldkey Technology Corp.	Hsinchu, Taiwan	Design of ICs	52,538	52,538	6,568	15	66,407	25,238	2,199	Investee
	Waveplus Technology Co., Ltd.	Taipei, Taiwan	Design and sale of ICs	31,272	31,272	2,856	10	14,813	(153,992)	(15,417)	Investee
	Techplus Capital Niue Inc.	Niue	Investment	6,896	6,896	200	100	6,326	(4)	(4)	Subsidiary
	Sunplus Management Consulting Inc.	Hsinchu, Taiwan	Investment	5,000	5,000	500	100	4,573	(427)	(427)	Subsidiary
	Sunplus Technology (H.K.) Co., Ltd.	Kowloon Bay, Hong Kong	International trade	41,616	41,616	11,075	100	(2,331)	4,245	4,245	Subsidiary (Note)
	Electric Energy Application Technology Inc.	Hsinchu, Taiwan	Design and manufacture of environmental - friendly batteries	103,200	103,200	9,600	24	-	-	-	Investee
Lin Shih Investment Co., Ltd.	Goldkey Technology Corp.	Hsinchu, Taiwan	Design of ICs	48,000	48,000	7,200	17	72,815	25,238	4,251	Investee
	Sunext Technology Co., Ltd.	Hsinchu, Taiwan	Design and sale of ICs	245,000	245,000	24,500	24	77,722	(416,788)	(102,113)	Investee
	Waveplus Technology Co., Ltd.	Taipei, Taiwan	Design and sale of ICs	90,178	79,578	5,742	19	29,782	(153,992)	(31,379)	Investee
	Generaplus Technology Inc.	Hsinchu, Taiwan	Design of ICs	65,000	-	6,500	32	81,241	50,082	16,277	Investee
Sunplus Venture capital Co., Ltd.	Joing Technology Co., Ltd.	Hsinchu, Taiwan	Design of ICs	51,000	51,000	3,400	39	-	-	-	Investee
	Sunext Technology Co., Ltd.	Hsinchu, Taiwan	Design and sale of ICs	250,000	250,000	25,000	25	79,308	(416,788)	(104,197)	Investee
	Han Young Technology Co., Ltd.	Taipei, Taiwan	Design of ICs	4,200	4,200	420	70	1,812	(1,732)	(1,213)	Subsidiary
	Waveplus Technology Co., Ltd.	Taipei, Taiwan	Design and Sale of ICs	74,869	74,869	4,271	14	22,159	(153,992)	(21,928)	Investee
	Gereraplus Technology Inc.	Hsinchu, Taiwan	Design of ICs	15,000	-	1,500	8	18,748	50,082	3,756	Investee
Russell Holdings Limited	Jet Focus Limited	Cayman Islands, British West Indies	Investment	US\$ 2,750 thousand	US\$ 2,750 thousand	2,294	61	US\$ (164) thousand	US\$ (3,117) thousand	US\$ (2,054) thousand	Subsidiary
Jet Focus Limited	Coolsand	France	Design of ICs	EUR\$ 1,000 thousand	EUR\$ 1,000 thousand	-	100	EUR\$ 27 thousand	EUR\$ (94) thousand	EUR\$ (94) thousand	Subsidiary
Sunext Technology Co., Ltd.	Great Sun Corp.	SAMOA	Investment	44,684	34,820	1,000	100	44,686	1,633	1,633	Subsidiary
Great Sun Corp.	Sunext (Mauritius) Inc.	Mauritius	Investment	US\$ 300 thousand	-	300	100	US\$ 300 thousand	-	-	Subsidiary
Great Sun Corp.	Sunext Design, Inc.	U.S.A.	Design of ICs	US\$ 1,000 thousand	US\$ 1,000 thousand	-	100	US\$ 1,109 thousand	US\$ 49 thousand	US\$ 49 thousand	Subsidiary
Ventureplus Group Inc.	Ventureplus Mauritius Inc.	Belize	Investment	US\$ 10,000 thousand	US\$ 10,000 thousand	-	100	US\$ 6,614 thousand	US\$ (1,929) thousand	US\$ (1,929) thousand	Subsidiary
Ventureplus Mauritius Inc.	Ventureplus Cayman Inc.	Cayman Islands, British West Indies	Investment	US\$ 10,000 thousand	US\$ 10,000 thousand	-	100	US\$ 6,614 thousand	US\$ (1,929) thousand	US\$ (1,929) thousand	Subsidiary

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2004			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				December 31, 2004	December 31, 2003	Shares (Thousands)	Percentage of Ownership (%)	Carrying Value			
Ventureplus Cayman Inc.	Sunplus Technology (Shanghai) Co., Ltd.	Shanghai, China	Design, manufacture and sale of ICs.	US\$ 10,000 thousand	US\$ 10,000 thousand	-	98	US\$ 6,577 thousand	US\$ (1,963) thousand	US\$ (1,925) thousand	Subsidiary
Waveplus Technology Co., Ltd.	Waveplus Holding Ltd.	Mauritius	Investment	17,205	-	500	100	6,173	4,830	4,830	Subsidiary
Waveplus Holding Ltd.	Waveplus Design, Inc.	U.S.A.	Design of WLANs	17,205	-	-	100	6,215	4,846	4,846	Subsidiary
Techplus Capital Niue Inc.	Techplus Samoa Inc.	SAMOA	Investment	US\$ 150 thousand	US\$ 150 thousand	150,000	100	US\$ 150 thousand	-	-	Subsidiary
Techplus Samoa Inc.	Techplus Belize Inc.	Belize	Investment	US\$ 150 thousand	US\$ 150 thousand	150,000	4	US\$ 150 thousand	-	-	Investee
Giantplus Technology Co., Ltd.	Giantplus (SAMOA) Holding Co., Ltd.	SAMOA	Investment	US\$ 20,000 thousand	US\$ 16,400 thousand	20,000	100	963,089	241,535	241,535	Subsidiary
Giantplus (SAMOA) Holding Co., Ltd.	Giantplus Holding L.L.C.	U. S. A.	Investment	US\$ 20,000 thousand	US\$ 14,900 thousand	-	100	US\$ 29,013 thousand	US\$ 7,214 thousand	US\$ 7,214 thousand	Subsidiary
Giantplus Holding L. L. C.	Kunshan Giantplus Optoelectronics Technology Co., Ltd.	Kunshan, China	Manufacture of TN/STN LCDs and LCD modules	US\$ 12,206 thousand	US\$ 12,206 thousand	-	100	US\$ 21,186 thousand	US\$ 7,187 thousand	US\$ 7,187 thousand	Subsidiary

Note: Credit balance of long-term investment was recorded as other current liabilities.

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TABLE 6

SUNPLUS TECHNOLOGY COMPANY LIMITED

INVESTMENT IN MAINLAND CHINA

YEAR ENDED DECEMBER 31, 2004

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

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type (e.g., Direct or Indirect)	Accumulated Outflow of Investment from Taiwan as of January 1, 2004	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2004	% Ownership of Direct or Indirect Investment	Investment Loss	Carrying Value as of December 31, 2004	Accumulated Inward Remittance of Earnings as of December 31, 2004	Accumulated Investment in Mainland China as of December 31, 2004	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
					Outflow	Inflow								Up to 40% of the Net Equity of the Company or \$80,000 (Whichever Is Higher)
Sunplus Technology (Shanghai) Co., Ltd.	Research, development, design, manufacturing and sale of consumer ICs	US\$10,200 thousand	Indirect	US\$10,000 thousand	\$ -	\$ -	US\$10,000 thousand	98%	US\$(1,925) thousand	US\$6,577 thousand	\$ -	US\$10,000 thousand	US\$10,000 thousand	\$6,105,654

5.5 Financial Statement with Parent Company : None

5.6 Impact to the Company or Subsidiary if any Turnover Problems: None

VI. Financial Analysis

6.1 Comparing Financial Analysis

Unit: NTSK

Item	Year	2003	Comparison	
	2004		Amount	%
Current Assets	11,076,086	9,455,961	1,620,125	17
Property, Plant & Equipment	1,480,297	1,382,124	98,173	7
Other Assets	615,882	407,184	208,698	51
Total Assets	18,106,649	16,622,971	1,483,678	9
Current Liabilities	2,337,695	2,178,068	159,627	7
Long-term Liabilities	504,820	415,220	89,600	22
Total Liabilities	2,842,515	2,593,288	249,227	10
Capital Stock	8,752,544	7,775,040	977,504	13
Capital surplus	1,604,261	2,202,804	(598,543)	(27)
Retained Earnings	5,341,422	4,146,464	1,194,958	29
Total Shareholder's Equities	15,264,134	14,029,683	1,234,451	9
Remark: 1. Other assets increased due to deferred tax benefit increase 2. Other liabilities increased since pension costs increased. 3. Capital surplus decreased because of dividend from capital surplus. 4. Retained earnings increased because net profits grew.				

6.2. Comparing Analysis of Operation Result

Unit: NTSK

Item	Year		Variation	
	2004	2003	Amount	%
Gross sale	\$ 19,185,935	\$ 11,200,561	\$ 7,985,374	71
Deduct: Sales returns and allowances	245,879	102,908	142,971	139
Net Sales	18,940,056	11,097,653	7,842,403	71
Deduct: Unrealized gain on Inter-company profit - net	3,123	(4,120)	7,243	176
Cost of Sales	12,999,973	7,271,224	5,728,749	79
Gross Profit	5,943,206	3,822,309	2,120,897	55
Operating Expenses	3,016,678	1,843,682	1,172,996	64
Income From Operating	2,926,528	1,978,627	947,901	48
Non - Operating Income	235,259	284,488	(49,229)	(17)
Non - Operating Expenses	528,358	308,088	220,270	71
Income before Income Tax	2,633,429	1,955,027	678,402	35
Income Tax Benefit	104,262	51,944	52,318	101
Net Income	2,737,691	2,006,971	730,720	36

The analysis of the variances:

1. The increase of sales and cost mainly resulted from the growth from multimedia products.
2. Operating expenses increased from more high-end product R&D and more R&D expenses.
3. The increase of non-operating expense mainly resulted from long-term investment loss of investee companies like Sunext and increased inventory losses.
5. The increase of income tax benefit resulted from the recognition of deferred income tax assets increased.

6.3 Analysis of Cash flow

Unit: NTSK

Item	Year		+/- (%)
	2004	2003	
Cash flow ratio (%)	64.60	56.50	14
Cash flow adequacy ratio (%)	98.62	134.68	(27)
Cash flow reinvestment ratio (%)	2.14	-	-
Cash flow adequacy ratio dropped because inventory increased			
Cash flow reinvestment ratio grew because cash dividends decreased			

Estimated Cash Flow in 2005

Unit: NTSK

Cash, beginning of the year	Cash Flow from Operating Activities	Net Cash Outflow	Net Cash Balance	Remedial Measure if cash not enough	
				Investment plan	Investment plan
\$3,430,142	\$3,448,310	\$2,689,044	\$4,189,408	-	-
Cash Flow in from Operating Activities due to expecting net profit growth					
Cash Flow out from Investing Activities because of going to purchase more fix assets and more long-term investment					
Cash Flow out from Financing Activities because of going to pay cash dividends, employee bonus, rewards to BOD for 2004 profits 2.					

6.4 Major Capital Expenditure

Unit: NTSK

Item	Sources of Fund	Est. Due Date	Required Capital Amount	Capital expenditure plan						
				2003	2004	2005	2006	2007	2008	2009
Testing equipments	Own	2009	\$647,282	\$42,149	\$107,133	\$84,000	\$97,000	\$94,000	\$104,000	\$119,000
Licensing fees	Own	2005	1,749,256	1,118,212	277,779	353,265	-	-	-	-

1. Anticipated increasing sales quantities:

Unit: thousand pieces

Year	Quantity
2005	30,000
2006	34,000
2007	39,000
2008	45,000
2009	48,000
	<u>196,000</u>

2. Anticipated decreasing testing cost

Unit: NTSK

Year	Amount
2005	\$ 81,000
2006	97,000
2007	94,000
2008	100,000
2009	105,000
	<u>\$ 477,000</u>

6.5 Long-term Investment

No investment amount over 5% of capital in 2004

6.6 Risks Management

6.6.1 Any Impact and Measure if Inflation, Foreign Exchange Volatility or Interest Rate Fluctuation

- (1) Interest rate: The low interest rate will impact interest income. The company will put more cash on highly-returned short-term investment.
- (2) Exchange rate: No foreign-currency liability. Major foreign-currency assets are account receivable and time deposits. The company already utilizes mainly forward currency and option contracts to hedge its foreign exchange exposure, so the impact from floating exchange rate will be minimized.
- (3) Inflation: No significant impact.

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

- (1) No high risk/high leveraged investment. No extension of monetary loans to others.
- (2) The company already has policies and procedures like "Procedure of Endorsement and Guarantees, and "Procedures of Financial Derivatives Transactions", which follow the rules issued by Taiwan Securities and Futures Commission. The Endorsement will only be done for Sunplus subsidiaries and invested companies with 20% of net value. And financial transactions of a derivatives nature that Sunplus enters into are strictly for hedging purposes and not for any trading or speculative purposes and under well evaluation.

6.6.3 R&D Plan and Execution

The Company will keep going for new products development, for example, new generation DVD recordable solutions, HD DVD player IC, Set Top box IC, Media Processor for handset, high-end MP3 Player IC, DTV solutions, portable media player (PMP) IC, micro-controller for home appliances, communication IC, etc. The Company spends a lot in R&D and develops new product and technology every year about 8-12% of total sales. Except developing in-house, the Company is also looking for outside resources like purchasing or licensing IPs to speed up the mass-production schedule

6.6.4 Political and Regulatory Environment

It is helpful to the company that both Mainland and Taiwan acceded WTO. The company already set a subsidiary in Shanghai to offer after sales service and marketing.

6.6.5 Advanced Technology

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

6.6.6 Corporate Identify and Image Change

The company takes corporate image seriously and realizes it could be destroyed in one day. Fortunately, no major change till now. The company will do their best to conserve it.

6.6.7 Mergers & Acquisitions: None

6.6.8 Expansion of Facilities: None

6.6.9 Suppliers & Customers

The company purchase materials from several suppliers and subcontract to backend package and testing houses. There is only Top 1 customer of the company that the sales were more than 20% in 2004, sales to others clients were all below 10%. Suppliers and customers of Sunplus are quite diversified.

6.6.10 Major Shareholding Change: None

6.6.11 Ownership Change: None

6.6.12 Litigation Proceedings

In July 2003, Sunplus filed with the prosecutor Office at Hsinchu District Court the complaint against Alpha Image Technology Inc. for the copyright infringement and Breach of trust in Criminal Law and disclosing trade secret of company. Thus far, the litigation procedure is still on the process.

6.6.13 Other Risks

6.7 Others: None

VII. Corporate Governance

Item	Executions	Reasons for Differences between the Company's Governance and Recognized Corporate Governance
1. Corporate shareholder structure and shareholders' right: (1) How the Company handles shareholders' recommendation or disputes: (2) How the Company regularly monitors the list of key shareholders who have management control of the Company, or those who have ultimate control of key shareholders: (3) How the Company establishes proper risk control mechanisms and firewalls between the Company and its affiliated enterprises:	(1) The Company has designated a specific body to handle shareholders' recommendation or disputes. (2) The Company discloses the list of key shareholders, and major shareholding change periodically. The Company has regulations and management procedures for those risk control. Ant transaction between the Company and its affiliated enterprises complies with related regulations.	
2. The structure and responsibility of the board: (1) How the Company institutes independent directors: (2) How the Company periodically evaluates the independence of its auditors:	(1) The Company has instituted an independent director. (2) The Company evaluates its auditors by the end of every year, and the board will decide to engage.	
3. The Composition and responsibilities of supervisors: (1) How the Company instituted supervisors: (2) How the supervisors communicate with the Company's employees and shareholders:	(1) The Company has instituted two independent supervisors who have financial background. (2) The supervisors attend the Company internal meeting in which they could monitor the company operation and express their opinions to communicate with employees and shareholders.	
4. The Company's communication channels for its stakeholders:	The company has good relationship with stakeholders like subcontractors, banks, etc., and the Company provides adequate information to protect their legal rights.	
5. Information disclosure (1) How the Company establishes a website to disclose financial and corporate governance information: (2) The other channels for the disclosure of the Company's information:	The Company regularly publishes up-to-date detailed financial and corporate governance information on its website in both Chinese and English. The Company has designated a specific body to collect and disclose information about the Company. Besides, the Company has established standard procedures for an authorized spokesperson to make to be in charge of communication channels and make statements for the Company.	
6. The operation of the audit committee work within the Board of Directors of the Company:	Not set up yet.	The Company system is simple and clear; the board of directors is engrossed in management. The Company has also instituted one independent director and two independent supervisors. It is not necessary to set up the audit committee so far.
7. The comparison between the Company's corporate governance mechanism and the recognized corporate principles: All the regulations and procedures of the Company are based and revised upon Taiwan's Company Law, the Securities and Exchange Law, and the related rules and regulations. The Company hasn't made formal statement for corporate governance yet.		
8. Other information disclosure: (1) The company provides information related to professional educational opportunities and revised government rules to all board members, and the board members all take courses every year. (2) The Company has its policy for risk and flowed all regulations for risk management. (3) The Company hasn't purchased liability insurance for its directors and supervisors but it's under evaluating. (4) The company takes corporate image seriously and realizes it could be destroyed in one day. Fortunately, no major change till now. The company will do their best to conserve it.		

Kunshan Giantplus	Mar.1, 2000	Mainland China	US\$12,206	TN / STN LCD Module Manufacturing
Ventureplus Group Inc.	Jul.27, 2001	Belize	US\$10,000	Investment
Ventureplus Mauritius Inc.	Aug.02, 2001	Mauritius	US\$10,000	Investment
Ventureplus Cayman Inc.	Sep.24, 2001	Cayman	US\$10,000	Investment
Shanghai Sunplus	Dec.07, 2001	Shanghai, China	US\$10,200	Consumer Electronic Products Design, Manufacturing & Sales
Techplus Capital Niue Inc.	Oct. 2001	Niue	US\$200	Investment
Techplus Capital Samoa Inc.	Oct.23, 2001	Samoa	US\$200	Investment
Sunext Technology Co., Ltd.	Mar.13, 2003	Hsinchu, Taiwan	NT\$1,000,000	IC Design
Great Sun Corporation	Jan.28, 2003	Samoa	US\$1,300	Investment
Sunext Design, Inc.	Apr. 2003	U.S.A.	US\$1,000	IC Design
Sunext (Mauritius) Inc.	Aug.19, 2004	Mauritius	US\$300	Investment
Waveplus Holding Ltd.	May.29, 2003	Mauritius	US\$500	Investment
Waveplus Design Inc.	Jun.17, 2003	CA, USA	US\$500	IC Design
Generalplus Co., Ltd	Mar.30, 2004	Taiwan	NT\$200,000	IC Design
Generalplus International (Samoa) Inc.	Nov.12, 2004	Samoa	US\$200	Investment
Generalplus(Mauritius) Inc.	Nov.25, 2004	Mauritius	US\$200	Investment
Jet Focus Limited	Jan.03, 2002	British Virgin Islands	US\$2,750	Investment
Coolsands Technology	Apr.30, 2002	France	EUR\$1,000	IC Design
HangYoung Technology	Feb. 21,2003	Taipei, Taiwan	NT\$6,000	Electronic components Design & Sales

NOTE : Foreign exchange rate on Dec. 31, 2004 is shown below :

HK\$1=NT\$4.08

US\$1=NT\$31.71

EUR\$1=NT\$43.23

8.1.3 Business Scope of Affiliated Companies

Company	Business Activities	Business Relationship
Sunplus HK Technology Limited	Marketing & Engineering support	N.A.
Gaintplus Technology Co.,Ltd.	TN / STN LCD Manufacturing	Customer
Lin Shih Investment Co., Ltd.	Investment	N.A.
Russell Holdings Limited	Investment	N.A.
Sunplus Venture Capital Co., Ltd.	Investment	N.A.
Waveplus Technology Co., Ltd.	IC Design	N.A.
Sunplus Management Advisory	Consulting	N.A.
WeiYing Investment	Investment	N.A.
Waveplus Holding Ltd.	Investment	N.A.
Waveplus Design Inc.	IC Design	N.A.
Giantplus SAMOA	Investment	N.A.
Giantplus Holding L.L.C	Investment	N.A.
Kunshan Giantplus	TN / STN LCD Module Manufacturing	N.A.
Ventureplus Group Inc.	Investment	N.A.
Ventureplus Mauritius Inc.	Investment	N.A.
Ventureplus Cayman	Investment	N.A.
Shanghai Sunplus	Consumer Electronic Products Design, Manufacturing and Sales	China Branch
Techplus Capital Niue Inc.	Investment	N.A.
Techplus Capital Samoa Inc.	Investment	N.A.
Generalplus Co., Ltd.	IC Design, Manufacturing and Sales	Subsidiary
Generalplus(Samoa) Inc,	Investment	N.A.
Generalplus(Mauritius) Inc.	Investment	N.A.
Sunext Technology Co., Ltd	IC Design	N.A.
Great Sun Corporation	Investment	N.A.
Sunext Design, Inc.	IC Design	N.A.
Sunext (Mauritius) Inc.	Investment	N.A.
Jet Focus Limited	Investment	N.A.
Coolsands	IC Design	N.A.
HangYoung Technology	Electronic components Design& Sales	N.A.

8.1.4 Rosters of Directors, Supervisors, and Presidents of Affiliated Companies

Company	Title	Name	Shareholding	
			Shares	%
Sunplus HK Technology Limited	Chairman Director	Sunplus Technology	HK\$11,075,000	100
		Chou Chye Huang(Representative of Sunplus) Kevin Chia(Representative of Sunplus)	- -	- -
Gaintplus Technology Co.,Ltd.	Chairman& President	Sunplus Technology	58,972,1	36.86
		Chou Chye Huang (Representative of Sunplus Technology Co., Ltd)	25 5,691,625	3.56
	Director	Wei Chen Liang	902,000	0.56
	Director	Hou Shien Chu (Representative of Sunplus Technology Co., Ltd)	356,250	0.22
	Director	Chin Nai Tsen (Representative of Sunplus Technology Co., Ltd)	142,500	0.09
	Director	Representative of Ritek Corporation Chwei-Jing Yeh (Representative of Ritek)	19,200,000	12.00
	Directors Director	Hun Fang Haung (Representative of Ritek) Wei Min Lin (Representative of Ritek)	- -	- -
	Supervisor Supervisor Supervisor	Zheng Guang Chang Neng Jie Yang Feng, Chu-Chien (Representative of Global View Co., Ltd)	- 55,000 - 2,850,000	- 0.03 - 1.78
Lin Shih Investment Co., Ltd.	Chairman& President	Sunplus Technology	69,994,0	99.98
		Chou Chye Huang (Representative of Sunplus Technology Co., Ltd)	00 1,000	-
	Director Director Supervisor	Yarn Chen Chen Bing Huang Shih Shu Lan Wang	- 1,000 -	- - -
Russell Holdings Limited	Director	Sunplus Technology Chou Chye Huang (Representative of Sunplus)	US\$17,360,000 -	100 -
Sunplus Venture Capital Co., Ltd.	Chairman & President	Sunplus Technology	99,994,000	99.99
		Chou Chye Huang	1,000	-
	Director	Yarn Chen Chen	1,000	-
	Director	Bing Huang Shih	1,000	-
	Director	Hou Shien Chu	1,000	-
	Director Supervisor	Chin Nai Tsen Wayne Shen	1,000 1000	-
Waveplus Technology Co., Ltd	Chairman& President	Sunplus Venture Capital	4,271,300	14.24
		Chou Chye Huang (Representative of Sunplus Technology Co., Ltd)	-	-
	Director	Yarn Chen Chen (Representative of Sunplus Technology Co., Ltd)	-	-
	Supervisor	Global View Technology -Meng Hui Lin (Representative of Global View Co., Ltd)	1,410,775	4.70
Supervisor	Venglobal Capital Fund L.P.-You Wei Cheng (Representative of Venglobal)	1,200,000	4.00	
Giantplus (SAMOA)	Director	Giantplus Technology Co., Ltd. Chou Chye Huang (Representative of Giantplus Technology Co., Ltd)	US\$20,000,000 -	100 -
Giantplus Holding L.L.C	Director	Giantplus (SAMOA) Chou Chye Huang (Representative of Giantplus(SAMOA) Co., Ltd	US\$20,000,000	100
Kunshan Giantplus	Chairman	Giantplus holding L.L.C. Chou Chye Huang (Representative of Giantplus Holding L.L.C.)	US\$12,206 -	100 -
	Director& Director	Wei Chen Liang Herng Der Chu	- -	- -

Ventureplus Group Inc.	Director	Sunplus Technology Co., Ltd Chou Chye Huang (Representative of Sunplus)	US\$10,000,000	100
Ventureplus Mauritius Inc.	Director	Ventureplus Group Inc. Chou Chye Huang (Representative of Venture Group Inc.)	US\$10,000,000	100
Ventureplus Cayman Inc.	Director	Ventureplus Mauritius Inc, Chou Chye Huang (Representative of Ventureplus Mauritius Inc.)	US\$10,000,000	100
Shanghai Sunplus Technology	Director	Ventureplus Cayman Inc, Chou Chye Huang (Representative of Ventureplus Cayman Inc.)	US\$10,000,000	98.04
Techplus Capital Niue Inc.	Director	Sunplus Technology Co., Ltd. Chou Chye Huang (Representative of Sunplus Technology Co., Ltd)	US\$200,000	100
Techplus Capital Samoa Inc.	Director	Techplus Capital Niue Inc. Chou Chye Huang (Representative of Techplus Capital Niue Inc.)	US\$150,000	100
Sunext Technology Co., Ltd.	Chairman Director Director Supervisor	Sunplus Venture Capital Co., Ltd. Chou Chye Huang (Representative of Sunplus Venture) Yarn Chen Chen (Representative of Sunplus Venture) Chyh-Cherg Chen Representative of Sunplus Venture) Hans Tai (Representative of Sunplus Venture)	US\$250,000,000	25
Great Sun Corporation	Director	Sunext Technology Co., Ltd. Chou Chye Huang (Representative of Sunext	US\$1,300,000	100
Sunext Design Inc.	Director	Great Sun Corporation Chou Chye Huang (Representative of Great Sun)	US\$1,000,000	100
Sunext (Mauritius) Inc.	Director	Great Sun Corporation Chou Chye Huang (Representative of Great Sun)	US\$300,000	100
Jet Focus Limited	Director Director Direcot	Russell Holdings Limited Chou Chye Huang (Representative of Russell Holdings) Yarn Chen Chen (Representative of Russell Holdings) Harold Liang (Representative of Russell Holdings)	2,294,213 154,688	60.73 - 4.09
Coolsands Technology SARL	Director	Jet Focus Limited Dimitri Singer(Representative of Jet Focus Limited)	EUR\$100,000	100
Generalplus Technology Co., Ltd	Chairman Director Director Supervisor	Sunplus Technology Co., Ltd. Chou Chye Huang (Representative of Sunplus) Yarn Chen Chen (Representative of Sunplus) Chyh-Cherg Chen Representative of Sunplus) Sunplus Venture)	12,000 1,500	60 7.5
Generalplus International (Samoa) Inc.	Director	Generalplus Technology Co., Ltd. Chou Chye Huang (Representative of Generalplus	US\$200,000	100
Generalplus (Mauritius) Inc.	Director	Generalplus International (Samoa) Inc. Chou Chye Huang (Representative of Generalplus	US\$200,000	100
Hanyoung	Director Director Director Supervisor	Sunplus Venture Capital Co., Ltd. Te-Chung Liu (Representative of Sunplus Venture) Chin-Nan Tseng (Representative of Sunplus Venture) Chih-hao Kung Representative of Sunplus Venture) Yin-Chen Hsu (Representative of Sunplus Venture)	420	70
WeiYing	Director Director Director Supervisor	Sunplus Technology Chou Chye Huang (Representative of Sunplus) Yarn Chen Chen Bing Huang Shih Shu Lan Wang	20,000	100
Sunplus Management Advisory	Director Director Director Supervisor	Sunplus Technology Chou Chye Huang (Representative of Sunplus) Yarn Chen Chen Bing Huang Shih Shu Lan Wang	500	100
Waveplus Holding Ltd.	Director	Waveplus Technology Co., Ltd Chou Chye Huang (Representative of Waveplus	US\$500,000	100
Waveplus Design Inc.	Director	Waveplus Holding Ltd Don Chin Yeh (Representative of Waveplus Holding)	US\$500,000	100

8.1.5 Sunplus Shareholders Representing Both Holding Company and Subordinates: None

8.1.6 Operational Highlights for Affiliated Companies Unit : NT\$K, except EPS and Specified Otherwise

Company	Paid in Capital	Assets	Liabilities	Net worth	Net Sales	Income from operation	Net Income (net of tax)	EPS (net of tax)
Sunplus HK Technology Limited	44,522	8,322	10,589	(2,267)	28,648	4,245	4,245	(0.56)
Gaintplus Technology Co., Ltd.	1,600,000	4,937,393	2,805,660	2,131,733	5,327,154	249,596	314,828	1.96
Lin Shih Investment Co., Ltd.	700,000	745,177	106,700	638,477	113,596	(106,922)	(116,519)	(0.16)
Russell Holdings Limited	550,486	442,096	119	441,977	60,424	(45,985)	(110,427)	NA
Sunplus Venture Capital Co., Ltd.	1,000,000	764,153	559	763,594	90,871	(99,978)	(99,719)	(0.99)
Waveplus Technology Co., Ltd.	300,000	263,575	107,966	155,609	175,026	(161,204)	(153,992)	(5.13)
Giantplus (SAMOA)	634,200	930,926	8,168	922,758	12,668	(122)	247,535	NA
Giantplus Holding L.L.C.	634,200	920,008	0	920,008	0	(4)	241,384	NA
Kunshan Giantplus	387,052	2,503,850	1,832,051	671,799	2,695,097	282,084	240,498	NA
Ventureplus Group Inc.	317,100	209,748		209,748	0	(61,173)	(64,472)	NA
Ventureplus Mauritius Inc	317,100	209,741	0	209,741	0	(61,173)	(61,173)	NA
Ventureplus Cayman Inc	317,100	209,730	0	209,730		(149)	(61,169)	NA
Shanghai Sunplus	323,442	287,318	77,203	210,115	0	(62,675)	(62,238)	NA
Techplus Capital Niue Inc.	6,342	6,349	24	6,325	0	(24)	(4)	NA
Techplus Capital (Samoa) Inc.	4,757	4,757	0	4,757	0	0	-	NA
Han Young Technology Co., Ltd.	6,000	2,673	84	2,588	0	(1,736)	(1,732)	(2.80)
Sunxet Technology Co., Ltd.	1,000,000	469,983	152,750	317,233	245,057	(416,891)	(416,787)	(4.16)
Jet Focus Limitd	127,500	78,282	111,506	(33,224)	0	(92,715)	(98,848)	NA
Coolsand Technologies SARL	4,100	26,487	24,973	1,514	46,884	(3,908)	(3,887)	NA
Sunplus Management Advisory	5,000	4,578	5	4,573	0	(405)	(427)	(0.80)
Waveplus Holding Ltd	17,205	6,505	61	6,444	0	0	4,830	NA
Waveplus Design Inc.	17,205	9,098	2,431	6,667	71,528	7,352	4,846	NA
Great Sun Corporation	41,223	45,320	634	44,686	0	(1,633)	(1,633)	NA
Sunext Design Inc.	31,710	87,098	53,477	35,166	41,554	1,554	1,554	NA
Sunext (Mauritius) Inc.	9,513	9,513	0	9,513	0	0	-	NA
WeiYing Investment	200,000	188,777	18	188,759	224,366	(6,716)	(11,241)	(2.62)
Generalplus Technology Co.,Ltd.	200,000	286,764	36,791	249,973	316,221	75,309	50,082	2.50
Generalplus International Samoa Inc.	6,342	6,342	0	6,342	0	0	-	NA
Generalplus (Mauritius) Inc.	6,342	6,342	0	6,342	0	0	-	NA

8.1.7 Sunplus Technology Company Limited & Giantplus Technology Co., Ltd. Combined Financial Statements Together with Independent Auditors' Review Report as of December 31, 2004

Representation Letter

The accompanying combined balance sheet as of December 31, 2004 and the combined statement of income for the year ended December 31, 2004 of Sunplus Technology Company Limited and Giantplus Technology Co., Ltd. were in conformity with the requirements on public companies and their affiliates, taken as a whole, of Securities and Futures Committee (SFC) in the Republic of China (ROC), the ROC regulations governing the preparation of financial statements of public companies and accounting principles generally accepted in the Republic of China.

The accounting records underlying the accompanying combined balance sheet and the combined statement of income accurately and fairly reflect, in reasonable detail, the transactions of the Sunplus Technology Company Limited and Giantplus Technology Co., Ltd. There are no plans or intentions that may materially affect the carrying values or classifications of assets and liabilities.

Very truly yours,

SUNPLUS TECHNOLOGY COMPANY LIMITED

By



CHOU - CHYE HUANG

Chairman

January 28, 2005

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

The Board of Directors and Shareholders
Sunplus Technology Company Limited

We have reviewed the accompanying combined balance sheet as of December 31, 2004 and the related combined statement of income for the year then of Sunplus Technology Company Limited and affiliates. Our review was made in accordance with the Guidelines for the Review of Combined Financial Statements of Affiliates. It is substantially less in scope than an audit in accordance with auditing standards generally accepted in the Republic of China (R.O.C.), the objective of which is the expression of an opinion regarding the combined balance sheet and the combined statement of income taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying combined balance sheet and the combined statement of income referred to above in order for them to be in conformity with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" in the R.O.C., and the R.O.C. regulations governing the preparation of financial statements of public company and generally accepted accounting principles in the R.O.C.

January 28, 2005

Notice to Readers

The accompanying combined financial statements are intended only to present the combined 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 review such combined financial statements are those generally accepted and applied in the Republic of China.

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

SUNPLUS TECHNOLOGY COMPANY LIMITED AND AFFILIATES

COMBINED BALANCE SHEET

DECEMBER 31, 2004

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

(Reviewed, Not Audited)

ASSETS	Amount	%	LIABILITIES AND SHAREHOLDERS' EQUITY	Amount	%
CURRENT ASSETS			CURRENT LIABILITIES		
Cash	\$ 3,906,393	17	Short-term bank loans (Notes 11 and 21)	\$ 903,509	4
Pledged time deposits (Note 21)	5,196	-	Commercial paper (Note 12)	299,819	1
Short-term investments (Notes 2 and 4)	780,578	3	Notes and accounts payable (Notes 2 and 20)	2,846,240	13
Notes and accounts receivable			Income taxes payable (Notes 2 and 18)	64,193	-
Third parties, net of allowance for doubtful receivables of \$84,348 thousand (Note 2)	4,060,286	18	Current portion of long-term liability bearing interest (Notes 13 and 21)	381,655	2
Related parties (Notes 2 and 20)	107,990	1	Deferred intercompany profit (Note 2)	4,664	-
Other financial assets - current (Note 24)	564,891	2	Deferred royalty income - current (Notes 2, 8 and 20)	22,171	-
Inventories, net (Notes 2 and 5)	4,618,324	20	Other current liabilities (Notes 2, 6 and 20)	<u>964,116</u>	<u>4</u>
Deferred income taxes - current (Notes 2 and 18)	110,970	1			
Other current assets	<u>172,788</u>	<u>1</u>	Total current liabilities	<u>5,486,367</u>	<u>24</u>
Total current assets	<u>14,327,416</u>	<u>63</u>			
			LONG-TERM LIABILITY BEARING INTEREST (Notes 13 and 21)	<u>284,827</u>	<u>1</u>
LONG-TERM INVESTMENTS (Notes 2 and 6)					
Equity method	2,389,250	10	OTHER LIABILITIES		
Cost method	584,528	3	Deferred royalty income - noncurrent (Notes 2, 8 and 20)	67,259	-
Convertible bonds	<u>52,677</u>	<u>-</u>	Accrued pension liability (Notes 2 and 14)	160,399	1
Total long-term investments	<u>3,026,455</u>	<u>13</u>	Guarantee deposits (Note 20)	<u>292,903</u>	<u>1</u>
			Total other liabilities	<u>520,561</u>	<u>2</u>
PROPERTIES (Notes 2, 7 and 21)					
Cost			OTHER SHAREHOLDERS' INTEREST IN AFFILIATES (Note 2)	<u>1,345,976</u>	<u>6</u>
Land	279,956	1	Total liabilities	<u>7,637,731</u>	<u>33</u>
Buildings	2,077,814	9			
Auxiliary equipment	134,248	1	SHAREHOLDERS' EQUITY (Notes 2 and 15)		
Machinery and equipment	2,040,249	9	Capital stock - NT\$10 par value		
Testing equipment	767,427	3	Authorized - 1,000,000 thousand shares		
Transportation equipment	16,753	-	Issued - 875,254 thousand shares	8,752,544	38
Furniture and fixtures	278,977	1	Capital surplus (Note 2):		
Leasehold improvements	<u>1,546</u>	<u>-</u>	Additional paid-in capital	945,304	4
Total cost	5,596,970	24	Treasury stock transactions	23,461	-
Less: Accumulated depreciation	(1,903,690)	(8)	Merger and others	635,496	3
Advance payments and construction in progress	<u>44,422</u>	<u>-</u>	Retained earnings:		
Net properties	<u>3,737,702</u>	<u>16</u>	Legal reserve	1,316,618	6
			Unappropriated earnings	4,024,804	18
INTANGIBLE ASSETS, NET (Notes 2 and 8)	<u>1,169,879</u>	<u>5</u>	Other		
			Unrealized loss on long-term investments (Notes 2 and 6)	(289,458)	(1)
OTHER ASSETS			Cumulative translation adjustments (Note 2)	(49,030)	-
Rental assets (Note 2 and 9)	19,492	-	Treasury stock (at cost) - 5,854 thousand shares (Notes 2 and 16)	<u>(95,605)</u>	<u>(1)</u>
Deferred charges, net (Notes 2 and 10)	20,503	-	Total shareholders' equity	<u>15,264,134</u>	<u>67</u>
Deferred income taxes - noncurrent (Notes 2 and 18)	584,810	3			
Miscellaneous	<u>15,608</u>	<u>-</u>			
Total other assets	<u>640,413</u>	<u>3</u>			
TOTAL	<u>\$ 22,901,865</u>	<u>100</u>	TOTAL	<u>\$ 22,901,865</u>	<u>100</u>

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

SUNPLUS TECHNOLOGY COMPANY LIMITED AND AFFILIATES

**COMBINED STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2004
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)**

	Amount	%
GROSS SALES	\$ 24,949,387	
SALES RETURNS AND ALLOWANCES	<u>497,488</u>	
NET SALES (Notes 2 and 20)	24,451,899	100
REALIZED INTERCOMPANY PROFIT, NET (Note 2)	3,976	-
COST OF SALES (Notes 17 and 20)	<u>17,470,802</u>	<u>72</u>
GROSS PROFIT	<u>6,985,073</u>	<u>28</u>
OPERATING EXPENSES (Notes 17 and 20)		
Marketing	690,733	3
General and administrative	580,753	2
Research and development	<u>2,251,043</u>	<u>9</u>
Total operating expenses	<u>3,522,529</u>	<u>14</u>
OPERATING INCOME	<u>3,462,544</u>	<u>14</u>
NONOPERATING INCOME AND GAINS		
Gain on sale of investments, net (Note 2)	90,497	1
Interest	38,411	-
Dividend income (Notes 2 and 20)	24,554	-
Subsidies (Note 2)	23,000	-
Mold revenue (Note 20)	14,077	-
Rental Income	3,464	-
Gain on disposal of properties (Note 2 and 20)	380	-
Other (Note 20)	<u>67,701</u>	<u>-</u>
Total nonoperating income and gain	<u>262,084</u>	<u>1</u>
NONOPERATING EXPENSES AND LOSSES		
Equity-method investment loss, net (Notes 2 and 6)	405,565	2
Losses on inventory (Note 2)	323,278	1
Interest	59,832	-
Foreign exchange loss, net (Notes 2 and 24)	40,468	-
Loss on impairment of long-term investments (Note 2)	7,036	-
Other	<u>86,736</u>	<u>1</u>
Total nonoperating expenses and losses	<u>922,915</u>	<u>4</u>

(Continued)

	Amount	%
INCOME BEFORE INCOME TAX	\$ 2,801,713	11
INCOME TAX BENEFIT (Notes 2 and 18)	<u>123,447</u>	<u>1</u>
COMPREHENSIVE INCOME	2,925,160	12
OTHER SHAREHOLDERS' INTEREST IN GAIN OF AFFILIATES (Note 2)	(<u>187,469</u>)	(<u>1</u>)
COMBINED NET INCOME	<u>\$ 2,737,691</u>	<u>11</u>
	Before	After
	Income	Income
	Tax	Tax
COMBINED EARNINGS PER SHARE (Note 19)		
Basic earning per share	<u>\$ 3.22</u>	<u>\$ 3.15</u>
Diluted earning per share	<u>\$ 3.17</u>	<u>\$ 3.10</u>

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

(Concluded)

SUNPLUS TECHNOLOGY COMPANY LIMITED AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)
(Reviewed, Not Audited)

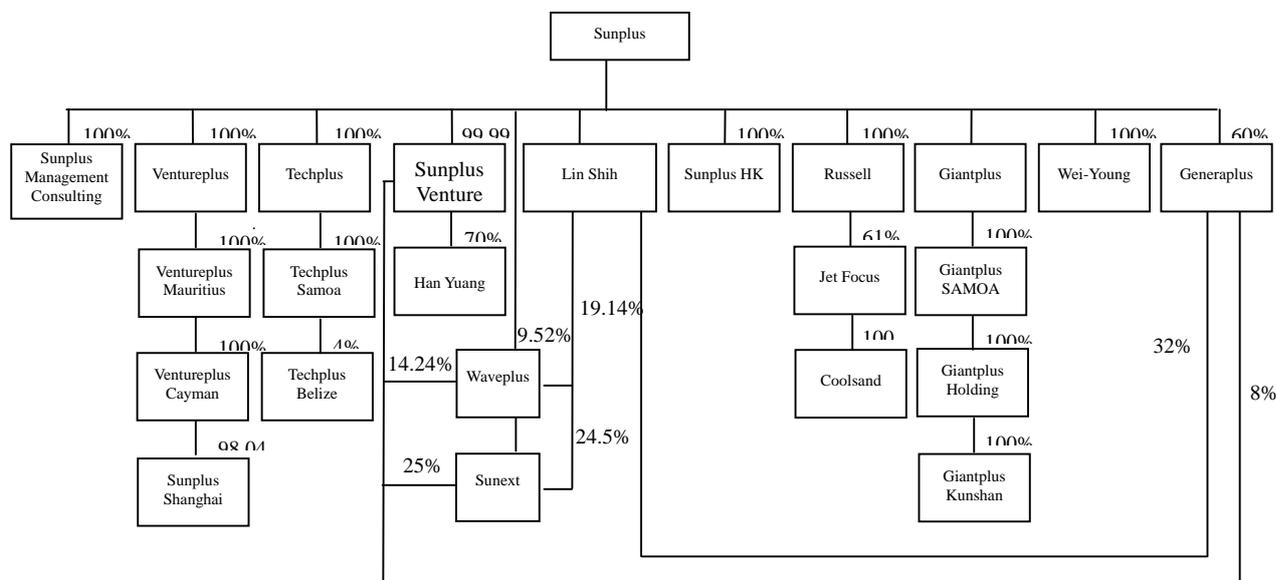
1. GENERAL

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.

Sunplus exercises significant influence on Giantplus Technology Co., Ltd. (Giantplus) which has three consolidated subsidiaries namely, Giantplus SAMOA Holding Co., Ltd. (Giantplus SAMOA), Giantplus Holding L.L.C. (Giantplus Holding), and Kunshan Giantplus Optoelectronics Technology Co., Ltd. (Giantplus Kunshan).

The following diagram presents information regarding the relationship and ownership percentages among Sunplus and their affiliates as of December 31, 2004:



Giantplus was established in December 1997. It is engaged in the research, development, manufacture and sale of TN/STN LCDs and LCD modules.

Giantplus SAMOA and Giantplus Holding were established in February 2000. They are engaged in the investing activities. Giantplus Kunshan was established in March 2000. It is engaged in the manufacture and sale of TN/STD LCDs and LCD modules.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The combined financial statements are presented in conformity with Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises in the R.O.C. and regulations governing the preparation of financial statements of public companies and generally accepted accounting principles in the R.O.C. Under these guidelines and principles, the Company is required to

make certain estimates and assumptions that could affect the amounts of allowance for doubtful receivables, allowance for inventory devaluation, property depreciation, amortization of intangible assets, and pension expenses. Actual results could differ from these estimates.

Significant accounting policies are summarized as follows:

Combination

All significant intercompany balances and transactions have been eliminated in the combined financial statements. The combined financial statements include, as of and for the year ended December 31, 2004, the accounts of Giantplus, Giantplus SAMOA, Giantplus Holding, and Giantplus Kunshan. Sunplus and the foregoing affiliates are hereinafter referred to collectively as the "Company".

Minority interests in the aforementioned affiliates are present separately in the combined financial statements.

Neither the total sales nor total assets of Sunplus' subsidiaries - Sunplus Venture Capital Co., Ltd., Lin Shih Investment Co., Ltd., Russell Holding Limited, Jet Focus Limited, Coolsand Technologies Sarl, Techplus Capital Niue Inc., Techplus Samoa Inc., Techplus Belize Inc., Ventureplus Group Inc., Ventureplus Mauritius Inc., Ventureplus Cayman Inc., Sunplus Technology (Shanghai) Inc., Wei-Young Investment Inc., Han Young Technology Co., Ltd., Generaplus Technology Corp., Sunplus Management Consulting Inc. and Sunplus Technology (H.K.) Co., Ltd. - individually reached 10% or collectively reached 30% of those of Sunplus. Thus, the combined financial statements of Sunplus and affiliates did not include the foregoing subsidiaries.

Current/Noncurrent Assets and Liabilities

Current assets are those to be converted to cash or consumed within one year. Current liabilities are those to be paid off or settled within one year. All other assets and liabilities are classified as noncurrent.

Short-term Investments

Short-term investments are open-end funds, which are carried at the lower of aggregate cost or market value. Declines in market value are recognized as a loss in the period of occurrence. An allowance for losses is provided when the aggregate carrying value of the investments exceeds their total market value. Any recovery of the market value to the extent of the original carrying value is recognized as income. Costs of the investments sold are determined using the weighted-average method. The market value of the open-end funds is their net asset value on the last trading day of the reporting period.

Allowance for Doubtful Receivables

Allowance for doubtful receivables is provided on the basis of a review of the collectibility of individual receivables, taking into account the age of receivables and the financial condition of the debtors.

Inventories

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

Long-term Investments

Investments in share of stock of companies in which the Company owns at least 20% of the outstanding voting shares or exercises significant influence on their operating and financial policy decisions are accounted for by the equity method. The difference between the investment cost and the Company's equity in the investees' net assets on the acquisition date is amortized over five years using the straight-line method. This amortization and the Company's equity in the investees' net income or net loss are recognized as equity-method investment income (loss), net. If an investment is impaired, an impairment loss is recognized if the carrying amount exceeds the expected recoverable amount. The Company's proportionate share in the net income or net loss of investee companies is recognized as a component of the "equity-method investment income (loss), net" account. If the recognized carrying value of the investment plus any advances to the investee are reduced to zero, the Company will discontinue recognizing its investment loss. But (a) if the Company guarantees the obligations of an investee or commits to provide financial support to an investee or (b) if the investee's losses are temporary and evidence sufficiently shows imminent return to profitability, the Company will continue to recognize its investment loss. This balance in the carrying value of a long-term investment and advances are credited to other

current liabilities on 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 or decrease is credited or debited to capital surplus, respectively. If capital surplus is not enough for debiting purposes, the decrease is debited to unappropriated retained earnings.

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

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

Investments in which the Company owns less than 20% of the outstanding voting shares or does not exercise significant influence are accounted for by the cost method. For investments with readily ascertainable fair market value, an allowance is recognized for any decline in the market value of investments with the corresponding amount recorded as an unrealized loss, a component of shareholders equity. Shares of stock with no quoted market prices are stated at cost. An other than temporary decline either in carrying value or in market value below carrying value is charged to current income, and the carrying amount of such investments after recognizing losses will become the new cost of the investment. For both equity-method and cost-method investments, stock dividends received are recognized only as an increase in the number of shares held rather than investment income. Investment cost per share is then recalculated on the basis of the new number of shares. Cash dividends received within a year of investment acquisition are accounted for as a reduction of the carrying value of the investment; while cash dividends received in subsequent years are recognized as investment income on the declaration date. The cost of investments sold or transferred is determined using the weighted-average method.

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

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

Properties and Rental Assets

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

Properties covered by agreements qualifying as capital lease are carried at the lower of the leased equipment's market value or the present value of the minimum lease payments at the inception date of the lease. The implicit interest included in the lease payment is recognized as current interest expense.

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

Properties that have reached their residual value but are still in use are further depreciated over their newly estimated service lives. Upon the sale or other disposal of properties, the related cost and accumulated depreciation are removed from the accounts, and any gain or loss is credited or charged to income.

Intangible Assets

Intangible assets consist of technology license fee, patents and land grant, booked at the acquisition cost, which are amortized using the straight-line method over 2 to 5 years, 5 to 18 years and 50 years, respectively.

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 over 5 to 10 years, using the straight-line method.

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. The Corporation adopted the intrinsic value method and any compensation cost is charged to expense over the employee vesting period specified in the stock option plans.

Revenue Recognition

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

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

Government Subsidies

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

Pension Costs

Sunplus and Giantplus have pension plans for all their regular employees. The plans provide benefits based on the length of service and the average basic salary of the employee's final six months of service.

Net periodic pension costs are recorded on the basis of actuarial calculations. Unrecognized net transition obligation and unrecognized net gains or losses are amortized over 15 years and the employee's residual length of service, respectively, using the straight-line method. Giantplus Kunshan pays pension benefits to a government-managed pension plan and records as expense currently other affiliates have no pension plans and do not need to record pension costs.

Income Tax

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

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

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

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

Foreign-currency Transactions

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

as a translation adjustment under stockholders' equity.

Derivative Transactions

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

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

3. SIGNIFICANT ELIMINATING ENTRIES

Company	Account	Amount	Transaction Entity
Sunplus	Sales	\$ 407,031	Giantplus
	Accounts receivable from related parties	86,053	
Giantplus	Sales	1,159,534	Giantplus Kunshan
	Manufacturing overhead-outsourced	943,126	
	Unrealized intercompany profit	1,429	
	Accounts receivables from related parties	948,401	
	Accounts payable due to related parties	298,320	
	Sales	11,652	Giantplus SAMOA

4. SHORT-TERM INVESTMENTS

Open-end funds - acquisition costs	<u>\$ 780,578</u>
Market value	<u>\$ 780,613</u>

5. INVENTORIES, NET

Finished goods	\$ 2,453,099
Work in process	1,201,666
Raw materials	<u>1,269,848</u>
	4,924,613
Less: Allowance for losses	<u>(306,289)</u>
	<u>\$ 4,618,324</u>

6. LONG-TERM INVESTMENTS

	Carrying Value	% of Owner-Ship
Shares:		
Equity method		
Sunplus Venture Capital Co., Ltd.	\$ 763,518	100
Lin Shih Investment Co., Ltd.	542,808	100
Russell Holdings Limited	442,314	100
Ventureplus Group Inc.	209,748	100
Wei-Young Investment Inc.	188,759	100
Generaplus Technology Corp.	149,984	60
Goldkey Technology Corp.	66,407	15
Waveplus Technology Co., Ltd.	14,813	10
Techplus Capital Niue Inc.	6,326	100
Sunplus Management Consulting Inc.	4,573	100
Electric Energy Application Technology Inc.	-	24
	<u>2,389,250</u>	

(Continued)

	Carrying Value	% of Owner- Ship
Cost method		
Publicly traded stocks		
RITEK Corp.	\$ 335,069	-
Global View Co., Ltd.	223,455	10
United Microelectronics Corp.	45,887	-
Broadcom Corp.	37,608	-
Harvatek Corp.	37,488	3
Silicon Application Corp.	26,700	1
Non-publicly traded stocks		
Network Capital Global Fund	60,000	7
Technology Partners Venture Capital Corp.	50,000	11
Quality Test System Inc.	-	2
	<u>816,207</u>	
Less: Allowance for loss	<u>(231,679)</u>	
	<u>584,528</u>	
Convertible bonds:		
AIPTEK International Inc.	20,000	
Sin Bon Electronics Co., Ltd.	16,642	
Action Electronics Co., Ltd	16,188	
	<u>52,830</u>	
Less: Allowance for loss	<u>(153)</u>	
	<u>52,677</u>	
	<u>\$ 3,026,455</u>	
Credit balance of long-term investments-(recorded as other current liabilities)		
Sunplus Technology (H.K.) Co., Ltd.	<u>\$ 2,331</u>	100

In March 2004, the Company established Wei-Young Investment Inc., engaging in investments and Generaplus Technology Inc. engaging in IC design, international trade, information software services and data process.

Except for the financial statements of Sunplus Management Consulting Inc., which was not audited, the equity-method investment gains and losses as for the year ended December 31, 2004 were based on the investees' audited financial statements in the same period. The management believed that the audited financial statements do not have material impact. The related amounts are as follows:

Sunplus Venture Capital Co., Ltd.	\$ (99,709)
Lin Shih Investment Co., Ltd.	(134,269)
Russell Holdings Limited	(116,519)
Ventureplus Group Inc.	(64,472)
Wei-Young Investment	(11,241)
Generaplus Technology corp.	30,049
Goldkey Technology Corp.	2,199
Waveplus Technology Co., Ltd.	(15,417)
Techplus Capital Niue Inc.	(4)
Sunplus Management Consulting Inc.	(427)
Sunplus Technology (H.K.) Co., Ltd.	<u>4,245</u>
	<u>\$ (405,565)</u>

As of December 31, 2004, the Company and its subsidiaries owned 32% of Goldkey Technology Co., Ltd. and 43% of Waveplus Technology Co., Ltd. Thus, these investments were accounted for by the equity method.

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

Publicly traded stocks:

RITEK Corp.	\$	57,995
Global View Co., Ltd.		186,419
United Microelectronics Corp.		48,673
Broadcom Corp.		64,009
Harvatek Corp.		100,266
Silicon Application Corp.		17,166

Convertible bonds:

AIPTEK International Inc.		19,164
Sin Bon Electronics Co., Ltd.		17,658
Action Electronics Co., Ltd		15,855

7. PROPERTIES

Accumulated depreciation:

Buildings	\$	218,461
Auxiliary equipment		80,530
Machinery and equipment		1,007,212
Testing equipment		443,705
Transportation equipment		7,900
Furniture and fixtures		145,053
Leasehold improvements		<u>829</u>
	\$	<u>1,903,690</u>

8. INTANGIBLE ASSETS, NET

Technology license fee	\$	1,033,888
Patents		88,284
Land grant		<u>47,707</u>
	\$	<u>1,169,879</u>

Intangible assets consisted of fees paid to Oak Technology for the Company to acquire royalty and technology on light storage solutions for developing SOC DVD/VCD (system on a chip digital compact disk/video compact disk) players.

The Company also licensed Sunext Technology (49.5% indirect subsidiary) to research, design and manufacture products using the said technology in exchange for royalty income (shown as "gross sales" in the income statement and as "deferred royalty income" on the balance sheet).

9. RENTAL ASSETS

Cost	\$	23,574
Accumulated depreciation		<u>(4,082)</u>
	\$	<u>19,492</u>

10. DEFERRED CHARGE, NET

Software and system design	\$	16,095
Electricity installation		4,383
Others		<u>25</u>
	\$	<u>20,503</u>

11. SHORT-TERM BANK LOANS

Unsecured loan - payable in November 2005; annual interest rate from 1.8% to 3.61%	\$	477,728
Credit loan - US\$10,000 thousand. Payable in June 2005; annual interest rate from 1.85% to 3.06%		317,100
Loans for import of materials - ¥ 323,004 thousand and US\$277 thousand. Payable in June 2005; annual interest rate from 0.63% to 3.34%		<u>108,681</u>
	\$	<u>903,509</u>

12. COMMERCIAL PAPER

This is secured by guarantees issued by financial institution and bear interest 1.84%. This is payable in January 2005.

13. LONG-TERM LIABILITIES BEARING INTEREST

Secured loan:

Repayable in quarterly installments starting from December 2004 to September 2007, interest at 2.60%	\$	91,667
US\$2,475 thousand, repayable in quarterly installments starting from July 2001 to April 2006, interest at 3.60%		78,482
Repayable in monthly installments starting from December 2002 to November 2007, interest at 2.60%		58,333
Repayable in monthly installments starting from July 2001 to June 2006, interest at 2.60%.		36,000

Unsecured loan:

Repayable in installments until September 2005, interest at 2.83%		100,000
Repayable in three installments starting from September 2005 to March 2007, interest at 2.65%		100,000
Repayable in eight installments starting from May 2004 to May 2008, interest at 3.10%		85,000
Repayable in quarterly installments starting from August 2002 to May 2005, interest at 2.99%		65,000
Repayable in quarterly installments starting from September 2003 to June 2006, interest at 2.87%		<u>52,000</u>

Less: Current portion

		666,482
	(<u>381,655</u>)
	\$	<u>284,827</u>

14. PENSION PLAN

Sunplus and Giantplus have pension plans for all their regular employees. It is a lump sum that is payable immediately on retirement and is equivalent to 2 months' unit for each of the first 15 years of service and 1 month's unit for each year of service thereafter. The total retirement benefit is subject to a maximum of 45 months' unit. The pension plan provides benefits based on the length of service and the average monthly basic salary of the employee's final six months of service.

The Company makes monthly contributions, equal to 2% of salaries, to the pension fund, which is administered by the Company's pension fund monitoring committee. The contributions are deposited in the committee's name in the Central Trust of China.

The changes in the fund and accrued pension costs are summarized as follows:

a. Components of pension costs

	Sunplus	Giantplus
Service costs	\$ 48,097	\$ 6,001
Interest costs	6,026	801
Projected return on plan assets	(1,025)	(623)
Amortization	<u>3,607</u>	<u>36</u>
	<u>\$ 56,705</u>	<u>\$ 6,215</u>

b. Reconciliation of the fund status of the plan and accrued pension costs

	Sunplus	Giantplus
Benefit obligation:		
Vested benefit obligation	\$ -	\$ -
Non-vested benefit obligation	<u>110,518</u>	<u>17,142</u>
Accumulated benefit obligation	110,518	17,142
Additional benefits based on future salaries	<u>177,767</u>	<u>10,818</u>
Projected benefit obligation	288,285	27,960
Fair value of plan assets	(54,483)	(19,999)
Funded status	233,802	7,961
Unrecognized net transition obligation	(4,309)	(320)
Unrecognized net loss	<u>(76,907)</u>	<u>172</u>
Accrued pension costs	<u>\$ 152,586</u>	<u>\$ 7,813</u>
Vested benefit	<u>\$ -</u>	<u>\$ -</u>
c. Actuarial assumptions		
Discount rate used in determining present values	2.5%	3.5%
Future salary increase rate	5.0%	2.5%
Expected rate of return on plan assets	2.5%	3.5%
d. Pension expense	<u>\$ 56,705</u>	<u>\$ 5,626</u>

The "Labor Pension Plan Regulations", enacted from July 1, 2005, is a defined contribution pension plan to all regular employees. Employees could continue applying either for the pension plan under "Labor Standard Law", or for the pension plan system under "Labor Pension Plan Regulations" and keep their length or service of prior jobs. According to the regulations, employers are required to contribute an amount no less than 6% of salaries and wages paid each month to a Pension Fund.

15. SHAREHOLDERS' EQUITY

Employee Stock Option Plan

On March 7, 2003, the Securities and Futures Bureau (SFB; formerly known as "Securities and Futures Commission") approved Sunplus' adoption of an employee stock option plan. The plan provides for the grant of 30,000 thousand options, with each representing one common share. The option rights may be granted to qualified employees of Sunplus and its subsidiaries. The options are valid for six years and exercisable at certain percentages after the second anniversary of the grant date. Stock options are granted at an exercise price equal to the closing price of the company's common shares listed on the TSE on the date of grant. All options had been granted as of December 31, 2004.

Information on outstanding option rights is as follows:

	Outstanding Option Rights			
	Number of Option Rights Available (in Thousands)	Number of Option Rights Granted (in Thousands)	Exercise Price (NT\$)	Weighted Average Exercise Price (NT\$)
Amount authorized in 2003	30,000	-		
Granted on May 6, 2003	(22,000)	22,000	\$27.1 (Note)	\$27.1 (Note)
Granted on August 28, 2003	(8,000)	8,000	47.1 (Note)	47.1 (Note)
Stock dividends	-	2,200 (Note)		
Option cancelled	<u>-</u>	<u>(1,092)</u>		
Balance, December 31, 2003	-	31,108		
Stock dividends	-	3,046 (Note)		
Option cancelled	<u>-</u>	<u>(1,565)</u>		
Balance, December 31, 2004	<u>-</u>	<u>32,589</u>		

Note: The numbers of outstanding option rights and exercise prices have been adjusted to reflect the issuance

of stock dividends based on the plan.

On May 12, 2004, the SFB approved Giantplus' adoption of an employee stock option plan. The plan provides for the grant of 16,000 thousand options, with each representing one common share. A total of 16,000 thousand common shares are reserved for issuance. The options are valid for six years and exercisable at certain percentages after the second anniversary of the grant date. The options may be granted to qualified employees of Giantplus and its subsidiaries. 10,000 thousand options had been granted as of December 31, 2004 and the exercise price was NT\$12.5.

Information on outstanding option rights was as follows:

	<u>Outstanding Option Rights</u>	
	<u>Number of Option Rights Available (in Thousands)</u>	<u>Weighted Average Exercise Price (NT\$)</u>
Balance, December 31, 2003	-	
options granted	10,000	12.5
Options cancelled	(378)	
Balance, December 31, 2004	<u>9,622</u>	

As of December 31, 2004, the information about Giantplus outstanding stock options was as follows:

<u>Exercise Price</u>	<u>Options Outstanding</u>			<u>Options Exercisable</u>	
	<u>Number Outstanding (in Thousands)</u>	<u>Weighted Average Remaining Contractual Life (in Years)</u>	<u>Weighted Average Exercise Price (NT\$)</u>	<u>Number Exercisable (in Thousands)</u>	<u>Weighted Average Exercise Price (NT\$)</u>
\$12.5	9,622	5.70	\$12.5	-	\$-

Global Depositary Receipts (GDRs)

In March 2001, the Company issued 20,000 thousand units of Global Depositary Receipts (GDRs), representing 40,000 thousand common shares from new issuance and originally outstanding stocks. The GDRs are listed on the London Stock Exchange, the coded is SUPD with an issuance price of US\$9.57 per unit. For the year ended December 31, 2004, the GDRs have been converted for US\$219,336 thousand, totaling 73,098 thousand of common shares. The outstanding GDRs, representing 4,898 thousand of common shares, are accounted for 0.56% of outstanding common stocks of Sunplus.

Paid-in Capital

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) may be transferred to capital to a certain percentage to a certain percentage as stock dividend.

Appropriation of Earnings and Dividend Policy

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

The current year's net income less all the foregoing appropriations and distributions plus the unappropriated prior years' earnings may be distributed as additional dividends. It is 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.

A special reserve equivalent to the net debit balance of the other components of shareholder's equity (for example, unrealized loss on long-term investments and cumulative translation adjustments, but excluding treasury stock),

shall be made from unappropriated earnings pursuant to existing regulations promulgated by the R.O.C. SFB. Any special reserve appropriated may be reversed to the extent that the net debit balance of the related account reverses.

Legal reserve should be appropriated until the reserve equals the Company's paid-in capital. This reserve may only be used to offset a deficit or, when it has reached 50% of the Company's paid-in capital, up to 50% thereof may be capitalized.

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

Under the Integrated Income Tax System that became effective on January 1, 1998, the R.O.C. resident shareholders are allowed a tax credit for their proportionate share of the income tax paid by Sunplus on earnings generated since January 1, 1998.

The appropriation from the earnings of 2003 was approved in the shareholders' meeting on June 1, 2004. The appropriation was as follows:

	2004	
	Appropriation of Earnings	Dividend (NT\$)
Legal reserve	\$ 200,697	\$ -
Special reserve	-	-
Common dividends - in cash	1,166,256	1.5
Common dividends - in stock	155,500	0.2
Remuneration of directors and supervisors - in cash	20,977	-
Bonus to employees - in stock	<u>200,000</u>	-
	<u>\$ 1,743,430</u>	

The shareholders' meeting also approved the conversion of capital surplus of \$622,004 thousand into new shares. Under the approval of the SFB, the issuance of new shares took effect on August 23, 2004.

The above appropriation of the earnings is consistent with the resolutions at the meetings of the board of directors on March 15, 2004. If the above employee bonus paid in stock had been paid in cash and all of the bonus to employees and remuneration to directors and supervisors had been charged against income for 2003, the after income tax basic earnings per share for the years ended December 31, 2003 and 2002 would have decreased from NT\$2.60 to NT\$2.31. The 20,000 thousand shares distributed as a bonus to employees represented 2.57% of the Company's total outstanding common shares as of December 31, 2003.

As of January 28, 2005, the board of directors have not resolved the appropriation for earnings of 2004. The above information about the appropriations of bonus to employees and remuneration to directors and supervisors is available at Market Observation System website.

16. TREASURY STOCK (COMMON STOCK)

	(Shares in Thousands)			
Purpose of Purchase	Beginning Shares	Increase	Decrease	Ending Shares
Subsidiaries held stocks of the parent company as investments	<u>5,322</u>	<u>532</u>	<u> </u>	<u>5,854</u>

As of December 31, 2004, the book value of these stocks was \$95,605 thousand and the market value was \$257,444 thousand. Capital stock of Sunplus held by a subsidiary as an investment is recorded as treasury stock, but shareholders of treasury stock retain their shareholders' rights on these shares.

17. PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

	2004		
	Classified as Cost of Sales	Classified as Operating Expense	Total
Personnel expenses			
Salary	\$ 340,016	\$ 1,061,685	\$ 1,401,701
Labor and health insurance	20,028	52,462	72,490
Pension	9,049	53,282	62,331
Other	27,250	53,233	80,483
Depreciation	273,939	191,815	465,754
Amortization	<u>2,363</u>	<u>335,258</u>	<u>337,621</u>
	<u>\$ 672,645</u>	<u>\$ 1,747,735</u>	<u>\$ 2,420,380</u>

18. INCOME TAX

a. Income tax benefit consisted of:

Income tax expense - current before tax credits	(\$ 260,386)
Net change in deferred income taxes	453,232
Income tax (10%) on undistributed earnings	(58,070)
Nondeductible tax credits - income from oversease	(14,015)
Adjustment of prior years' income tax expense	<u>2,686</u>
Income tax benefit	<u>\$ 123,447</u>

b. Deferred income tax assets consisted of:

Current:	
Operating loss carryforwards	\$ 16,352
Investment tax credits	61,707
Temporary difference	<u>32,911</u>
	<u>\$ 110,970</u>
Noncurrent:	
Operating loss carryforwards	\$ 52,612
Investment tax credits	756,387
Temporary difference	40,443
Allowance	<u>(264,632)</u>
	<u>\$ 584,810</u>

The effective tax rates for deferred income tax as of December 31, 2004 was 25%.

As of December 31, 2004, investment tax credits (recorded as deferred tax assets) consisted of the following:

Regulation	Items	Total Creditable Amounts	Remaining Creditable Amounts	Expiry Year
Income Tax Law	Loss carryforwards	\$ 16,352	\$ 16,352	2005
		<u>52,612</u>	<u>52,612</u>	2006
		<u>\$ 68,964</u>	<u>\$ 68,964</u>	
Statute for Upgrading Industries	Purchase of machinery and equipment	\$ 6,444	\$ 6,444	2005
		5,875	5,875	2006
		4,131	4,131	2007
		<u>11,857</u>	<u>11,857</u>	2008
		<u>\$ 28,307</u>	<u>\$ 28,307</u>	
Statute for Upgrading Industries	Research and development expenditures	\$ 55,263	\$ 55,263	2005
		177,474	177,474	2006
		189,636	189,636	2007
		<u>372,322</u>	<u>230,593</u>	2008
		<u>\$ 794,695</u>	<u>\$ 652,966</u>	
Statute for Upgrading Industries	Investments in important technology based enterprise	<u>\$ 136,821</u>	<u>\$ 136,821</u>	2007

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

<u>Project</u>	<u>Tax Exemption Period</u>
Third expansion	January 1, 2001 to December 31, 2004
Fourth expansion	January 1, 2002 to December 31, 2005
Fifth expansion	January 1, 2003 to December 31, 2006

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

Income tax returns for 1999 and 2001 had been examined by the tax authorities. However, the Company is contesting the assessment by the tax authorities for the 1998 returns.

Giantplus 2002 income tax returns had been examined by the tax authorities.

d. Integrated income tax information:

	The Balance of the Imputation Credit Account as of <u>December 31, 2004</u>	The Expected Creditable Ratio as of <u>December 31, 2004</u>	The Actual Creditable Ratio as of <u>December 31, 2003</u>
Sunplus	\$ 35,577	2.79%	3.19%
Giantplus	\$ 391	0.09%	0.11%

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 2004 may be adjusted when the allocation of the imputation credits is made.

e. The unappropriated retained earnings as of December 31, 2004 included the earnings of \$452,310 thousand and \$2,091 thousand for Sunplus and Giantplus, respectively, generated up to December 31, 1997.

19. COMBINED EARNINGS PER SHARE

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

	<u>Amounts (Numerator)</u>		Share (Denominator) (Thousands)	<u>EPS (NT\$)</u>	
	Before Income Tax	After Income Tax		Before Income Tax	After Income Tax
Basic earnings per share					
Income available to common shareholders	\$ 2,801,713	\$ 2,737,691	869,400	\$ 3.22	\$ 3.15
Effect of dilutive securities - stock option	-	-	14,449		
Diluted earnings per share					
Income available to common shareholders	\$ 2,801,713	\$ 2,737,691	883,849	\$ 3.17	\$ 3.10

20. RELATED-PARTY TRANSACTIONS

The Company's related parties were as follows:

- Global View Co., Ltd. ("Global View") - the Company's supervisor.
- Goldkey Technology Corp. ("Goldkey") - equity-method investee.
- Waveplus Technology Co., Ltd. ("Waveplus") - equity-method investee.

- d. Sunplus Technology (H.K.) Co., Ltd. ("Sunplus H.K.") - 100% subsidiary.
- e. Generaplus Technology Inc. ("Generaplus") - 60% subsidiary.
- f. Sunplus Technology (Shang hai) Co., Ltd. ("Sunplus Shanghai") - 98% indirect investee
- g. Sunext Technology Co., Ltd. ("Sunext") - 49.5% indirect investee
- h. Joing Technology Co., Ltd. ("Joing") - 39% indirect investee (liquidated in March 2004)
- i. RITEK Corp. (RITEK) - Giantplus' supervisor
- j. Golden Global View Computer Technology Company Ltd. (Golden Global View) - the subsidiary of Global View
- k. Global View (Kunshan) Co., Ltd. (Global View Kunshan) - the subsidiary of Global view.
- l. Others - please refer to Note 24 for related parties that do not have business transactions with the Company in the current period.

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

<u>For the year</u>	Amount	%
Sales:		
Global View	\$ 156,547	1
Waveplus	108,416	1
Golden Global View	101,647	-
Generaplus	99,764	-
Sunext	73,361	-
Goldkey	41,957	-
Sunplus H.K.	9,126	-
Global View Kunshan	<u>18</u>	<u>-</u>
	<u>\$ 590,836</u>	<u>2</u>
Purchase		
RITEK	<u>\$ 13,236</u>	<u>-</u>
Subcontract expense (under cast of sales)		
Global View Kunshan	<u>\$ 6,617</u>	<u>-</u>
Commission expense		
Waveplus	<u>\$ 3,399</u>	<u>-</u>
Dividend income		
Global View	<u>\$ 10,962</u>	<u>45</u>
Nonoperating income - other		
Sunext	\$ 3,600	5
Global view	1,959	3
Joing	<u>1,317</u>	<u>2</u>
	<u>\$ 6,876</u>	<u>10</u>

(Continued)

	Amount	%
<u>At end of year</u>		
Notes and accounts receivable		
Golden Global View	\$ 47,595	1
Global View	30,653	1
Waveplus	21,122	1
Goldkey	6,424	-
Generaplus	2,161	-
Global View Kunshan	21	-
Sunext	<u>14</u>	<u>-</u>
	<u>\$ 107,990</u>	<u>3</u>
Notes and accounts payable		
RITEK	\$ 3,968	-
Global View Kunshan	<u>2,857</u>	<u>-</u>
	<u>\$ 6,825</u>	<u>-</u>
Other current liabilities		
Waveplus	<u>\$ 1,446</u>	<u>-</u>
Guarantee deposits		
Global View	<u>\$ 615</u>	<u>-</u>
Deferred royalty income (including current and non-current)		
Sunext	<u>\$ 89,430</u>	<u>100</u>
Endorsement/guarantee provided		
Sunplus Shanghai	\$ 164,950	
Sunplus H.K.	<u>17,252</u>	
	<u>\$ 182,202</u>	

As of December 31, 2004, Sunplus sold properties to Sunext and Generaplus for \$707 thousand and the resulting gain on sales of properties was \$53 thousand.

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

Sunplus, Waveplus and Company A entered into an agreement to develop and sell certain products, with Waveplus act as a commission sales agent. The commission that the Company paid to Waveplus was based on the agreement.

21. PLEDGED ASSETS

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

Pledged time deposits	\$ 5,196
Land	279,956
Buildings and auxiliary equipment, net	626,975
Machinery and testing equipment, net	<u>218,974</u>
	<u>\$ 1,131,101</u>

22. SIGNIFICANT LONG-TERM OPERATING LEASES

The Company leases land from the Science-Based Industrial Park Administration under renewable agreements expiring in July 2015, December 2020 and 2021, with annual rentals aggregating \$6,919 thousand. The agreements can be renewed upon their expiration.

Future annual minimum rentals under the leases are as follows:

<u>Year</u>	<u>Amount</u>
2005	\$ 6,919
2006	6,919
2007	6,919
2008	6,919
2009	6,919
2010 and thereafter	<u>63,168</u>
	<u>\$ 97,763</u>

23. COMMITMENTS AS OF DECEMBER 31, 2004

Amounts available under unused letters of credit as of December 31, 2004 were ¥93,662 thousand and US\$10,195 thousand and bank guarantee letter \$13,196 thousand.

24. ADDITIONAL DISCLOSURES

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

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

Sunplus and Giantplus entered into derivative transactions for the year ended December 31, 2004 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. Certain information on these contracts was as follows:

- a) Forward exchange contracts:

Sunplus (No. 0)

Outstanding forward exchange contracts:

<u>Items</u>	<u>2004</u>	
	<u>Contract Amount (In Thousands)</u>	<u>Credit Risk</u>
Sell forward exchange contracts	US\$85,000 (US\$ to NT\$)	\$ 69,358

As of December 31, 2004, receivables from forward exchange contracts (shown in the balance sheets as part of "other financial assets - current") aggregated \$93,848 thousand.

As of December 31, 2004, there were no matured stock options:

For the year ended December 31, 2004, the net exchange gain on settled forward exchange contracts and stock options were \$50,308 thousand, presented under nonoperating income and gains.

Giantplus (No. 1)

<u>Items</u>	<u>2004</u>	
	<u>Contract Amount (In Thousands)</u>	<u>Credit Risk</u>
Sell forward exchange contracts	US\$3,000 (US\$ to NT\$)	\$ -

As of December 31, 2004, receivables from forward exchange contracts aggregated \$6,251 thousand.

For the year ended December 31, 2004, the net exchange losses on settled forward exchange contracts were \$2,460 thousand, presented under nonoperating expenses and losses.

b) Foreign-currency option contracts

Giantplus (No. 1)

Giantplus entered into foreign-currency option contracts to hedge risks of exchange rate fluctuations arising from its anticipated U.S. dollar cash receipts on export sales. For the year ended December 31, 2004, the net exchange gain on settled foreign-currency option contracts was \$39,183 thousand, presented under nonoperating income and gains.

For the year ended December 31, 2004, net premium income and loss on foreign-currency option contracts recognized was \$7,673 thousand and \$52,629 thousand, respectively, presented under nonoperating income and gains and nonoperating expenses and losses.

c) Transaction risks:

- i) Credit risk: Banks are the counter-parties of the foregoing derivative transactions. The potential for default by those counter-parties on the contracts is low.
- ii) Market price risk: All derivative financial instruments are intended as hedges for adverse fluctuations of currency exchange rates for foreign currency-denominated receivables or payables. Gains or losses on forward exchange contracts are likely to offset gains or losses on receivables and payables. Thus, market price risks from exchange rate fluctuations are minimal.
- iii) Liquidity and cash flows requirements:

Sunplus (No. 0)

As of December 31, 2004, the Company's future cash demand for derivative transactions was as follows:

<u>Term</u>	<u>(In Thousands)</u>			
	<u>2004</u>			
	<u>Forward Exchange Contracts Inflow</u>		<u>Outflow</u>	
Within one year	NT\$	2,768,278	US\$	85,000

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

Giantplus (No. 1)

As of December 31, 2004, Giantplus' future cash demand for derivative transactions was as follows:

<u>Term</u>	<u>(In Thousands)</u>			
	<u>2004</u>			
	<u>Forward Exchange Contracts Inflow</u>		<u>Outflow</u>	
Within one year	NT\$	101,301	US\$	3,000

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

2) Fair value of financial instruments

	Carrying Amount	Fair Value
<u>Non-derivative financial instruments</u>		
Assets		
Cash	\$ 3,906,393	\$ 3,906,393
Pledged time deposits	5,196	5,196
Short-term investments	780,578	780,613
Notes and accounts receivable - third party	4,060,286	4,060,286
Notes and accounts receivable - related parties	107,990	107,990
Other financial assets - current	564,891	564,891
Long-term investments	3,026,455	3,026,455
Other assets - miscellaneous	15,608	15,608
Liabilities		
Short-term borrowings	903,509	903,509
Commercial paper	299,819	299,819
Notes and accounts payable	2,846,240	2,846,240
Long-term liability bearing interest (including current portion)	666,482	666,482
Guarantee deposits	292,903	292,903
<u>Derivative financial instruments</u>		
Forward exchange contracts (sell)	100,099	74,267

Fair values of financial instruments were based on the following:

- a) The carrying amounts reported on the balance sheet for cash, notes and accounts receivable, other financial assets-current other assets-miscellaneous, short-term bank cocas, commercial paper notes and accounts payable approximate to their fair values.
- b) Fair value of short-term and long-term investments is based on quoted market prices. If quoted market prices are unavailable, fair value is based on the net asset value or book value of the investment.
- c) Fair value of guarantee deposits is based on carrying values.
- d) Fair value of long-term liability bearing interest is based on forecasted cash flows discounted at interest rates of similar long-term liability bearing interest. Fair values of Giantplus' long-term liability bearing interest approximate to their carrying values because they bear floating interest rates.
- e) Fair value of derivative financial instruments is the estimated net receivable or (payable) if the contracts are terminated on the balance sheet date.

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

25. SEGMENT INFORMATION

- a. Industry Information: The Company is engaged in research, development, manufacture and sale of consumer integrated circuits (ICs), LCDs and LCD modules

	ICs	LCDs and LCD Modules	Others	Adjustments and Elimination	Combined
Sales to external customers	\$18,532,721	\$5,906,510	\$12,668	\$-	\$24,451,899
Intersegment sales	<u>407,335</u>	<u>2,115,741</u>	<u>-</u>	<u>(2,523,076)</u>	<u>-</u>
Total sales	<u>\$18,940,056</u>	<u>\$8,022,251</u>	<u>\$12,668</u>	<u>(\$ 2,523,076)</u>	<u>\$24,451,899</u>
Gross profit	<u>\$5,943,206</u>	<u>\$1,037,667</u>	<u>\$1,002</u>	<u>\$3,198</u>	\$6,985,073
Operating expenses					(3,522,529)
Nonoperating income and gains					262,084
Nonoperating expenses and losses					<u>(922,915)</u>
Income before income tax					<u>\$2,801,713</u>
Other shareholders' interest in gain					<u>\$187,469</u>
Identifiable assets	<u>\$14,294,437</u>	<u>\$6,478,154</u>	<u>\$259,127</u>	<u>(\$ 1,156,308)</u>	\$19,875,410
Long-term investments	<u>\$3,812,212</u>	<u>\$963,089</u>	<u>\$1,591,807</u>	<u>(\$ 3,340,653)</u>	<u>3,026,455</u>
Total assets					<u>\$22,901,865</u>
Depreciation and amortization	<u>\$571,974</u>	<u>\$231,401</u>	<u>\$-</u>	<u>\$-</u>	<u>\$803,375</u>
Capitalization	<u>\$333,067</u>	<u>\$241,611</u>	<u>\$-</u>	<u>\$-</u>	<u>\$574,678</u>

b. Geographic information

	Oceania	North America	Asia	Domestic	Adjustments and Elimination	Combined
Sales to external customers	\$12,668	\$-	\$1,750,542	\$22,688,689	\$-	\$24,451,899
Transfers between geographic area	<u>-</u>	<u>-</u>	<u>944,555</u>	<u>1,578,521</u>	<u>(2,523,076)</u>	<u>-</u>
Total sales	<u>\$12,668</u>	<u>\$-</u>	<u>\$2,695,097</u>	<u>\$24,267,210</u>	<u>(\$ 2,523,076)</u>	<u>\$24,451,899</u>
Gross profit	<u>\$1,002</u>	<u>\$-</u>	<u>\$382,094</u>	<u>\$6,598,779</u>	<u>\$3,198</u>	\$6,985,073
Operating expenses						(3,522,529)
Nonoperating income and gains						262,084
Nonoperating expenses and losses						<u>(922,915)</u>
Income before income tax						<u>\$2,801,713</u>
Other shareholders' interest in gain						<u>\$187,469</u>
Identifiable assets	<u>\$10,918</u>	<u>\$248,209</u>	<u>\$2,503,850</u>	<u>\$18,268,741</u>	<u>(\$ 1,156,308)</u>	\$19,875,410
Long-term investments	<u>\$920,008</u>	<u>\$671,799</u>	<u>\$-</u>	<u>\$4,775,301</u>	<u>(\$ 3,340,653)</u>	<u>3,026,455</u>
Total assets						<u>\$22,901,865</u>

c. The geographic information on the Company's net sales is summarized as follows:

Region	
Asia	\$ 14,679,156
America	167,081
Europe	11,250
Others	<u>424,868</u>
	<u>\$ 15,282,355</u>

d. The customers representing at least 10% of the Company's total sales were as follows:

Customer	Amount	%
A	\$ 3,833,567	16

SUNPLUS TECHNOLOGY COMPANY LIMITED AND AFFILIATES

ENDORSEMENT/GUARANTEE PROVIDED

FOR THE YEAR ENDED DECEMBER 31, 2004

(Amounts in Thousands of New Taiwan Dollars, Unless Specified 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	Giantplus Technology Co., Ltd.	Equity-method investee	\$ 1,526,413 (Note 1)	\$ 636,495	\$ 636,495	\$ -	4.17%	\$ 3,052,827 (Note 2)
		Sunplus Technology (H.K.) Co., Ltd.	Subsidiary	1,526,413 (Note 1)	17,252	17,252	-	0.11%	3,052,827 (Note 2)
		Sunplus Technology (Shanghai) Co., Ltd.	98% indirect subsidiary	1,526,413 (Note 1)	164,950	164,950	-	1.08%	3,052,827 (Note 2)
		Ventureplus Cayman Inc.	100% indirect subsidiary	1,526,413 (Note 1)	174,890	-	-	-	3,052,827 (Note 2)
1	Giantplus Technology Co., Ltd	Giantplus Holding L.L.C.	100% indirect subsidiary	426,347 (Note 3)	166,600	166,600	-	7.82%	639,520 (Note 4)
2	Giantplus (SAMOA) Holding Co., Ltd.	Kunshan Giantplus Optoelectronics Technology Co., Ltd.	Subsidiary of Giantplus (SAMOA) Holding Ltd.	426,347 (Note 3)	104,266	-	-	-	639,520 (Note 4)
3	Giantplus Holding L.L.C.	Kunshan Giantplus Optoelectronics Technology Co., Ltd.	Subsidiary of Giantplus Holding L.L.C.	426,347 (Note 3)	166,600	166,600	-	7.82% (Note 5)	639,520 (Note 4)

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

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

Note 3: For each transaction entity, should not exceed 20% of Giantplus' net equity as of the latest financial statements.

Note 4: Should not exceed 30% of Giantplus' net equity based on the latest financial statements.

Note 5: Based on the percentage of Giantplus' net equity.

SUNPLUS TECHNOLOGY COMPANY LIMITED AND AFFILIATES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2004

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

Holding Company Name	Type and Name of Marketable Security	Relationship with the Holding Company	Financial Statement Account	December 31, 2004				Note	
				Shares or Units (Thousands)	Carrying Value	Percentage of Ownership (%)	Market Value or Net Asset Value		
Sunplus Technology Company Limited	<u>Stock</u>								
	Giantplus Technology Co., Ltd.	Equity-method investee	Long-term investments	58,972	\$ 785,757	37	\$ 785,757	Note 1	
	Sunplus Venture Capital Co., Ltd.	Subsidiary	Long-term investments	99,994	763,518	100	763,518	Note 1	
	Lin Shih Investment Co., Ltd.	Subsidiary	Long-term investments	69,994	542,808	100	542,808	Notes 1 and 5	
	Russell Holdings Limited	Subsidiary	Long-term investments	17,360	442,314	100	442,314	Note 1	
	Ventureplus Group Inc.	Subsidiary	Long-term investments	10,000	209,748	100	209,748	Note 1	
	Wei-Young Investment Inc.	Subsidiary	Long-term investments	20,000	188,759	100	188,759	Note 1	
	Generaplus Technology Inc.	Subsidiary	Long-term investments	12,000	149,984	60	149,984	Note 1	
	Goldkey Technology Corp.	Equity-method investee	Long-term investments	6,568	66,407	15	66,407	Note 1	
	Waveplus Technology Co., Ltd.	Equity-method investee	Long-term investments	2,856	14,813	10	14,813	Note 1	
	Techplus Capital Niue Inc.	Subsidiary	Long-term investments	200	6,326	100	6,326	Note 1	
	Sunplus Management Consulting Inc.	Subsidiary	Long-term investments	500	4,573	100	4,573	Note 1	
	Sunplus Technology (H.K.) Co., Ltd.	Subsidiary	Other current liabilities	11,075	(2,331)	100	(2,331)	Note 4	
	Electric Energy Application Technology Inc.	Equity-method investee	Long-term investments	9,600	-	24	-	Note 1	
	RITEK Corp.	Cost-method investee	Long-term investments	5,000	335,069	-	57,995		
	Global View Co., Ltd.	Cost-method investee	Long-term investments	13,568	223,455	10	186,419		
	United Microelectronics Corp.	Cost-method investee	Long-term investments	2,424	45,887	-	48,673		
	Broadcom Corp.	Cost-method investee	Long-term investments	62	37,608	-	64,009		
	Harvatek Corp.	Cost-method investee	Long-term investments	3,971	37,488	3	100,266		
	Silicon Application Corp.	Cost-method investee	Long-term investments	1,015	26,700	1	17,166		
	Network Capital Global Fund	Cost-method investee	Long-term investments	6,000	60,000	7	60,000	Note 2	
	Technology Partners Venture Capital Corp.	Cost-method investee	Long-term investments	5,000	50,000	11	50,000	Note 2	
	Quality Test System Inc.	Cost-method investee	Long-term investments	648	-	2	-	Note 1	
	Convertible bond								
	AIPTEK International Inc.	Investee	Long-term investments	200	20,000	-	19,164		
	Sin Bon Electronics Co., Ltd.	Investee	Long-term investments	500	16,642	-	17,658		
	Action Electronics Co., Ltd.	Investee	Long-term investments	500	16,188	-	15,855		
	<u>Fund</u>								
	Fuh Hwa Bond Fund	-	-	Short-term investments	17,415	225,814	-	225,825	
	Jin Fu Hwa Bond Fund	-	-	Short-term investments	16,843	209,721	-	209,729	
	Jan-Ho Taiwan Bond Fund	-	-	Short-term investments	14,627	200,605	-	200,614	
	Chung-Shin peaceful Fund	-	-	Short-term investments	13,867	144,438	-	144,445	

(Continued)

Holding Company Name	Type and Name of Marketable Security	Relationship with the Holding Company	Financial Statement Account	December 31, 2004				Note	
				Shares or Units (Thousands)	Carrying Value	Percentage of Ownership (%)	Market Value or Net Asset Value		
Lin Shih Investment Co., Ltd.	<u>Stock</u>								
	Goldkey Technology Corp.	Equity-method investee	Long-term investments	7,200	\$ 72,815	17	\$ 72,815	Note 1	
	Waveplus Technology Co., Ltd.	Equity-method investee	Long-term investments	5,742	29,782	19	29,782	Note 1	
	Sunext Technology Co., Ltd.	Equity-method investee	Long-term investments	24,500	77,722	24	77,722	Note 1	
	Generaplus Technology Inc.	Equity-method investee	Long-term investments	6,500	81,241	32	81,241	Note 1	
	Sunplus Technology Company Limited	Parent company	Long-term investments	5,854	95,605	1	257,444		
	Ability Enterprise co., Ltd	Cost-method investee	Long-term investments	4,293	54,914	1	70,225		
	Taiwan Cellular Corp.	Cost-method investee	Long-term investments	275	6,529	-	9,525		
	Silicon Application Corp.	Cost-method investee	Long-term investments	226	3,869	-	3,828		
	RITEK Corp.	Cost-method investee	Long-term investments	833	53,822	-	9,666		
	AIPTEK International Inc.	Cost-method investee	Long-term investments	313	5,930	-	4,291		
	Minton Optic Industry Co., Ltd.	Cost-method investee	Long-term investments	4,352	81,135	7	81,135	Note 2	
	NCTU Spring Venture Capital Co., Ltd.	Cost-method investee	Long-term investments	2,000	20,000	6	20,000	Note 2	
	GemFor Tech. Co., Ltd.	Cost-method investee	Long-term investments	831	10,685	6	10,685	Note 2	
	Elite Advanced Laser Corp.	Cost-method investee	Long-term investments	1,500	15,000	2	15,000	Note 2	
	MaxEmil Photonics Corporation	Cost-method investee	Long-term investments	609	10,100	2	10,100	Note 2	
	Taiwan Nano Electro-Optical Technology Co., Ltd.	Cost-method investee	Long-term investments	533	8,739	1	8,739	Note 2	
	WayTech Development Inc.	Cost-method investee	Long-term investments	1,500	15,000	5	15,000	Note 2	
	Miracle Technology Co., Ltd.	Cost-method investee	Long-term investments	1,295	13,940	9	13,940	Note 2	
	AVAC system, Inc.	Cost-method investee	Long-term investments	1,920	22,080	12	22,080	Note 2	
	Radiant Innovation Inc.	Cost-method investee	Long-term investments	1,200	13,903	10	13,903	Note 2	
	Socle Technology Corp.	Cost-method investee	Long-term investments	250	6,250	1	6,250	Note 2	
		<u>Fund</u>							
		NITC Bond Fund	-	Short-term investments	107	17,012	-	17,084	
		Jin Sun Foresight Balanced Fund	-	Short-term investments	2,000	20,000	-	19,098	
		<u>Convertible bond</u>							
	Silicon Application Corp.	-	Short-term investments	216	25,529	-	25,164		
Giantplus Technology Co., Ltd.	<u>Stock</u>								
	Giantplus (SAMOA) Holding Co., Ltd.,	Subsidiary of Giantplus Technology Co., Ltd.	Long-term investments	20,000	963,089	100	963,089	Note 1	
Giantplus (SAMOA) Holding Co., Ltd.	<u>Stock</u>								
	Giantplus Holding L.L.C.	Subsidiary of Giantplus (SAMOA) Holding Co., Ltd.	Long-term investments	-	US\$ 29,013 thousand	100	US\$ 29,013 thousand	Note 1	
Giantplus Holding L.L.C.	<u>Stock</u>								
	Kunshan Giantplus Optoelectronics Technology Co., Ltd.	Subsidiary of Giantplus Holding L.L.C.	Long-term investments	-	US\$ 21,186 thousand	100	US\$ 21,186 thousand	Note 1	

(Continued)

Holding Company Name	Type and Name of Marketable Security	Relationship with the Holding Company	Financial Statement Account	December 31, 2004				Note
				Shares or Units (Thousands)	Carrying Value	Percentage of Ownership (%)	Market Value or Net Asset Value	
Russell Holdings Limited	<u>Stock</u> Jet Focus Limited	Equity-method investee of Russell Holdings Limited	Long-term investments	2,294	US\$ (164) thousand	61	US\$ (164) thousand	Note 1
	Shang-Hai Fudan Microelectronics Company Limited	Cost-method investee	Long-term investments	7,280	US\$ 1,009 thousand	-	US\$ 375 thousand	
	InveStar Excelsus Venture Capital (Int'l), Inc., LDC	Cost-method investee	Long-term investments	4,205	US\$ 3,856 thousand	19	US\$ 3,856 thousand	Note 2
	OZ Optics Ltd.	Cost-method investee	Long-term investments	1,000	US\$ 500 thousand	8	US\$ 500 thousand	Note 2
	Aicent, Inc.	Cost-method investee	Long-term investments	1,000	US\$ 500 thousand	-	US\$ 500 thousand	Note 2
	Ortega InfoSystem, Inc.	Cost-method investee	Long-term investments	2,557	US\$ 1,000 thousand	-	US\$ 1,000 thousand	Note 2
	Asia B2B on line Inc.	Cost-method investee	Long-term investments	1,000	US\$ 1,000 thousand	3	US\$ 1,000 thousand	Note 2
	Asia Tech Taiwan Venture Fund	Cost-method investee	Long-term investments	-	US\$ 3,000 thousand	5	US\$ 3,000 thousand	Note 2
	Ether Precision Inc.	Cost-method investee	Long-term investments	1,250	US\$ 500 thousand	-	US\$ 500 thousand	Note 2
	Jet Focus Limited	<u>Stock</u> Coolsands Technology	Subsidiary of Jet Focus Limited	Long-term investments	-	EUR\$ 27 thousand	100	EUR\$ 27 thousand
Sunplus Venture Capital Co., Ltd.	<u>Stock</u> Joing Technology Co., Ltd.	Equity-method investee	Long-term investments	3,400	-	39	-	Note 1
	Waveplus Technology Co., Ltd.	Equity-method investee	Long-term investments	4,271	22,159	14	22,159	Note 1
	Sunext Technology Co., Ltd.	Equity-method investee	Long-term investments	25,000	79,308	25	79,308	Note 1
	Han Young Technology Co., Ltd.	Equity-method investee	Long-term investments	420	1,812	70	1,812	Note 1
	King Yuan Electronics Co., Ltd.	Cost-method investee	Long-term investments	1,716	70,000	-	37,659	
	YOUNGTEK Electronic Corp.	Cost-method investee	Long-term investments	1,120	18,902	2	63,708	
	Generaplus Technology Inc.	Equity-method investee	Long-term investments	1,500	18,748	8	18,748	Note 1
	AIPTEK International Inc.	Cost-method investee	Long-term investments	1,841	36,000	1	25,255	
	Ability Enterprise Co., Ltd.	Cost-method investee	Long-term investments	3,080	68,250	1	56,545	
	eWave System, Inc.	Cost-method investee	Long-term investments	1,833	69,740	22	69,740	Note 2
	Softchina Venture Capital Corp.	Cost-method investee	Long-term investments	1,418	14,175	8	14,175	Note 2
	SimpleAct Inc.	Cost-method investee	Long-term investments	1,900	19,000	19	19,000	Note 2
	Taiwan Nano Electro-Optical Technology Co., Ltd.	Cost-method investee	Long-term investments	2,297	35,421	4	35,421	Note 2
	VenGlobal International Fund	Cost-method investee	Long-term investments	1	11,284	3	11,284	Note 2
	Cyberon Corporation	Cost-method investee	Long-term investments	780	13,691	19	13,691	Note 2
	WayTech Development Inc.	Cost-method investee	Long-term investments	1,000	10,000	4	10,000	Note 2
	Miracle Technology Co., Ltd.	Cost-method investee	Long-term investments	1,303	14,025	10	14,025	Note 2
	Feature Integration Technology Inc.	Cost-method investee	Long-term investments	3,700	46,250	14	46,250	Note 2
	Radiant Innovation Inc.	Cost-method investee	Long-term investments	573	11,460	5	11,460	Note 2
	Chiabon Venture Capital Co., Ltd.	Cost-method investee	Long-term investments	5,000	50,000	5	50,000	Note 2
Socle Technology Corp.	Cost-method investee	Long-term investments	550	13,750	2	13,750	Note 2	
MaxEmil Photonics Corp.	Cost-method investee	Long-term investments	598	14,280	2	14,280	Note 2	
AVAC system, Inc.	Cost-method investee	Long-term investments	500	5,750	3	5,750	Note 2	

(Continued)

Holding Company Name	Type and Name of Marketable Security	Relationship with the Holding Company	Financial Statement Account	December 31, 2004				Note
				Shares or Units (Thousands)	Carrying Value	Percentage of Ownership (%)	Market Value or Net Asset Value	
Wei-Young Investment Inc.	Minton Optic Industry Co., Ltd.	Cost-method investee	Long-term investments	5,000	\$ 75,000	8	\$ 75,000	Note 2
	Elite Advamced Laser Corp.	Cost-method investee	Long-term investments	300	7,500	-	7,500	Note 2
	<u>Fund</u> ABN ARMO Select Bond Fund	-	Short-term investments	2,633	38,504	-	38,615	
	<u>Stock</u> Quanta Computer Inc.	-	Short-term investments	220	14,493	-	11,990	
	BenQ Corp.	-	Short-term investments	1,100	42,515	-	38,929	
	<u>Fund</u> Dresdner Bond DAM Fund	-	Short-term investments	7,344	82,000	-	82,758	
	Fubon Chi-hsiang III Found	-	Short-term investments	5,116	52,075	-	52,769	
	ABN ARMO Select Bond Fund	-	Short-term investments	123	1,800	-	1,805	
Generaplus Technology Inc.	<u>Stock</u> Generaplus International Samoa Inc.	Subsidiary of Generaplus Technology Inc.	Long-term investments	-	US\$ 200 thousand	100	US\$ 200 thousand	Note 1
	<u>Fund</u> Wanpao Securities Investment Rust Fund	-	Short-term investments	2,044	30,023	-	30,217	
	Invesco GP Aggressive Income Fund	-	Short-term investments	3,959	44,000	-	44,056	
Generaplus International Samoa Inc.	<u>Stock</u> Generaplus International Mauritius Inc.	Subsidiary of Generaplus International Samoa Inc.	Long-term investments	-	US\$ 200 thousand	100	US\$ 200 thousand	Note 1
Ventureplus Group Inc.	<u>Stock</u> Ventureplus Mauritius Inc.	Subsidiary of Ventureplus Group Inc.	Long-term investments	-	US\$ 6,614 thousand	100	US\$ 6,614 thousand	Note 1
Ventureplus Mauritius Inc.	<u>Stock</u> Ventureplus Cayman Inc.	Subsidiary of Ventureplus Mauritius Inc.	Long-term investments	-	US\$ 6,614 thousand	100	US\$ 6,614 thousand	Note 1
Ventureplus Cayman Inc.	<u>Stock</u> Sunplus Technology (Shanghai) Co., Ltd.	Subsidiary of Ventureplus Cayman Inc.	Long-term investments	-	US\$ 6,577 thousand	98	US\$ 6,577 Thousand	Note 1
Sunext Technology Co., Ltd.	<u>Stock</u> Great Sun Corp.	Subsidiary of Sunext Technology Co., Ltd.	Long-term investments	-	44,686	100	44,686	Note 1
Great Sun Corp.	<u>Stock</u> Sunext (Mauritius) Inc.	Subsidiary of Great Sun Corp.	Long-term investments	-	US\$ 300 thousand	100	US\$ 300 thousand	Note 1
	Sunext Design, Inc.	Subsidiary of Great Sun Corp.	Long-term investments	-	US\$ 1,109 thousand	100	US\$ 1,109 thousand	Note 1

(Continued)

Holding Company Name	Type and Name of Marketable Security	Relationship with the Holding Company	Financial Statement Account	December 31, 2004				Note
				Shares or Units (Thousands)	Carrying Value	Percentage of Ownership (%)	Market Value or Net Asset Value	
Waveplus Technology Co., Ltd.	<u>Stock</u> Waveplus Holding Ltd.	Subsidiary of Waveplus Technology Co., Ltd.	Long-term investments	-	\$ 6,173	100	\$ 6,173	Note 1
Waveplus Holding Ltd.	<u>Stock</u> Waveplus Design, Inc.	Subsidiary of Waveplus Holding Ltd.	Long-term investments	-	6,215	100	6,215	Note 1
Techplus Capital Niue Inc.	<u>Stock</u> Techplus Capital Samoa Inc.	Subsidiary of Techplus Capital Niue Inc.	Long-term investments	-	US\$ 150 thousand	100	US\$ 150 thousand	Note 1
Techplus Capital Samoa Inc.	Techplus Belize Inc.	Subsidiary of Techplus Capital Samoa Inc.	Long-term investments	-	US\$ 150 thousand	100	US\$ 150 thousand	Note 1

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

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

Note 3: As of December 31, 2004, no securities had been pledged or restricted.

Note 4: Credit balance of long-term investments was reclassified as other current liabilities.

Note 5: The investment carrying value excluded the carrying value (\$95,605 thousand) of the parent company's stock held by the subsidiary.

TABLE 3

SUNPLUS TECHNOLOGY COMPANY LIMITED AND AFFILIATES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2004

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

Company Name	Type and Name of Marketable Security	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal			Ending Balance		
					Units (Thousands)	Amount	Units (Thousands)	Amount	Unit (Thousands)	Amount	Carrying Value	Gain (Loss) on Disposal	Unit (Thousands)	Amount
Sunplus Technology Company Limited	En Trust Phoenix Bond Fund	Short-term investments	-	-	30,591	\$442,000	103,552	\$1,506,000	134,143	\$1,953,288	\$1,948,000	\$5,288	-	\$-
	INVESCO GP Agressive Income Bond Fund	Short-term investments	-	-	24,650	270,295	29,178	321,407	53,828	593,174	591,702	1,472	-	-
	TIIM Bond Fund	Short-term investments	-	-	17,452	237,000	31,562	431,000	49,014	670,001	668,000	2,001	-	-
	Fuhwa Bond Fund	Short-term investments	-	-	8,167	100,000	70,360	869,721	61,684	764,099	760,000	4,099	16,843	209,721
	<u>Fuhwa Advantage Bond Fund</u>	Short-term investments	-	-	-	-	72,463	727,000	72,463	729,568	727,000	2,568	-	-
	United Bond Fund	Short-term investments	-	-	7,817	98,000	22,402	282,000	30,219	380,912	380,000	912	-	-
	Jan-Ho Taiwan Bond Fund	Short-term investments	-	-	-	-	86,501	1,177,605	71,874	979,558	977,000	2,558	14,627	200,605
	Yuan Ta Fixed Income Bond Fund	Short-term investments	-	-	-	-	15,904	255,000	15,904	255,389	255,000	389	-	-
	President Home Run Fund	Short-term investments	-	-	7,585	102,000	20,603	279,000	28,188	382,274	381,000	1,274	-	-
	KGI Victory Bond Fund	Short-term investments	-	-	-	-	64,592	670,500	64,592	671,280	670,500	780	-	-
	President James Bond Fund	Short-term investments	-	-	10,934	162,000	6,653	99,000	17,587	261,365	261,000	365	-	-
	IIT Increment Fund	Short-term investments	-	-	29,462	430,000	-	-	29,462	431,487	430,000	1,487	-	-
	Truswell Bond Fund	Short-term investments	-	-	8,682	105,910	17,516	215,500	26,198	321,983	321,410	573	-	-
	Cathay Bond Fund	Short-term investments	-	-	15,336	170,000	3,222	36,000	18,558	206,150	206,000	150	-	-
	Union Bond Fund	Short-term investments	-	-	2,142	25,000	43,886	515,000	46,028	540,560	540,000	560	-	-
	Fuh Hwa You Li Fund	Short-term investments	-	-	14,173	167,167	28,115	334,334	42,288	504,261	501,501	2,760	-	-
	Fuh Hwa Bond Fund	Short-term investments	-	-	26,966	343,000	70,944	911,814	80,495	1,035,268	1,029,000	6,268	17,415	225,814
	Fuh Hwa Albatross Bond Fund	Short-term investments	-	-	38,351	412,000	76,133	824,000	114,484	1,242,296	1,236,000	6,296	-	-
	En Trust Kirin Bond Fund	Short-term investments	-	-	5,193	55,000	15,359	164,000	20,552	219,611	219,000	611	-	-
	Poaris De-Bao Fund	Short-term investments	-	-	8,646	92,000	19,883	213,000	28,529	305,305	305,000	305	-	-
	NTS High Yield Fund	Short-term investments	-	-	-	-	18,661	299,500	18,661	300,094	299,500	594	-	-
	Ta Chong Bond Fund	Short-term investments	-	-	-	-	23,764	299,000	23,764	299,121	299,000	121	-	-
	NITC Bond Fund	Short-term investments	-	-	-	-	628	100,000	628	100,197	100,000	197	-	-
	TLAM Solomon Bond Fund	Short-term investments	-	-	-	-	15,994	180,000	15,994	180,311	180,000	311	-	-
	Grand Cathy Bond Fund	Short-term investments	-	-	-	-	11,003	138,000	11,003	138,073	138,000	73	-	-
	Chung-Shin Peaceful Fund	Short-term investments	-	-	-	-	29,658	308,438	15,791	164,438	164,000	438	13,867	144,438
	Ta Chong Diamond Fund	Short-term investments	-	-	5,066	50,000	4,488	50,000	9,554	101,564	100,000	1,564	-	-
Wei-Young Investment Inc.	Long-term investments	-	-	-	-	20,000	200,000	-	-	-	-	20,000	188,759 (Note 1)	
				Subsidiary									149,984 (Note 2)	
	Generaplus Technology Inc.	Long-term investments	-	Subsidiary	-	-	12,000	120,000	-	-	-	-	12,000	
Wei-Young Investment Inc.	Fubon Chi-hsiang III Fund	Short-term investments	-	-	-	-	19,451	198,000	14,335	146,000	145,925	75	5,116	52,075
Generaplus Technology Inc.	Wanpao Securities Investment Rust Fund	Short-term investments	-	-	-	-	15,645	229,000	13,601	200,000	198,977	1,023	2,044	30,023
Giantplus Technology Co., Ltd.	Giantplus (SAMOA) Holding Co., Ltd.	Long-term investments	-	Subsidiary	16,400	620,995	3,600	119,339	-	-	-	-	20,000	963,089 (Note 2)
Giantplus (SAMOA) Holding Co., Ltd.	Giantplus Holding L.L.C.	Long-term investments	-	Subsidiary	-	US\$ 16,698 thousand	-	US\$ 5,100 thousand	-	-	-	-	-	US\$ 29,013 (Note 2)

Note 1: Includes investment gain recognized by the equity method.

Note 2: Includes equity-method investment gain and cumulative translation adjustments.

TABLE 4

SUNPLUS TECHNOLOGY COMPANY LIMITED AND AFFILIATES

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, 2004

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

No.	Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Note/Accounts Payable or Receivable		Note
				Purchase/Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
0	Sunplus Technology Company Limited	Giantplus Technology Co., Ltd.	Investee (equity method)	Sale	\$ 407,031	2%	Net 45 days from monthly closing date	\$ -	-	\$ 86,053	3%	-
		Global View Co., Ltd.	Sunplus' supervisor	Sale	146,330	1%	Net 45 days from monthly closing day	-	-	23,363	1%	-
		Waveplus Technology Co., Ltd.	Investee (equity method)	Sale	108,416	1%	Net 45 days from monthly closing day	-	-	21,122	1%	-
1	Giantplus Technology Company Limited	Kunshan Giantplus Optoelectronics Technology Co., Ltd.	Investee	Sale	1,159,534	22%	Note	Note	Note	948,401	63%	-
		Sunplus Technology Company Limited	Giantplus' supervisor	Purchase	406,873	11%	Net 45 days from monthly closing date	-	-	86,034	8%	-

Note: There was no comparable counter parties to compare sale price with. The collection period was normally net 90 days after invoice date and the current collection period is based on working capital of Giantplus Kunshan

TABLE 5

SUNPLUS TECHNOLOGY COMPANY LIMITED AND AFFILIATES

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

For the Year Ended December 31, 2004

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

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
Giantplus Technology Company Limited	Kunshan Giantplus Optoelectronics Technology Co., Ltd.	Subsidiary	\$948,401	2.75 Times	\$369,820	-	\$493,283	\$ -

SUNPLUS TECHNOLOGY COMPANY LIMITED AND AFFILIATES.

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCES
 FOR THE YEARS ENDED DECEMBER 31, 2004
 (Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2004			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				December 31, 2004	December 31, 2003	Shares (Thousands)	Percentage of Ownership (%)	Carrying Value			
Sunplus Technology Company Limited	Giantplus Technology Co., Ltd.	Tofen Chen, Miaoli, Taiwan	Manufacture of TN/STN LCDs and LCD modules	\$662,481	\$768,332	58,972	37	\$785,757	\$314,828	\$127,359	Investee
	Sunplus Venture Capital Co., Ltd.	Hsinchu, Taiwan	Investment	999,940	999,940	99,994	100	763,518	(99,720)	(99,709)	Subsidiary
	Lin Shih Investment Co., Ltd.	Hsinchu, Taiwan	Investment	699,940	699,940	69,994	100	542,808	(110,819)	(134,269)	Subsidiary
	Russell Holdings Limited	Cayman Islands, British West Indies.	Investment	583,436	583,436	17,360	100	442,314	(116,519)	(116,519)	Subsidiary
	Ventureplus Group Inc.	Belize	Investment	347,578	347,578	10,000	100	209,748	(64,472)	(64,472)	Subsidiary
	Wei-Young Investment Inc.	Taipei, Taiwan	Investment	200,000	-	20,000	100	188,759	(11,241)	(11,241)	Subsidiary
	Generaplus Technology Inc.	Hsinchu, Taiwan	Design of ICs	120,000	-	12,000	60	149,984	50,082	30,049	Subsidiary
	Goldkey Technology Corp.	Hsinchu, Taiwan	Design of ICs	52,538	52,538	6,568	15	66,407	25,238	2,199	Investee
	Waveplus Technology Co., Ltd.	Taipei, Taiwan	Design and sale of ICs	31,272	31,272	2,856	10	14,813	(153,992)	(15,417)	Investee
	Techplus Capital Niue Inc.	Niue	Investment	6,896	6,896	200	100	6,326	(4)	(4)	Subsidiary
	Sunplus Management Consulting Inc.	Hsinchu, Taiwan	Investment	5,000	5,000	500	100	4,573	(427)	(427)	Subsidiary
	Sunplus Technology (H.K.) Co., Ltd.	Kowloon Bay, Hong Kong	International trade	41,616	41,616	11,075	100	(2,331)	4,245	4,245	Subsidiary (Note)
	Electric Energy Application Technology Inc.	Hsinchu, Taiwan	Design and manufacture of environmental - friendly batteries	103,200	103,200	9,600	24	-	-	-	Investee
Lin Shih Investment Co., Ltd.	Goldkey Technology Corp.	Hsinchu, Taiwan	Design of ICs	48,000	48,000	7,200	17	72,815	25,238	4,251	Investee
	Sunext Technology Co., Ltd.	Hsinchu, Taiwan	Design and sale of ICs	245,000	245,000	24,500	24	77,722	(416,788)	(102,113)	Investee
	Waveplus Technology Co., Ltd.	Taipei, Taiwan	Design and sale of ICs	90,178	79,578	5,742	19	29,782	(153,992)	(31,379)	Investee
	Generaplus Technology Inc.	Hsinchu, Taiwan	Design of ICs	65,000	-	6,500	32	81,241	50,082	16,277	Investee
Sunplus Venture capital Co., Ltd.	Joing Technology Co., Ltd.	Hsinchu, Taiwan	Design of ICs	51,000	51,000	3,400	39	-	-	-	Investee
	Sunext Technology Co., Ltd.	Hsinchu, Taiwan	Design and sale of ICs	250,000	250,000	25,000	25	79,308	(416,788)	(104,197)	Investee
	Han Young Technology Co., Ltd.	Taipei, Taiwan	Design of ICs	4,200	4,200	420	70	1,812	(1,732)	(1,213)	Subsidiary
	Waveplus Technology Co., Ltd.	Taipei, Taiwan	Design and Sale of ICs	74,869	74,869	4,271	14	22,159	(153,992)	(21,928)	Investee
	Gereraplus Technology Inc.	Hsinchu, Taiwan	Design of ICs	15,000	-	1,500	8	18,748	50,082	3,756	Investee
Russell Holdings Limited	Jet Focus Limited	Cayman Islands, British West Indies	Investment	US\$ 2,750 thousand	US\$ 2,750 thousand	2,294	61	US\$ (164) thousand	US\$ (3,117) thousand	US\$ (2,054) thousand	Subsidiary
Jet Focus Limited	Coolsand	France	Design of ICs	EUR\$ 1,000 thousand	EUR\$ 1,000 thousand	-	100	EUR\$ 27 thousand	EUR\$ (94) thousand	EUR\$ (94) thousand	Subsidiary
Sunext Technology Co., Ltd.	Great Sun Corp.	SAMOA	Investment	44,684	34,820	1,000	100	44,686	1,633	1,633	Subsidiary
Great Sun Corp.	Sunext (Mauritius) Inc.	Mauritius	Investment	US\$ 300 thousand	-	300	100	US\$ 300 thousand	-	-	Subsidiary
Great Sun Corp.	Sunext Design, Inc.	U.S.A.	Design of ICs	US\$ 1,000 thousand	US\$ 1,000 thousand	-	100	US\$ 1,109 thousand	US\$ 49 thousand	US\$ 49 thousand	Subsidiary
Ventureplus Group Inc.	Ventureplus Mauritius Inc.	Belize	Investment	US\$ 10,000 thousand	US\$ 10,000 thousand	-	100	US\$ 6,614 thousand	US\$ (1,929) thousand	US\$ (1,929) thousand	Subsidiary
Ventureplus Mauritius Inc.	Ventureplus Cayman Inc.	Cayman Islands, British West Indies	Investment	US\$ 10,000 thousand	US\$ 10,000 thousand	-	100	US\$ 6,614 thousand	US\$ (1,929) thousand	US\$ (1,929) thousand	Subsidiary

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2004			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				December 31, 2004	December 31, 2003	Shares (Thousands)	Percentage of Ownership (%)	Carrying Value			
Ventureplus Cayman Inc.	Sunplus Technology (Shanghai) Co., Ltd.	Shanghai, China	Design, manufacture and sale of ICs.	US\$ 10,000 thousand	US\$ 10,000 thousand	-	98	US\$ 6,577 thousand	US\$ (1,963) thousand	US\$ (1,925) thousand	Subsidiary
Waveplus Technology Co., Ltd.	Waveplus Holding Ltd.	Mauritius	Investment	17,205	-	500	100	6,173	4,830	4,830	Subsidiary
Waveplus Holding Ltd.	Waveplus Design, Inc.	U.S.A.	Design of WLANs	17,205	-	-	100	6,215	4,846	4,846	Subsidiary
Techplus Capital Niue Inc.	Techplus Samoa Inc.	SAMOA	Investment	US\$ 150 thousand	US\$ 150 thousand	150,000	100	US\$ 150 thousand	-	-	Subsidiary
Techplus Samoa Inc.	Techplus Belize Inc.	Belize	Investment	US\$ 150 thousand	US\$ 150 thousand	150,000	4	US\$ 150 thousand	-	-	Investee
Giantplus Technology Co., Ltd.	Giantplus (SAMOA) Holding Co., Ltd.	SAMOA	Investment	US\$ 20,000 thousand	US\$ 16,400 thousand	20,000	100	963,089	241,535	241,535	Subsidiary
Giantplus (SAMOA) Holding Co., Ltd.	Giantplus Holding L.L.C.	U. S. A.	Investment	US\$ 20,000 thousand	US\$ 14,900 thousand	-	100	US\$ 29,013 thousand	US\$ 7,214 thousand	US\$ 7,214 thousand	Subsidiary
Giantplus Holding L. L. C.	Kunshan Giantplus Optoelectronics Technology Co., Ltd.	Kunshan, China	Manufacture of TN/STN LCDs and LCD modules	US\$ 12,206 thousand	US\$ 12,206 thousand	-	100	US\$ 21,186 thousand	US\$ 7,187 thousand	US\$ 7,187 thousand	Subsidiary

Note: Credit balance of long-term investment was recorded as other current liabilities.

TABLE 7

SUNPLUS TECHNOLOGY COMPANY LIMITED AND AFFILIATES

**INVESTMENT IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2004**

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

No.	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 Jan. 1, 2003	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2004	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Value as of December 31, 2004	Accumulated Inward Remittance of Earnings as of December 31, 2004	Accumulated Investment in Mainland China as of December 31, 2004	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
						Outflow	Inflow								Up to 40% of the Net Equity of the Company or \$80,000 (Which Higher)
0	Sunplus Technology (Shang Hai) Co., Ltd.	Research, development, design, manufacturing and sale of consumer ICs	US\$ 10,200 thousand	Indirect	US\$ 10,000 thousand	\$ -	\$ -	US\$ 10,000 thousand	98%	(US\$ 1,925) thousand	US\$ 6,577 thousand	\$ -	US\$10,000 thousand	US\$10,000 thousand	\$ 6,105,654
1	Kunshan Giantplus Optoelectronics Technology Co., Ltd.	Fabrication of LCD and LCD modules	US\$ 12,206 thousand	Indirect	US\$ 12,206 thousand	-	-	US\$ 12,206 thousand	100%	US\$ 7,187 thousand	US\$ 21,186 thousand	-	US\$ 12,206	US\$ 20,000	\$ 852,693

8.2 Internal Control

8.2.1 Statement of Internal Control (Translation)

Sunplus Technology Co., Ltd. Statement of Internal Control (Translation)

Date : April 28, 2005

Sunplus has conducted a self-assessment of internal controls for the period of January 1, 2004 to December 31, 2004, based on Sunplus' internal control system. The results are as follows:

1. Sunplus acknowledges that the Board of Directors and management personnel are responsible for establishing, performing, and maintaining an internal control system, which has already been established. The purpose of the internal control system is to provide a reasonable assurance for achieving the company's goals : efficient and effective operations (including profit, efficiency and the safeguard of assets, etc.), reliability of financial reports, and compliance with applicable laws and regulations.
2. The internal control system has an inherent constraint. No matter how impeccable the system is, it can only provide a reasonable assurance of achieving the three goals abovementioned. Due to the changes in the environment and changing circumstances, the effectiveness of the internal control system may vary accordingly. However, Sunplus' internal control system has self-monitoring functions with which once a shortcoming is found, action will be taken to cure.
3. Sunplus evaluates the effectiveness in the design and performance of its internal control system in accordance with the items for evaluating the effectiveness of internal control system as indicated in the Points Governing the Establishment of Internal Control Systems by Public Companies (the "Points") announced by the Securities and Futures Commission of the Ministry of Finance. Base on management control process, the items for assessing the internal control system specified in the Points divide internal control into five components: (i) Control Environment, (ii) Risk Assessments, (iii) Control Activities, (iv) Information & Communication, (v) Monitoring. Each component comprises certain factors. For the said factors please refer to the Points.
4. Sunplus has evaluated the effectiveness in the design and performance of its internal control system in accordance with the aforesaid factors.
5. Based upon the results of evaluation abovementioned, Sunplus is of the opinion that the design and performance of its internal control, including the efficiency and effectiveness of operations, achievement of business plan, reliability of financial reports, and compliance with applicable laws and regulations, during the period of January 1, 2004 to December 31, 2004 is effective and provide a reasonable assurance of achieving the abovementioned goals.
6. This Statement of Internal Control will be a prominent feature of Sunplus' annual report and prospectus, and will be released to the public. Should any statement herein involve forgery, concealment or any other illegality, Articles 20, 32, 171 and 174 of the Security Transaction Law shall apply.
7. This Statement of Internal Control has been approved by Sunplus' Board of Directors at the meeting of April 28, 2005 with 5 directors present at the meeting and none of disagreeing with this Statement of Internal Control.



Chou Chye Huang, Chairman of the Board



Yarn Chen Chen, President

8.2.2 Under Specified Circumstances, Securities & Futures Commission May Request the Company to Engage CPA to Examine the Company's Internal Control System and Disclose the CPA's Audit Report : None

8.3 Major contents of record or written statements made by any director or supervisor which specified his/her dissent to important resolutions passed by the Board of Directors during 2004 or the period from January 1, 2005 to March 31, 2005: None

8.4 Private Placement Securities: N.A.

8.5 Balance of Sunplus' Common Shares Acquired, Disposed of and Held by Subsidiaries

(Unit : NT\$K, Shares)

Name of Subsidiary	Paid-in Capital	Fund Source	Percentage Of ownership	Transaction Date	Acquisition Shares & Amount	Disposal Shares & Amount	Investment Income (Loss)	Balance of pledged Shares	Balance as of Guarantee provide by Sunplus	Balance as of Financing Provided by Sunplus
Lin-Shih Investment	700,000	Self-Own	99.99%	12.25,2001	3,870,196 shares \$95,605	-	-	-	-	-
				07.02,2002	967,549 shares from stock dividends for capital increase	-	-	-	-	-
				07.13,2003	483,774 shares from stock dividends for capital increase	-	-	-	-	-
				08.23,2004	532,151 shares from stock dividends for capital increase	-	-	-	-	-
				Balance Holding at End of 04.30.2005	Holding 5,853,670 shares NT\$95,605					

8.6 Major Decisions of Board Meeting and Shareholders Meeting

Date	Review organization	Proposal	Resolution
May.07, 2004	Board meeting	1.To approve Company reorganization of start- up "China Department" and personnel transfer.	Approved by all attending shareholders with no objection
Jun.06, 2004	Shareholders' meeting	1. To approve of 2003 Financial Statement& Business Report 2. To approve of distribution of 2003 profits 3. To approve capital increase from dividend and capital surplus 4. To revise Company Article	Approved by all attending shareholders with no objection
Jul. 27, 2004	Board meeting	1. To schedule for Dividend Date on August 23 rd , 2004	Approved by all attending directors with no objection
Oct. 24, 2003	Board meeting	1.To approve Engagement for Chief of Auditor	Approved by all attending directors with no objection
Feb. 01, 2005	Board meeting	1.To approve Financial Report in 2004	Approved by all attending directors with no objection
Mar. 17, 2005	Board meeting	1.To schedule for Shareholders' Meeting on June 13 th , 2005	Approved by all attending directors with no objection
Apr. 28, 2005	Board meeting	1.To approve business operation result and financial statement in 2004 2.To decide Proposal of distribution of 2004 profits 3.To decide capital increase proposal from profits and capital surplus 4. To decide revision of Company Article	Approved by all attending directors with no objection

8.7 Legal Penalties: None

8.8 Other Necessary Supplement: None

8.9 Events with Significant Impact on shareholders rights or share price: None

SUNPLUS TECHNOLOGY CO., LTD.

CHAIRMAN:



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