



TECHNOLOGY FOR EASY LIVING
TECHNOLOGY FOR EASY LIVING

凌陽科技股份有限公司九十六年・年報

ANNUAL REPORT
2007

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Please refer to London Stock Exchange official website for Sunplus' Market Price.
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SUNPLUS WEBSITE

www.sunplus.com

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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.

I LETTER TO SHAREHOLDERS

Dear Shareholders,

After the re-grouping and return of capital, Sunplus has been moving to focus on multimedia home applications. Here is the summary of our operation results in 2007:

Financial Results

Because of the spin-off, 2007 revenue totaled NT\$9,214 million with a 46% year-on year decline, but the gross margin rate in 2007 was improved to 42% from 34% in 2006 contributed by cost down efforts and license fee income. The R&D expense totaled NT\$1,726 million, while the SG&A expense was NT\$580 million. The operating net profit totaled NT\$1,606 million in 2007.

The net non-operating income, including disposal gain of NT\$484 million; reconciliation compensation income of NT\$137 million; long-term investment loss of NT\$268 million by equity-method; loss on inventory provision of NT\$ 120 million and so on, totaled NT\$418 million.

The income before tax was NT\$2,296 million, and the net income after tax was NT\$2,062 million, which the earning per share for year 2007 was NT\$3.53.

Products and Technologies

The Company's main products are IC solutions for multimedia home applications including DVD/VCD player, LCD TV, digital TV, and DVB-Terrestrial set-top-box after the spin-off in 2006. Sunplus kept investing in research of new technologies and products, and offering highly value-added chip solutions to our customers in 2007. Sunplus won the "Innovation Product Award" in 2007 from Hsinchu Science Park administration while the 3-times winning-record within five years shows Sunplus' leading position in the IC Design segment.

Organization

The major business and products development is supported by the Home Entertainment Business Unit in Sunplus after spin-off of TFT program, Controller & Peripheral BU, Personal Entertainment BU, and Advanced BU in 2006. Based on the data at the end of February, 2008, the total workforce numbered 573 people, including 384 R&D staff, which accounts for 67% of total employees. In the future, Sunplus will keep expanding our manpower to sustain product development and market promotion.

Core Advantage

The cost-down efforts driving by migrating process technologies apply widely to ICs and consumer electronic applications. Sunplus with its R&D expertise and plentiful reusable IPs

such as video/audio technologies, micro-processor and DSP has a good opportunity to win the market by differentiating product designs and optimizing cost structure. Meanwhile, Sunplus also raises the entry barrier by involving the cutting-edge SoC design deeply, since the SoC benefits the capable companies with economic scale like Sunplus.

Competition, Political & Regulatory Environment, and Global Economics

In order to strengthen its competition ability, Sunplus has been accumulating abundant intellectual properties related to audio/video technologies since its start-up. Meanwhile, Sunplus looks aggressively for opportunities to build strategic partnership to gain more market share. Today, Sunplus is quite successful for its leading position on technologies that Sunplus has been collecting the licensing income from other companies for past 2 years. Besides, Sunplus established two more subsidiaries, the Sunplus Prof-tek Technology in Shenzhen and Sunmedia Technology in Chengdu, along with the Shanghai Sunplus Technology to provide better service to the customers in China.

In 2008, the Taiwanese companies will start to expense the employees' bonus, which should be a positive change to Sunplus that helps investors to understand and evaluate the true value of the listing companies.

The sub-prime mortgage crisis in America and the snowstorm in China cooled down the demand of last Christmas and Chinese New Year. However, it should be getting back on track due to strong demands from the developing countries such as China and India, which Sunplus would benefit with its quality IC products in the home entertainment area.

Outlook

As the concept of "digital home" is becoming the ideal life style, the demands of digital home applications like high definition DVD, set-top-box, portable TV, HDTV and digital TV will be growing rapidly in coming few years, especially because of the oncoming 2008 Beijing Olympics Games. We are confident to expand our market share this year by our leading technologies and group synergies. Sunplus will keep launching new IC solutions for digital TV, set-top-box and HD DVD and offering the highly value-added solutions and best support to our customers, as well as making the better return of equities for our shareholders.

We would like to thank you for your continued support with sincere wishes for your good health and prosperity.

All the best,

Chairman& CEO,



II COMPANY PROFILE

2.1 Foundation of Sunplus

Sunplus was founded in August 3, 1990.

2.2 Milestones

[Please refer to page 31-35 for the capitalization.](#)

[Please refer to page 165-172 for Sunplus' affiliates.](#)

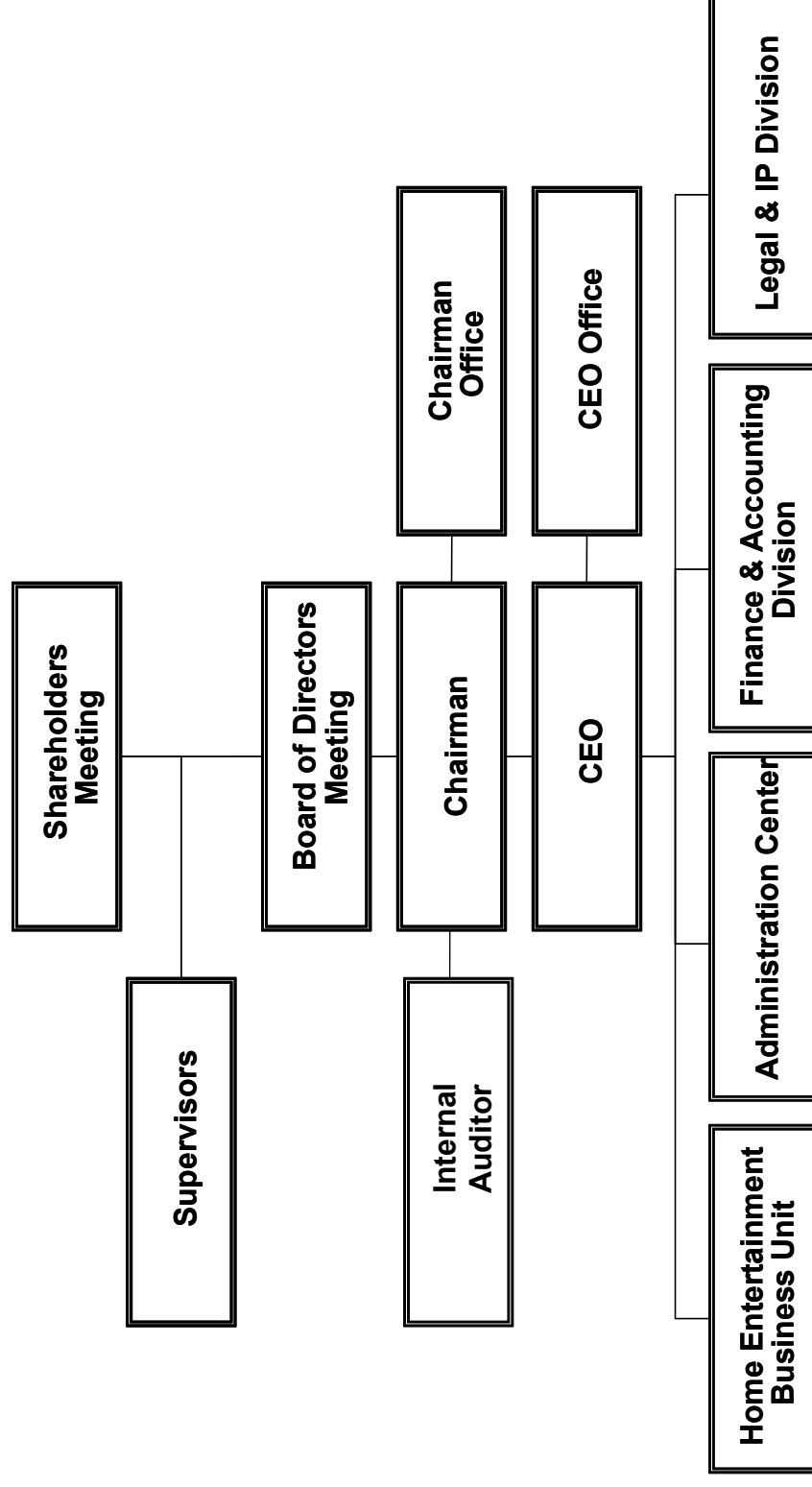
Aug. 1990	Sunplus Technology was founded.
May. 1993	Obtained approval from the SIPA to move into Hsinchu Science Park.
Oct. 1993	The Company moved into Hsinchu Science Park.
Sep. 1994	Company started in-house wafer circuit probe testing.
Dec. 1995	Groundbreaking for the construction of Sunplus' office building, located in 19, Innovation First Road, Hsinchu Science Park.
Apr. 1996	Evaluated as "The most productive IC design company" by Hsinchu SIPA.
Jan. 1997	Grand opening of Sunplus' office building.
Sep. 1997	Sunplus Technology was IPO on the Over-The-Counter stock market.
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.
Sep. 2000	Reorganized into three new business unit, Consumer center, Multimedia center, and production center; and the BOD appointed Mr. Yarn-Chen Chen as the president.
Dec. 2000	Sunplus received the "Distinguished Achieved Award" from Hsinchu SIPA.
Mar. 2001	Sunplus successfully launched Global Depositary Receipts on the London Stock Exchange.
Dec. 2001	Completed the Grandtech merger and announced the company's reorganization.
Jan. 2002	Established a subsidiary in Shanghai, China to provide better service to customers in Mainland.
Feb. 2002	Implemented ERP system successfully to enhance company's operating efficiency and competence.
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, Hsinchu.
Feb. 2003	Licensed 32-bit core IP 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 solution for consumer electronic products.
Jun. 2003	Announced reorganization by altering the Product Business Unit Systems to Functional Business Unit Systems.
Jul. 2003	Licensed PanelLink DVI core IP from Silicon Image to develop dual-mode LCD controller solutions.
Aug. 2003	Aligned to joint-develop System-on-the-chips (SoC) solutions and deliver broad portfolio of digital media solutions with Silicon Image.
Aug. 2003	Established a new milestone for monthly sales over NT\$1 billion.

Dec. 2003	Won "Innovation Product Award 2003" and "R&D Performance Award 2003" from Hsinchu SIPA.
Dec. 2003	The net sales for 2003 reached NT11.1 billion as landmark.
Sep. 2004	Received certificate of ISO 14000 Quality Assessment.
Dec. 2004	MFP SoC with 4800dpi image quality won "Innovation Product Award 2004" from Hsinchu SIPA.
Dec. 2004	Won "R&D Performance Award 2004" from Hsinchu SIPA.
Jun. 2005	Announced the first 32-bit processor core S+core® with Sunplus-owned instruction set architecture
Jun. 2005	Launched USB2.0-to-Serial ATA bridge solution.
Aug. 2005	Announced the joint-development of the next-generation of optical mouse solution with Agilent Technology.
Aug. 2005	Applied MPEG-4 image controlling technology to the first IP cam with resolution up to 1M pixel in the worldwide.
Aug. 2005	Completed the merger with the 3G team of information & communication research lab ITRI and started the development of 3G cellular communication ICs.
Sep. 2005	Established a new milestone of monthly sales up to NT\$1.899 billion as record high.
Oct. 2005	Mass production of the PHS mobile baseband processor.
Nov. 2005	Sunplus announced the worldwide first DVD ICs certificated by DivX Ultra.
Dec. 2005	Announced reorganization by altering the Functional Business Unit System to Product Business Unit System and the resolved to spin off the LCD IC business. Mr. Chou-Chye Huang was appointed to CEO of Sunplus.
Mar. 2006	Completed the spin-off of the LCD IC business into Orise Technology Co., Ltd.
Dec. 2006	Completed the spin-off of Controller & Peripheral Business Unit into Sunplus Innovation Technology Inc.
Dec. 2006	Completed the spin-off of the Personal Entertainment Business Unit and Advanced Business Unit into Sunplus mMobile Inc.
Dec. 2006	Approved return of capital NT\$5.11 billion by shareholders' extraordinary general meeting.
Dec. 2006	Established a new record high with 2006 profit after tax, NT\$2.97 billion.
Feb. 2007	Licensed digital TV SoC IP to Silicon Image, Inc. with US\$40 million for license fee.
Mar. 2007	Completed the return of capital with outstanding shares afterward 512,953,665 shares
Apr. 2007	Sunplus mMobile, the subsidiary of Sunplus, spun-off its multimedia center into Sunplus mMedia Inc.
Sep. 2007	Sunplus 32-bits processor core S+core® won the "National Invention and Creation Award" from TIPO, Ministry of Economics Affairs
Oct. 2007	Presented World's first DVD SoC solution with DivX HD playability
Dec. 2007	Highly integrated SoC SPG290 with interactive game and education function won the "Innovation Product Award 2007" from Hsinchu SIPA.
Dec. 2007	Received certificate of IECQ 080000 for hazardous substance process management.
Dec. 2007	Established a new subsidiary, Sunplus Prof-tek Technology, in Shenzhen
Jan. 2008	Established a new subsidiary, Sunmedia Technology, in Chengdu.
Mar. 2008	Sunplus licensed hyper-sensitization GPS technology from CORE Corporation.

III Corporate Governance

3.1 Organization

3.1.1 Organization Chart



3.1.2 Major Corporate Function

Department	Job Description
Chairman Office	(1) Planning company's strategic alliance (2) Planning and executing investment plan (3) Arranging Board of Directors Meeting
CEO Office	(1) Establishing company's operational policy, strategies, and goals (2) Auditing and improving the operation performance (3) Communicating with investor/ public and press (4) Executing and managing the strategic alliance worldwide (5) Planning company's business plans and strategic investments
Internal Auditor	(1) Executing internal routine auditing plan (2) Routine auditing of subsidiaries (3) Case Auditing (4) Re-certification auditing of self-examination (5) Establishing of internal control system
Manufacture Department	(1) Testing the company IC products (2) Maintaining testing software and facility
Home Entertainment BU (HE)	(1) Developing world-class audio and video solution (2) Managing sales channels and distributors (3) Marketing and developing business worldwide (4) Managing production, material control. International trading affairs (5) Developing and managing quality assurance system
Administration Center	(1) General administration (2) Human resources management (3) Establishing& managing information service, and promoting productivity (4) Assisting corporation in the automating and reengineering of business process, and promoting competitiveness (5) Strategy management to supporting the company growth
Finance & Accounting Division	(1) Finance, accounting operation and capital, assets management (2) Arranging annual shareholders meeting
Legal & IP Division	(1) In charge of legal and IP affairs (2) Managing the project procedures and documents (3) Protecting and managing documents (4) Purchasing, protecting, and managing books and periodicals (5) Contract & IP management

3.2 Directors, Supervisors, and Management Team

3.2.1 Information Regarding Directors & Supervisors

On 2008.04.15 ;Unit: shares

Title	Name	Date Elected	Initial Date Elected	Term of Office	Share holding When Elected		Current Shareholding		Spouse & Minor Shareholding		Educational Background	Positions Currently held in Other Companies (Note2)
					Amount	%	Amount	%	Amount	%		
Chairman & CEO	Chou-Chye Huang	2006.06.09	1990.07.09	3 years	160,058,422	16.85%	88,323,094	15.86%	845,142	0.15%	M.S. Electrical Engineering, National Tsing Hua University	Chairman: Sunplus, RUSSELL Holdings, TECHPLUS Capital (SAMOA), VENTURPLUS Group, VENTURPLUS Mauritius, VENTURPLUS Cayman, Shanghai Sunplus, Sunplus HK, Sunplus Venture Capital, Lin Shih Investment, Weiyung Investment, Sunplus Management Consulting, Giantplus Holding, Giantplus (SAMOA) Holding, KunShan Giantplus Optoelectronics, Giantplus, Waveplus, Waveplus Holdings, Generalplus International (SAMOA), Sunplus Innovation Technology, Sunplus mMobile, Global Techplus Capital, Generalplus (Mauritius), Generalplus (Shenzhen), Sunext, Sunext Optoelectronics (Shanghai), Great Sun, Sunext (Mauritius), Orise, Sunplus mMedia, Shin-heng Investment, Sunplus Core, Sunplus Prof-tek, Sunmedia, Generalplus Director: Jet Focus, Shenzhen Giantplus Optoelec. Display, Goldkey Technology, Avi Technology, Hsinchu Golf Club, Spring Foundation of NCTU, Li-Shin Hospital Research Foundation, Pan Wen Yuan Foundation
Director	Yam-Chen Chen	2006.06.09	1990.07.09	3 years	32,673,433	3.44%	18,103,370	3.25%	2,821,715	0.51%	M.S. Computer & Electrical Engineering, University of California Santa Barbara	Director: Jet Focus, Shanghai Sunplus, Sunplus venture capital, Lin-Shin Investment, Weiyung Investment, Sunplus Management Consulting, Sunplus mMedia, Generalplus (Shenzhen), Sunext, Sunext Optoelectronics (Shanghai), Goldkey, Global View, Ability Enterprise, Sunplus mMobile, Synerchip

Title	Name	Date Elected	Initial Date Elected	Term of Office	Share holding When Elected		Current Shareholding		Spouse & Minor Shareholding		Educational Background	Positions Currently held in Other Companies (Note2)
					Amount	%	Amount	%	Amount	%		
Director	Bing-Huang Shih	2006.06.09	1990.07.09	3 years	15,503,360	1.63%	6,197,860	1.11%	1,658,344	0.30%	M.S. Electrical Engineering, National Taiwan University	Director: Sunplus Venture Capital, Lin Shih Investment, Weiyung Investment, Sunplus Management Consulting, Shanghai Sunplus, Beijing Golden Global View, Global View, Orise, Sunplus Innovation Technology, Sunplus mMobile, Sunext, Generalplus, Sunplus mMdeia, Sunplus Core
Director	Chung-Jyh Yao (Ritek Corp. Representative of Legal Entity)	2006.06.09	2000.05.31	3 years	5,012,149	0.53%	2,765,792	0.50%	0	0.00%	M.S. Business Administration, University of Rochester	Director: Rtdisplay, U-tech Media, Gigastorage, Aimcore, Kuo-fu Venture, Prorit, Golden River Investment, Ritek Global Media, Cashido, Rimedia, Advanced Media, Deputy Chairman : ChongQing Multimedia Development Supervisor: Chungyuan Venture
Independent Director	Po-Young Chu	2006.06.09	2006.06.09	3 years	0	0.00%	1,654	0.00%	3,861	0.00%	PhD., Purdue University, USA	Independent Director: Advantech, Chilisn Electronics
Supervisor	Feng, Chu-Chien (Global View Co., Ltd. Representative of Legal Entity)	2006.06.09	1990.07.09	3 years	24,774,377	2.61%	10,360,195	1.86%	0	0.00%	EE of National Chiao-Tung University	Director: Opcl Networks, Ming- Chun Tech, Radiantek Supervisor: Giamplus, Waveplus

Note 1 : Director Hou-Shien Chu resigned on 2007.02.05; Independent Supervisor Liang-Chung Chang resigned on 2007.10.25

Note 2: Please refer to the list of affiliate companies for the full names of other companies.

Note 3: None of the Company's directors and supervisors holds shares under others' names.

Note 4: None of the Company's directors and supervisors is within second-degree of consanguinity, such as a spouse or relative, to each other.

3.2.2 Directors and Supervisors' Qualifications and Independence Analysis

2008.04.17

Name (Note 1)	Criteria	With over 5 years of working experience and one of the following professional requirements			Independent status (Note 2)										Numbers of other public companies concurrently serving as an independent director
		An instructor of higher position in a department of commerce, law, finance, accounting, or other departments related to the Company's business in a public or private college or university	A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the Company's business	With an experience in commerce, law, finance, accounting, or other specialties necessary to the Company's business	1	2	3	4	5	6	7	8	9	10	
Chou-Chye Huang			✓					✓	✓		✓	✓	✓	✓	
Yarn-Chen Chen			✓					✓	✓		✓	✓	✓	✓	
Bing-Huang Shih			✓					✓	✓		✓	✓	✓	✓	
Po-Young Chu	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
Chung-Jyh Yao (Ritek Corp. Representative of Legal Entity)			✓				✓	✓	✓	✓	✓	✓	✓		
Feng, Chu-Chien (Global View Co., Ltd. Representative of Legal Entity)			✓					✓		✓	✓	✓	✓		

Note 1: The amount of columns depends on the actual circumstance.

Note 2: “✓” indicates the director or supervisor meeting a criteria during its term of office and two years before being elected.

- (1) Not an employee of the Company or its affiliates.
- (2) Not a director or supervisor of the Company or its affiliates. (This does not apply, however, in case where the position is an independent director of the Company, its parent company, or a subsidiary in which the Company holds, directly or indirectly, more than 50% of shares.)
- (3) Not the shareholder (with its relatives or under others' names) who holds more than 1% shareholding of the total issued shares or ranked as the Top 10 shareholders.
- (4) Not a spouse, relative within the second-degree of consanguinity, or the lineal relative within the fifth-degree of consanguinity of any of the persons in the preceding three paragraphs.

- (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of the Company's issued shares or that holds shares ranked as Top 5 in holdings.
- (6) Not a director, supervisor, officer, or shareholder holding 5% or more of the shares, of a specified company or institution, which has financial or business relationship with the Company.
- (7) Not a professional individual, owner, partner, director, supervisor, or officer (and a spouse thereof) of a sole proprietorship, partnership, company, or institution which provides commercial, legal, financial, accounting, and so on, services or consultation to the Company or to its affiliates.
- (8) Not a spouse or a relative within the second-degree of consanguinity to other directors of the Company.
- (9) Not been a person of any condition as defined in Article 30 of the Company Law.
- (10) Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

Note3-1: Former Director Hou-Shien Chu resigned on 2007.02.05.

Note3-2: Former Independent Supervisor Liang-Chung Chang resigned on 2007.10.25

3.2.3 Major Shareholders of Sunplus' Shareholders as Legal Entities

(a) Global View's Top 10 Shareholders

2008.04.15

Shareholder	Holding (%)
Sunplus Technology	11.26%
Meng-Huei Lin	7.75%
The Hong Kong and Shanghai Banking Corporation Limited, Taipei Branch	7.26%
Jhih-Yuan Chou	5.71%
Sin-Lin Liao	4.24%
HSBC	3.72%
Citibank as trustee for First Securities	2.84%
Kun-Ting Huang	2.61%
Sing-Fei Ma	2.01%
Yun-Long Hunag	1.80%

(b) Ritek's Top 10 Shareholders

2008.04.15

Shareholder	Holding (%)
Chwei-Jing Yeh	1.40%
The Northern Trust Company as trustee for Sanford C. Bernstein & Co. Delaware Business Trust-Emerging Markets Value Series	1.10%
HSBC in custody for Taiwan Opportunity Fund	1.09%
Chung Fu Investment*	0.98%
Wei-Fen Yang	0.96%
Citibank in custody for Taiwan Drive Partner Fund	0.88%
Citibank in custody for Emerging Markets Evaluation Fund	0.84%
Jen-Tai Yen	0.68%
Standard Chartered in custody for Germany West European Bank	0.59%
Platinum Asia Fund	0.56%

* Note: Chung-fu investment's legal entity shareholder: Ritek Corp holding 100%

3.2.4 Management Team

2008.04.15

Title	Name	Effective Date	Current Shareholding		Spouse's & Minor's Shareholding		Educational Background	Positions Currently held in Other Companies
			Amount	%	Amount	%		
Chairman & CEO	Chou-Chye Huang	1990.07.09	88,323,094	15.86%	845,142	0.15%	M.S. Electrical Engineering, National Tsing Hua University	Chairman: Sunplus, RUSSELL Holdings, TECHPLUS Capital (SAMOA), VENTURPLUS Group, VENTURPLUS Mauritius, VENTURPLUS Cayman, Shanghai Sunplus, Sunplus HK, Sunplus Venture Capital, Lin Shih Investment, Weiying Investment, Sunplus Management Consulting, Giantplus Holding, Giantplus (SAMOA) Holding, KunShan Giantplus Optoelectronics, Giantplus, Waveplus, Waveplus Holdings, Generalplus International (SAMOA), Sunplus Innovation Technology, Sunplus mMobile, Global Techplus Capital, Generalplus (Mauritius), Generalplus (Shenzhen), Sunext, Sunext Optoelectronics (Shanghai), Great Sun, Sunext (Mauritius), Orise, Sunplus mMedia, Shin-heng Investment, Sunplus Core, Sunplus Prof-tek, Sunmedia, Generalplus Director: Jet Focus, Shenzhen Giantplus Optoelec. Display, Goldkey Technology, Avl Technology, Hsinchu Golf Club, Spring Foundation of NCTU, Li-Shin Hospital Research Foundation, Pan Wen Yuan Foundation
BU President	Oh-Jung Ou	2001.12.25	1,600,850	0.24%	486,299	0.09%	B.S. Electrical Engineering, Chung Yuan Christian University	None
Vice President	Steven Huang	2004.05.07	450,424	0.08%	8,801	0.00%	EMBA, Technology & Innovation Management (TIM), National Chengchi University	None

Title	Name	Effective Date	Current Shareholding		Spouse's & Minor's Shareholding		Educational Background	Positions Currently held in Other Companies
			Amount	%	Amount	%		
Vice President	Wen-Kuan Chen	2005.11.07	301,986	0.05%	134,787	0.02%	M.S. Electrical Engineering, National Cheng Kung University	None
VP	Wayne Shen	2005.12.01	1,100,547	0.20%	340,176	0.06%	EMBA, Technology Management, National Chiao-Tung University	Supervisor of Sunplus Venture Capital
Director of Finance & Accounting Division	Piper Hung	2007.11.05	0	0.00%	0	0.00%	Bachelor, Accounting , Tamkang University	None

Note1: VP Kuo-Bin Huang, G.C Su, Henry Lee and Director of accounting division Annie Liu discharged in 2007.

Note2: Please refer to investment list for the full name of other companies.

Note3: None of the management holds the company shares under others' account.

Note4: None in management team, Board of Directors and Supervisors is second-degree of consanguinity relatives of above management

3.2.5 Remuneration to Directors, Supervisors, Presidents, and Vice Presidents

(A) Remuneration to Directors

2007.12.31 / NT\$K

Title	Name (Note 1)	Remuneration to Directors				(A)+(B)+(C) as % 2007 Net Income (Note 11)		Remuneration to Directors who hold a Concurrent Post in the Company						(A)+(B)+(C)+(D)+(E) as % 2007 Net Income (Note 11)		Remuneration from Long-term Investments Except Subsidiaries (Note 12)
		Salary (A) (Note 2)	Bonus from Profit Distribution (B) (Note 3)	Allowance (C) (Note 4)	(A)+(B)+(C) (Note 11)	Salary, Bonus, etc. (D) (Note 5)	Employee Bonus from Profit Distribution (E) (Note 6)				Stock Option (F) (Note 7)	(A)+(B)+(C)+(D)+(E) (Note 11)				
							Supplu s (Note 8)	Consolidated Subsidiaries of (Note 8)	Supplu s (Note 8)	Consolidated Subsidiaries of (Note 8)			Cash Bonus	Stock Bonus	Consolidated Subsidiaries of (Note 8)	
Chairman	Chou-Chye Huang															
Director	Yarn-Chen Chen															
Director	Bing-Huang Shih															
Director	Ritek Corp.	0	20,058	20,058	189	240	0.98%	1.01%	6,350	0	0	0	0	0	1.29%	1.32%
	Chung-Jyh Yao (Ritek Corp. Representative of Legal Entity)															
	Po-Young Chu															
Independent Director																

Note: Note 1: Director Hou-Shien Chu resigned on 2007.02.05

Remuneration to Directors	Numbers of Directors			
	(A)+(B)+(C)		(A)+(B)+(C)+(D)+(E)	
	Sunplus (Note 9)	Consolidated Subsidiaries of Sunplus (G)(Note 10)	Sunplus (Note 9)	Consolidated Subsidiaries of Sunplus (H)(Note 10)
Under NT\$2,000,000	Ritek, Chung-Jyh Yao	Ritek, Chung-Jyh Yao	Ritek, Chung-Jyh Yao	Ritek, Chung-Jyh Yao
NT\$2,000,000~NT\$5,000,000	Chen, Shih, Chu	Chen, Shih, Chu	Chen, Shih, Chu	Chen, Shih, Chu
NT\$5,000,000~NT\$10,000,000	Chou-Chye Huang	Chou-Chye Huang		
NT\$10,000,000~NT\$15,000,000			Chou-Chye Huang	Chou-chye huang
Total	6	6	6	6

Note 1: Names of directors shall be disclosed separately (name of juridical-person shareholders and their representatives shall be disclosed separately), and the remuneration shall be disclosed in total amount. If a director concurrently serves as a president or vice president, his/her remuneration shall be disclosed accordingly in this table and table (C).

Note 2: It indicates the remuneration to directors, including salary, allowance, pension, bonus, rewards, and etc.) in the most recent fiscal year.

Note 3: It indicates the remuneration to directors from profit distribution in the most recent fiscal year according to the proposal submitted by BOD to shareholders' meeting for approval.

Note 4: It indicates the expenses generated from directors' business (including transportation fees, social activity fees, allowances, dormitories, company cars, and etc.) in the most recent fiscal year. If the Company provides a house, car/other transportation, or other allowances to directors, the relevant payments, calculated at actual cost or fair value, shall be disclosed. The remuneration paid to the company drivers shall be disclosed but not included in the remuneration to directors.

Note 5: It indicates the salaries, allowances, pensions, severance pay, bonuses, rewards, transportation fees, social activity fees, dormitories, cars, and etc., to directors who hold concurrently posts in the Company (including presidents, vice presidents, managers, or other employees). If the Company provides a house, car/other transportation, or other allowances to directors, the relevant payments, calculated at actual cost or fair value, shall be disclosed. The remuneration paid to the company drivers shall be disclosed but not included in the remuneration to directors.

Note 6: It indicates the employee bonuses (including cash and stock) paid to directors who hold concurrently posts in the Company (including presidents, vice presidents, managers, or other employees). The amount of employee bonus according to the proposal of profit distribution submitted by BOD to shareholders' meeting for approval in the most recent fiscal year shall be disclosed. If there is no such proposal yet, the stock bonus may be calculated according to the stock bonus last year. The amount of stock bonus for public companies shall be calculated at fair value, which means the closing price on the balance sheet date. For private companies, the amount of stock bonus shall be calculated based on the net value on the last day in the fiscal year when the profit distributed.

Note 7: It indicates the employee stock options (excluding those has been executed) offered to the directors who concurrently hold posts in the Company (including presidents, vice presidents, managers, or other employees). The relevant information shall be disclosed in this table and table 15.

Note 8: The total amount remuneration paid to the Company's directors by all the companies in the consolidated financial statements (including Sunplus) shall be disclosed.

Note 9: It indicates the numbers of directors classified by the amount of their remuneration paid by Sunplus. The amount of remuneration paid to juridical-person shareholders shall be distributed equally to each representative, and then they shall also be classified according to the amount. If the Company is willing to disclose the names of directors in each classification, the title of column shall be changed to "Names of Directors".

Note 10: It indicates the numbers of directors classified by the amount of their remuneration paid by all the companies in the consolidated financial statements (including Sunplus). If the Company is willing to disclose the names of directors in each classification, the title of column shall be changed to "Names of Directors".

Note 11: It indicates the net income in the most recent fiscal year.

Note 12: a. Whether the Company's directors receive remuneration from other long-term investments except subsidiaries shall be disclosed as "Yes" or "No".

b. If "Yes", the amount of remuneration may be disclosed voluntarily and be included into column G and H; also, the title of the column shall be changed to "All the Long-term Investments".

c. The remuneration indicated here means the salaries, allowances, bonuses, and other relevant rewards paid by from other long-term investments except subsidiaries.

※ The remuneration disclosed here shall not be used for taxation purpose because those are calculated on a different basis.

(B) Remuneration to Supervisors

on 2007.12.31

Title	Name (Note 1)	Remuneration to Supervisors						(A)+(B)+(C) as % 2006 Net Income (Note 8)		Remuneration from Long-term Investments Except Subsidiaries (Note 9)
		Salary (A) (Note 2)		Bonus from Profit Distribution (B) (Note 3)		Allowance (C) (Note 4)		Sunplus	Consolidated Subsidiaries of Sunplus (Note 5)	
		Sunplus	Consolidated Subsidiaries of Sunplus (Note 5)	Sunplus	Consolidated Subsidiaries of Sunplus (Note 5)	Sunplus	Consolidated Subsidiaries of Sunplus (Note 5)			
Supervisor	Global View Co., Ltd.	0	0	3,032	3,032	69	69	0.15	0.15	YES
	Chu-Chien Feng (Global View Co., Ltd. Representative of Legal Entity)									
Independent Supervisor	Liang-Chung Chang									

Note: Independent Supervisor Liang-Chung Chang resigned on 2007.10.25

Remuneration to Supervisors	Numbers of Supervisors	
	(A)+(B)+(C)	
	Sunplus(Note 6)	Consolidated Subsidiaries of Sunplus(D) (Note 7)
Under NT\$2,000,000	Global View Co., Ltd., Chu-Chien Feng, Liang-Chung Chang	Global View Co., Ltd., Chu-Chien Feng, Liang-Chung Chang
Total	3	3

Note 1: Names of supervisors shall be disclosed separately (name of juridical-person shareholders and their representatives shall be disclosed separately), and the remuneration shall be disclosed in total amount.

Note 2: It indicates the remuneration to supervisors, including salary, allowance, pension, bonus, rewards, and etc., in the most recent fiscal year.

Note 3: It indicates the remuneration from profit distribution in the most recent fiscal year according to the proposal submitted by BOD to shareholders' meeting for approval.

Note 4: It indicates the expenses generated from supervisors' business (including transportation fees, social activity fees, allowances, dormitories, company cars, and etc.) in the most recent fiscal year. If the Company provides a house, car/other transportation, or other allowances to supervisors, the relevant payments, calculated at actual cost or fair value, shall be disclosed. The remuneration paid to the company drivers shall be disclosed but not included in the remuneration to directors.

Note 5: The total amount remuneration paid to the Company's supervisors by all the companies in the consolidated financial statements (including Sunplus) shall be disclosed.

Note 6: It indicates the numbers of supervisors classified by the amount of their remuneration paid by Sunplus. If the Company is willing to disclose the names of supervisors in each classification, the title of column shall be changed to "Names of Supervisors".

Note 7: It indicates the numbers of supervisors classified by the amount of their remuneration paid by all the companies in the consolidated financial statements (including Sunplus). If the Company is willing to disclose the names of supervisors in each classification, the title of column shall be changed to "Names of Supervisors".

Note 8: It indicates the net income in the most recent fiscal year.

Note 9: a. Whether the Company's supervisors receive remuneration from other long-term investments except subsidiaries shall be disclosed as "Yes" or "No".

b. If "Yes", the amount of remuneration may be disclosed voluntarily and be included into column D; also, the title of the column shall be change to "All the Long-term Investments".

c. The remuneration indicated here means the salaries, allowances, bonuses, and other relevant rewards paid by from other long-term investments except subsidiaries.

※ The remuneration disclosed here shall not be used for taxation purpose because those are calculated on a different basis.

(C) Remuneration to Management Team

NT\$K / Thousand Shares
2007.12.31

Title	Name (Note 1)	Salary (A) (Note 2)		Reward, Allowance, and etc. (B) (Note 3)		Bonus from Profit Distribution (C) (Note 4)			(A)+(B)+(C) as % 2006 Net Income (Note 9)		Employee Stock Option (Note 5)		Remuneration from Long-term Investments Except Subsidiaries (Note 10)
		Sunplus	Consolidated Subsidiaries of Sunplus (Note 6)	Sunplus	Consolidated Subsidiaries of Sunplus (Note 6)	Cash Bonus	Stock Bonus	Consolidated Subsidiaries of Sunplus (Note 5)	Sunplus	Consolidated Subsidiaries of Sunplus (Note 6)	Sunplus	Consolidated Subsidiaries of Sunplus (Note 6)	
CEO	Chou-Chye Huang												
BU President	Oh-Jung Ou												
Vice President	Steven Huang	24,566	24,566	301	301	0	15,115	0	15,115	1.98	1,180	1,180	No
Vice President	Wen-Kuan Chen												
Vice President	Wayne Shen												

Note1: Kuo-Bin Huang discharged from VP on 2007.11.01

Note2: Henry Lee discharged from VP on 2007.11.01

Note3: Gwo-Chin Su discharged from VP on 2007.01.23

Remuneration to Management	Name of Presidents and Vice Presidents	
	Sunplus (Note 7)	Consolidated Subsidiaries of Sunplus (D) (Note 8)
Under NT\$2,000,000		
NT\$2,000,000~NT\$5,000,000		
NT\$5,000,000~NT\$10,000,000	Chou-Chyue Huang, Oh-Jung Ou, Steven Huang, Wen-Kuan Chen, Wayne Shen	Chou-Chyue Huang, Oh-Jung Ou, Steven Huang, Wen-Kuan Chen, Wayne Shen
Total	5	5

※The information regarding to those who hold positions equal to a president or vice president shall be disclosed.

Note 1: Names of presidents and vice presidents shall be disclosed separately, and the remuneration shall be disclosed in total amount. If a director concurrently serves as a president or vice president, his/her remuneration shall be disclosed accordingly in this table and table (A).

Note 2: It indicates the remuneration to presidents and vice presidents, including salary, allowance, pension, and severance pay) in the most recent fiscal year.

Note 3: It indicates the bonuses, rewards, transportation fees, social activity fees, dormitories, cars, and etc., to presidents and vice presidents. If the Company provides a house, car/other transportation, or other allowances to presidents and vice presidents, the relevant payments, calculated at actual cost or fair value, shall be disclosed. The remuneration paid to the company drivers shall be disclosed but not included in the remuneration to directors.

Note 4: It indicates the employee bonuses (including cash and stock) paid to presidents and vice presidents according to the proposal of profit distribution submitted by BOD to shareholders' meeting for approval in the most recent fiscal year. If there is no such proposal yet, the stock bonus may be calculated according to the stock bonus last year. The amount of stock bonus for public companies shall be calculated at fair value, which means the closing price on the balance sheet date. For private companies, the amount of stock bonus shall be calculated based on the net value on the last day in the fiscal year when the profit distributed. The term "Net Income" indicates the net income in the most recent fiscal year.

Note 5: It indicates the employee stock options (excluding those has been executed) offered to the presidents and vice presidents. The relevant information shall be disclosed in this table and table 15.

Note 6: The total amount remuneration paid to the Company's presidents and vice presidents by all the companies in the consolidated financial statements (including Sunplus) shall be disclosed.

Note 7: It indicates the numbers of presidents and vice presidents classified by the amount of their remuneration paid by Sunplus. If the Company is willing to disclose the names of presidents and vice presidents in each classification, the title of column shall be changed to "Names of Presidents and Vice Presidents".

Note 8: It indicates the numbers of presidents and vice presidents classified by the amount of their remuneration paid by all the companies in the consolidated financial statements (including Sunplus). If the Company is willing to disclose the names of presidents and vice presidents in each classification, the title of column shall be changed to "Presidents and Vice Presidents".

Note 9: It indicates the net income in the most recent fiscal year.

Note 10: a. Whether the Company's presidents and vice presidents receive remuneration from other long-term investments except subsidiaries shall be disclosed as "Yes" or "No".

b. If "Yes", the amount of remuneration paid by other long-term investments except subsidiaries may be disclosed voluntarily and included into column D; also, the title of the column shall be changed to "All the Long-term Investments".

c. The remuneration indicated here means the salaries, allowances, bonuses, and other relevant rewards paid to presidents and vice presidents who concurrently hold posts in other long-term investments except subsidiaries.

※The remuneration disclosed here shall not be used for taxation purpose because those are calculated on a different basis.

(D) Employee Bonus Granted to Management Team

2007.12.31, Unit:NT\$K

	Title (Note 1)	Name (Note 1)	Stock Bonus	Cash Bonus	Total	Ratio of 2007 Net Income(%)
Management Team	CEO	Chou-Chye Huang				
	BU President	Oh-Jung Ou				
	Vice President	Steven Huang				
	Vice President	Wen-Kuan Chen	15,115	0	15,115	0.73
	Vice President	Wayne Shen				
	Director of Finance & Accounting Division	Piper Hung				

※ It indicates the employee bonuses (including cash and stock) paid to managers according to the proposal of profit distribution submitted by BOD to shareholders' meeting for approval in the most recent fiscal year. If there is no such proposal yet, the stock bonus may be calculated according to the stock bonus last year. The amount of stock bonus for public companies shall be calculated at fair value, which means the closing price on the balance sheet date. For private companies, the amount of stock bonus shall be calculated based on the net value on the last day in the fiscal year when the profit distributed. The term "Net Income" indicates the net income in the most recent fiscal year.

Note 1: Names of managers shall be disclosed separately, and the remuneration shall be disclosed in total amount.

"Managers" include: (stipulated by SFC-3 No. 0920001301)

- (1) President and equivalent position
- (2) Vice president and equivalent position
- (3) Director and equivalent position
- (4) Director of financial division
- (5) Director of accounting division

(6) Other directors who in charge of administration and hold the authority to sign.

Note 3: If a director, president, or vice president receive employee bonus (including stock and cash), the relevant information shall be disclosed in this table and attached table 1-2.

3.2.6 Analysis for remuneration paid by all the companies in the consolidated financial statements (including Sunplus) to directors, supervisors, presidents and vice presidents as % net income in the most recent two years. Also, the relevant policy, standards and procedures, and the relation between remuneration and performance shall be stated.

The total amount of remuneration paid by all the companies in the consolidated financial statements (including Sunplus) to directors, supervisors, presidents, and vice presidents is very small dilution of net income. The amount of remuneration is determined by referring to other companies within the same business and the Company Article.

3.3 Corporate Governance Implementation

3.3.1 BOD Meeting Status

15 meetings were held in 2007 and the attendance of directors and supervisors is as follows:

Title	Name (Note 1)	Attendance in Person	By Proxy	Attendance Rate (%)	Remarks
Chairman	Chou-Chye Huang	15	0	100.00	
Director	Yarn-Chen Chen	13	2	86.67	
Director	Bing-Huang Shih	13	2	86.67	
Director	Hou-Shien Chu (Note 1)	1	0	100.00	1meeting held on duty
Director	Chung-Jyh Yao (Ritek Corp. Representative of Legal Entity)	13	0	86.67	Ming-Shan Lee Represented during 2008.02.01~2008.04.29
Independent Director	Po-Young Chu	15	0	100.00	
Supervisor	Feng, Chu-Chien (Global View Co., Ltd. Representative of Legal Entity)	15	0	100.00	
Independent Supervisor	Liang-Chung Chang(Note 2)	11	0	100.00	11meetings held on duty
Other information required to be disclosed: None					

Note 1: Hou-Shien Chu was relieved of office on 2007/02/05.

Note 2: Liang-Chung Chang was relieved of office on 2007/10/25.

Note 3: The name of a legal entity shareholder and its representative shall be disclosed.

Note 4: (a) If a director or supervisor being relieved of office before year end, it shall be notified as a remark. The actual rate of attendance shall be calculated according to the meetings held when he/she is at the post.

(b) If there is a re-election before year end, the new directors and supervisors along with the original ones shall be disclosed, and the date of directors and supervisors being elected shall be stated. The actual rate of attendance shall be calculated according to the meetings held when they are at posts.

3.3.2 Audit Committee Status

Not applicable

3.3.3 Corporate Governance Implementation as Required by Taiwan Financial Supervisory Commission

Item	Implementation Status	Reason of Non-Implementation
1. Shareholding Structure & Shareholders' Rights (1) The way handling shareholders' suggestions or disputes (2) The Company's possession of major shareholders list and the list of ultimate owners of these major shareholders (3) Risk management mechanism and fire wall between the Company and its affiliates	(1) Sunplus has designated specialists to handle shareholders' suggestions or disputes. (2) The information regarding major shareholders, directors, supervisors, and other important matters which might cause changes in holding, is disclosed periodically so that the Company could know well about major shareholders and the ultimate owners of them. (3) Sunplus has set relevant guidelines to manage risks concerning dealings and contact with affiliates.	Not Applicable
2. Composition and Responsibilities of the BOD (1) Independent directors (2) Regular evaluation of external auditors' independency	(1) Sunplus has one independent director. (2) Auditors' independence is evaluated at the end of every year and the engagement of auditors would be submitted to BOD for approval.	Not Applicable
3. Composition and Responsibilities of Supervisors (1) Communication channel with employees or shareholders	(1) Sunplus' supervisors attend internal meetings constantly to supervise the Company's operations and provide professional suggestions.	Not Applicable

Item	Implementation Status	Reason of Non-Implementation
4. Communication channel with Stakeholders	Sunplus maintains good relations with banks, suppliers, and other relevant parties. Sunplus, with a principle of honesty, provides sufficient information about the Company's operations and defends the Company's lawful rights and interests.	
5. Information Disclosure (1) Establishment of corporate website to disclose information regarding the Company's financials, business, and corporate governance status (2) Other information disclosure channels (ex. English website, appointing responsible people to handle information collection and disclosure, appointing spokesman, webcasting investors conference)	Sunplus has established corporate website, managed by relevant departments, to disclose and collect information. Also, Sunplus announces financial results and corporate governance status, and releases company news after investor conferences quarterly.	Not Applicable
6. Operations of the Company's Nomination Committee, Compensation Committee, or Other Committees of BOD	Not established yet	There is no need to establish such committees because the Company's directors and supervisors are absolutely capable and our internal system is clear.
7. If the Company has established corporate governance policies based on TSE "Corporate Governance Best Practice Principles", please describe discrepancy between the policies and their implementation. Sunplus does not establish other principles of corporate governance; all of our rules and procedures are based on laws and regulations stipulated by authorities in charge, and amended every year in response to inner/outer changes.		

Item	Implementation Status	Reason of Non-Implementation
8. Please describe the Company's social responsibilities (such as human rights, employee rights, employee wellness, community participation, social contribution, community service, investor relations, supplier relations, and shareholders' rights) policy and implementation. The Company takes corporate image seriously and realizes it could be destroyed in one day. Sunplus also take our long-term operation, employee wellness, shareholders' rights and interests as our most essential responsibilities. The Company will keep doing our best to be dutiful for our social responsibilities.		
9. Other important information to facilitate better understanding of the Company's corporate governance (ex. directors and supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of consumers/customers protection policies, and purchasing insurance for directors and supervisors.) None		
10. If the Company has a self corporate governance evaluation or has authorized any other professional organization to conduct such evaluation, the evaluation results, major deficiency or suggestion, and improvement are stated as follows: None		

3.3.4 Other Corporate Governance Policies

None

3.3.5 Other Matters Needed to Improve the Company's Implementation of Corporate Governance

None

3.3.6 Internal Control System Execution Status and Information

(A) Statement of Internal Control System

Sunplus Technology Co., Ltd.
Statement of Internal Control System

Date: March 24th, 2008

Based on the findings of a self-assessment, Sunplus states the following with regard to our internal control system during January 1st – December 31st, 2006:

1. Sunplus is fully aware that establishing, operating, and maintaining an internal control system are the responsibility of Board of Directors and management team. Sunplus has established such a system aimed at providing reasonable assurance regarding achievement of objectives in the following categories: (a) effectiveness and efficiency of operations (including profitability, performance, and protection of assets), (b) reliability of financial reporting, and (c) compliance with applicable laws and regulations.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can only reasonable assurance of accomplishment for the three objectives mentioned above. Moreover, the effectiveness of an internal control system may be subject to changes of environment and circumstances. Nevertheless, Sunplus' internal control system contains self-monitoring mechanisms, and Sunplus takes corrective actions whenever a deficiency is identified.
3. Sunplus evaluates the design and operating effectiveness of our internal control system based on "Regulations Governing the Establishment of Internal Control Systems by Public Companies" (herein below, the "Regulations"). The criteria adopted by the Regulations identify five components of internal control based on the process of management control: (a) control environment, (b) risk assessment, (c) control activities, (d) information and communication, and (e) monitoring. Each component further contains several items. Please refer to the Regulations for details.
4. Sunplus has evaluated the design and operating effectiveness of our internal control system according to the aforesaid criteria.
5. Based on the findings of the evaluation mentioned in the preceding paragraph, Sunplus believe that, during the year 2006, our internal control system (including the supervision and management of subsidiaries), as well as our internal control to monitor the achievement of our objectives concerning operational effectiveness and efficiency, reliability of financial reporting, and compliance with applicable laws and regulations, were effective in design and operation, and reasonably assured the achievement of the above-stated objectives.
6. This statement is an integral part of Sunplus' annual report for the year 2006 and prospectus, and would be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Article 20, 32, 281, and 174 of the "Securities and Exchange Law".
7. This statement has been passed by the Board of Directors Meeting held on March 24th, 2008, with zero of five attending directors expressing dissenting opinions, and the remainder all affirming the content of this statement.



Sunplus Technology Co., Ltd. Chairman & CEO, Chou-Chye Huang

(B) The Company's Internal Control System Audit Report by External Auditors: Not applicable

3.3.7 Regulatory Authorities' Legal Penalties to the Company, and the Company's Resulting Punishment on Its Employees: None

3.3.8 Major Resolutions by the Shareholders' Meetings and the Board of Directors Meetings

Date	Decision Maker	Case	Result
2007.04.27	Board Meeting	1. To accept 2006 1H financial statements	1. Approved as proposed without dissent. Note: To add attendance's comments on meeting minutes
		2. To decide the profits distribution of 2006 & employee bonus	Approved as proposed without dissent.
		3. To decide the dividend & capital increase	
2007.06.13	Board Meeting	1. To approve to dispose long-term investment as the stake of Alpha image Tech.	Approved as proposed without dissent. Limitation: Disposal price: more than NT\$180. Shares basket: less than 800,000 shares
2007.06.15	Shareholders' Meeting	1. To accept operation report and financial statements ended on 2006/12/31 2. To approve the profits distribution of 2006	Approved as proposed without dissent.
2007.07.17	Board Meeting	1. To discuss the investment in China	Approved as proposed without dissent
2007.07.26	Board Meeting	1. To accept 2007 1H consolidated financial statements. 2. To decide the ex-dividend date	Approved as proposed without dissent
2007.08.15	Board Meeting	1. To accept 2007 1H consolidated financial statements. 2. To adjust the distribution rate of stock and cash dividends from 2006 profit distribution. 3. To discuss the employee stock option program	Approved as proposed without dissent.
2007.08.31	Board Meeting	1. To revise the employee stock option program	Approved as proposed without dissent.
2007.10.25	Board Meeting	1. To accept 3Q 2006 financial statements 2. To approve the personnel change	Approved as proposed without dissent.
2007.11.13	Board Meeting	1. To discuss the employee stock option program and issuance	Approved as proposed without dissent.
2007.12.24	Board Meeting	1. To acquire stake of Giantplus Technology by its private offering as long-term investment	Approved as proposed without dissent.
2007.12.28	Board Meeting	1. To acquire stake of Sunext Technology by capital increase as long-term investment 2. To approve the issuance of 2 nd employee stock option	Approved as proposed without dissent.
2008.02.01	Board Meeting	1. To accept 2007 financial statements	Approved as proposed without dissent.
2008.03.24	Board Meeting	1. To accept 2007 consolidated financial statements 2. To discuss the date and agenda of 2008 shareholders' meeting	Approved as proposed without dissent.

2008.04.29	Board Meeting	1. To accept 2008Q1 financial statements 2. To accept 2008Q1 consolidated financial statements 3. To decide profits distribution& employee bonus of 2007 4. To decide the dividend & capital increase 5. To discuss investment in China 6. To revise the agenda of 2008 shareholders' meeting	Approved as proposed without dissent.
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3.3.9 Content of Directors' or Shareholders' Dissent View on Record or in Writing Regarding Resolutions approved by BOD Meeting: None

3.3.9 Information Regarding the Relief and Resignation of Personnel Responsible for Preparing Financial Reports

Title	Name	Date on board	Date discharged	Reason of discharge
Director of Finance& Accounting Division	Annie Liu	2006.04.01	2007.11.05	Transferred to Sunplus' Subsidiary

3.4 Audit Fees : Not Applicable

3.5 Replacement of Auditors

3.5.1 Ex-auditors

Date discharged	2008.March.31
Reason	Internal transference by the audit firm, Deloitte & Touche
Any different opinions than an unqualified opinion in recent 2 years	1. An unqualified opinion with an explanatory paragraph in 2006 financial statements & consolidated financial statements due to Taiwan GAAP changes 2. An qualified opinion in 20071H and 20061H for the un-audited long-term investment' P&L
Any different opinions against issuer	None
Remarks	Not Applicable

3.5.2 Current Auditors

Audit Firm	Deloitte & Touche
Name of Auditor	Shu-Chieh Huang, Hung-Peng Lin
Date of Appointment	2008.March.31
Any different opinions against ex-auditors	None

3.6 Chairman, Presidents, and Managers in Charge of Finance and Accounting Who Held a Position in Sunplus' Independent Audit Firm or Its Affiliates during 2007: None

3.7 Net Change in Shareholding and Net Changes in Shares Pledged by Directors, Supervisors, Management, and Shareholders with 10% Shareholding or More

3.7.1 Net Change in Shareholding and Net Changes in Shares Pledged by Directors, Supervisors, Management, and Shareholders with 10% Shareholding or More

Thousand Shares

Title	Name	2007 (Note)		Ended of April 15 th , 2008	
		Shareholding Change	Shares Pledged	Shareholding Change	Shares Pledged
Chairman	Chou-Chye Huang	(79,710)	(42,334)	0	12,900
Director	Bing Huang Shih	(8,186)	0	0	0
Director	Yarn-Chen Chen	(16,338)	(6,341)	0	0
Director	Ritek Corp.	(2,496)	2,765	0	0
Director	Po-Young Chu	(2)	0	0	0
Supervisor	Global View Co., Ltd.	(13,652)	(7,796)	(575)	0
BU President	Oh-Jung Ou	(841)	0	0	0
VP	Steven Huang	(181)	0	0	0
VP	Wen-Kuan Chen	33	0	0	0
VP	Wayne Shen	(959)	0	0	0
Finance & Accounting Director	Piper Hung(appointed on 2007.11.05)	0	0	0	0
Board Director	Hou-Shien Chu(discharged on 2007.02.05)	(40)	0	0	0
Supervisor	Liang-Chung Chang(discharged on 2007.10.25)	158	0	0	0
VP	Kuo-Bin Huang(discharged on 2007.11.01)	(1,817)	0	0	0
VP	Gwo-Chin Su(discharged on 2007.01.23)	0	0	0	0
VP	Henry Lee(discharged on 2007.11.01)	(242)	0	0	0
Finance & Accounting Director	Annie Liu(discharged on 2007.11.05)	(26)	0	0	0

3.7.2 Stock Trade

Name (Note 1)	Transfer Reason	Transaction Date	Name of Counter Party	Nature of Relationship	Amount of Shares	Transaction Price
-	-	-	-	-	-	-

3.7.3 Shares Pledge with Related Parties

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

3.8 Top 10 Shareholders & Related Parties Defined in Article 6 of Taiwan GAAP

Name	Current shareholding		Shareholding under Spouse & Minor		Shareholding under others' name		Relationship with related parties	
	Amount of Shares	Holding %	Amount of Shares	Holding %	Amount of Shares	Holding %	Name	Relationship
Chou-Chye Huang	88,323,094	15.86	845,142	0.15	-	-	-	-
Yarn-Chen Chen	18,103,370	3.25	2,821,715	0.51	-	-	Global View	Board Director
De-Zhong Liu	12,234,280	2.20	-	-	-	-		
Global View Co., Ltd.	10,360,195	1.86	-	-	-	-	Yarn-Chen Chen, Bin-Huang Shih	Both are Borad Director of Global View
Chu-Chien Feng(representative of Global View)	-	-	-	-	-	-		
Chih-Hao King	8,963,195	1.61	-	-	-	-		
JPMorgan Chase Bank, N.A., Taipei Branch in custody for Templeton Developing Market Trusts	8,656,243	1.55	-	-	-	-		
China Trust Bank in custody for Sunplus employee shareholding trust	6,477,200	1.16	-	-	-	-		
Bing Huang Shih	6,197,860	1.11	1,658,344	0.30	-	-	Global View	Board Director
Wen-Qin Lee	4,972,495	0.89	-	-	-	-		
JPMorgan Chase Bank, N.A., Taipei Branch in custody for Templeton Emerging Markets Fund	4,422,173	0.79	-	-	-	-		

3.9 Long-term Investment Ownership

2008.03.31 ; Unit: thousand shares, %

Long-term Investments(Note)	Sunplus Investment		Shareholding of Director, Supervisor, Management or Subsidiary		Synthetic Shareholding	
	Amount of Shares	Holding %	Amount of Shares	Holding %	Amount of Shares	Holding %
Giantplus Technology	83,002	21	19,736	5	102,738	26
Orise Technology	70,047	57	824	0	70,871	57
Generalplus Technology	23,285	45	12,977	25	36,262	70
Global View Technology	13,568	11	500	0	14,068	11
Goldkey Technology	2,432	12	2,666	12	5,098	24
Waveplus Technology	434	43	308	31	742	74
Sunext Technology	71,725	72	15,070	15	86,795	87
Harvetek Corp.	4,896	3	6,611	4	11,507	7
Ritek Corp.	5,000	0	3,900	0	8,900	0
Sunplus Core Technology	5,600	47	4,000	33	9,600	80
Sunplus Innovation Technology	22,000	91	358	1	22,358	92
Sunplus mMobile Inc.	12,000	91	4,229	3	124,229	92

Note: Except companies listed above, all other long-term investments are held by the parent co

IV Capital & Shares

4.1 Capitalization

2008.03.31

Month/ Year	Price (NT\$)	Authorized capital		Issued capital		Remark		
		Shares (Thousand Shares)	Amount (NT\$ M)	Shares (Thousand Shares)	Amount (NT\$M)	Funding(NT\$K)	Funding except cash	Note
08/1990	10	2,300	23	620	6.2	Cash Offering 6,200	None	Not IPO yet
08/1990	10	2,300	23	1,150	11.5	Cash Offering 5,300	None	Not IPO yet
03/1992	10	2,300	23	2,300	23	Cash Offering 11,500	None	Not IPO yet
12/1993	10	6,000	60	6,000	60	Cash Offering 20,900 Capitalization of Profits 16,100	None	Not IPO yet
09/1994	10	19,800	198	19,800	198	Cash Offering 60,000 Capitalization of Profits 78,000	None	Not IPO yet
06/1995	10	39,600	396	39,600	396	Capitalization of Profits 198,000	None	06/28/1995 SFC No. 37335
06/1996	10	64,360	643.6	64,360	643.6	Capitalization of Profits 247,600	None	06/26/1996 SFC No. 40155
06/1997	10	105,500	1,055	105,500	1,055	Capitalization of Profits 411,400	None	06/10/1997 SFC No.46641
06/1998	10	184,000	1,840	184,000	1,840	Capitalization of Profits 785,000	None	06/ 08/1998 SFC No.49408
06/1999	10	269,120	2,691.2	269,120	2,691.2	Capitalization of Profits 851,200	None	06/23/1999 SFC No.57760
06/2000	10	600,000	6,000	370,000	3,700	Capitalization of Profits 1,008,800	None	06/03/2000 SFC No.48003
09/2000	10	600,000	6,000	390,000	3,900	Cash Offering for GDR 200,000	None	09/18/2000 SFC No 72620
06/2001	10	700,000	7,000	534,000	5,340	Capitalization of Profits 1,440,000	None	06/27/2001 SFC No 40791
12/2001	10	700,000	7,000	544,742	5,447	Merger from Grandtech 10,742	None	12/12/2001 SFC No 173137
06/2002	10	1,000,000	10,000	694,950	6,949.5	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	777,504	7,775.0	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	875,254	8,752.5	Capitalization of Profits 355,500 And Capital Surplus 622,004	None	06/15/2004 SFC No.0930126644

Month/ Year	Price (NT\$)	Authorized capital		Issued capital		Remark		
		Shares (Thousand Shares)	Amount (NT\$ M)	Shares (Thousand Shares)	Amount (NT\$M)	Funding(NT\$K)	Funding except cash	Note
07/2005	10	1,050,000	10,500	945,570	9,455.7	Capitalization of Profits 487,576 And Capital Surplus 175,051 Employee Stock Option 40,529	None	07/11/2005 FSC No. 0940127940 TSE No.09400288741
11/2005	10	1,050,000	10,500	948,147	9,481.5	Employee Stock Option 25,772	None	TSE No.09400340711
03/2006	10	1,050,000	10,500	948,730	9,487.3	Employee Stock Option 5,825	None	TSE No.09500052761
06/2006	10	1,050,000	10,500	949,784	9,497.8	Employee Stock Option 10,547	None	TSE No.09500116511
06/2006	10	1,200,000	12,000	1,021,358	10,213.6	Capitalization of Profits 508,844 And Capital Surplus 189,230 Employee Stock Option 17,660	None	FSC No.0950126238
11/2006	10	1,200,000	12,000	1,022,777	10,227.8	Employee Stock Option 14,195	None	TSE No.0950030505
01/2007	10	1,200,000	12,000	512,212	5,122.1	Capital Reduction 5,114,358 Employee Stock Option 8,703	None	FSC No.0950159014
03/2007	10	1,200,000	12,000	512,954	5,129.5	Employee Stock Option 7,418	None	TSE No.0960005441
09/2007	10	1,200,000	12,000	554,240	5,542.4	Capitalization of Profits 288,622 And Capital Surplus 102,415 Employee Stock Option 21,825	None	FSC No.0960038299
11/2007	10	1,200,000	12,000	556,051	5,560.5	Employee Stock Option 18,115	None	TSE No.0960037136
03/2008	10	1,200,000	12,000	556,750	5,567.5	Employee Stock Option 6,990	None	TSE No.09700075761

2008.04.15 Unit: Shares

Type	Shares	Authorized Capital		Remark
		Issued Shares	Un-issued Shares	
Common share		556,926,791	643,073,209	1,200,000,000

Shelf Registration

Type	Shares Expected to Issue		Issued Shares		Objective and Expected Benefit of Issued Shares	Expected time of Un-issued Shares	Remark
	Total Shares	Amount	Amount	Price			
-	-	-	-	-	-	-	-

4.1.1 Composition of Shareholders

2008.04.15

Shareholder	Government	Financial Institutions	Others Juridical Person	Foreign Institutions and natural Person	Domestic Natural Persons	Treasury Stock	Total
Amount							
Number (Persons)	3	9	163	140	57,550	1	57,866
Shares	839,929	13,703,981	35,209,896	54,893,138	450,986,935	1,292,912	556,926,791
Holding %	0.15	2.46	6.32	9.86	80.98	0.23	100.00

4.1.2 Distribution Profile of Shareholder Ownership – Common Share

2008.04.15 / Par Value Per Share: \$NT10

Shareholding Ownership			Number of Shareholders (persons)	Shares Owned	Holding %
1	~	999	18,421	4,152,629	0.75
1,000	~	5,000	28,359	60,131,121	10.80
5,001	~	10,000	5,563	41,320,541	7.41
10,001	~	15,000	1,975	23,575,733	4.23
15,001	~	20,000	922	17,882,847	3.21
20,001	~	30,000	972	23,920,552	4.30
30,001	~	40,000	425	14,786,216	2.65
30,001	~	50,000	301	13,705,762	2.46
50,001	~	100,000	467	31,961,936	5.47
100,001	~	200,000	216	30,277,455	5.44
200,001	~	400,000	83	22,086,594	3.97
400,001	~	600,000	25	12,136,829	2.18
600,001	~	800,000	9	6,335,924	1.14
800,001	~	1,000,000	9	8,255,635	1.48
Over 1,000,001			49	246,397,017	44.23
Total			57,866	556,926,791	100.00

4.1.3 Distribution Profile of Shareholder Ownership – Preferred Shares

Not applicable

4.1.4 Major Shareholders

2008.04.15

Name	Shareholding	Shares Owned	Holding %
Chou-Chye Huang		88,323,094	15.86
Yarn-Chen Chen		18,103,370	3.25
De-Zhong Liu		12,234,280	2.20
Global View Co., Ltd.		10,360,195	1.86
Chih-Hao King		8,963,195	1.61
JPMorgan Chase Bank, N.A., Taipei Branch in custody for Templeton Developing Market Trusts		8,656,243	1.55
China Trust Bank in custody for Sunplus employee shareholding trust		6,477,200	1.16
Bing Huang Shih		6,197,860	1.11
Wen-Qin Lee		4,972,495	0.89
JPMorgan Chase Bank, N.A., Taipei Branch in custody for Templeton Emerging Markets Fund		4,422,173	0.79

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

Year			2006	2007	Ended 2008.03.31
Item					
Market Price	Highest		46.50	109.00	50.50
	Lowest		28.45	35.40	28.50
	Average		36.01	62.03	37.48
Net Worth	Before Distribution		16.98	23.14	23.16
	After Distribution		14.93	(Note)	(Note)
Earnings Per Share	Weighted Average Shares		1,012,291,643	584,195,128	551,708,438
	Earnings Per Share(Note 2)	Before Adjustment	2.94	3.53	0.13
		After Adjustment	2.83	(Note)	-
Dividends Per Share	Cash Dividends		3.9762	(Note)	-
	Stock Dividends	From Retained Earnings	0.2982	(Note)	-
		From Capital Surplus	0.1988	(Note)	-
	Accumulated Undistributed Dividends		-	(Note)	-
Return on Investment	Price/Earnings Ratio (Note 3)		12.26	17.57	-
	Price/Dividend Ratio (Note 4)		9.06	(Note)	-
	Cash Dividends Yield Rate (Note 5)		11%	(Note)	-

Note 1: Pending shareholders' approval

Note 2: Retroactively adjusted for stock dividends and stock bonus to employees

Note 3: price/Earnings ratio=average market price/earnings per share

Note 4: price/dividends ratio = Average market price/cash dividends per share

Note 5: cash dividends yield rate = cash dividend per share/average market price per share

4.1.6 Dividend Policy

(A) Dividend policy in 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) Stock dividends:

Each shareholder of common shares will be entitled to receive a stock dividend of 30 common shares (from profits distribution of 2005) and 20 common shares (from capital surplus) for each 1,000 shares.

Cash dividends: Each shareholder of common shares will receive a cash dividend of NT\$ 2.5 per common share.

(C) Expected Variation None

4.1.7 Impact to Profits and EPS Resulting from Dividend Distribution

Due to no official financial guidance for 2008, there is no related information to disclose.

4.1.8 Profits Distributed as Employee Bonus and Directors and Supervisors' Compensation

(A) Regulations Concerning Bonus to Employees, Directors, and Supervisors in the "Article of Incorporation"

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 to Distribute 2007 Profits as Bonus to Employees, Directors, and Supervisors

The Proposal of 2007 profits distributed as bonus to employees, directors, and supervisors (Approved by Board meeting on April 29th, 2008)

	Amount (NT\$K)	Ratio to capital increase from profits
Bonus to Employees in Stock	\$ 135,000	44.76%
Bonus to Employees in Cash	15,000	
Bonus to Directors& Supervisors in Cash	23,090	
Total	\$ 173,090	

If subtracting profits distributed to employees, directors, and supervisors as proposed from income after tax, the 2007 EPS would drop from NT\$3.53 to NT\$3.23.

(C) Bonus to Employees, Directors, and Supervisors in 2006

Approval by shareholders' meeting at June 15th, 2007, the distribution of 2006 profits as bonus to employees, directors, and supervisors is as follows:

	Amount (NT\$K)
Bonus to Employees in Stock	\$ 135,000
Bonus to Employees in Cash	15,000
Bonus to Directors& Supervisors in Cash	39,687
Total	\$ 189,687

The distribution is the same as the proposal submitted by BOD meeting on April 4th, 2006.

4.1.9 Buyback Program

2008.03.31

Time/Period	First Time
Purpose	Transferring to employees
Period	2005.11.08~2006.01.06
Price	NT\$21.5~NT\$44.2
Type and Amount of shares	2,582,000 common shares (Note)
Total Monetary Amount	NT\$80,961,062 (Note)
Amount of Shares Being Eliminated and Transferred	0 share
Accumulated Amount of Shareholdings	To protect the benefits of all shareholders, the Company buyback in batches according to the change of stock price. The ratio of execution is 12.91%.
Accumulated Amount of Shareholdings as % of Total Amount of Issued Shares	0.23%

Note: The Company completed the capital reduction on March 26th, 2007 to reducing 49.92591% of capital and return NT12,890,869 cash to shareholders; therefore, after capital reduction, the shares of buyback are 1,292,912 and the total monetary amount is NT\$68,070,193. The buy-back shares totaled 1,292,912 shares after capital reduction.

4.2 Issuance of Corporate Bonds: None

4.3 Preferred Shares: None

4.4 Issuance of GDR

2008.03.31

Item \ Issuing Date	March 16, 2001
Issuing Date	March 16, 2001
Issuance & Listing	London Stock Exchange Listed
Total Amount	US\$191,400,000
Offering Price per Unit	US\$9.57
Issued Units	14,715,305.5
Underlying Securities	Offering 20,000,000 new shares of common stock of par value NT\$10
Common Shares Represented	29,430,611 Common Shares
Rights and Obligations of GDR holders	Same as those of common share holders
Trustee	NA
Depository Bank	The Bank of New York
Custodian Bank	International Commercial Bank of China
GDRs Outstanding	458,763 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	2007	Highest	US\$10.4636
		Lowest	US\$2.8
		Average	US\$5.2234
	2008.01.01~03.31	Highest	US\$2.64
		Lowest	US\$1.82
		Average	US\$2.2956

4.5 Employee Stock Options Plan

4.5.1 Issuance of Employee Stock Options and Its Impact to Shareholders Equity

2008.03.31

Employee Stock Option	In 2003		In 2007	
	1 st Grant	2 nd Grant	1 st Grant	2 nd Grant
Approval Date by the Securities & Future Commission	March 06, 2003		September 11, 2007	
Issue (Grant) Date	May 06, 2003	August 28, 2003	November 13, 2007	December 28, 2007
Number of Shares Issued	23,392,712	6,607,617	19,000,000	6,000,000
Percentage of Issued Shares to Outstanding Common Shares	4.56%	1.28%	3.41%	1.08%
Option Duration	2005/05/06~2009/05/05	2008/08/28~2009/08/27	2008/11/13~2113/11/12	2007/12/28~2113/12/28
Source of Option Shares	New common shares		New common shares	
Vesting Schedule	2 nd Year 3 rd Year 4 th Year	50% 75% 100%	After 2 years, 100%	
Shares Exercised	13,221,791	256,696	0	0
Value of Shares Exercised (Note 1)	NT\$37.34	NT\$64.77	NA	NA
Shares Unexercised	5,655,790	3,606,468	19,000,000	6,000,000
Grant Price per Unexercised Shares	NT\$37.34	NT\$64.77	NT\$47.45	NT\$48.00
Percentage of Unexercised Shares to Outstanding Common Shares	1.10%	0.70%	3.41%	1.08%
Impact to Shareholders' Equity	Dilution to shareholders' equity is limited		Limited dilution to shareholders' equity	

4.5.2 Stock Option to Management Team and Top 10 Individual over NT\$30million

(A) Stock option in 2003

2008.03.31

Title	Name	Amount of Options Granted	Percentage of Shares Exercisable to Outstanding Common Shares	Shares Unexercised			
				Amount (Shares)	Grant Price (NT\$)	Value of Shares Unexercised (NT\$K)	Percentage of Shares Unexercised to Outstanding Common Shares
BU President	Oh-Jung Ou	264,460	0.05	264,460	37.34	9,874,937	0.05

(B) Stock option 1st Grant in 2007

2008.03.31

Title	Name	Amount of Options Granted	Percentage of Shares Exercisable to Outstanding Common Shares	Shares Unexercised			
				Amount (Shares)	Grant Price (NT\$)	Value of Shares Unexercised (NT\$K)	Percentage of Shares Unexercised to Outstanding Common Shares
BU President	Oh-Jung Ou	950,000	0.17	950,000	47.45	45,077,500	0.17
VP	Wen-kuan Chen						
VP	Steve Huang						
VP	Wayne Shen						
Director of finance & accounting division	Piper Hung						

(C) Stock option 2nd Grant in 2007

2008.03.31

Title	Name	Amount of Options Granted	Percentage of Shares Exercisable to Outstanding Common Shares	Shares Unexercised			
				Amount (Shares)	Grant Price (NT\$)	Value of Shares Unexercised (NT\$K)	Percentage of Shares Unexercised to Outstanding Common Shares
BU President	Oh-Jung Ou	360,000	0.06	360,000	48	17,280,000	0.06
VP	Wen-kuan Chen						
VP	Steve Huang						
VP	Wayne Shen						
Director of finance & accounting division	Piper Hung						

4.6 Mergers and Acquisitions : Not applicable

V Financial Plan & Implementation

Not Applicable

VI Business Highlight

6.1 Business Activities

6.1.1 Business Scope

(A) Major Business

1. CC01080 Manufacturing of electronic component
2. I501010 Product Designing
3. F401010 International Trading
4. I301010 Software Design Services
5. I301020 Data Processing Services
6. ICs R&D, Manufacture, Test, Sale
7. ICs module R&D, Manufacture, Test, Sale
8. Application software R&D, Sale
9. IPs R&D, Sale
10. Trading Business and Agency Business of ICs

(B) Product Segments and Sales Amount

Product Categories	Sales of 2007	
	Amount(NT\$K)	Percentage (%)
Multimedia IC	8,109,534	88.01
Others	1,104,525	11.99
Total	9,214,059	100.00

(C) Product Lines

1. Multimedia IC: IC solutions for multimedia home applications, such as DVD/VCD, LCD TV, Digital TV, pocket TV, and set-top-box.
2. Others: Including ASIC, and intellectual properties.

(D) New Products

1. Highly-integrated digital TV solution
2. HDMI DVD player IC
3. Blue-ray Disc player IC
4. Portable and Car DVD IC
5. Set-top-box and pocket TV IC
6. Digital photo frame IC
7. GPS IC

6.1.2 Industry Overview

(A) Supply Chain

In the product development flow, Sunplus focuses on IC design, system design, wafer testing and sales services but out-sources most 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 enable high production efficiency.

Our products are shipped to end customers through distributors, so the major customers of Sunplus are 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) Market Trend and Competition

1. Multimedia IC: Our multimedia ICs are based on DSP and RISC hardware technologies. By collocating with different image processing and voice processing algorithm, these technologies can process complicated mathematic operations, which can be applied to applications like DVD/VCD、set-top-box, LCD TV, digital TV, and etc. At present, our main competitors are Zoran, Trident, Mediatek, ALi, Morning-Star, and STMicro.
2. Others: Sunplus also provides ASICs and IP products.

6.1.3 Technology and Development

(A) R&D expenditure in 2006 and 2007

NT\$K

Item \ Year	2007	2008.01.01~03.31
Expense	1,726,048	449,559
Percentage to Revenue	19%	27%

(B) R&D Accomplishment

1. MPEG2 decoding and servo control technology for DVD player SoC
2. MPEG4 decoding technology for DSC, DVD player
3. HDMI DVD IC
4. JPEG decoding for Digital photo frame
5. DVB-Terrestrial technology for set-top-box and pocket TV
6. TV codec technology for video player, TV game consoles, LCD TV, and digital TV
7. 32-bit processor core S⁺core[®] with Sunplus-owned instruction set architecture
8. PHS baseband IC
9. GPRS/EDGE baseband IC

(C) Business Plan

Sunplus has been focused on consumer IC design since start-up. After the re-grouping in 2006, our main product lines are multimedia home IC solutions and IPs development. In 2008, the Beijing 2008 Olympic Games will boost the demand for digital TV, LCD TV, and set-top-box, which is a great opportunity for Sunplus. In the future, with the concept of “digital home” becoming the ideal and desired life style, the home entertainment IC market will be very potential and highly growing in the following years. Sunplus will keep developing cutting-edge technologies and target for the world’s leading multimedia SoC provider.

6.2 Market and Sales Status

6.2.1 Market Analysis

(A) Market Analysis by Region

Sales Area	2007	
	Amount(NT\$K)	Percentage (%)
Hong Kong	8,012,713	86.96
Taiwan	407,117	4.42
Others	794,229	8.62
Total	9,214,059	100.00

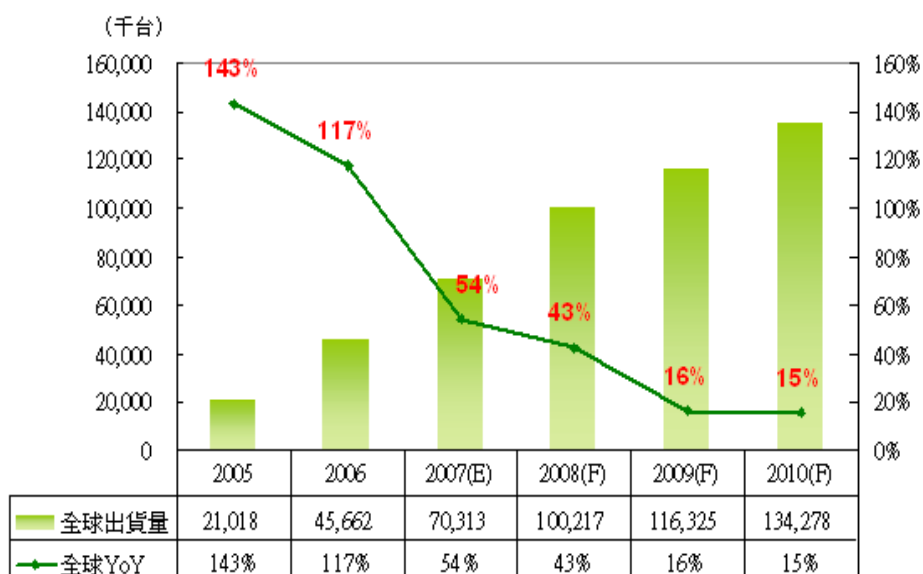
(B) Market Share

According to the statistics provided by Taiwan Semiconductor Industry Association, the revenue of Taiwan IC design companies reached NT\$399.7 billion, and Sunplus took around 2.3% market share with 2007 revenue of NT\$9,214 million.

(C) Demand, Supply, and Growth

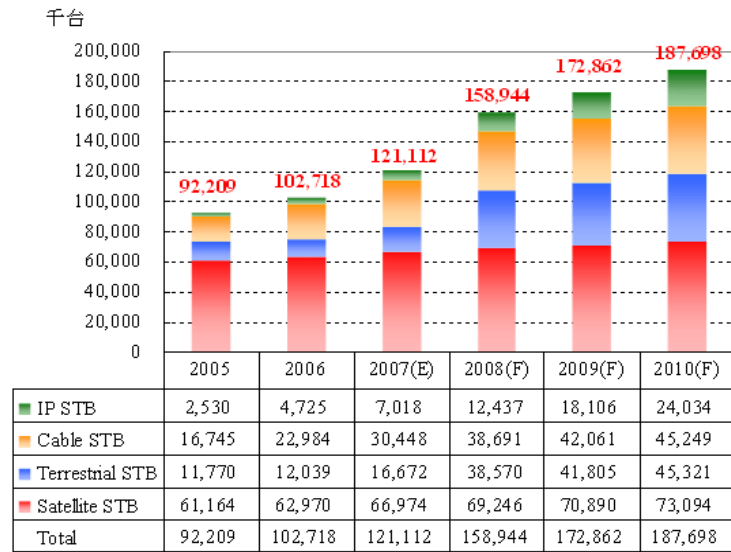
Multimedia IC: The product applications of our multimedia ICs include DVD/VCD player, DVB-T STB, LCD TV, and etc. The demand for multimedia home products will keep growing due to “digital home” life style getting popular, and the trigger of Beijing 2008 Olympic Games. In addition to the developed countries like North America and Europe, developing countries like China and India are also very potential markets.

Worldwide LCD TV Market Forecast



Source: Topology, 2007/12

Worldwide DVB-T STB Market Forecast



Source: IDC, Topology, 2007/12

Worldwide DVD Market Forecast

Thousand Units

	2006	2007(e)	2008(f)	2011(f)	CAGR
Digital TV STB	102,865	114,750	138,020	147,016	7.40%
Game Console	29,507	39,003	41,642	47,244	9.87%
DVD Player & Recorder	108,921	113,201	117,804	139,175	5.02%
Portable Game Device	35,460	38,150	36,972	43,841	4.33%
Personal Media Player	105,910	135,600	153,660	174,861	10.55%

備註：1. 上圖DVD Player & Recorder數量預估包含紅光與藍光產品部分

2. 上圖DTV STB種類包含：Digital Satellite TV STB、Digital Cable TV STB與Pure Digital Terrestrial TV STB、IPTV STB

3. PMP指Personal Media Player

資料來源：MIC，2007年11月

Source: MIC, 2007/11

(D) Competition and Long-term Business Strategy

1. Competition Analysis

(a) Accumulation and impartation of the experience of the R&D team

Eight engineers established Sunplus in 1990. They are the center of Sunplus management team. Each of them has accumulated almost twenty years of experience in new product development, technology management, and marketing. The invaluable experience has been deliberately passed on to the next generation of engineers. 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 labor turn over rate remains relatively low compared to other IC design houses. End of March 31st, 2008, Sunplus has totaled 282 patents in Taiwan, 122 patents in P.R.C., 112 patents in U.S.A.

(b) Focus on high-level consumer 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 and widening the distance between us and other competitors.

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

(c) Strategic cooperation with upper stream and down stream factories

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

(d) Maintain long-term and stable cooperative relationship with customers

Consumer electronic products rely on IC to raise their added-on value; consequently the manufacturers and brand-names choose their IC suppliers with extreme caution by evaluating their product specification, features, delivery term, yield rate, and sales service. IC design houses have to work in coordination with customers to build up long-term relationship and facilitate the cooperation.

Sunplus is always devoted itself to cutting-edge technology development and have accumulated IC design expertise. We also adopted distributors as expanding sales channels to reach more customers with strongly support and best service. Till today, we have sustained a strong relationship with a lot of end-product manufacturers worldwide.

2. Advantages

- (a) Sunplus offers high value-added products to enable customer to win the market.
- (b) The revolution of semiconductor process technology accelerates the popularity of consumer electronic products.
- (c) The growing demand for SoC complicates IC product development and raises the entry barrier, which benefits IC design companies with rich resources like Sunplus.
- (d) Sunplus has strong IC design capability to meet customers' requirements for time to market and costs reduction.
- (e) Sunplus has built up long-term relationship with wafer foundries due to our steady demand for wafers, and therefore we can get stable supply and lower prices from wafer foundries.

3. Disadvantages

- (a) The competition is getting fiercer since IC design industry enjoy high profits.
- (b) Product life cycles are becoming shorter and shorter.
- (c) SoC design and integration of features and functions, which costs a lot more to developing products than before, has become the trend of IC design.

4. Business Strategy

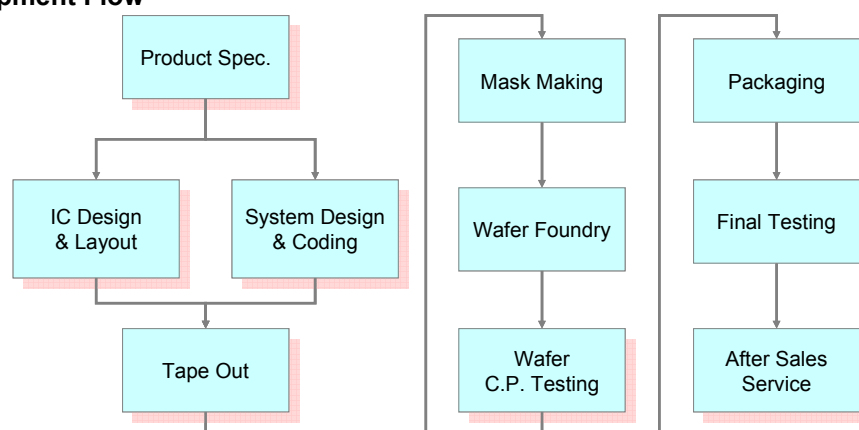
- (a) Developing new and high value-added products.
- (b) Process migration to make per wafer productivity higher and drive cost down.
- (c) Expanding strategic partnership with clients to create win-win situation.
- (d) Collaboration with partners to broaden IP licensing sources.

6.2.2 Product Applications and Development Flow

(A) Product Applications

1. Multimedia IC: IC solutions for DVD/VCD player, LCD TV, digital TV, set-top-box, and other multimedia home applications.
2. Others: ASICs and IP products.

(B) IC Development Flow



In the product development flow, Sunplus focuses 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.

6.2.3 Major Suppliers

The major materials are wafers. Sunplus' main foundry contractors are local or overseas wafer manufacturers, such as TSMC. Wafer supplements are sufficient and stable.

6.2.4 Major Customers and Suppliers in the Recent Two Years

(A) Major Customers

NT\$K

2006			2007		
Customer	Sales Amount	% of Total Sales	Customer	Sales Amount	% of Total Sales
A	3,249,984	19	A	3,071,671	33
B	3,008,560	18	B	2,308,230	25

(B) Major Supplier

NT\$K

2006			2007		
Supplier	Purchasing Value	% of Total Purchasing	Supplier	Purchasing Value	% of Total Purchasing
A	4,291,434	53	A	2,439,671	78
B	1,430,654	18	B	527,781	17

6.2.5 Production

Unit: Thousand Pcs, ; NT\$K

Year	2006			2007		
Product	Capacity	Output	Value	Capacity	Output	Value
Major Products						
LCD IC	-	50,265	914,112	-	-	-
MCU	-	138,952	1,844,689	-	-	-
Multimedia IC	-	153,384	9,122,433	-	106,049	5,147,505
Others	-	38,402	196,798	-	1,912	108,568
Total	-	371,003	12,078,032	-	107,961	5,256,073

Note: Sunplus out-sourced production to wafer foundries, so there is no capacity limitation.

6.2.6 Sales

Unit: Thousand Pcs, ; NT\$K

Year	2006				2007			
Product	Local		Export		Local		Export	
	Quantity	Sales	Quantity	Sales	Quantity	Sales	Quantity	Sales
LCD IC	17,525	294,513	24,976	720,488	-	-	-	-
MCU	57,531	961,494	87,522	1,677,117	-	-	-	-
Multimedia IC	14,162	895,937	122,607	11,595,003	1,840	183,129	101,917	7,926,405
Others	11,327	544,463	24,279	390,411	322	223,988	1,019	880,537
Total	100,545	2,696,407	259,384	14,380,019	2,172	407,117	102,936	8,806,942

6.3 Personnel Structure

Year		2006	2007	Ended 2008.03.31
Workforce Structure by Job Function	R & D	416	397	382
	Production	128	80	78
	Administration	107	110	111
	Total	651	587	571
Average Age		32.5	32.8	32.8
Average Years Served		3.3	4.1	4.0
Workforce Structure by Education Degree	Ph.D.	2.3%	2.2%	2.5%
	Master	62.2%	62.8%	62.2%
	Bachelor	22.9%	23.3%	23.6%
	Other Higher Education	9.6%	7.7%	7.5%
	High School	3.0%	4.0%	4.2%
	Total	100.0%	100.0%	100.0%

6.4 Environmental Protection & Expenditures

6.4.1 Environmental Protection

Sunplus does not violate any EPA regulation regarding pollutants and environmental protection. Sunplus is working hard for environmental sustainability and ISO-14001 and IECQ080000 certified.

6.4.2 Working Environment

- (A) Allocate sole-duty organization and employees to execute the matters concerning to environment security and sanitation management according to Laws.
- (B) Examine the working environment regularly to maintain the security of environment and equipments.
- (C) Review the working environment and set up related devices with a standard higher than regulation.
- (D) Hold the physical examination for new employees and the regular health examination for employees on the job with higher perception than laws.

6.5 Employees

6.5.1 Employee Welfare

We strive to provide a clean and supportive environment for our employees. We established an Employee Welfare Committee to operate 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.

6.5.2 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. Since July 1, 2005, employees who choose Labor Pension Act Implementation Rules of the Labor Pension, the Company makes monthly contributions, equal to 6% of salaries to the personal pension fund of Bureau of Labor Insurance.

6.5.3 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.

6.5.4 Training

The Company provides 222 courses of external training & 53 internal training.(Skipped the list of course)

6.5.5 Loss Resulting from Controversy between Labor and Management

None

6.6 Important Contracts

Contract	Counter Party	Term	Content	Restriction
Lease of Land	Hsinchu Science Park Administration	1995/8/01-2021/12/31	Lease of Land	self-use
IP Licensing	Silicon Image Inc.	2007/2/02~	Licensing DTV IPs to Silicon image(license fee US\$48m intotal)	NA

VII Financial Statements

7.1 Condensed Financial Statement and Auditors' Opinions

7.1.1 Condensed Balance Sheet

NT\$K

Item \ Year		From Year 2003~2007					Ended March 31 st 2008
		2003	2004	2005	2006	2007	
Current Assets		9,455,961	10,854,116	12,545,989	10,317,882	4,315,996	3,859,729
Long-term Investment		4,212,722	3,812,212	4,647,317	7,044,292	8,189,460	8,142,168
Fixed Assets		1,382,124	1,480,297	1,561,258	1,307,777	940,134	870,461
Intangible Assets		1,164,980	1,122,172	1,044,784	1,044,058	841,899	731,565
Other Assets		407,184	837,852	572,650	751,258	1,380,877	1,354,817
Total Assets		16,622,971	18,106,649	20,371,998	20,425,267	15,668,366	14,958,740
Current Liabilities	Before Distribution	2,178,068	2,337,695	3,749,300	2,587,433	2,472,048	1,815,037
	After Distribution	3,365,301	4,137,208	5,691,112	4,690,418	(Note4)	(Note4)
Long-term Liabilities		0	0	0	0	0	0
Other Liabilities		415,220	504,820	633,679	453,761	313,195	244,273
Total Liabilities	Before Distribution	2,593,288	2,842,515	4,382,979	3,041,194	2,785,243	2,059,310
	After Distribution	3,780,521	4,642,028	6,324,791	5,14,179	(Note4)	(Note4)
Capital Stock		7,775,040	8,752,544	9,487,296	10,236,476	5,567,505	5,568,931
Capital Surplus		2,202,804	1,604,261	1,520,461	1,366,696	1,553,917	1,795,088
Retain Earnings	Before Distribution	4,146,464	5,341,422	5,452,688	5,974,727	5,644,622	5,715,882
	After Distribution	2,603,731	3,054,333	3,002,032	3,583,120	(Note4)	(Note4)
Unrealized Gain (Loss) on Financial Merchandise (Note 3)		0	0	(285,085)	(34,466)	185,415	(47,495)
Cumulative translation adjustments		10,888	(49,030)	(9,775)	17,206	63,135	(1,505)
Unrealized Net Loss on the Costs of Pensions		0	0	0	0	0	0
Total Equity	Before Distribution	14,029,683	15,264,134	15,989,019	17,384,073	12,883,123	12,899,430
	After Distribution	12,842,450	13,464,621	14,047,207	15,281,088	(Note4)	(Note4)

Note1: Figures are audited for the past-5 years

Note2: 2008Q1 figures is audited

Note3: The statements after 2006 are followed Taiwan GAAP Article-34&35

Note4: Profits of 2007& 2008 have not been distributed yet

7.1.2 Condensed Income Statement

NT\$K

Item \ Year	From 2003~2007					Ended March 31 st 2008
	2002	2003	2004	2005	2006	
Net Sales	11,097,653	18,940,056	18,781,122	17,076,426	9,214,059	1,651,799
Gross Profit	3,822,309	5,943,206	6,120,397	5,727,373	3,912,226	600,678
Income from Operation	1,978,627	2,926,528	2,584,005	2,175,746	1,606,196	35,893
Non-operating Income (Gain)	284,488	235,259	196,783	1,216,492	1,108,159	166,733
Non-operating Expense (Loss)	308,088	528,358	403,094	272,655	417,873	118,866
Income From Operations of Continued Segments-Before Tax	1,955,027	2,633,429	2,377,694	3,119,583	2,296,482	83,760
Income From Operations of Continued Segments-After Tax	2,006,971	2,737,691	2,398,355	3,005,304	2,061,502	71,260
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	(32,609)	0	0
Net Income	2,006,971	2,737,691	2,398,355	2,972,695	2,061,502	71,260
EPS	2.60	3.15	2.56	2.94	3.53	0.13
Adjusted EPS	2.58	3.10	2.53	2.92	3.52	0.13

7.1.3 Auditors' Opinions

Year	CPA	Audit Opinion
2002	Hung-Peng Lin Shu-Chieh Huang	An unqualified opinion
2003	Hung-Peng Lin Shu-Chieh Huang	An unqualified opinion
2004	Hung-Peng Lin Hung-Wen Huang	An unqualified opinion
2005	Hung-Peng Lin Hung-Wen Huang	An unqualified opinion
2006	Hung-Wen Huang Shu-Chieh Huang	An unqualified opinion with expletory
2007	Hung-Wen Huang Shu-Chieh Huang	An unqualified opinion

7.2 Financial Analysis

7.2.1 Financial Analysis (Standalone)

Item		Year	From 2003~2007					Ended March 31 st 2008
			2003	2004	2005	2006	2007	
Capital Structure Analysis	Debts ratio (%)		15.60	15.70	21.51	14.89	17.78	13.77
	Long-term fund to fixed assets (%)		1,015.08	1,031.15	1,007.21	1,329.28	1,370.35	1,481.91
Liquidity Analysis	Current ratio (%)		434.14	473.80	334.62	398.77	174.59	212.65
	Quick ratio (%)		343.73	329.25	243.74	327.00	121.29	142.03
	Times interest earned (times)		4,169.50	589.21	401.76	191.28	140.63	872.23
Operating Performance Analysis	Average collection turnover (times)		5.57	6.81	5.80	6.81	6.17	4.43
	Average collection days		66	54	63	54	59	82
	Average inventory turnover (times)		5.67	5.33	4.10	5.02	4.05	3.89
	Average payment turnover (times)		5.64	7.48	5.34	5.25	5.36	5.32
	Average inventory turnover days		64	68	89	73	90	94
	Fixed assets turnover (times)		8.03	12.79	11.83	13.06	9.8	7.59
	Total assets turnover (times)		0.67	1.05	0.92	0.84	0.59	0.66
Profitability Analysis	Return on total assets (%)		12.85	15.79	12.49	14.63	11.49	0.51
	Return on stockholders' equity (%)		14.71	18.69	15.35	17.81	13.62	0.55
	% to	Operating income	25.45	33.44	27.24	21.25	28.85	0.64
	Paid-in capital	Profit before tax	25.14	30.09	25.06	30.48	41.25	1.50
	Profit after tax to net sales (%)		18.08	14.45	12.77	17.41	22.37	4.31
	Earnings per share (NT\$)		2.15	2.93	2.56	2.94	3.53	0.13
	EPS after dilution		2.13	2.88	2.53	2.92	3.52	0.13
Cash Flow	Cash flow ratio (%)		56.5	74.10	116.80	161.20	103.20	140.55
	Cash flow adequacy ratio (%)		134.68	101.15	121.83	111.58	110.94	110.94
	Cash flow reinvestment ratio (%)		-	3.57	15.84	11.87	3.58	3.59
Leverage	Operating leverage		1.68	1.62	1.80	2.06	2.05	13.33
	Financial leverage		1.00	1.00	1.00	1.00	1.00	1.00

Variation Analysis:

1. "Current Ratio" and "Quick Ratio" declined due to capital reduction(less cash)
2. "Times interest earned" declined due to less profit in 2007.
3. "Average inventory turnover days" grew due to spin-off
4. "Fixed assets turnover" , "Total assets turnover" , "Return on total assets" , "Return on shareholders' equity" , "operating profit on paid-in capital" , declined due to less revenue and profits in 2007.
5. "profit before on paid-in capital" , " Profit after tax to net sales" grew due to more non-operating profits in 2007
6. "Earnings per share" and "EPS after dilution" grew due to capital reduction
7. "Cash flow ratio" declined due to less current liabilities in 2007
8. "Cash flow reinvestment ratio" grew due to more long-term investment in 2007.

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 | =Current Assets/Current Liabilities |
| (2) Quick Ratio | = (Current Assets – Inventories – Prepaid Expenses)/ Current Liabilities |
| (3) Times Interest Earned | =Earnings before Interest and Taxes/Interest Expenses |

3. Operating Performance Analysis

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

4. Profitability Analysis

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

5. Cash Flow

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

6. Leverage

- | | |
|------------------------|---|
| (1) Operating Leverage | =(Net Sales - Operating expenses& cost) / Operating Benefit |
| (2) Financial Leverage | =Operating Benefit/ (Operating benefit –Interest cost) |

7.2.2 Financial Analysis (Consolidated)

Item		Year	From 2005~2007		
			2005	2006	2007
Capital Structure Analysis	Debts ratio (%)		32.86	27.01	33.05
	Long-term fund to fixed assets (%)		368.62	763.97	751.52
Liquidity Analysis	Current ratio (%)		243.55	287.46	194.68
	Quick ratio (%)		178.37	212.95	142.86
	Times interest earned (times)		30.79	34.76	29.58
Operating Performance Analysis	Average collection turnover (times)		6.41	5.77	5.07
	Average collection days		57	64	72
	Average inventory turnover (times)		5.28	4.82	3.86
	Average payment turnover (times)		5.95	5.04	5.14
	Average inventory turnover days		70	76	95
	Fixed assets turnover (times)		6.24	12.06	10.76
	Total assets turnover (times)		1.01	1.11	0.96
Profitability Analysis	Return on total assets (%)		11.25	12.28	9.09
	Return on stockholders' equity (%)		15.74	18.49	12.58
	% to Paid-in capital	Operating income	29.10		26.62
		Profit before tax	26.13		41.12
	Profit after tax to net sales (%)		9.08	11.24	10.03
	Earnings per share (NT\$)		2.56	2.94	3.53
	Return on total assets (%)		2.53	2.92	3.52
Cash Flow	Cash flow ratio (%)		69.30	73.20	48.90
	Cash flow adequacy ratio (%)		124.25	134.33	133
	Cash flow reinvestment ratio (%)		15.26	11.93	6.64
Leverage	Operating leverage		2.10	2.48	3.39
	Financial leverage		1	1	1
Variation Analysis 1."Current Ratio" and "Debts ratio" declined due to less available-for-sale financial assets-current and inventories 2."Quick Ratio" declined due to less available-for-sale financial assets-current 3. "Return on Total assets" and "Return on shareholders' equity" declined due to less profit in 2007. 4."Cash flow ratio" and "Cash flow reinvestment ration" declined due to less cash flow-in from operating.					

7.3 Supervisor's Report

Supervisor's Report

Sunplus' Board has submitted the 2007 business report, financial statements, and the proposal for allocation 2007 profits. The Deloitte & Touche CPA firm has audited the financial statements, and issued an audit report. I, Sunplus' supervisor, have reviewed the 2007 business report, financial statements, and the proposal for allocation 2007 profits, and verify that they comply with the Company Law and relevant regulations. According to Article 219 of the Company Law, I hereby submit this report.

To Sunplus 2008 Annual General Shareholders' Meeting

Sunplus Technology Co., Ltd.

Supervisor:

Chu-Chien Feng

(Global View Technology Co., Ltd. Representative of Legal Entity)



April 30, 2008

Sunplus Technology Company Limited

**Financial Statements for the
Years Ended December 31, 2007 and 2006 and
Independent Auditors' Report**

7.4 Financial Statement & Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Sunplus Technology Company Limited

We have audited the accompanying balance sheets of Sunplus Technology Company Limited as of December 31, 2007 and 2006, and the related statements of income, changes in shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sunplus Technology Company Limited as of December 31, 2007 and 2006, and the results of its operations and its cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, requirements of the Business Accounting Law and Guidelines Governing Business Accounting relevant to financial accounting standards, and accounting principles generally accepted in the Republic of China.

As stated in Note 1 to the financial statements, on March 31, 2006, Sunplus Technology Company Limited spun off the business, assets and liabilities of the LCD driver and control IC department to establish a subsidiary, ORISE Technology Co., Ltd. The income statements mentioned in the first paragraph include the operating results before the spin-off and the related pro forma information, excluding that of the unit spun off.

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

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

We have also audited the consolidated financial statements of Sunplus Technology Company Limited and subsidiaries as of and for the years ended December 31, 2007 and 2006 and have issued an unqualified opinion and an unqualified opinion thereon with an explanatory paragraph, respectively, in our reports dated January 25, 2008 and February 1, 2007, respectively.

January 25, 2008

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, 2007 AND 2006

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

ASSETS	2007		2006		LIABILITIES AND SHAREHOLDERS' EQUITY		2007		2006	
	Amount	%	Amount	%			Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES					
Cash	\$ 681,285	4	\$ 3,394,346	17	Short-term bank loans (Note 13)		\$ 500,000	3	\$ 277,057	1
Financial assets at fair value through profit or loss - current (Notes 2, 3 and 4)	-	-	193,516	1	Notes and accounts payable		954,884	6	1,289,717	6
Available-for-sale financial assets - current (Notes 2, 3 and 8)	637,874	4	3,173,265	16	Income tax payable (Notes 2 and 18)		362,981	3	100,461	1
Notes and accounts receivable, net (Notes 2, 5 and 21)	1,513,452	10	1,473,267	7	Financial liabilities at fair value through profit or loss - current (Notes 2 and 4)		2,222	-	-	-
Other receivables (Note 21)	165,851	1	226,582	1	Deferred royalty income - current (Notes 2, 11 and 21)		22,287	-	22,171	-
Inventories, net (Notes 2 and 6)	1,104,001	7	1,515,705	7	Deferred intercompany profit (Note 2)		736	-	7,005	-
Deferred income tax - current (Notes 2 and 18)	143,413	1	206,188	1	Other current liabilities (Notes 2, 7 and 21)		<u>628,938</u>	<u>4</u>	<u>891,022</u>	<u>5</u>
Other current assets	<u>70,120</u>	<u>1</u>	<u>135,013</u>	<u>1</u>	Total current liabilities		<u>2,472,048</u>	<u>16</u>	<u>2,587,433</u>	<u>13</u>
Total current assets	<u>4,315,996</u>	<u>28</u>	<u>10,317,882</u>	<u>51</u>	OTHER LIABILITIES					
LONG-TERM INVESTMENTS					Deferred income - noncurrent (Notes 2, 11 and 21)		3,223	-	23,129	-
Equity-method investments (Notes 2 and 7)	7,513,385	48	6,276,931	31	Accrued pension liability (Notes 2 and 14)		62,949	-	69,429	-
Financial assets at fair value through profit or loss - noncurrent (Notes 2, 3 and 4)	167,676	1	149,636	1	Guarantee deposits		<u>247,023</u>	<u>2</u>	<u>361,203</u>	<u>2</u>
Available-for-sale financial assets - noncurrent (Notes 2, 3 and 8)	472,843	3	519,899	2	Total other liabilities		<u>313,195</u>	<u>2</u>	<u>453,761</u>	<u>2</u>
Financial assets carried at cost (Notes 2 and 9)	<u>35,556</u>	<u>-</u>	<u>97,826</u>	<u>-</u>	Total liabilities		<u>2,785,243</u>	<u>18</u>	<u>3,041,194</u>	<u>15</u>
Total long-term investments	<u>8,189,460</u>	<u>52</u>	<u>7,044,292</u>	<u>34</u>	SHAREHOLDERS' EQUITY (Notes 2, 3, 15 and 16)					
PROPERTIES (Notes 2, 10 and 21)					Capital stock - NT\$10.00 par value					
Cost					Authorized - 1,200,000 thousand shares					
Buildings					Issued and outstanding - 556,750 thousand shares in 2007 and					
Auxiliary equipment	688,983	4	758,822	4	Capital surplus		5,567,505	35	10,236,476	50
Machinery and equipment	179,140	1	165,573	1	Additional paid-in capital					
Testing equipment	378,667	2	549,878	3	Treasury stock transactions		817,768	5	768,390	4
Transportation equipment	402,639	3	325,281	1	Merger and others		60,171	1	47,328	-
Furniture and fixtures	5,573	-	5,573	-	Retained earnings		675,978	4	550,978	3
Leasehold improvements	128,706	1	116,923	-	Legal reserve		2,127,492	14	1,830,223	9
Total cost	<u>459</u>	<u>-</u>	<u>459</u>	<u>-</u>	Special reserve		17,260	-	294,860	1
Less: Accumulated depreciation	1,784,167	11	1,922,509	9	Unappropriated earnings		3,499,870	22	3,849,644	19
Advance payments and construction-in-progress	844,033	5	881,424	4	Other					
Net properties	<u>940,134</u>	<u>6</u>	<u>1,041,413</u>	<u>5</u>	Cumulative translation adjustments		63,135	1	17,206	-
INTANGIBLE ASSETS, NET (Notes 2 and 11)					Unrealized valuation gain (loss) on financial assets		185,415	1	(34,466)	-
Assets leased to others, net (Notes 2 and 21)					Treasury stock (at cost) - 4,683 thousand shares in 2007 and		<u>(131,471)</u>	<u>(1)</u>	<u>(176,566)</u>	<u>(1)</u>
Deferred charges and others (Notes 2 and 12)					9,032 thousand shares in 2006					
Deferred income tax - noncurrent (Notes 2 and 18)					Total shareholders' equity		<u>12,883,123</u>	<u>82</u>	<u>17,384,073</u>	<u>85</u>
Total other assets	<u>1,380,877</u>	<u>9</u>	<u>1,017,622</u>	<u>5</u>						
TOTAL	<u>\$15,668,366</u>	<u>100</u>	<u>\$20,425,267</u>	<u>100</u>	TOTAL		<u>\$15,668,366</u>	<u>100</u>	<u>\$20,425,267</u>	<u>100</u>

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

(With Deloitte & Touche audit report dated January 25, 2008)

SUNPLUS TECHNOLOGY COMPANY LIMITED

STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2007 AND 2006

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

	2007		2006	
	Amount	%	Amount	%
GROSS SALES	\$ 9,380,826		\$17,463,778	
SALES RETURNS AND ALLOWANCES	<u>166,767</u>		<u>387,352</u>	
NET SALES (Notes 2, 11 and 21)	9,214,059	100	17,076,426	100
COST OF SALES (Note 17)	5,305,721	58	11,354,148	66
REALIZED INTERCOMPANY PROFIT, NET (Note 2)	<u>3,888</u>	<u>-</u>	<u>5,095</u>	<u>-</u>
GROSS PROFIT	<u>3,912,226</u>	<u>42</u>	<u>5,727,373</u>	<u>34</u>
OPERATING EXPENSES (Notes 17 and 21)				
Marketing	207,667	2	591,361	3
General and administrative	372,315	4	436,834	3
Research and development	<u>1,726,048</u>	<u>19</u>	<u>2,523,432</u>	<u>15</u>
Total operating expenses	<u>2,306,030</u>	<u>25</u>	<u>3,551,627</u>	<u>21</u>
OPERATING INCOME	<u>1,606,196</u>	<u>17</u>	<u>2,175,746</u>	<u>13</u>
NONOPERATING INCOME AND GAINS				
Gain on disposal of investments, net (Note 2)	483,925	5	45,376	-
Income from administrative and support service revenue (Note 21)	285,525	3	32,908	-
Reconciliation compensation (Note 23)	137,450	2	875,353	5
Guarantee deposits default	80,825	1	13,855	-
Rental revenue (Note 21)	40,151	1	4,100	-
Interest income	28,738	-	72,874	1
Valuation gain on financial assets (Notes 2 and 4)	17,521	-	-	-
Subsidies (Note 2)	6,072	-	28,620	-
Investment income recognized by the equity-method investees , net (Notes 2 and 7)	-	-	126,114	1
Others (Note 21)	<u>27,952</u>	<u>-</u>	<u>17,292</u>	<u>-</u>
Total nonoperating income and gains	<u>1,108,159</u>	<u>12</u>	<u>1,216,492</u>	<u>7</u>

(Continued)

SUNPLUS TECHNOLOGY COMPANY LIMITED

STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2007 AND 2006

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

	2007		2006	
	Amount	%	Amount	%
NONOPERATING EXPENSES AND LOSSES				
Investment loss recognized by the equity-method investees, net (Notes 2 and 7)	\$ 268,156	3	\$ -	-
Loss on inventory (Notes 2 and 6)	120,000	1	210,000	2
Interest expense	16,447	-	16,395	-
Foreign exchange loss, net (Note 2)	6,490	-	18,546	-
Valuation loss on financial liabilities, net (Notes 2 and 4)	2,222	-	-	-
Valuation loss on financial assets (Notes 2 and 4)	-	-	17,464	-
Others (Note 2)	<u>4,558</u>	<u>-</u>	<u>10,250</u>	<u>-</u>
Total nonoperating expenses and losses	<u>417,873</u>	<u>4</u>	<u>272,655</u>	<u>2</u>
INCOME BEFORE INCOME TAX	2,296,482	25	3,119,583	18
INCOME TAX EXPENSE (Notes 2 and 18)	<u>234,980</u>	<u>3</u>	<u>114,279</u>	<u>1</u>
NET INCOME BEFORE CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES	2,061,502	22	3,005,304	17
CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES (NET OF TAX BENEFIT OF \$12,438 THOUSAND) (Note 3)	<u>-</u>	<u>-</u>	<u>(32,609)</u>	<u>-</u>
NET INCOME	<u>\$ 2,061,502</u>	<u>22</u>	<u>\$ 2,972,695</u>	<u>17</u>
	2007		2006	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
EARNINGS PER SHARE (Note 19)				
Basic	<u>\$ 3.93</u>	<u>\$ 3.53</u>	<u>\$ 2.94</u>	<u>\$ 2.83</u>
Diluted	<u>\$ 3.92</u>	<u>\$ 3.52</u>	<u>\$ 2.92</u>	<u>\$ 2.81</u>

(Continued)

SUNPLUS TECHNOLOGY COMPANY LIMITED

STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2007 AND 2006

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

The pro forma information is based on the assumption that Sunplus Technology Company Limited spun off the business, assets and liabilities of its LCD driver and control IC department and of two business units - control peripheral and personal entertainment and advanced - to establish subsidiaries, ORISE Technology Co., Ltd., Sunplus Innovation Technology Inc., and Sunplus mMobile Inc., respectively, on January 1, 2006 (Notes 1, 2 and 24):

	2006
Net sales	\$ 10,531,416
Cost of sales	<u>(6,822,186)</u>
Gross profit	<u>\$ 3,709,230</u>
Operating income	<u>\$ 1,856,998</u>
Net income	<u>\$ 2,972,695</u>

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

	2007		2006	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
NET INCOME	<u>\$ 2,309,325</u>	<u>\$ 2,074,345</u>	<u>\$ 3,099,218</u>	<u>\$ 2,984,939</u>
BASIC EPS				
Based on weighted-average shares				
Outstanding - 587,795 thousand shares in 2007 and 1,057,846 thousand shares in 2006	<u>\$3.93</u>	<u>\$3.53</u>	<u>\$2.93</u>	<u>\$2.82</u>
DILUTED EPS				
Based on weighted-average shares				
outstanding - 589,548 thousand shares in 2007 and 1,062,873 thousand shares in 2006	<u>\$3.92</u>	<u>\$3.52</u>	<u>\$2.92</u>	<u>\$2.81</u>

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

(With Deloitte & Touche audit report dated January 25, 2008)

(Concluded)

SUNPLUS TECHNOLOGY COMPANY LIMITED

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2007 AND 2006
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

	Capital Stock Issued and Outstanding		Capital Surplus (Notes2, 15 and 16)				Retained Earnings (Notes 2, 15 and 16)			Cumulative Translation		Unrealized Valuation (Loss) Gain on Financial Assets		Treasury Stock		Total Shareholders' Equity	
	Shares	(Thousands)	Amount	Additional Paid-in Capital		Long-term Investments	Merger	Total	Legal Reserve	Special Reserve	Earnings Unappropriated	Total	Adjustments	Stock	Stock	Equity	Total
				In Excess of Par													
BALANCE, JANUARY 1, 2006	948,730		\$ 9,487,296	\$890,447		\$437,507	\$157,423	\$1,520,461	\$1,590,387	\$338,488	\$3,523,813	\$5,452,688	\$ (9,775)	\$ (176,566)		\$15,989,019	
Effect of accounting changes	-		-	-	-	-	-	-	-	-	-	-	-	-	-	41,606	41,606
Appropriation of prior year's earnings	-		-	-	-	-	-	-	239,836	-	(239,836)	-	-	-	-	-	-
Legal reserve	-		-	-	-	-	-	-	-	-	43,628	-	-	-	-	-	-
Special reserve	-		-	-	-	-	-	-	-	(43,628)	(225,000)	(225,000)	-	-	-	-	-
Bonus to employees - stock	22,500		225,000	-	-	-	-	-	-	-	(25,000)	(25,000)	-	-	-	-	-
Bonus to employees - cash	-		-	-	-	-	-	-	-	-	(24,517)	(24,517)	-	-	-	-	(25,000)
Remuneration to directors and supervisors	-		-	-	-	-	-	-	-	-	(283,844)	(283,844)	-	-	-	-	(24,517)
Stock dividends - NT\$0.29894 per share	28,384		283,844	-	-	-	-	-	-	-	(1,892,295)	(1,892,295)	-	-	-	-	(25,000)
Cash dividends - NT\$1.99295 per share	-		-	-	-	-	-	-	-	-	-	-	-	-	-	-	(24,517)
Capital stock transferred from capital surplus	18,923		189,230	(189,230)	-	-	-	(189,230)	-	-	-	-	-	-	-	-	(1,892,295)
Issuance of shares upon exercise of employee stock options	5,111		51,106	67,173	-	-	-	67,173	-	-	-	-	-	-	-	-	-
Adjustment arising from changes in percentage of ownership of investees	-		-	-	-	(44,453)	-	(44,453)	-	-	-	-	-	-	-	-	118,279
Adjustment of capital surplus - others	-		-	-	-	501	-	501	-	-	-	-	-	-	-	501	(44,453)
Net income in 2006	-		-	-	-	-	-	-	-	-	2,972,695	2,972,695	-	-	-	2,972,695	501
Translation adjustments on long-term investments	-		-	-	-	-	-	-	-	-	-	-	26,981	-	-	26,981	2,972,695
Cash dividends received by subsidiaries from the Company	-		-	-	12,244	-	-	12,244	-	-	-	-	-	-	-	-	26,981
Adjustment for changes in shareholders' equities in equity-method investees	-		-	-	-	-	-	-	-	-	-	-	-	-	-	-	12,244
Valuation gain on available-for-sale financial assets	-		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
BALANCE, DECEMBER 31, 2006	1,023,648		10,236,476	768,390	47,328	393,555	157,423	1,366,696	1,830,223	294,860	3,849,644	5,974,727	17,206	(176,566)		17,384,073	70,296
Cancellation of Common Shares	(511,436)		(5,114,357)	-	-	-	-	-	-	-	-	-	-	45,095		(5,069,262)	-
Appropriation of prior year's earnings:	-		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Legal reserve	-		-	-	-	-	-	-	297,269	-	(297,269)	-	-	-	-	-	-
Special reserve	-		-	-	-	-	-	-	-	(277,600)	277,600	-	-	-	-	-	-
Bonus to employees - stock	13,500		135,000	-	-	-	-	-	-	-	(135,000)	(135,000)	-	-	-	-	-
Bonus to employees - cash	-		-	-	-	-	-	-	-	-	(15,000)	(15,000)	-	-	-	-	(15,000)
Remuneration to directors and supervisors	-		-	-	-	-	-	-	-	-	(39,688)	(39,688)	-	-	-	-	(39,688)
Stock dividends - NT\$0.29822 per share	15,362		153,622	-	-	-	-	-	-	-	(153,622)	(153,622)	-	-	-	-	-
Cash dividends - NT\$3.97620 per share	-		-	-	-	-	-	-	-	-	(2,048,297)	(2,048,297)	-	-	-	-	(2,048,297)
Capital stock transferred from capital surplus	10,241		102,415	(102,415)	-	-	-	(102,415)	-	-	-	-	-	-	-	-	-
Issuance of shares upon exercise of employee stock options	5,435		54,349	151,793	-	-	-	151,793	-	-	-	-	-	-	-	206,142	-
Adjustment arising from changes in percentage of ownership of investees	-		-	-	-	167,595	-	167,595	-	-	-	-	-	-	-	167,595	-
Adjustment of capital surplus - others	-		-	-	-	(42,595)	-	(42,595)	-	-	-	-	-	-	-	(42,595)	-
Net income in 2007	-		-	-	-	-	-	-	-	-	2,061,502	2,061,502	-	-	-	2,061,502	-
Translation adjustments on long-term investments	-		-	-	-	-	-	-	-	-	-	-	45,929	-	-	45,929	-
Cash dividends received by subsidiaries from the Company	-		-	-	12,843	-	-	12,843	-	-	-	-	-	-	-	12,843	-
Adjustment for changes in shareholders' equities in equity-method investees	-		-	-	-	-	-	-	-	-	-	232,446	-	-	-	232,446	-
Unrealized loss on long-term investments	-		-	-	-	-	-	-	-	-	-	(12,565)	-	-	-	(12,565)	-
BALANCE, DECEMBER 31, 2007	558,750		\$ 5,567,505	\$817,768	\$ 60,171	\$518,555	\$157,423	\$1,553,917	\$2,127,492	\$ 17,200	\$3,499,870	\$5,644,622	\$ 63,135	\$ (131,471)		\$12,883,123	123

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

(With Deloitte & Touche audit report dated January 25, 2008)

SUNPLUS TECHNOLOGY COMPANY LIMITED

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2007 AND 2006

(In Thousands of New Taiwan Dollars)

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 2,061,502	\$ 2,972,695
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	820,440	824,695
Gain on disposal of property	(2,627)	(432)
Valuation loss (gain) on financial assets	(17,521)	3,012
Investment loss (income) recognized by the equity-method investees, net	268,156	(126,114)
Valuation loss on financial liabilities	2,222	-
Cash dividends received from equity-method investment	110,280	63,357
Gain on disposal of investments, net	(483,925)	(30,729)
Write off of property	2,024	-
Realized intercompany profit, net	(3,888)	(5,095)
Realized royalty income	(22,171)	(22,171)
Deferred income tax	(245,116)	(6,395)
Accrued pension liability	(6,480)	4,093
Net changes in operating assets and liabilities		
Held-for-trading financial assets	-	1,070,905
Notes and accounts receivable	(40,185)	788,684
Other receivables	60,731	(59,243)
Inventories	411,704	(837,291)
Other current assets	64,893	(111,330)
Notes and accounts payable	(334,833)	(820,998)
Income tax payable	262,520	36,702
Other current liabilities	(356,614)	425,561
Net cash provided by operating activities	<u>2,551,112</u>	<u>4,169,906</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net cash used in department spun off	-	(310,000)
Proceeds of the disposal of:		
Disposal of financial assets designated at fair value through profit or loss	199,563	332,831
Disposal of equity-method investments	42,929	397,409
Disposal of available-for-sale financial assets	10,639,468	3,387,249
Disposal of financial assets carried at cost	402,799	-
Disposal of Properties	6,129	2,991
Return of capital by investee	-	189,545
Return of capital by available-for-sale financial assets	8,179	-
Capital reduction by financial assets carried at cost	27,742	43,351

(Continued)

SUNPLUS TECHNOLOGY COMPANY LIMITED

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2007 AND 2006

(In Thousands of New Taiwan Dollars)

	2007	2006
Acquisition of:		
Equity-method investments	\$ (1,039,193)	\$ (105,555)
Available-for-sale financial assets	(8,035,800)	(6,551,215)
Financial assets carried at cost	-	(32,993)
Properties	(174,223)	(431,268)
Increase in intangible assets	(322,658)	(619,206)
Increase in deferred charges and others	<u>(129,562)</u>	<u>(1,914)</u>
Net cash provided by (used in) investing activities	<u>1,625,373</u>	<u>(3,698,775)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term bank loans	222,943	277,057
Decrease in guarantee deposits	(114,180)	(44,728)
Remuneration paid to directors and supervisors	(54,688)	(49,517)
Cash dividends paid on common stock	(2,048,297)	(1,892,295)
Proceeds of the exercise of stock options	206,142	118,279
Capital reduction	<u>(5,101,466)</u>	<u>-</u>
Net cash used in financing activities	<u>(6,889,546)</u>	<u>(1,591,204)</u>
NET DECREASE IN CASH	(2,713,061)	(1,120,073)
CASH BEGINNING OF YEAR	<u>3,394,346</u>	<u>4,514,419</u>
CASH END OF YEAR	<u>\$ 681,285</u>	<u>\$ 3,394,346</u>
SUPPLEMENTAL CASH FLOW INFORMATION:		
Income tax paid	<u>\$ 154,639</u>	<u>\$ 71,534</u>
Interest paid	<u>\$ 16,447</u>	<u>\$ 16,395</u>
NONCASH INVESTING AND FINANCING ACTIVITIES:		
Reclassification of properties into deferred charges and others	<u>\$ 281,485</u>	<u>\$ 386,473</u>
Reclassification of equity-method investments into other current liabilities	<u>\$ 103,081</u>	<u>\$ -</u>
Reclassification of properties into assets leased to others	<u>\$ 66,909</u>	<u>\$ 195,451</u>
Reclassification of assets leased to others into properties	<u>\$ -</u>	<u>\$ 26,196</u>
PARTIAL CASH INVESTING AND FINANCING ACTIVITIES:		
Acquisition of properties	\$ 165,672	\$ 421,002
Decrease in payables to contractors and equipment suppliers	8,551	10,266
Cash paid	<u>\$ 174,223</u>	<u>\$ 431,268</u>

(Continued)

SUNPLUS TECHNOLOGY COMPANY LIMITED**STATEMENTS OF CASH FLOWS****YEARS ENDED DECEMBER 31, 2007 AND 2006****(In Thousands of New Taiwan Dollars)****SUPPLEMENTARY DISCLOSURE OF SPIN-OFF:**

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

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

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

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

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

(With Deloitte & Touche audit report dated January 25, 2008)

(Concluded)

SUNPLUS TECHNOLOGY COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2007 AND 2006

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

1. ORGANIZATION AND OPERATIONS

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

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

As of December 31, 2007 and 2006, the Company had 587 and 629 employees, respectively.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

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

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

Current/Noncurrent Assets and Liabilities

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

Financial Assets/Liabilities at Fair Value Through Profit or Loss

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

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

The fair values of those instruments without quoted market prices in an active market is based on valuation techniques incorporating estimates and assumptions that are consistent with prevailing market conditions.

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

Available-for-sale Financial Assets

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

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

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

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

Revenue Recognition and Allowance for Doubtful Accounts

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

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

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

Inventories

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

Financial Assets Carried At Cost

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

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

Equity-method Investments

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. Pursuant to the revised Statement of Financial Accounting Standards, the cost of an investment shall be analyzed and the cost of investment in excess of the fair value of identifiable net assets acquired, representing goodwill, shall not be amortized and instead shall be tested for impairment annually.

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

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

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

Properties and Assets Leased to Others

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

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

Depreciation is computed using the straight-line method over service lives initially estimated as follows: buildings - 7 to 55 years; auxiliary equipment - 3 to 10 years; machinery and equipment - 4 to 6 years; testing equipment - 2 to 4 years; transportation equipment - 4 to 6 years; furniture and fixtures - 2 to 11 years; leasehold improvements - 3 years; and assets leased to others - 7 to 55 years.

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

Intangible Assets

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

Pursuant to the statement of Financial Accounting Standards No. 37 "Intangible Assets" Expenditures arising from research activities and those related to development activities that do not meet the criteria for capitalization are charged to expense when incurred.

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

Deferred Charges

Deferred charges are mainly costs of software and system design, which are booked at the installation or acquisition cost. The amounts are amortized over 2 to 5 years, using the straight-line method.

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

Government Subsidies

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

Pension Costs

The Company has two types of pension plans: Defined benefit and defined contribution.

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

Stock-based Compensation

Employee stock option plans that are amended or have options granted on or after January 1, 2004 are accounted for by the interpretations issued by the Accounting Research and Development Foundation. The Company adopted the intrinsic value method and any compensation cost determined using this method is recognized in earnings over the employee vesting period.

Treasury Stock

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

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

Income Tax

The Company applies the inter-period and intra-period income tax allocation method. Under this method, deferred income taxes are recognized for the tax effects of deductible temporary differences and unused tax credits. A valuation allowance is recognized if it is more likely than not that some portion or all of the deferred tax asset will not be realized. A deferred tax asset or liability is classified as current or noncurrent according to the classification of the related asset or liability. If a deferred tax asset or liability cannot be related to an asset or liability in the financial statements, it is classified as current or noncurrent based on the basis of 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 generated annually since 1998 is recorded as expense in the year when the shareholders approve the retention of earnings.

Foreign-currency Transactions

Non-derivative foreign-currency transactions are recorded in New Taiwan dollars at the rates of exchange in effect when the transactions occur. Exchange differences arising from settlement of foreign-currency assets and liabilities are recognized in profit or loss.

At the balance sheet date, foreign-currency monetary assets and liabilities are revalued using prevailing exchange rates and the exchange differences are recognized in profit or loss.

At the balance sheet date, foreign-currency nonmonetary assets (such as equity instruments) and liabilities that are measured at fair value are revalued using prevailing exchange rates, with the exchange differences treated as follows:

- a. Recognized in shareholders' equity if the changes in fair value are recognized in shareholders' equity;
- b. Recognized in profit and loss if the changes in fair value is recognized in profit or loss.

Foreign-currency nonmonetary assets and liabilities that are carried at cost continue to be stated at exchange rates at trade dates.

If the functional currency of an equity-method investee is a foreign currency, translation adjustments will result from the translation of the investee's financial statements into the reporting currency of the Company. Such adjustments are accumulated and reported as a separate component of shareholders' equity.

Spin-off

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

Reclassification

Certain accounts in the financial statements as of and for the year ended December 31, 2006 have been reclassified to conform to the financial statements as of and for the year ended December 31, 2007.

3. ACCOUNTING CHANGES

- a. Statement of Financial Accounting Standards ("Statement" or SFAS) No. 37 - "Accounting for Intangible Assets"

The Company adopted the recently released SFAS No. 37 - "Accounting for Intangible Assets" and the related revised revisions of previously released Statements. Thus, the Company re-evaluate the useful lives and the amortization method applied to intangible assets.

The accounting changes had no impact on the Company's net income and basic and diluted earnings per share in the year ended December 31, 2007.

- b. SFAS No. 34 and 36 and Related Revisions of Other Previously Released Statements

Upon adopting SFAS Nos. 34 and 36, the Company recategorized its financial assets. The adjustments made to the carrying amounts of the financial instruments categorized as financial instruments at fair value through profit or loss were included in the cumulative effect of accounting changes. On the other hand, the adjustments made to the carrying amounts of those categorized as available-for-sale financial assets were recognized as adjustments to shareholders' equity.

The adjustments based on the accounting are summarized as follows:

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

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

- c. SFAS No. 1 "Conceptual Framework for Financial Accounting and Preparation of Financial Statements," SFAS No. 5 - "Long-term Investments in Equity Securities" and SFAS No. 25 - "Business Combination".

Effective January 1, 2006, the Company adopted the recently revised SFAS No. 1 - "Conceptual Framework for Financial Accounting and Preparation of Financial Statements," SFAS No. 5 - "Long-term Investment in Equity Securities" and SFAS No. 25 - "Business Combinations - Accounting Treatment under Purchase Method." Based on these amended Statements, investment premiums, representing goodwill based on analysis of the acquisition costs, should be assessed for impairment instead of being amortized. This accounting change had no impact on net income in the year ended December 31, 2006.

- d. Recent Accounting Pronouncements

In March 2007, the Accounting Research and Development Foundation of the R.O.C. issued an interpretation that requires companies to record the bonus paid to directors, supervisors and employees as an expense rather than an appropriation of earnings. This interpretation should be applied to financial statements for fiscal years beginning on or after January 1, 2008.

The Accounting Research and Development Foundation of the R.O.C. also issued Statement of Financial Accounting Standards No. 39, "Accounting for Share-based Payment" (SFAS No. 39) in August 2007, which requires companies to record share-based payment transactions in the financial statements at fair value. SFAS No. 39 should be applied to financial statements for fiscal years beginning on or after January 1, 2008.

The Accounting Research and Development Foundation of the R.O.C. revised Statement of Financial Accounting Standards No. 10, "Accounting for Inventories" (SFAS No. 10) in November 2007, which requires inventories to be stated at the lower of cost or net realizable value item by item. Inventories are recorded by the specific identification method, first-in, first-out method or weighted average method. The last-in, first-out method is no longer permitted. The revised SFAS No. 10 should be applied to financial statements for the fiscal years beginning on or after January 1, 2009. Early adoption is permitted.

4. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2007	2006
<u>Financial assets (liabilities) at fair value through profit or loss</u>		
Forward exchange contracts	\$ (2,222)	\$ 519

The Company entered into derivative contracts during the years ended December 31, 2007 and 2006 to hedge the effect of exchange rate fluctuations on net foreign currency-denominated assets and liabilities. The strategy is to hedge most of the market price risks to which the Company is exposed.

As of December 31, 2007 and 2006, outstanding forward exchange contracts were as follows:

December 31, 2007	Currency	Maturity	Contract Amount (in Thousand)
Sell forward exchange contracts	US\$ to NT\$	November 16, 2007 - January 10, 2008	US\$ 10,000

December 31, 2006	Currency	Maturity	Contract Amount (in Thousand)
Sell forward exchange contracts	US\$ to NT\$	December 19, 2006 - February 26, 2007	US\$ 8,000

Net losses and net gains arising from financial assets held for trading were \$2,741 thousand and \$714 thousand for the years ended December 31, 2007 and 2006, respectively.

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

	December 31			
	2007		2006	
	Amount	Noncurrent	Amount	Noncurrent
Financial assets				
Inverse floaters: Time deposits with floating interest rates indexed to LIBOR rates	\$ -	\$ 167,676	\$ -	\$ 149,636
Credit-linked notes	-	-	192,997	-
	<u>\$ -</u>	<u>\$ 167,676</u>	<u>\$ 192,997</u>	<u>\$ 149,636</u>

Net gains and net losses arising from financial assets designated at fair value through profit or loss were \$24,606 thousand and \$1,198 thousand for the years ended December 31, 2007 and 2006, respectively.

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

	Principal Amount (in Thousands)	Carrying Amount	Maturity
<u>2007</u>			
Inverse floaters: Time deposits with floating interest rate indexed to LIBOR rates	<u>\$ 6,000</u>	<u>\$ 167,676</u>	September 2010 - April 2014
<u>2006</u>			
Inverse floaters: Time deposits with floating interest rate indexed to LIBOR rates	<u>\$ 6,000</u>	<u>\$ 149,636</u>	September 2010 - April 2014
Credit - linked notes			
Issuer			
Industrial Bank of Taiwan		<u>192,997</u>	August 2007
		<u>\$ 342,633</u>	

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

5. NOTES AND ACCOUNTS RECEIVABLE

	December 31	
	2007	2006
Notes receivable	\$ 10	\$ 35,506
Accounts receivable - other	1,541,594	1,468,568
Accounts receivable - related parties	50,041	23,386
Allowance for doubtful accounts	<u>(78,193)</u>	<u>(54,193)</u>
	<u>\$ 1,513,452</u>	<u>\$ 1,473,267</u>

Allowance for doubtful accounts movement:

	Years Ended December 31	
	2007	2006
Balance, beginning of year	\$ 54,193	\$ 88,988
Increase	24,000	24,000
Decrease	<u>-</u>	<u>(58,795)</u>
Balance, end of year	<u>\$ 78,193</u>	<u>\$ 54,193</u>

6. INVENTORIES

	December 31	
	2007	2006
Finished goods and merchandise	\$ 692,537	\$ 1,038,488
Work in process	509,036	668,491
Raw materials	<u>125,329</u>	<u>147,799</u>
	1,326,902	1,854,778
Allowance for losses	<u>(222,901)</u>	<u>(339,073)</u>
	<u>\$ 1,104,001</u>	<u>\$ 1,515,705</u>

Allowance for losses movement:

	Years Ended December 31	
	2007	2006
Balance, beginning of year	\$ 339,073	\$ 300,225
Increase	120,000	210,000
Decrease	<u>(236,172)</u>	<u>(171,152)</u>
Balance, end of year	<u>\$ 222,901</u>	<u>\$ 339,073</u>

7. EQUITY-METHOD INVESTMENTS

	December 31			
	2007		2006	
	Amount	% of Owner-ship	Amount	% of Owner-ship
Orise Technology Co., Ltd.	\$ 1,220,404	57	\$ 972,842	67
Giantplus Technology Co., Ltd.	1,171,730	32	1,040,819	33
Sunplus mMobile Inc.	989,985	91	1,648,899	100
Lin Shih Investment Co., Ltd.	657,300	100	486,902	100
Sunplus Venture Capital Co., Ltd.	652,367	100	672,601	100
Russell Holdings Limited	651,954	100	474,783	100
Generalplus Technology Corp.	461,612	45	307,992	48
Ventureplus Group Inc.	349,593	100	322,289	100
Sunplus Innovation Technology Inc.	347,675	91	295,858	100
Sunplus Core Technology Co., Ltd.	44,721	58	-	-
Waveplus Technology Co., Ltd.	22,433	43	2,478	10
Goldkey Technology Corp.	18,447	15	24,440	15
Wei-Young Investment Inc.	8,725	100	12,946	100
Global Techplus Inc.	6,235	100	6,321	100
Sunplus Management Consulting Inc.	4,224	100	4,317	100
Synerchip Co., Ltd.	-	-	-	-
Sunext Technology Co., Ltd.	-	-	2,126	16
Sunplus Technology (H.K.) Co., Ltd.	-	-	<u>1,318</u>	100
	<u>6,607,405</u>		<u>6,276,931</u>	

(Continued)

		December 31			
		2007		2006	
		Amount	% of Owner-ship	Amount	% of Owner-ship
Prepayment					
Sunext Technology Co., Ltd		\$	670,000	\$	-
Giantplus Technology Co., Ltd.			235,980		-
			<u>905,980</u>		<u>-</u>
			<u>\$ 7,513,385</u>		<u>\$ 6,276,931</u>
Credit balance on carrying value of long-term investments (recorded as other current liabilities)					
Sunext Technology Co., Ltd.		\$	98,717	\$	-
Sunplus Technology (H.K.) Co., Ltd.			<u>4,364</u>		<u>-</u>
			<u>\$ 103,081</u>		<u>\$ -</u>
(Concluded)					

(Concluded)

As of December 31, 2007 and 2006, the Company and its subsidiaries collectively owned 32% and 57% of Goldkey Technology Corp., Ltd. and Sunext Technology Co., Ltd., respectively, and also collectively owned 74% and 43% of Waveplus Technology Co., Ltd., respectively. Thus, these investments were accounted for by the equity method.

The consolidated financial statements as of and for the years ended December 31, 2007 and 2006 had included all subsidiaries.

The financial statements used as basis for calculating the carrying values of the equity-method investments and the related investment gains and losses in 2007 and 2006 had all been audited, except those of Global Techplus Inc. and Sunplus Management Consulting Inc.. The Company's management believed that had financial statements of Global Techplus Inc. and Sunplus Management Consulting Inc. been audited, there would have been no material effect on the Company's financial statements. The investment incomes (losses) of investees were as follows:

Years Ended December 31			
	2007		2006
Orise Technology Co., Ltd.	\$ 198,836	\$	144,797
Giantplus Technology Co., Ltd.	184,805		174,904
Sunplus mMobile Inc.	(703,851)		(31,101)
Lin Shih Investment Co., Ltd.	(11,441)		(57,477)
Sunplus Venture Capital Co., Ltd.	(83,860)		(28,518)
Russell Holdings Limited	137,110		(6,569)
Generalplus Technology Corp.	182,842		128,919
Ventureplus Group Inc.	(64,236)		(85,718)
Sunplus Innovation Technology Inc.	55,100		(12,142)
Sunplus Core Technology Co., Ltd	(11,279)		-
Waveplus Technology Co., Ltd.	4,492		1,616
Goldkey Technology Corp.	(5,997)		(5,833)
Wei-Young Investment Inc.	(121)		926

(Continued)

	Years Ended December 31	
	2007	2006
Global Techplus Inc.	\$ (55)	\$ (215)
Sunplus Management Consulting Inc.	(93)	(101)
Synerchip Co., Ltd.	(43,759)	-
Sunext Technology Co., Ltd.	(100,905)	(97,250)
Sunplus Technology (H.K.) Co., Ltd.	<u>(5,744)</u>	<u>(124)</u>
	<u>\$ (268,156)</u>	<u>\$ 126,114</u>
		(Concluded)

Fair values of listed equity-method investments calculated at their closing prices as of December 31, 2007 and 2006 were as follows:

	December 31	
	2007	2006
Orise Technology Co., Ltd	\$ 6,850,562	\$ -
Giantplus Technology Co., Ltd	<u>3,678,476</u>	<u>1,722,362</u>
	<u>\$ 10,529,038</u>	<u>\$ 1,722,362</u>

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2007	2006
Open-end funds	\$ 637,874	\$ 3,173,265
Domestic listed stocks	<u>472,843</u>	<u>519,899</u>
	1,110,717	3,693,164
Current portion	<u>(637,874)</u>	<u>(3,173,265)</u>
	<u>\$ 472,843</u>	<u>\$ 519,899</u>

9. FINANCIAL ASSETS CARRIED AT COST

	2007	2006
Domestic unlisted stocks	<u>\$ 35,556</u>	<u>\$ 97,826</u>

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

10. PROPERTIES

Year Ended December 31, 2007

Year ended December 31, 2021										
			Machinery		Transportation	Furniture		Advance Payments and Construction-		
	Buildings	Auxiliary Equipment	Equipment	Testing Equipment	Equipment	and Fixtures	Leasehold Improvements	in-progress	Total	
<u>Cost</u>										
the	Balance, beginning of year	\$ 758,822	\$ 165,573	\$ 549,878	\$ 1,032,437	\$ 5,573	\$ 152,842	\$ 459	\$ 328	\$ 2,665,912
	Increase	-	13,689	30,409	102,674	-	18,900	-	-	165,672
	Decrease	-	122	201,620	17,606	-	5,954	-	328	225,630
	Reclassification	(69,839)	-	-	(714,866)	-	(37,082)	-	-	(821,787)
	Balance, end of the year	<u>688,983</u>	<u>179,140</u>	<u>378,667</u>	<u>402,639</u>	<u>5,573</u>	<u>128,706</u>	<u>459</u>	<u>-</u>	<u>1,784,167</u>
<u>Accumulated depreciation</u>										
the	Balance, beginning of year	87,297	110,190	405,767	648,514	4,813	101,225	329	-	1,358,135
	Depreciation	20,161	17,849	58,731	65,520	288	16,781	65	-	179,395
	Decrease	-	114	201,518	12,914	-	5,558	-	-	220,104
	Reclassification	(2,930)	-	-	(451,784)	-	(18,679)	-	-	(473,393)
	Balance, end of the year	<u>104,528</u>	<u>127,925</u>	<u>262,980</u>	<u>249,336</u>	<u>5,101</u>	<u>93,769</u>	<u>394</u>	<u>-</u>	<u>844,033</u>
	Balance, end of the year, net	<u>\$ 584,455</u>	<u>\$ 51,215</u>	<u>\$ 115,687</u>	<u>\$ 153,303</u>	<u>\$ 472</u>	<u>\$ 34,937</u>	<u>\$ 65</u>	<u>\$ -</u>	<u>\$ 940,134</u>

Year Ended December 31, 2006

		Machinery						Advance Payments and Construction-		
		Auxiliary	and	Testing	Transportation	Furniture and	Leasehold Improvements	in-progress	Total	
<u>Cost</u>		Buildings	Equipment	Equipment	Equipment	Equipment	Fixtures			
the	Balance, beginning of year	\$ 946,947	\$ 146,868	\$ 491,535	\$ 986,409	\$ 8,400	\$ 143,065	\$ 459	\$ 9,874	\$ 2,733,557
	Increase	590	18,705	66,173	320,575	-	22,005	-	(7,046)	421,002
	Decrease	229	-	7,830	274,547	2,827	12,228	-	2,500	300,161
	Reclassification	(188,486)	-	-	(707,156)	-	(35,919)	-	-	(931,561)
	Balance, end of the year	<u>758,822</u>	<u>165,573</u>	<u>549,878</u>	<u>325,281</u>	<u>5,573</u>	<u>116,923</u>	<u>459</u>	<u>328</u>	<u>1,922,837</u>
<u>Accumulated depreciation</u>										
the	Balance, beginning of year	86,544	92,641	350,493	549,588	5,613	87,190	230	-	1,172,299
	Depreciation	20,097	17,549	62,691	84,149	1,168	16,534	99	-	202,287
	Decrease	113	-	7,417	98,273	1,968	9,441	-	-	117,212
	Reclassification	(19,231)	-	-	(345,306)	-	(11,413)	-	-	(375,950)
	Balance, end of the year	<u>87,297</u>	<u>110,190</u>	<u>405,767</u>	<u>190,158</u>	<u>4,813</u>	<u>82,870</u>	<u>329</u>	<u>-</u>	<u>881,424</u>
	Balance, end of the year, net	<u>\$ 671,525</u>	<u>\$ 55,383</u>	<u>\$ 144,111</u>	<u>\$ 135,123</u>	<u>\$ 760</u>	<u>\$ 34,053</u>	<u>\$ 130</u>	<u>\$ 328</u>	<u>\$ 1,041,413</u>

Note: The 2006 reclassification of the testing equipment and furniture and fixtures was consistent with the 2007 reclassification of these items.

11. INTANGIBLE ASSETS, NET

Year Ended December 31, 2007

	Patents	Technology License Fee	Total
<u>Cost</u>			
Balance, beginning of year	\$ 97,849	\$ 2,253,349	\$ 2,351,198
Increase	-	322,658	322,658
Balance, end of year	<u>97,849</u>	<u>2,576,007</u>	<u>2,673,856</u>

(Continued)

	Year Ended December 31, 2007		
	Patents	Technology License Fee	Total
<u>Accumulated amortization</u>			
Balance beginning of year	\$ 20,654	\$ 1,326,486	\$ 1,347,140
Amortization expense	<u>5,544</u>	<u>479,273</u>	<u>484,817</u>
Balance, end of year	<u>26,198</u>	<u>1,805,759</u>	<u>1,831,957</u>
	<u>\$ 71,651</u>	<u>\$ 770,248</u>	<u>\$ 841,899</u>
			(Concluded)

	Year Ended December 31, 2006		
	Patents	Technology License Fee	Total
<u>Cost</u>			
Balance, beginning of year	\$ 97,849	\$ 1,907,418	\$ 2,005,267
Increase	-	619,206	619,206
Spun-off	-	<u>(273,275)</u>	<u>(273,275)</u>
Balance, end of year	<u>97,849</u>	<u>2,253,349</u>	<u>2,351,198</u>

<u>Accumulated amortization</u>			
Balance, beginning of year	15,110	945,373	960,483
Amortization expense	5,544	490,084	495,628
Spun off	-	<u>(108,971)</u>	<u>(108,971)</u>
Balance, end of year	<u>20,654</u>	<u>1,326,486</u>	<u>1,347,140</u>
Balance, end of year, net	<u>\$ 77,195</u>	<u>\$ 926,863</u>	<u>\$ 1,004,058</u>

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

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

12. DEFERRED CHARGES AND OTHERS

	December 31	
	2007	2006
Software and system design, net	\$ 259,638	\$ 271,033
Certificate of golf club membership	7,800	7,800
Refundable deposits	<u>2,706</u>	<u>2,856</u>
	<u>\$ 270,144</u>	<u>\$ 281,689</u>

13. SHORT-TERM BANK LOANS

	December 31	
	2007	2006
Working capital loans - annual interest rate 2.650%-2.775% in 2007; US\$8,500 thousand, at annual interest rate of 6.05% in 2006	<u>\$ 500,000</u>	<u>\$ 277,057</u>

14. PENSION PLAN

The Labor Pension (the "Act") took effect on July 1, 2005. The employees subject to the Labor Standards Law before July 1, 2005 were allowed to choose to be subject to the pension mechanism under the Act or to continue being subject to the pension mechanism under the Labor Standards Law. For Company employees who were subject to the Labor Standards Law before July 1, 2005 and choose to be subject to the Act, their service years as of July 1, 2005 will be retained. Those hired on or after July 1, 2005 are automatically subject to the Act. Based on the Act, the Company's monthly contributions to employees' individual pension accounts starting from July 1, 2005 have been at 6% of employees' salaries. Thus, the pension costs recognized by the Company were \$28,891 and \$46,245 thousand for the years ended December 31, 2007 and 2006, respectively.

Before the promulgation of the Act, the Company has had a defined benefit pension plan under the Labor Standards Law. Under this plan, employees should receive either a series of pension payments with a defined annuity or a lump sum that is payable immediately on retirement and is equivalent to 2 base units for each of the first 15 years of service and 1 base unit for each year of service thereafter. The total retirement benefit is subject to a maximum of 45 units. The pension plan provides benefits based on the length of service and the average basic salary of the employee's final six months of service. In addition, the Company makes monthly contributions, equal to 2% of salaries, to a pension fund, which is administered by a fund monitoring committee. The fund is deposited in the committee's name in the Bank of Taiwan (the Central Trust of China merged with the Bank of Taiwan in July 2007 with the Bank of Taiwan as the survivor entity).

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

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

a. Components of net pension costs

	Year Ended December 31	
	2007	2006
Service costs	\$ 2,437	\$ 6,546
Interest costs	3,726	11,217
Projected return on plan assets	(3,233)	(2,754)
Amortization	<u>(1,311)</u>	<u>1,776</u>
Net pension costs	<u>\$ 1,619</u>	<u>\$ 16,785</u>

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

	December 31	
	2007	2006
Benefit obligation		
Vested benefit obligation	\$ -	\$ -
Non-vested benefit obligation	49,144	40,904
Accumulated benefit obligation	49,144	40,904
Additional benefits based on future salaries	86,217	65,544
Projected benefit obligation	135,361	106,448
Fair value of plan assets	(96,363)	(85,779)
Funded status	38,998	20,669
Unrecognized net transition obligation	(2,837)	(3,328)
Unrecognized net gain	26,788	52,088
Accrued pension liability	\$ 62,949	\$ 69,429
Vested benefit	\$ -	\$ -

c. Actuarial assumptions

Discount rate used in determining present values	3.00%	3.50%
Future salary increase rate	6.50%	5.75%
Expected rate of return on plan assets	3.00%	3.50%

15. SHAREHOLDERS' EQUITY

a. Capital stock

The shareholders' approved a capital reduction by canceling 511,436 thousand issued and outstanding shares, amounting to \$5,114,357 thousand, on December 8, 2006. All related actions, including the decrease in the number of issued and outstanding shares and capital return, were completed in March, 2007. The effective date of capital reduction was January 25, 2007. The share was returned at about NT\$5.00; thus, the capital reduction ratio was about 50% of share par value.

b. Employee stock option plan

On March 6, 2003 (2003 option plan) and September 11, 2007 (2007 option plan), the Securities and Futures Bureau approved the Company's adoption of an employee stock option plan. The plan provides for the grant of 30,000 thousand options and 25,000 thousand options in 2003 and 2007 plan, respectively, with each unit representing one common share. The option rights are granted to qualified employees of the Company and subsidiaries. A total of 55,000 thousand common shares have been reserved for issuance. The options are valid for six years and exercisable at certain percentages after the second anniversary of the grant date. Stock option rights are granted at an exercise price equal to the closing price of the Company's common shares listed on the Taiwan Stock Exchange on the grant date. All options had been granted or canceled as of December 31, 2007.

Outstanding option rights were as follows:

2003 Option Plan				
2007			2006	
	Unit (in Thousands)	Weighted- average Price (NT\$)	Unit (in Thousands)	Weighted- average Price (NT\$)
Beginning outstanding balance	18,399	\$27.12	25,196	\$29.79
Options granted	302	44.81	995	26.65
Options exercised	(5,435)	37.93	(5,110)	23.14
Options canceled	<u>(8,112)</u>		<u>(2,682)</u>	
Ending outstanding balance	<u>5,154</u>		<u>18,399</u>	

2007 Option Plan				
2007			2006	
	Unit (in Thousands)	Weighted- average Price (NT\$)	Unit (in Thousands)	Weighted- average Price (NT\$)
Beginning outstanding balance	-	\$ -	-	\$ -
Option granted	<u>25,000</u>	47.58	<u>-</u>	<u>-</u>
Ending outstanding balance	<u>25,000</u>		<u>-</u>	

The number of shares and exercise prices of outstanding option have been adjusted to reflect the appropriations of dividends, stock bonuses and issuance of capital stock specified under the Plans. For the years ended December 31, 2007 and 2006, additional 302 thousand and 995 thousand options have been granted to reflect the appropriation of dividends and stock bonuses, respectively.

As of December 31, 2007, the outstanding and exercisable options were as follows:

2003 Option Plan					
Options Outstanding			Options Exercisable		
	Number of Options (in Thousands)	Weighted- average Remaining Contractual Life (Years)	Weighted- average Exercise Price (NT\$)	Number of Options (in Thousands)	Weighted- average Exercise Price (NT\$)
Exercise Price (NT\$)					
\$32.70	2,067	1.35	\$32.70	2,067	\$32.70
56.70	3,087	1.66	56.70	3,087	56.70

2007 Option Plan					
Options Outstanding			Options Exercisable		
	Number of Options (in Thousands)	Weighted- average Remaining Contractual Life (Years)	Weighted- average Exercise Price (NT\$)	Number of Options (in Thousands)	Weighted- average Exercise Price (NT\$)
Exercise Price (NT\$)					
\$47.45	19,000	5.87	\$47.45	-	\$ -
48.00	6,000	5.99	48.00	-	-

No compensation costs for 2007 option plan, which were based on the intrinsic value method, were recognized in 2007. Had the Company used the fair value based method (based on the Black-Scholes model) to evaluate the options granted, the option assumptions and pro forma results of the Company in 2007 would have been as follows:

	2007
Assumptions:	
Risk-free interest rate	3.00%
Expected life	6 years
Expected stock price volatility	44.92%
Expected dividend yield	-%
Net income	
Net income as reported	\$ 2,061,502
Pro forma net income	<u>\$ 2,028,306</u>
Earnings per share (EPS; in New Taiwan dollars)	
Basic EPS as reported	<u>\$3.53</u>
Pro forma basic EPS	<u>\$3.47</u>
Diluted EPS as reported	<u>\$3.52</u>
Pro forma diluted EPS	<u>\$3.46</u>

c. Global depositary receipts (GDRs)

In March 2001, the Company issued 20,000 thousand units of Global Depositary Receipts (GDRs), representing 40,000 thousand common shares consisting of newly issued and originally outstanding shares. The GDRs are listed on the London Stock Exchange (code: SUPD) with an issuance price of US\$9.57 per unit. As of December 31, 2007, the GDRs have been redeemed into 88,130 thousand of common shares amounting to US\$227,346 thousand. The outstanding GDRs, representing 579 thousand common shares, are accounted for 0.1% of outstanding common stock.

d. Capital surplus

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

e. Appropriation of earnings and dividend policy

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

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

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

Under the ROC Company Law, legal reserve should be appropriated until the reserve equals the Company's paid-in capital. This reserve may be used to offset a deficit. In addition, when the reserve exceeds 50% of the Company's paid-in capital, the excess portion that is over 25% of the excess may be distributed as stock dividend and bonus if the Company has no deficit.

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

The appropriations for the earnings of 2006 and 2005 were approved in the shareholders' meetings on June 15, 2007 and June 9, 2006, respectively. The appropriations, including dividends, were as follows:

	<u>For Fiscal Year 2007</u>		<u>For Fiscal Year 2006</u>	
	<u>Appropriation of Earnings</u>	<u>Dividends Per Share (NT\$)</u>	<u>Appropriation of Earnings</u>	<u>Dividends Per Share (NT\$)</u>
Legal reserve	\$ 297,269		\$ 239,836	
Special reserve	(277,600)		(43,628)	
Bonus to employees - stock	135,000		225,000	
Bonus to employees - cash	15,000		25,000	
Remuneration of directors and supervisors	39,688		24,517	
Stock dividends	153,622	\$0.29822	283,844	\$0.29894
Cash dividends	<u>2,048,297</u>	3.97620	<u>1,892,295</u>	1.99295
	<u>\$ 2,411,276</u>		<u>\$ 2,646,864</u>	

The above appropriation of the earnings is consistent with the resolutions passed at the meetings of the board of directors on April 27, 2007 and April 21, 2006. Had the above employee stock bonus been paid in cash and had all of the bonus to employees and remuneration to directors and supervisors been charged against income for 2006 and 2005, the after-tax basic earnings per share in 2006 and 2005 would have decreased from NT\$2.94 and NT\$2.56 to NT\$2.75 and NT\$2.26.

The shares distributed as a bonus to employees, 13,500 and 22,500 thousand shares in 2006 and 2005 represented 1.32% and 2.37% of the Company's total outstanding common shares as of December 31, 2006 and 2005, respectively.

As of January 25, 2008, the date of the accompanying auditors' report, the board of directors had not resolved the appropriation of the 2007 earnings. The earnings appropriation can be accessed online through the Market Observation Post System on the Web site of the Taiwan Stock Exchange.

Unrealized gain or loss on financial instruments

For the years ended December 31, 2007 and 2006, the movement of unrealized gain or loss on financial instrument were as follows:

	Available- for-sale Financial Assets	Equity- method Investments	Total
<u>Year ended December 31, 2007</u>			
Balance, beginning of year	\$ (147,438)	\$ 112,972	\$ (34,466)
Recognized in shareholders' equity	<u>(12,565)</u>	<u>232,446</u>	<u>219,881</u>
Balance, end of year	<u>\$ (160,003)</u>	<u>\$ 345,418</u>	<u>\$ 185,415</u>
<u>Year ended December 31, 2006</u>			
Balance, beginning of year	\$ (259,340)	\$ (25,745)	\$ (285,085)
Recognized in shareholders' equity	<u>111,902</u>	<u>138,717</u>	<u>250,619</u>
Balance, end of year	<u>\$ (147,438)</u>	<u>\$ 112,972</u>	<u>\$ (34,466)</u>

Cumulative translation adjustment

	Translation of Foreign- currency Financial Statements
<u>Year ended December 31, 2007</u>	
Balance, beginning of year	\$ 17,206
Recognized in shareholders' equity	<u>45,929</u>
Balance, end of year	<u>\$ 63,135</u>
<u>Year ended December 31, 2006</u>	
Balance, beginning of year	\$ (9,775)
Recognized in shareholders' equity	<u>26,981</u>
Balance, end of year	<u>\$ 17,206</u>

16. TREASURY STOCK

(Units: Shares in Thousands)

Purpose of Purchase	Beginning Shares	Increase	Decrease	Ending Shares
<u>2007</u>				
Company stocks held by subsidiaries	6,450	160	3,220	3,390
For subsequent transfer to employees	<u>2,582</u>	<u>-</u>	<u>1,289</u>	<u>1,293</u>
	<u>9,032</u>	<u>160</u>	<u>4,509</u>	<u>4,683</u>
<u>2006</u>				
Company stocks held by subsidiaries	6,144	306	-	6,450
For subsequent transfer to employees	<u>2,582</u>	<u>-</u>	<u>-</u>	<u>2,582</u>
	<u>8,726</u>	<u>306</u>	<u>-</u>	<u>9,032</u>

Starting from January 2002, the Company accounted for its issued shares amounting to \$95,605 thousand held by a subsidiary, Lin Shin Investment Co., Ltd. as treasury stock. As of December 31, 2007 and 2006, the book values of these stocks were \$63,401 thousand and \$95,605 thousand, and the market values of these stocks were \$164,780 thousand and \$256,404 thousand, respectively.

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

17. PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

Years Ended December 31						
	2007			2006		
	Classified as Cost of Sales	Classified as Operating Expense	Total	Classified as Cost of Sales	Classified as Operating Expense	Total
Labor cost						
Salary	\$ 88,172	\$ 624,866	\$ 713,038	\$ 115,044	\$ 1,125,575	\$ 1,240,619
Labor/health insurance	5,724	35,100	40,824	6,979	59,702	66,681
Pension	3,952	26,558	30,510	6,297	56,733	63,030
Welfare benefit	2,833	13,314	16,147	3,470	24,965	28,435
Meal	<u>2,243</u>	<u>11,224</u>	<u>13,467</u>	<u>2,845</u>	<u>20,337</u>	<u>23,182</u>
	<u>\$ 102,924</u>	<u>\$ 711,062</u>	<u>\$ 813,986</u>	<u>\$ 134,635</u>	<u>\$ 1,287,312</u>	<u>\$ 1,421,947</u>
Depreciation	<u>\$ 68,557</u>	<u>\$ 106,109</u>	<u>\$ 174,666</u>	<u>\$ 72,253</u>	<u>\$ 129,177</u>	<u>\$ 201,430</u>
Amortization	<u>\$ 2,092</u>	<u>\$ 638,953</u>	<u>\$ 641,045</u>	<u>\$ 1,754</u>	<u>\$ 620,654</u>	<u>\$ 622,408</u>

18. INCOME TAX

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

	2007	2006
Income before income tax at statutory rate (25%)	\$ 574,120	\$ 779,896
Tax effects of adjustments:		
Tax-exempt income	(232,383)	(455,314)
Permanent differences	(55,403)	(63,060)
Temporary differences	<u>(10,319)</u>	<u>753</u>
Income tax expense before tax credits	<u>\$ 276,015</u>	<u>\$ 262,275</u>

- c. Income tax expense consisted of the following:

Income tax expense before tax credits	\$ 276,015	\$ 262,275
Additional tax at 10% on unappropriated earnings	28,382	-
Cumulative effect of changes in accounting principles	-	12,438
Changes in fair value recognized as an adjustment to equity	-	(186)
Investment tax credits	(150,673)	(153,222)
Net change in deferred income taxes	(245,116)	(6,395)
Adjustment of prior years' income tax expense	<u>326,372</u>	<u>(631)</u>
	<u>\$ 234,980</u>	<u>\$ 114,279</u>

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

	<u>December 31</u>	
	2007	2006
Current:		
Investment tax credits	\$ 124,921	\$ 192,068
Temporary differences	<u>18,492</u>	<u>14,120</u>
	<u>\$ 143,413</u>	<u>\$ 206,188</u>
Noncurrent:		
Investment tax credits	\$ 967,358	\$ 1,078,463
Temporary differences	9,183	20,329
Valuation allowance	<u>(128,168)</u>	<u>(558,310)</u>
	<u>\$ 848,373</u>	<u>\$ 540,482</u>

As of December 31, 2007, investment tax credits were as follows:

Regulatory Basis of Tax Credits	Items	Total Creditable Amounts	Remaining Creditable Amounts	Expiry Year
Statute for Upgrading Industries	Purchase of machinery and equipment	\$ 2,432	\$ -	2007
		10,376	10,376	2008
		3,606	3,606	2009
		<u>\$ 16,414</u>	<u>\$ 13,982</u>	
Statute for Upgrading Industries	Research and development expenditures	\$ 89,635	\$ -	2007
		173,152	114,546	2008
		295,587	295,587	2009
		415,235	415,235	2010
		<u>252,929</u>	<u>252,929</u>	2011
		<u>\$ 1,226,538</u>	<u>\$ 1,078,297</u>	

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

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

The tax returns through 2005, have been assessed by the tax authorities. The Company disagreed with the tax authorities' assessment of its 2003, 2004 and 2005 tax return and had applied for a re-examination. Nevertheless, the Company has provided for the income tax assessed by the tax authorities for conservatism.

e. Integrated income tax information is as follows:

	2007	2006
Shareholders' imputation credit account	<u>\$ 41,267</u>	<u>\$ 16,518</u>
Unappropriated earnings until 1997	<u>\$ 452,310</u>	<u>\$ 452,310</u>

The expected and actual creditable tax ratios for 2007 and 2006 were 1.35% and 5.80%, 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 2007 may be adjusted when the allocation of the imputation credits is made.

19. EARNINGS PER SHARE

	<u>2007</u>		<u>2006</u>	
	<u>Before Income Tax</u>	<u>After Income Tax</u>	<u>Before Income Tax</u>	<u>After Income Tax</u>
Basic EPS (NT\$)				
Income before cumulative effect of changes in accounting principles	\$ 3.93	\$ 3.53	\$ 2.97	\$ 2.86
Cumulative effect of changes in accounting principles	<u>-</u>	<u>-</u>	<u>(0.03)</u>	<u>(0.03)</u>
Income for the year	<u>\$ 3.93</u>	<u>\$ 3.53</u>	<u>\$ 2.94</u>	<u>\$ 2.83</u>
Diluted EPS (NT\$)				
Income before cumulative effect of change in accounting principles	\$ 3.92	\$ 3.52	\$ 2.95	\$ 2.84
Cumulative effect of changes in accounting principles	<u>-</u>	<u>-</u>	<u>(0.03)</u>	<u>(0.03)</u>
Income for the year	<u>\$ 3.92</u>	<u>\$ 3.52</u>	<u>\$ 2.92</u>	<u>\$ 2.81</u>

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

	<u>Amounts (Numerator)</u>		<u>Share (Denominator) (in Thousands)</u>	<u>EPS (Dollars)</u>	
	<u>Before Income Tax</u>	<u>After Income Tax</u>		<u>Before Income Tax</u>	<u>After Income Tax</u>
<u>2007</u>					
Net income	<u>\$ 2,296,482</u>	<u>\$ 2,061,502</u>			
Basic EPS					
Income of common shareholders	\$ 2,296,482	\$ 2,061,502	584,195	<u>\$ 3.93</u>	<u>\$ 3.53</u>
Effect of dilutive securities					
Stock options	<u>-</u>	<u>-</u>	<u>1,753</u>		
Diluted EPS					
Income of common and potential common shareholders	<u>\$ 2,296,482</u>	<u>\$ 2,061,502</u>	<u>585,948</u>	<u>\$ 3.92</u>	<u>\$ 3.52</u>
<u>2006</u>					
Net income	<u>\$ 3,086,974</u>	<u>\$ 2,972,695</u>			
Basic EPS					
Income of common shareholders	\$ 3,086,974	\$ 2,972,695	1,051,075	<u>\$ 2.94</u>	<u>\$ 2.83</u>
Effect of dilutive securities					
Stock options	<u>-</u>	<u>-</u>	<u>5,027</u>		
Diluted EPS					
Income of common and potential common shareholders	<u>\$ 3,086,974</u>	<u>\$ 2,972,695</u>	<u>1,056,102</u>	<u>\$ 2.92</u>	<u>\$ 2.81</u>

The weighted-average number of shares outstanding for EPS calculation was adjusted retroactively for stock dividends and stock bonuses issued subsequently (see Note 15). As a result of this adjustment, the basic EPS and diluted EPS after income tax in 2006 decreased from NT\$2.94 to NT\$2.83 and from NT\$2.92 to NT\$2.81, respectively.

20. FINANCIAL INSTRUMENTS

- a. Fair values of financial instruments were as follows:

	2007		2006	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<u>Nonderivative instruments</u>				
Assets				
Financial assets at fair value through profit or loss (current and non-current portion)	\$ 167,676	\$ 167,676	\$ 342,633	\$ 342,633
Available-for-sale financial assets (current and non-current portion)	1,110,717	1,110,717	3,693,164	3,693,164
Financial assets carried at cost	35,556	-	97,826	-
<u>Derivative instruments</u>				
Assets				
Financial assets for trading	-	-	519	519
Liability				
Financial liabilities for trading	2,222	2,222	-	-

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

- b. Methods and assumptions used in determining fair values of financial assets and liabilities, based on quoted market prices or valuation techniques, were as follows:
- 1) For cash, notes and accounts receivable, other receivables, short-term bank loans, and notes and accounts payable, the carrying amounts reported in the balance sheets approximate their fair values because of their short maturities.
 - 2) Fair values of financial assets at fair value through profit or loss and available-for-sale financial assets are based on their quoted prices in active markets. For those instruments not traded in active markets, their fair values are determined using valuation techniques incorporating estimates and assumptions that are consistent with prevailing market conditions.
 - 3) Financial assets carried at cost had no quoted prices in an active market and their fair value could not be reliably measured.
- c. Gain and loss recognized for the changes in fair value of financial instruments using valuation techniques were \$15,299 thousand and 3,012 thousand for the years ended December 31, 2007 and 2006.
- d. As of December 31, 2007 and 2006, financial assets exposed to cash flow interest rate risk were \$378,385 thousand and \$811,182 thousand, respectively; financial assets exposed to fair value interest rate risk were \$468,038 thousand and \$2,729,893 thousand, respectively. As of December 31, 2007 and 2006, financial liabilities exposed to fair value interest rate risk were \$500,000 thousand and \$277,057 thousand, respectively.

e. Interest income arising from the financial assets other than the financial assets at fair value through profit or loss for the years ended December 31, 2007 and 2006 were \$25,007 thousand and \$66,110 thousand, respectively; interest expense arising from the financial assets other than the financial assets at fair value through profit or loss for the years ended December 31, 2007 and 2006 were \$16,447 thousand and \$16,395 thousand, respectively.

f. Financial risks

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

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

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

- 2) Credit risk. The Company will incur a loss if the counter-parties or third-parties breach the contracts, which are affected by such factors as the concentrations of counter parties, components of financial instruments, contract amounts, and the receivables on the contracts. Thus, contracts with positive fair values on the balance sheet date are evaluated for credit risk. As of December 31, 2007 and 2006, credit risks of the financial assets, except those approximate to their carrying values, were as follows:

	<u>2007</u>		<u>2006</u>	
	<u>Carrying Amount</u>	<u>Credit Risk</u>	<u>Carrying Amount</u>	<u>Credit Risk</u>
Held-for-trading financial assets				
Forward exchange contracts	\$ -	\$ -	\$ 519	\$ 519
Financial assets designated at fair value through profit or loss				
CLNs	-	-	192,997	192,997
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 193,516</u>	<u>\$ 193,516</u>

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

21. RELATED-PARTY TRANSACTIONS

The Company's related parties were as follows:

- Global View Co., Ltd. ("Global View") - the Company's supervisor
- Giantplus Technology Co., Ltd. ("Giantplus") - equity-method investee
- Waveplus Technology Co., Ltd. ("Waveplus") - equity-method investee
- Sunext Technology Co., Ltd. ("Sunext") - equity-method investee
- Generalplus Technology Inc. ("Generalplus") - equity-method investee
- Coolsand Technologies SARL ("Coolsand") - equity-method investee of Russell Holding Ltd.
- Lin Shin Technology Co., Ltd. ("Lin Shin") - equity-method investee of Russell Holding Ltd.
- Kunshan Giantplus Optoelectronics Technology Co., Ltd. ("Kunshan Giantplus") - 100% indirect Subsidiary of Generalplus
- Sunplus Core Technology Co., Ltd ("Sunplus Core") - 58% subsidiary
- Sunplus Innovation Technology Inc. ("Sunplus Innovation") - 91% subsidiary

- k. Sunplus mMobile Inc. ("Sunplus mMobile") - 91% subsidiary
- l. Sunplus Technology (H.K.) Co., Ltd. ("Sunplus H.K.") - 100% subsidiary
- m. Orise Technology Co., Ltd. ("Orise") - 57% subsidiary
- n. Sunplus mMedia Inc. ("Sunplus mMedia") - 87% indirect subsidiary
- o. Sunplus Technology (Shanghai) Co., Ltd. ("Sunplus Shanghai") - 99% indirect subsidiary
- p. Others - please refer to Note 25 for related parties that did not have business transactions with the Company in the current period.

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

	Years Ended December 31			
	2007		2006	
	Amount	%	Amount	%
Sales:				
Coolsand	\$ 117,049	1	\$ -	-
Orise	59,084	1	39,742	-
Generalplus	47,290	1	193,553	1
Sunplus mMedia	26,306	-	-	-
Sunplus Innovation	24,954	-	911	-
Sunext	22,184	-	22,258	-
Sunplus mMobile	8,267	-	2,339	-
Lin Shih	3,954	-	2,380	-
Waveplus	6,623	-	7,808	-
Giantplus	-	-	29,289	-
Kunshan Giantplus	-	-	18,249	-
Global View	-	-	5,135	-
	<u>\$ 315,711</u>	<u>3</u>	<u>\$ 321,664</u>	<u>1</u>

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

	2007		2006	
	Amount	%	Amount	%
Operating expense - market services expense and others:				
Sunplus H.K.	\$ -	-	\$ 8,265	-
Orise	-	-	15	-
	<u>\$ -</u>	<u>-</u>	<u>\$ 8,280</u>	<u>-</u>
	2007		2006	
	Amount	%	Amount	%
Nonoperating income and gains				
Sunplus mMobile	\$ 136,348	12	\$ 22,330	33
Sunplus mMedia	129,751	12	-	-
Sunplus Innovation	16,963	2	8,806	13
Orise	14,892	1	-	-
Generalplus	10,350	1	-	-
Sunext	8,329	1	4,395	6
Sunplus Core	4,695	-	-	-
Giantplus	2,964	-	-	-
Lin Shin	572	-	16	-
Coolsand	36	-	-	-
Global View	-	-	241	-
	<u>\$ 324,900</u>	<u>29</u>	<u>\$ 35,788</u>	<u>52</u>

Nonoperating income and gains included rental income and support transaction prices that were negotiated and thus not comparable with those in the market. The Company leased sections of a to Sunplus mMobile, Sunplus mMedia and Sunplus Core and transferred the book value of these leased sections to assets leased

to others; this book value was based on the ratio of the area of the leased sections to the total area of the building.

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

December 31				
	2007		2006	
	Amount	%	Amount	%
Notes and accounts receivable:				
Coolsand	\$ 28,932	2	\$ -	-
Orise	11,554	1	11,977	1
Generalplus	4,152	-	5,071	-
Sunplus mMedia	3,572	-	-	-
Lin Shin	1,019	-	2,499	-
Sunplus Innovation	803	-	967	-
Sunplus mMobile	9	-	2,472	-
Waveplus	-	-	313	-
Sunext	-	-	75	-
Global View	-	-	12	-
	<u>\$ 50,041</u>	<u>3</u>	<u>\$ 23,386</u>	<u>1</u>
Other receivables				
Sunplus mMedia	\$ 13,500	8	\$ -	-
Sunplus mMobile	7,407	4	22,330	10
Sunext	4,546	3	295	-
Orise	3,355	2	-	-
Sunplus Innovation	1,708	1	8,806	4
Sunplus Core	1,255	1	-	-
Generalplus	499	-	-	-
Lin Shih	103	-	16	-
Giantplus	8	-	-	-
Goldkey	-	-	19,702	9
	<u>\$ 32,381</u>	<u>19</u>	<u>\$ 51,149</u>	<u>23</u>
December 31				
	2007		2006	
	Amount	%	Amount	%
Other current liabilities:				
Waveplus	\$ -	-	\$ 73,500	8
Deferred royalty income (including current and non-current portion)				
Sunext	\$ 22,917	90	\$ 45,088	100
Orise	2,381	9	-	-
	<u>\$ 25,298</u>	<u>99</u>	<u>\$ 45,088</u>	<u>100</u>
Years Ended December 31				
	2007		2006	
	Amount	%	Amount	%
Endorsement/guarantee provided:				
Sunext	\$ 760,000		\$ 588,103	
Sunplus mMedia	479,443		-	
Sunplus Shanghai	329,825		164,950	
Sunplus Innovation	323,550		147,510	
Sunplus mMobile	80,887		622,820	
Waveplus	20,000		20,000	
Orise	-		684,910	
	<u>\$ 1,993,705</u>		<u>\$ 2,228,293</u>	

	Years Ended December 31			
	2007		2006	
	Amount	%	Amount	%
Properties and intangible assets:				
Proceeds of the disposal of properties:				
Sunplus mMedia	\$ 2,972	48	\$ -	-
Sunplus Innovation	952	16	-	-
Sunplus Core	743	12	-	-
Generalplus	524	9	331	-
Orise	291	5	1,027	-
Sunplus mMobile	<u>253</u>	<u>4</u>	<u>16</u>	<u>-</u>
	<u>\$ 5,735</u>	<u>94</u>	<u>\$ 1,374</u>	<u>-</u>
Acquisition of intangible assets:				
Waveplus	<u>\$ -</u>	<u>-</u>	<u>\$ 73,500</u>	<u>12</u>

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

22. SIGNIFICANT LONG-TERM OPERATING LEASES

The Company leases land from the Science-Based Industrial Park Administration under renewable agreements expiring in July 2015, December 2020 and 2021, with annual rentals aggregating \$7,862 thousand.

Future annual minimum rentals under the leases are as follows:

Year	
2008	\$
2009	
2010	
2011	
2012	
2013 and thereafter	-
	<u>\$</u>

23. GAIN ON SETTLEMENT COMPENSATION

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

24. SPIN-OFF

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

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

	Orise	Sunplus Innovation	Sunplus mMobile	Total Amount
<u>Assets</u>				
Cash	\$	\$	\$	\$
Accounts receivable, net				
Inventories				
Other current assets				
Properties, net				
Intangible assets, net	—	—	—	—
	—	—	—	—
<u>Liabilities</u>				
Accounts payable				
Other current liabilities				
Accrued pension liability				
Guarantee deposits	—	—	—	—
	—	—	—	—
Net assets	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

The sales, cost of sales, gross profit, operating income, net income and earnings per share of the spun-off department in the periods ended December 31, 2006 as follows:

	Orise	Sunplus Innovation	Sunplus mMobile	Total Amount
Net sales	\$	\$	\$	\$
Cost of sales	—	—	—	—
Gross profit	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Operating income	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Net income	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Basic earnings per share (EPS)	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

In April 2007, Sunplus mMobile spun off its personal entertainment BU to establish a subsidiary, Sunplus mMedia Inc. ("Sunplus mMedia"). The carrying value of this department was \$1,050,000 thousand, and Sunplus mMobile exchanged this department for 75,000 thousand of Sunplus mMedia's newly issued shares at NT\$14.00 per share. The Company, which directly and indirectly owns 91% of Sunplus mMobile and 87% of Sunplus mMedia respectively as of December 31, 2007.

25. ADDITIONAL DISCLOSURES

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

- Endorsement/guarantee provided: Table 1 (attached)
- Marketable securities held: Table 2 (attached)
- 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)
- 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)
- Receivable from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 5 (attached)

- f. Names, locations, and related information of investees on which the Company exercises significant influences: Table 6 (attached)
- g. Forward exchange contracts of investee company: Table 7 (attached)
- h. Investment in Mainland China: Table 8 (attached)

26. SEGMENT INFORMATION

- a. Industry: Not applicable.
- b. Geographic information: Not applicable.
- c. Export sales:

Area	2007	2006
Southeast Asia	\$ 8,015,173	\$ 13,758,310
America	739,950	103,565
Northeast Asia	38,091	287,260
Others	<u>13,728</u>	<u>230,884</u>
	<u>\$ 8,806,942</u>	<u>\$ 14,380,019</u>

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

Customer	2007		2006	
	Amount	%	Amount	%
A	\$ 3,071,671	33	\$ 3,249,984	19
B	2,308,230	25	3,008,560	18

TABLE 1

SUNPLUS TECHNOLOGY COMPANY LIMITED
ENDORSEMENT/GUARANTEE PROVIDED
YEAR ENDED DECEMBER 31, 2007
(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 Year	Ending Balance	Value of Collateral Property, Plant, or Equipment	Percentage of Accumulated Collateral to Net Equity of the Latest Financial Statement	Maximum Collateral/Guarantee Amounts Allowable
		Name	Nature of Relationship						
0	Sunplus Technology Company Limited	Sunplus mMobile Inc.	91% subsidiary	\$ 1,288,312 (Note 1)	\$ 622,820	\$ 80,887	\$ -	0.63%	\$ 2,576,625 (Note 2)
		Sunext Technology CO., Ltd.	Equity-method investee	1,288,312 (Note 1)	780,000	760,000	-	5.90%	2,576,625 (Note 2)
		Sunplus Technology (Shanghai) Co., Ltd.	99% indirect subsidiary	1,288,312 (Note 1)	329,825	329,825	-	2.56%	2,576,625 (Note 2)
		Sunplus Innovation Technology Inc.	91% subsidiary	1,288,312 (Note 1)	323,550	323,550	-	2.51%	2,576,625 (Note 2)
		Sunplus mMedia Inc.	87% indirect subsidiary	1,288,312 (Note 1)	479,443	479,443	-	3.72%	2,576,625 (Note 2)
		Waveplus Technology Co., Ltd.	Equity-method investee	1,288,312 (Note 1)	20,000	20,000	-	0.16%	2,576,625 (Note 2)
		Orise Technology Co., Ltd.	57% subsidiary	1,288,312 (Note 1)	684,910	-	-	-	2,576,625 (Note 2)

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

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

Holding Company	Type and Issuer/Name of Marketable Security	Relationship with the Holding Company	Financial Statement Account	December 31, 2007			Note
				Shares or Units (Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value
Sunplus mMobile Inc.	NITC Taiwan Bond Fund	-	Available-for-sale financial assets	6,731	\$ 96,369	-	\$ 96,369
	Funbon Ju-I	-	Available-for-sale financial assets	6,334	78,703	-	78,703
	IBT 1699 Bond Fund	-	Available-for-sale financial assets	5,166	65,080	-	65,080
	Prudential Well Poll Fund	-	Available-for-sale financial assets	262	3,329	-	3,329
	Tashin Lucky Fund	-	Available-for-sale financial assets	1,731	18,046	-	18,046
	Prudential Financial Bond Fund	-	Available-for-sale financial assets	6,955	103,256	-	103,256
	ING CHB Taiwan Bond	-	Available-for-sale financial assets	1,834	28,078	-	28,078
	Sunplus mMedia Inc.	Equity-method investee	Equity-method investment	75,000	1,157,851	91	1,157,851
	Prudential Financial Bond Fund	-	Available-for-sale financial assets	5	76	-	76
	IBT Ta-Chong Bond Fund	-	Available-for-sale financial assets	1	7	-	7
Sunplus mMedia Inc.	Ta Chong bond	-	Available-for-sale financial assets	19,442	257,316	-	257,316
	Prudential Financial Bond Fund	-	Available-for-sale financial assets	2,668	39,604	-	39,604
	Polaris Di-Po Fund	-	Available-for-sale financial assets	4,892	55,109	-	55,109
Lin Shih Investment Co., Ltd.	<u>Stock</u>						
	Goldkey Technology Corp.	Equity-method investee	Equity-method investment	2,666	20,228	17	20,228
	Waveplus Technology Co., Ltd.	Equity-method investee	Equity-method investment	174	8,990	17	8,990
	Sunext Technology Co., Ltd.	Equity-method investee	Equity-method investment	17,332	(135,759)	22	(135,759)
	Generalplus Technology Inc.	Equity-method investee	Equity-method investment	10,544	209,012	20	209,012
	Sunplus Core Technology Co., Ltd.	Equity-method investee	Equity-method investment	2,000	15,972	21	15,972
	Sunplus mMobile Inc.	Equity-method investee	Equity-method investment	4,707	58,548	4	58,548
	Sunplus mMedia Inc.	Equity-method investee	Equity-method investment	1,225	17,773	1	17,773
	Sunplus Innovation Technology Inc.	Equity-method investee	Equity-method investment	406	5,810	2	5,810
	Sunplus Technology Company Limited	Parent company	Available-for-sale financial assets	3,390	164,780	-	164,780
	Ability Enterprise Co., Ltd.	-	Available-for-sale financial assets	4,870	261,546	1	261,546
	RITEK Corp.	-	Available-for-sale financial assets	833	6,416	-	6,416
	Elite Advanced Laser Corp.	-	Available-for-sale financial assets	1,057	26,959	1	26,959
	AIPTEK International Inc.	-	Available-for-sale financial assets	192	3,819	-	3,819
	Taiwan Nano Electro-Optical Technology Co., Ltd.	-	Available-for-sale financial assets	926	25,640	1	25,640
	Radiant Innovation Inc.	-	Available-for-sale financial assets	1,656	49,680	8	49,680
	Minton Optic Industry Co., Ltd.	-	Financial assets carried at cost	4,272	79,643	7	79,643
	NCTU Spring Venture Capital Co., Ltd.	-	Financial assets carried at cost	2,000	-	6	-
	GemFor Tech. Co., Ltd.	-	Financial assets carried at cost	831	10,685	6	10,685
	MaxEmil Photonics Corporation	-	Financial assets carried at cost	426	8,273	2	8,273
	WayTech Development Inc.	-	Financial assets carried at cost	1,500	15,000	5	15,000
	Miracle Technology Co., Ltd.	-	Financial assets carried at cost	1,295	13,940	9	13,940
	Socle Technology Corp.	-	Financial assets carried at cost	250	6,250	-	6,250
	Glokie Technology Corp.	-	Financial assets carried at cost	2,300	23,000	14	23,000
	Genius Vision Digital Co., Ltd.	-	Financial assets carried at cost	600	6,000	19	6,000
	Lingri Technology Co., Ltd.	-	Financial assets carried at cost	304	3,040	19	3,040

(Continued)

Holding Company	Type and Issuer/Name of Marketable Security	Relationship with the Holding Company	Financial Statement Account	December 31, 2007			Note
				Shares or Units (Thousands)	Carrying Value	Percentage of Ownership	
Russell Holdings Limited	Stock Jet Focus Limited	Equity-method investee	Equity-method investment	4,794	US\$ (350) thousand	44	US\$ (350) thousand Note 1
	Synerchip Co., Ltd.	Equity-method investee	Equity-method investment	3,412	US\$ 1,391 thousand	24	US\$ 1,391 thousand Note 1
	Shang-Hai Fudan Microelectronics Company Limited	-	Available-for-sale financial assets	7,280	US\$ 980 thousand	-	US\$ 980 thousand Note 3
	InveStar Excelsus Venture Capital (Int'l), Inc., LDC	-	Financial assets carried at cost	-	US\$ - thousand	-	US\$ - thousand Note 2
	OZ Optics Ltd.	-	Financial assets carried at cost	1,000	US\$ 500 thousand	8	US\$ 500 thousand Note 2
	Aicent, Inc.	-	Financial assets carried at cost	1,000	US\$ 500 thousand	2	US\$ 500 thousand Note 2
	Ortega InfoSystem, Inc.	-	Financial assets carried at cost	2,557	US\$ 1,000 thousand	-	US\$ 1,000 thousand Note 2
	Asia B2B on line Inc.	-	Financial assets carried at cost	1,000	US\$ - thousand	3	US\$ - thousand Note 2
	Asia Tech Taiwan Venture Fund	-	Financial assets carried at cost	-	US\$ 3,000 thousand	5	US\$ 3,000 thousand Note 2
	Ether Precision Inc.	-	Financial assets carried at cost	1,250	US\$ 500 thousand	3	US\$ 500 thousand Note 2
	Innobridge Venture Fund ILP	-	Financial assets carried at cost	-	US\$ 1,200 thousand	-	US\$ 1,200 thousand Note 2
	Visualon Inc.	-	Financial assets carried at cost	377	US\$ 200 thousand	2	US\$ 200 thousand Note 2
	Azalea Networks Inc.	-	Financial assets carried at cost	250	US\$ 250 thousand	1	US\$ 250 thousand Note 2
Sunplus Venture Capital Co., Ltd.	Stock						
	Joining Technology Co., Ltd.	Equity-method investee	Equity-method investment	3,400	\$ -	39	\$ - Note 1
	Waveplus Technology Co., Ltd.	Equity-method investee	Equity-method investment	129	6,666	13	6,666 Note 1
	Sunext Technology Co., Ltd.	Equity-method investee	Other current liabilities	16,000	(125,355)	20	(125,355) Notes 1 and 4
	Han Young Technology Co., Ltd.	Equity-method investee	Equity-method investment	420	1,780	70	1,780 Note 1
	Generalplus Technology Inc.	Equity-method investee	Equity-method investment	2,433	48,205	5	48,205 Note 1
	Orise Technology Co., Ltd.	Equity-method investee	Equity-method investment	824	13,954	1	13,954 Note 1
	Sunplus Core Technology Co., Ltd.	Equity-method investee	Equity-method investment	2,000	15,972	21	15,972 Note 1
	Sunplus mMobile Inc.	Equity-method investee	Equity-method investment	142	1,211	-	1,211 Note 1
	Taiwan Nano Electro-Optical Technology Co., Ltd.	-	Available-for-sale financial assets	3,994	110,622	2	110,622 Note 3
	King Yuan Electronics Co., Ltd.	-	Available-for-sale financial assets	2,319	36,639	-	36,639 Note 3
	AIPTeK International Inc.	-	Available-for-sale financial assets	1,132	22,478	1	22,478 Note 3
	Ability Enterprise Co., Ltd.	-	Available-for-sale financial assets	3,494	187,654	1	187,654 Note 3
	Radiant Innovation Inc.	-	Available-for-sale financial assets	791	23,722	4	23,722 Note 2
	Elite Advanced Laser Corp.	-	Available-for-sale financial assets	161	4,117	-	4,117 Note 3
	VenGlobal International Fund	-	Financial assets carried at cost	1	-	3	- Note 2
	eWave System, Inc.	-	Financial assets carried at cost	1,833	-	22	- Note 2
	Softchina Venture Capital Corp.	-	Financial assets carried at cost	407	-	8	- Note 2
	Information Technology Total Services	-	Financial assets carried at cost	51	-	-	- Note 2

(Continued)

Holding Company	Type and Issuer/Name of Marketable Security	Relationship with the Holding Company	Financial Statement Account	December 31, 2007			Note
				Shares or Units (Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value
Generalplus Technology Inc.	Book4u Company Limited Simple Act Inc. Cyberon Corporation WayTech Development Inc. Miracle Technology Co., Ltd. Feature Integration Technology Inc. Chiabon Venture Capital Co., Ltd. Socle Technology Corp. MaxEmil Photonics Corp. Smec Media & Entertainment Corp. Minton Optic Industry Co., Ltd. Capella Micro System, Inc.	-	Financial assets carried at cost Financial assets carried at cost Financial assets carried at cost Financial assets carried at cost Financial assets carried at cost Financial assets carried at cost Financial assets carried at cost Financial assets carried at cost Financial assets carried at cost Financial assets carried at cost Financial assets carried at cost Financial assets carried at cost Financial assets carried at cost	9	\$ -	-	\$ -
				1,900	19,000	10	19,000
				975	13,691	19	13,691
				1,000	10,000	4	10,000
				1,303	14,025	9	14,025
				3,350	43,889	12	43,889
				5,000	50,000	5	50,000
				550	13,750	2	13,750
				419	12,485	2	12,485
				2,000	20,000	7	20,000
				5,000	75,000	8	75,000
				630	9,450	3	9,450
				1,090	11,247	100	11,247
Generalplus International (Samoa) Inc.	Subsidiary of Generalplus Technology Inc.	Equity-method investment	Equity-method investment	1,090	US\$ 351 thousand	100	US\$ 351 thousand
				700	US\$ 159 thousand	100	US\$ 159 thousand
Generalplus (Mauritius) Inc.	Subsidiary of Generalplus Technology (Shenzhen) Co., Ltd.	Equity-method investment	Equity-method investment	390	US\$ 192 thousand	100	US\$ 192 thousand
				1,750	37,080	100	37,080
Sunext Technology Co., Ltd.	Subsidiary of Sunext Technology Co., Ltd.	Equity-method investment	Equity-method investment	-	US\$ 932 thousand	100	US\$ 932 thousand
				-	US\$ 211 thousand	100	US\$ 211 thousand
Great Sun Corp.	Subsidiary of Great Sun Corp.	Equity-method investment	Equity-method investment	-	US\$ 211 thousand	100	US\$ 211 thousand
				-	US\$ 211 thousand	100	US\$ 211 thousand
Sunext Mauritius Inc.	Subsidiary of Sunext Technology (Shanghai) Co., Ltd.	Equity-method investment	Equity-method investment	-	US\$ 211 thousand	100	US\$ 211 thousand
				-	US\$ 211 thousand	100	US\$ 211 thousand
Waveplus Technology Co., Ltd.	Subsidiary of Waveplus Technology Co., Ltd.	Equity-method investment	Equity-method investment	-	US\$ 211 thousand	100	US\$ 211 thousand
				-	US\$ 211 thousand	100	US\$ 211 thousand
Waveplus Holding Ltd.	Subsidiary of Waveplus Holding Ltd.	Equity-method investment	Equity-method investment	-	US\$ 63 thousand	100	US\$ 63 thousand
				-	US\$ 63 thousand	100	US\$ 63 thousand

(Continued)

Holding Company	Type and Issuer/Name of Marketable Security	Relationship with the Holding Company	Financial Statement Account	December 31, 2007				Note
				Shares or Units (Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
Global Techplus Capital Inc.	<u>Stock</u> Techplus Capital Samoa Inc.	Subsidiary of Global Techplus Capital Inc.	Equity-method investment	-	US\$ 146 thousand	100	US\$ 146 thousand	Note 1
Techplus Capital Samoa Inc.	Techplus Belize Inc.	-	Financial assets carried at cost	-	US\$ 150 thousand	4	US\$ 150 thousand	Note 2
Ventureplus Group Inc.	<u>Stock</u> Ventureplus Mauritius Inc.	Subsidiary of Ventureplus Group Inc.	Equity-method investment	-	US\$ 10,789 thousand	100	US\$ 10,789 thousand	Note 1
Ventureplus Mauritius Inc.	<u>Stock</u> Ventureplus Cayman Inc.	Subsidiary of Ventureplus Mauritius Inc.	Equity-method investment	-	US\$ 10,793 thousand	100	US\$ 10,793 thousand	Note 1
Ventureplus Cayman Inc.	<u>Stock</u> Sunplus Technology (Shanghai) Co., Ltd.	Subsidiary of Ventureplus Cayman Inc.	Equity-method investment	-	US\$ 8,531 thousand	99	US\$ 8,531 thousand	Note 1
	Sunplus Pro-tek Technology (Shenzhen) Co., Ltd.	Subsidiary of Ventureplus Cayman Inc.	Equity-method investment	-	US\$ 2,249 thousand	100	US\$ 2,249 thousand	Note 1
Wei-Young Investment Inc.	UNIWILL Co., Ltd.	-	Available-for-sale financial assets	500	6,800	-	6,800	Note 3

Note 1: The net asset value was based on audit financial data.

Note 2: The market value is based on carrying value as of December 31, 2007.

Note 3: The market value is based on the closing price as of December 31, 2007.

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

Note 5: The investment carrying value excluded the carrying value of \$63,401 thousand of the shares of Sunplus Technology Company Limited held by its subsidiary.

Note 6: The market value was based on the net asset value of fund as of December 31, 2007.

Note 7: As of December 31, 2007, the above marketable securities, except the carrying value \$146,016 of the Sunplus Technology Company Limited holding by Lin Shih Investment Co., Ltd., had not been pledged or mortgaged.
(Concluded)

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, 2007
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Type and Issuer/Name of Marketable Security	Financial Statement Account	Beginning Balance		Acquisition		Disposal			Ending Balance		
			Units (Thousand \$)	Amount	Units (Thousand \$)	Amount	Units (Thousand \$)	Amount	Carrying Value	Gain (Loss) on Disposal	Units (Thousand \$)	Amount (Note)
Sunplus Technology Company Limited	Prudential Financial Bond Fund Jan-Ho Taiwan Bond Fund NITC Bond Tasihin Lucky Fund President James Bond Ta Chong Bond Cathay Bond Jin Sun Bond Fund Dresdner Bond DAM Fund Fuhwa currency Fund Truswell Bond Fund Fuhwa Apex Bond Fund IBT 1699 Bond Fund ABN AMRO Tainan Bond Fund TLAM Solomon Bond Fund Polaris Di-Po Fund Alpha Imaging Technology Corporation	Available-for-sale financial assets	\$ 10,948	\$ 160,000	\$ 68,402	\$1,007,000	\$ 79,350	\$1,169,428	\$1,167,000	\$ 2,428	\$ -	-
		Available-for-sale financial assets	32,366	456,000	24,869	353,000	57,235	811,823	809,000	2,823	-	-
		Available-for-sale financial assets	-	-	3,260	542,000	1,764	294,459	292,000	2,459	1,496	250,000 Note 1
		Available-for-sale financial assets	12,188	125,000	158,729	1,639,800	140,693	1,452,550	1,449,800	2,750	30,224	315,000 Note 1
		Available-for-sale financial assets	10,371	160,000	80,382	1,245,000	90,753	1,407,493	1,405,000	2,493	-	-
		Available-for-sale financial assets	40,236	524,000	74,858	983,400	115,094	1,551,739	1,507,400	4,339	-	-
		Available-for-sale financial assets	46,226	533,000	42,882	496,000	89,108	1,030,489	1,029,000	1,489	-	-
		Available-for-sale financial assets	-	-	18,553	255,000	18,553	255,593	255,000	593	-	-
		Available-for-sale financial assets	-	-	14,939	174,600	14,939	175,706	174,600	1,106	-	-
		Available-for-sale financial assets	-	-	12,881	130,000	12,881	130,399	130,000	399	-	-
		Available-for-sale financial assets	20,799	265,000	1,568	20,000	22,367	285,627	285,000	627	-	-
		Available-for-sale financial assets	-	-	34,946	413,000	34,946	413,213	413,000	213	-	-
		Available-for-sale financial assets	-	-	23,111	290,000	23,111	290,322	290,000	322	-	-
		Available-for-sale financial assets	37,626	567,000	-	-	37,626	568,893	567,000	1,893	-	-
Orise Technology Co., Ltd.	Cathay Soaring Eagle Bond Fund Jih Sun Bond President Bond Fund NITC Bond Prudential Financial Bond Fund Tesihi Bond NITC Taiwan Bond Fund Cathay Bond Fubon Jin-Ju-I Fund Fubon Lucky Fund Ta Chong Bond IBT 1699 Bond Fund	Available-for-sale financial assets	19,895	232,000	8,993	105,000	28,888	337,932	337,000	932	-	-
		Available-for-sale financial assets	-	-	12,641	142,000	12,641	142,359	142,000	359	-	-
		Financial assets carried at cost	2,658	32,993	128	-	2,786	402,800	32,933	369,807	-	-
		Available-for-sale financial assets	3,694	40,032	22,782	248,000	26,476	288,879	288,000	879	-	-
		Available-for-sale financial assets	-	-	40,299	553,592	35,268	485,093	484,000	1,093	5,031	69,606 Note 1
		Available-for-sale financial assets	-	-	35,767	557,760	25,699	401,077	399,998	1,079	10,068	157,799 Note 1
		Available-for-sale financial assets	243	40,030	2,585	429,343	2,414	400,757	400,000	757	415	69,358 Note 1
		Available-for-sale financial assets	2,191	32,020	36,481	538,234	31,716	468,023	467,000	1,023	6,956	103,256 Note 1
		Available-for-sale financial assets	-	-	16,449	170,042	14,718	152,319	152,000	319	1,731	18,046 Note 1
		Available-for-sale financial assets	-	-	31,347	445,347	24,616	349,905	349,000	905	6,731	96,369 Note 1
		Available-for-sale financial assets	2,604	30,024	19,969	232,007	20,638	239,891	239,362	529	1,935	22,650 Note 1
		Available-for-sale financial assets	-	-	33,711	417,163	27,377	339,178	338,477	701	6,334	78,703 Note 1
		Available-for-sale financial assets	-	-	13,024	190,000	13,024	190,474	190,000	474	-	-
		Available-for-sale financial assets	-	-	10,039	132,000	10,039	132,418	132,000	418	-	-
Available-for-sale financial assets	-	-	10,332	130,065	5,166	65,065	65,000	65	5,166	65,080 Note 1		
Sunplus Innovation Technology Inc.	Dresdner Bond DAM Fund	Available-for-sale financial assets	-	-	17,302	202,000	17,302	202,000	202,239	239	-	-
Generalplus Technology Inc.	President James Bond IIT Wan Pao	Available-for-sale financial assets	-	-	12,644	196,000	12,644	196,871	196,000	871	-	-
		Available-for-sale financial assets	-	-	8,593	136,000	8,593	136,776	136,000	776	-	-

(Continued)

Company Name	Type and Issuer/Name of Marketable Security	Financial Statement Account	Beginning Balance		Acquisition		Disposal			Ending Balance		
			Units (Thousand \$)	Amount	Units (Thousand \$)	Amount	Units (Thousand \$)	Amount	Carrying Value	Gain (Loss) on Disposal	Units (Thousand \$)	Amount (Note)
Sunplus mMobile Inc.	Sunplus mMedia Inc.	Equity-method investee	-	-	75,000	1,050,000	-	-	-	-	75,000	1,157,851 Note 2
	Prudential Financial Bond Fund	Available-for-sale financial assets	-	-	25,393	373,000	25,388	373,182	372,942	258	5	76
	Ta Chong Bond	Available-for-sale financial assets	-	\$	12,784	\$ 167,000	12,783	\$ 167,323	\$ 166,993	\$ 330	1	\$ 7
	ING Bond Fund	Available-for-sale financial assets	-	-	10,069	152,000	10,069	152,189	152,000	189	-	-
Sunplus mMedia Inc.	Ta Chong Bond	Available-for-sale financial assets	-	-	59,394	781,855	39,952	525,896	525,355	541	19,442	257,316 Note 1
	Prudential Financial Bond Fund	Available-for-sale financial assets	-	-	13,651	201,500	10,983	162,242	162,000	242	2,668	39,604 Note 1

Note: Includes the equity-method investment income and the valuation gains (losses) on financial assets. (Concluded)

TABLE 4
SUNPLUS TECHNOLOGY COMPANY LIMITED
TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
YEAR ENDED DECEMBER 31, 2007
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Nature of Relationship	Transaction Details			Abnormal Transaction		Note/Account Payable or Receivable		Note
			Purchase/Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	
Sunplus Technology Company Limited	Coolsand Co.	An equity-method investee of Russell Holding Limited	Sale	\$ 117,049	1	Note 21	Note 21	Note 21	\$ 28,932	2
Orise Technology Co., Ltd.	AU Optronics (Labuan) Corporation	Subsidiary of AU Optronics Corp.	Sale	1,307,777	33	Net 120 days from monthly closing dates in principle.	Note	Note	774,862	56
	Au Optronics Corporation	An equity-method investor of Orise Technology Co., Ltd.	Sale	334,850	8	Net 120 days from monthly closing dates in principle.	Note	Note	88,347	7
	Kunshan Giantplus Optoelectronics Technology Co., Ltd.	Subsidiary of Giantplus Technology Co., Ltd.	Sale	339,069	9	Net 45 days from monthly closing dates in principle.	Note	Note	114,788	8

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

TABLE 5
SUNPLUS TECHNOLOGY COMPANY LIMITED
RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
YEAR ENDED DECEMBER 31, 2007
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts and Sales Discounts
					Amount	Action Taken		
Orise Technology Co., Ltd.	AU Optronics (Labuan) Corporation	Subsidiary of AU Optronics Corp.	\$ 774,862	1.85	\$ 3,876	-	\$ 2,943	\$ 288
	Kunshan Giantplus Optoelectronics Technology, Co., Ltd.	Subsidiary of Giantplus Technology Co., Ltd.	114,788	3.56	-	-	-	-

TABLE 6
SUNPLUS TECHNOLOGY COMPANY LIMITED
NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCES
YEAR ENDED DECEMBER 31, 2007
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2007			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				December 31, 2007	December 31, 2006	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	\$ 881,314	\$ 645,334	76,317	32	\$1,171,730	\$ 584,336	\$ 184,805	Investee
	Sunplus mMobile Inc.	Hsinchu, Taiwan	Design of ICs	1,680,000	1,680,000	120,000	91	989,985	(722,382)	(703,851)	Subsidiary
	Sunplus Innovation Technology Inc.	Hsinchu, Taiwan	Design of ICs	308,000	308,000	22,000	91	347,675	55,780	55,100	Subsidiary
	Sunplus Core Technology Co., Ltd.	Hsinchu, Taiwan	Design of ICs	56,000	-	5,600	58	44,721	(19,336)	(11,279)	Subsidiary
	Sunplus Venture Capital Co., Ltd.	Hsinchu, Taiwan	Investment	999,982	999,982	100,000	100	652,367	(83,860)	(83,860)	Subsidiary
	Lin Shih Investment Co., Ltd.	Hsinchu, Taiwan	Investment	699,988	699,988	70,000	100	657,300	(11,441)	(11,441)	Subsidiary
	Russell Holdings Limited	Cayman Islands, British West Indies.	Investment	646,610	646,610	19,260	100	651,954	137,110	137,110	Subsidiary
	Ventureplus Group Inc.	Belize	Investment	643,775	570,808	19,250	100	349,593	(64,236)	(64,236)	Subsidiary
	Wei-Young Investment Inc.	Taipei, Taiwan	Investment	14,000	14,000	1,400	100	8,725	(121)	(121)	Subsidiary
	Generalplus Technology Inc.	Hsinchu, Taiwan	Design of ICs	146,000	146,000	23,285	45	461,612	395,793	182,842	Subsidiary
	Goldkey Technology Corp.	Hsinchu, Taiwan	Design of ICs	32,836	32,836	2,432	15	18,447	(39,044)	(5,997)	Investee
	Waveplus Technology Co., Ltd.	Hsinchu, Taiwan	Design and sale of ICs	35,517	31,272	434	43	22,433	16,650	4,492	Subsidiary
	Sunext Technology Co., Ltd.	Hsinchu, Taiwan	Design and sale of ICs	796,000	126,000	12,600	16	(98,717)	(640,667)	(100,905)	Subsidiary
	ORISE Technology Co., Ltd.	Hsinchu, Taiwan	Design of ICs	834,092	852,046	70,047	57	1,220,404	322,788	198,836	Subsidiary
	Global Techplus Capital Inc.	Seychelles	Investment	6,896	6,896	200	100	6,235	(55)	(55)	Subsidiary
Lin Shih Investment Co., Ltd.	Sunplus Management Consulting Inc.	Taipei, Taiwan	Investment	5,000	5,000	500	100	4,224	(93)	(93)	Subsidiary
	Sunplus Technology (H.K.) Co., Ltd.	Kowloon Bay, Hong Kong Mauritius	International trade	41,616	41,616	11,075	100	(4,364)	(5,744)	(5,744)	Subsidiary
	Synerschip Co., Ltd.		Investment	-	-	-	-	-	(89,218)	(43,759)	Subsidiary
	Goldkey Technology Corp.	Hsinchu, Taiwan	Design of ICs	26,400	26,400	2,666	17	20,228	(39,044)	(6,575)	Investee
	Sunext Technology Co., Ltd.	Hsinchu, Taiwan	Design and sale of ICs	369,316	369,316	17,332	22	(135,759)	(640,667)	(138,768)	Subsidiary
	Waveplus Technology Co., Ltd.	Hsinchu, Taiwan	Design and sale of ICs	91,726	90,178	174	17	8,990	16,650	3,037	Subsidiary
	Sunplus Core Technology Co., Ltd.	Hsinchu, Taiwan	Design of ICs	20,000	-	2,000	21	15,972	(19,336)	(4,028)	Subsidiary
	Sunplus mMobile Inc.	Hsinchu, Taiwan	Design of ICs	65,898	-	4,707	4	58,548	(722,382)	(7,152)	Subsidiary
	Sunplus mMedia Inc.	Hsinchu, Taiwan	Design of ICs	17,147	-	1,225	1	17,773	117,595	611	Subsidiary
	Sunplus Innovation Technology Inc.	Hsinchu, Taiwan	Design of ICs	5,684	-	406	2	5,810	55,780	126	Subsidiary
Sunplus Venture Capital Co., Ltd.	Generalplus Technology Inc.	Hsinchu, Taiwan	Design of ICs	65,000	65,000	10,544	20	209,012	395,793	82,782	Subsidiary
	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	360,000	360,000	16,000	20	(125,355)	(640,667)	(128,133)	Subsidiary
	Han Young Technology Co., Ltd.	Taipei, Taiwan	Design of ICs	4,200	4,200	420	70	1,780	-	-	Subsidiary
	Waveplus Technology Co., Ltd.	Hsinchu, Taiwan	Design and sale of ICs	76,016	74,869	129	13	6,666	16,650	2,256	Subsidiary
	Orise Technology Co, Ltd.	Hsinchu, Taiwan	Design of ICs	10,800	10,800	824	1	13,954	322,788	2,314	Subsidiary
	Sunplus Core Technology Co., Ltd.	Hsinchu, Taiwan	Design of ICs	20,000	-	2,000	21	15,972	(19,336)	(4,028)	Subsidiary
	Generalplus Technology Inc.	Hsinchu, Taiwan	Design of ICs	15,000	15,000	2,433	5	48,205	395,793	19,085	Subsidiary
	Sunplus mMobile Inc.	Hsinchu, Taiwan	Design of ICs	1,988	-	142	-	1,211	(722,382)	(777)	Subsidiary

(Continued)

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2007			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				December 31, 2007	December 31, 2006	Shares (Thousands)	Percentage of Ownership	Carrying Value			
Russell Holdings Limited	Jet Focus Limited	Cayman Islands, British West Indies	Investment	US\$ 6,050 thousand	US\$ 6,050 thousand	4,794	44	US\$ (350) thousand	US\$(1,185) thousand	US\$ (522) thousand	Investee
	Synerchip Co., Ltd.		Investment	US\$ 2,070 thousand	US\$ 2,050 thousand	3,412	24	US\$ 1,391 thousand	US\$(2,716) thousand	US\$ (619) thousand	Investee
Sunext Technology Co., Ltd.	Great Sun Corp.	SAMOA	Investment	59,339	54,449	1,750	100	37,080	(76)	(76)	Subsidiary
Great Sun Corp.	Sunext Design, Inc.	U.S.A.	Design of ICs	US\$ 1,000 thousand	US\$ 1,000 thousand	-	100	US\$ 932 thousand	US\$ 140 thousand	US\$ 140 thousand	Subsidiary
Great Sun Corp.	Sunext (Mauritius) Inc.	Mauritius	Investment	US\$ 750 thousand	US\$ 600 thousand	-	100	US\$ 211 thousand	US\$ (142) thousand	US\$ (142) thousand	Subsidiary
Sunext (Mauritius) Inc.	Sunext Technology (Shanghai) Co., Ltd.	Shanghai, China	Design of software	US\$ 750 thousand	US\$ 600 thousand	-	100	US\$ 211 thousand	US\$ (142) thousand	US\$ (142) thousand	Subsidiary
Ventureplus Group Inc.	Ventureplus Mauritius Inc.	Mauritius	Investment	US\$19,250 thousand	US\$17,000 thousand	-	100	US\$10,789 thousand	US\$(1,953) thousand	US\$(1,953) thousand	Subsidiary
Ventureplus Mauritius Inc.	Ventureplus Cayman Inc.	Cayman Islands, British West Indies	Investment	US\$19,250 thousand	US\$17,000 thousand	-	100	US\$10,793 thousand	US\$(1,952) thousand	US\$(1,952) thousand	Subsidiary
Ventureplus Cayman Inc.	Sunplus Technology (Shanghai) Co., Ltd.	Shanghai, China	Research, development, manufacture and sale of ICs.	US\$17,000 thousand	US\$17,000 thousand	-	99	US\$ 8,531 thousand	US\$(1,958) thousand	US\$(1,935) thousand	Subsidiary
	Sunplus Prof-tek Technology (Shenzhen) Co., Ltd	Shanghai, China	Research, development, manufacture and sale of ICs.	US\$ 2,250 thousand	US\$ - thousand	-	100	US\$ 2,249 thousand	US\$ (1) thousand	US\$ (1) thousand	Subsidiary
Waveplus Technology Co., Ltd.	Waveplus Holding Ltd.	Mauritius	Investment	17,205	17,205	-	100	2,057	-	-	Subsidiary
Waveplus Holding Ltd.	Waveplus Design, Inc.	U.S.A.	Design of WLANs	17,205	17,205	-	100	US\$ 63 thousand	-	-	Subsidiary
Generalplus Technology Inc.	Generalplus International (Samoa) Inc.	SAMOA	Investment	US\$ 1,090 thousand	US\$ 700 thousand	1,090	100	11,247	(5,165)	(5,165)	Subsidiary
Generalplus International (SAMOA) Inc.	Generalplus (Mauritius) Inc.	Mauritius	Investment	US\$ 1,090 thousand	US\$ 700 thousand	1,090	100	US\$ 351 thousand	US\$ (157) thousand	US\$ (157) thousand	Subsidiary
Generalplus (Mauritius) Inc.	Generalplus Technology (Shenzhen) Co., Ltd.	Shenzhen, China	After-sales service	US\$ 700 thousand	US\$ 700 thousand	700	100	US\$ 159 thousand	US\$ 43 thousand	US\$ 43 thousand	Subsidiary
	Generalplus Technology (Hong Kong) Inc.	Hong Kong	Sales	US\$ 390 thousand	-	390	100	US\$ 192 thousand	US\$ (197) thousand	US\$ (197) thousand	Subsidiary
Sunplus mMobile Inc.	Sunplus mMedia Inc.	Hsinchu, Taiwan	Design of ICs	1,050,000	-	75,000	91	1,157,851	117,595	113,396	Subsidiary
Global Techplus Capital Inc. (Techplus Capital Niue Inc.)	Techplus Capital Samoa Inc.	SAMOA	Investment	US\$ 150 thousand	US\$ 150 thousand	-	100	US\$ 146 thousand	US\$ - thousand	US\$ - thousand	Subsidiary

(Concluded)

TABLE 7**SUNPLUS TECHNOLOGY COMPANY LIMITED
FORWARD EXCHANGE CONTRACTS OF INVESTEE COMPANY**

- a. Orise Technology used derivative contracts in the year ended December 31, 2007 to hedge the effect of exchange rate fluctuations on net foreign currency, as follows:.

Financial Liabilities at Fair Value Through Profit or Loss	2007
Forward exchange contracts	\$2,966

As of December 31, 2007, outstanding forward exchange contracts of Orise Technology were as follows:

December 31, 2007	Currency	Maturity	Contract Amount (in Thousand)
Sell forward exchange contracts	US\$ to NT\$	November 19, 2007-February 27, 2008	US\$19,000

Net losses arising from financial assets held for trading was \$2,966 for the year ended December 31, 2007.

- b. Generalplus Technology used derivative contracts in the year ended December 31, 2007 to hedge the effect of exchange rate fluctuations on net foreign currency as follows.

Financial Liabilities at Fair Value Through Profit or Loss	2007
Forward exchange contracts	\$112

As of December 31, 2007, outstanding forward exchange contracts of Generalplus Technology were as follows:

December 31, 2007	Currency	Maturity	Contract Amount (in Thousand)
forward exchange contracts	US\$ to NT\$	December 18, 2007-January 16, 2008	US\$1,000

Net gains arising from financial assets held for trading was \$112 for the year ended December 31, 2007.

- c. Sunplus mMedia used derivative contracts for the year ended December 31, 2007 to hedge the effect of exchange rate fluctuations on net foreign currency as follows.

Financial Liabilities at Fair Value Through Profit or Loss	2007
Forward exchange contracts	\$204

As of December 31, 2007, outstanding forward exchange contracts of Sunplus mMedia Co., Ltd. were as follows:

December 31, 2007	Currency	Maturity	Contract Amount (in Thousand)
Sell forward exchange contracts	US\$ to NT\$	November 20, 2007-January 10, 2008	US\$2,500

Net losses arising from financial assets held for trading was \$204 for the year ended December 31, 2007.

All above three investee company didn't enter any forward contract for the year ended December 31, 2006.

(Concluded)

TABLE 8

SUNPLUS TECHNOLOGY COMPANY LIMITED

INVESTMENT IN MAINLAND CHINA

YEAR ENDED DECEMBER 31, 2007

(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, 2007	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2007	% Ownership of Direct or Indirect Investment	Investment Loss	Carrying Value as of December 31, 2007	Accumulated Inward Remittance of Earnings as of December 31, 2007
					Outflow	Inflow					
Sunplus Technology (Shanghai) Co., Ltd.	Research, development, manufacturing and sale of consumer ICs	US\$ 17,200 thousand	Indirect	US\$ 17,000 thousand	\$ -	\$ -	US\$ 17,000 thousand	99%	US\$ (1,935) thousand	US\$ 8,531 thousand	\$ -
Sunplus Prof-tek (ShenZhen) Co., Ltd.	Research and sale of computer software	US\$ 2,250 thousand	Indirect	US\$ - thousand	US\$ 2,250 thousand	-	US\$ 2,250 thousand	100%	US\$ (1) thousand	US\$ 2,249 thousand	-
SunMedia Technology Co., Ltd.	Research development and sale of computer software	US\$ - thousand	Indirect	US\$ - thousand	-	-	US\$ - thousand	-	US\$ - thousand	US\$ - thousand	-

Accumulated Investment in Mainland China as of December 31, 2007	Investment Amount Authorized by Investment Commission, MOEA	Upper Limit on Investment
US\$19,250 thousand	US\$52,000 thousand	\$4,076,625

7.5 Sunplus and Subsidiaries Consolidated Financial Statements and Independent Auditors' Report

REPRESENTATION LETTER

The entities to be included in the combined financial statements of Sunplus Technology Company Limited and subsidiaries as of and for the year ended December 31, 2007, which will be prepared in conformity with the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises, are the same as the entities included in the consolidated financial statements prepared in conformity with the revised R.O.C. Statement of Financial Accounting Standards No. 7 - "Consolidated Financial Statements." In addition, the information needed to be disclosed in the combined financial statements is included in the consolidated financial statements. Thus, Sunplus Technology Company Limited and subsidiaries did not prepare a separate set of combined financial statements.

Very truly yours,

SUNPLUS TECHNOLOGY COMPANY LIMITED

By

CHOU-CHIEH HUANG
Chairman

January 25, 2008

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Sunplus Technology Company Limited

We have audited the accompanying consolidated balance sheets of Sunplus Technology Company Limited and subsidiaries (collectively, the "Company") as of December 31, 2007 and 2006, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Sunplus Technology Company Limited and subsidiaries as of December 31, 2007 and 2006, and the results of their operations and their cash flows for the years then ended, in conformity with Guidelines Governing the Preparation of Financial Reports by Securities Issuers, requirements of the Business Accounting Law and Guidelines Governing Business Accounting relevant to financial accounting standards, and accounting principles generally accepted in the Republic of China.

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

January 25, 2008

Notice to Readers

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

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

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2007 AND 2006

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

ASSETS	2007		2006		LIABILITIES AND SHAREHOLDERS' EQUITY		2007		2006	
	Amount	%	Amount	%			Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES					
Cash (Note 2)	\$ 3,162,998	15	\$ 4,743,863	19	Short-term bank loans (Notes 13 and 24)		\$ 1,951,478	9	\$ 1,529,208	6
Financial assets at fair value through profit or loss - current (Notes 2, 3 and 4)	112	-	193,516	1	Commercial paper payable (Notes 14 and 24)		69,882	-	99,880	-
Available-for-sale financial assets - current (Notes 2, 3, and 8)	1,702,260	8	3,382,047	14	Notes and accounts payable (Note 23)		2,198,489	11	2,925,368	12
Notes and accounts receivable, net (Notes 2, 5 and 23)	3,955,123	19	3,984,145	16	Income tax payable (Notes 2 and 20)		454,535	2	139,384	1
Other receivables (Note 23)	234,299	1	258,882	1	Financial liabilities at fair value through profit or loss - current (Notes 2, 3 and 4)		5,392	-	-	-
Inventories, net (Notes 2 and 6)	2,903,298	14	3,911,897	16	Long-term loans - current portion (Notes 15 and 24)		150,000	1	60,000	-
Deferred income tax - current (Notes 2 and 20)	224,193	1	222,921	1	Other current liabilities (Note 23)		<u>1,508,501</u>	<u>7</u>	<u>1,151,238</u>	<u>5</u>
Certificates of deposits - restricted (Note 24)	23,265	-	79,728	-						
Other current assets	<u>133,716</u>	<u>1</u>	<u>180,876</u>	<u>1</u>	Total current liabilities		<u>6,338,277</u>	<u>30</u>	<u>5,905,078</u>	<u>24</u>
Total current assets	<u>12,339,264</u>	<u>59</u>	<u>16,957,875</u>	<u>69</u>	LONG-TERM LIABILITIES					
					Long-term bank loans (Notes 15 and 24)		-	-	150,000	1
LONG-TERM INVESTMENTS					OTHER LIABILITIES					
Equity-method investments (Notes 2 and 7)	1,507,804	7	1,159,032	5	Accrued pension liability (Notes 2 and 16)		183,002	1	186,902	1
Financial assets at fair value through profit or loss - noncurrent (Notes 2, 3 and 4)	167,676	1	149,636	-	Guarantee deposits		<u>413,378</u>	<u>2</u>	<u>428,122</u>	<u>1</u>
Available-for-sale financial assets - noncurrent (Notes 2 and 8)	1,209,194	6	1,029,448	4	Total other liabilities		<u>596,380</u>	<u>3</u>	<u>615,024</u>	<u>2</u>
Financial assets carried at cost (Notes 2 and 9)	<u>715,098</u>	<u>3</u>	<u>896,784</u>	<u>4</u>	Total liabilities		<u>6,934,657</u>	<u>33</u>	<u>6,670,102</u>	<u>27</u>
Total long-term investments	<u>3,599,772</u>	<u>17</u>	<u>3,234,900</u>	<u>13</u>						
PROPERTYIES (Notes 2 and 10)					EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT					
Cost					(Notes 2, 3, 17 and 18)					
Buildings	1,279,476	6	1,368,921	6	Capital stock - NT\$10.00 par value					
Auxiliary equipment	179,140	1	165,573	1	Authorized - 1,200,000 thousand shares					
Machinery and equipment					Issued and outstanding - 556,750 thousand shares in 2007 and					
Testing equipment	431,988	2	605,977	2	Capital surplus		5,567,505	26	10,236,476	41
Transportation equipment	737,392	4	581,671	2	Additional paid-in capital in excess of par		817,768	4	768,390	3
Furniture and fixtures	10,806	-	10,453	-	Treasury stock transactions		60,171	-	47,328	-
Leasehold improvements	294,213	1	280,469	1	Merger and others		675,978	3	550,978	3
Other equipment	71,406	-	66,066	-	Retained earnings					
	<u>18,403</u>	<u>-</u>	<u>15,272</u>	<u>-</u>	Legal reserve		2,127,492	10	1,830,223	7
Total cost	<u>3,022,824</u>	<u>14</u>	<u>3,094,402</u>	<u>12</u>	Special reserve		17,260	-	294,860	1
Less: Accumulated depreciation	1,157,683	5	1,092,742	4	Unappropriated earnings		3,499,870	17	3,849,644	16
Prepayments and construction-in-progress	<u>3,964</u>	<u>-</u>	<u>7,482</u>	<u>-</u>	Others					
Net properties	<u>1,869,105</u>	<u>9</u>	<u>2,009,142</u>	<u>8</u>	Cumulative translation adjustments		63,135	-	17,206	-
					Unrealized valuation (loss) gain on financial assets		185,415	1	(34,466)	-
INTANGIBLE ASSETS, NET (Notes 2 and 11)					Treasury stock (at cost) - 4,683 thousand shares in 2007 and 9,032 thousand shares in 2006		<u>(131,471)</u>	<u>-</u>	<u>(176,566)</u>	<u>(1)</u>
					Total equity attributed to shareholders of the parent		12,883,123	61	17,384,073	70
OTHER ASSETS					MINORITY INTEREST (Note 2)					
Rental assets (Note 2)	117,519	-	-	-	Total shareholders' equity		<u>1,163,593</u>	<u>6</u>	<u>639,376</u>	<u>3</u>
Deferred charges and others (Notes 2 and 12)	334,233	2	300,243	1			<u>14,046,716</u>	<u>67</u>	<u>18,023,449</u>	<u>73</u>
Deferred income tax - noncurrent (Notes 2 and 20)	<u>848,254</u>	<u>4</u>	<u>541,608</u>	<u>2</u>	TOTAL		<u>\$20,981,373</u>	<u>100</u>	<u>\$24,693,551</u>	<u>100</u>
Total other assets	<u>1,300,006</u>	<u>6</u>	<u>841,851</u>	<u>3</u>						
TOTAL	<u>\$20,981,373</u>	<u>100</u>	<u>\$24,693,551</u>	<u>100</u>						

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

(With Deloitte & Touche audit report dated January 25, 2008)

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2007 AND 2006

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

	2007		2006	
	Amount	%	Amount	%
NET SALES (Notes 2 and 23)	\$20,106,970	100	\$27,445,224	100
COST OF SALES (Notes 19 and 23)	13,166,937	66	19,541,155	71
REALIZED INTERCOMPANY PROFIT, NET (Note 2)	<u>181</u>	<u>-</u>	<u>3,244</u>	<u>-</u>
GROSS PROFIT	<u>6,940,214</u>	<u>34</u>	<u>7,907,313</u>	<u>29</u>
OPERATING EXPENSES (Notes 19 and 23)				
Marketing	535,359	3	940,231	3
General and administrative	657,403	3	794,412	3
Research and development	<u>4,265,468</u>	<u>21</u>	<u>3,698,050</u>	<u>14</u>
Total operating expenses	<u>5,458,230</u>	<u>27</u>	<u>5,432,693</u>	<u>20</u>
OPERATING INCOME	<u>1,481,984</u>	<u>7</u>	<u>2,474,620</u>	<u>9</u>
NONOPERATING INCOME AND GAINS				
Gain on disposal of investments, net (Note 2)	567,346	3	138,575	1
Dividend income (Note 2)	244,992	1	104,319	-
Reconciliation compensation (Note 26)	137,450	1	875,353	3
Investment income recognized by the equity-method, net (Notes 2 and 7)	91,000	1	-	-
Guarantee deposits default	80,825	-	13,855	-
Interest income	60,632	-	95,109	-
Valuation gain on financial assets (Notes 2 and 4)	17,634	-	-	-
Foreign exchange gain, net (Note 2)	8,839	-	2,660	-
Gain on disposal of assets (Note 2)	-	-	34,739	-
Others (Note 23)	<u>70,138</u>	<u>-</u>	<u>117,802</u>	<u>1</u>
Total nonoperating income and gains	<u>1,278,856</u>	<u>6</u>	<u>1,382,412</u>	<u>5</u>
NONOPERATING EXPENSES AND LOSSES				
Loss on inventory (Note 2)	293,966	2	382,166	2
Interest expense	80,097	-	96,099	-
Impairment loss (Note 2)	80,505	-	80,085	-
Loss on disposal of properties (Notes 2)	7,835	-	3,755	-
Valuation loss on financial liabilities (Notes 2 and 4)	5,393	-	-	-
Valuation loss on financial assets (Notes 2 and 4)	-	-	17,464	-

(Continued)

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2007 AND 2006

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

	2007		2006	
	Amount	%	Amount	%
Investment loss recognized by the equity-method, net (Notes 2 and 7)	\$ -	-	\$ 10,292	-
Others	<u>3,964</u>	-	<u>22,758</u>	-
Total nonoperating expenses and losses	<u>471,760</u>	<u>2</u>	<u>612,619</u>	<u>2</u>
INCOME BEFORE INCOME TAX	2,289,080	11	3,244,413	12
INCOME TAX (Notes 2 and 20)	<u>272,443</u>	<u>1</u>	<u>159,116</u>	<u>1</u>
INCOME BEFORE CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES	2,016,637	10	3,085,297	11
CUMULATIVE EFFECT OF ACCOUNTING CHANGES, NET OF TAX BENEFIT OF \$12,438 THOUSAND (Note 3)	<u>-</u>	<u>-</u>	<u>(32,564)</u>	<u>-</u>
CONSOLIDATED NET INCOME	<u>\$ 2,016,637</u>	<u>10</u>	<u>\$ 3,052,733</u>	<u>11</u>
ATTRIBUTABLE TO				
Shareholders of the parent	2,061,502	10	\$ 2,972,695	11
Minority interest	<u>\$ (44,865)</u>	<u>-</u>	<u>80,038</u>	<u>-</u>
	<u>\$ 2,016,637</u>	<u>10</u>	<u>\$ 3,052,733</u>	<u>11</u>
	2007		2006	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
CONSOLIDATED EARNINGS PER SHARE (Note 21)				
Basic	<u>\$ 4.00</u>	<u>\$ 3.53</u>	<u>\$ 2.98</u>	<u>\$ 2.83</u>
Diluted	<u>\$ 3.98</u>	<u>\$ 3.52</u>	<u>\$ 2.97</u>	<u>\$ 2.81</u>

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

(With Deloitte & Touche audit report dated January 25, 2008)

(Concluded)

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2007 AND 2006
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Equity Attributable to Shareholders of the Parent																	
Capital Stock Issued and Outstanding (Note 17)			Capital Surplus (Notes 2 and 17)				Retained Earnings (Notes 2 and 17)				Cumulative		Unrealized Valuation (Loss) Gain on		Minority		Total
Shares (Thousands)	Amount	Paid-in Capital in Excess of Par	Stock Transactions	Long-term Investments	Merger	Total	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Translation Adjustments	Financial Assets	Treasury Stock	Total	Interest (Note 2)	Shareholder's Equity	
948,730	\$9,487,296	\$890,447	\$35,084	\$437,507	\$157,423	\$1,520,461	\$1,590,387	\$338,488	\$3,523,813	\$5,452,688	\$ (9,775)	\$ (285,085)	\$ (176,566)	\$15,989,019	\$1,961,221	\$17,950,240	
-	-	-	-	-	-	-	-	-	-	-	-	41,606	-	41,606	-	41,606	
Appropriation of prior year's earnings :																	
-	-	-	-	-	-	-	239,836	-	(239,836)	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	(43,628)	43,628	-	-	-	-	-	-	-	
22,500	225,000	-	-	-	-	-	-	-	(225,000)	(225,000)	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	(25,000)	(25,000)	-	-	-	(25,000)	-	(25,000)	
-	-	-	-	-	-	-	-	-	(24,517)	(24,517)	-	-	-	(24,517)	-	(24,517)	
28,384	283,844	-	-	-	-	-	-	-	(283,844)	(283,844)	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	(1,892,295)	(1,892,295)	-	-	-	(1,892,295)	-	(1,892,295)	
18,923	189,230	(189,230)	-	-	-	(189,230)	-	-	-	-	-	-	-	-	-	-	
5,111	51,106	67,173	-	-	-	67,173	-	-	-	-	-	-	-	118,279	-	118,279	
-	-	-	-	(44,453)	-	(44,453)	-	-	-	-	-	-	-	(44,453)	7,054	(37,399)	
-	-	-	-	501	-	501	-	-	-	-	-	-	-	501	-	501	
-	-	-	-	-	-	-	-	-	2,972,695	2,972,695	-	-	-	2,972,695	80,038	3,052,733	
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	536,828	536,828	
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,943,691)	(1,943,691)	
-	-	-	-	-	-	-	-	-	-	-	26,981	-	-	26,981	(2,802)	24,179	
-	-	-	12,244	-	-	12,244	-	-	-	-	-	-	-	12,244	-	12,244	
-	-	-	-	-	-	-	-	-	-	-	-	13	-	13	-	13	
-	-	-	-	-	-	-	-	-	-	-	-	209,000	-	209,000	728	209,728	
1,023,648	10,236,476	768,390	47,328	393,555	157,423	1,366,696	1,830,223	294,860	3,849,644	5,974,727	17,206	(34,466)	(176,566)	17,394,073	639,376	18,023,449	
(511,436)	(5,114,357)	-	-	-	-	-	-	-	-	-	-	-	45,095	(5,069,262)	-	(5,069,262)	
Appropriation of prior year's earnings:																	
-	-	-	-	-	-	-	297,269	-	(297,269)	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	(277,600)	277,600	-	-	-	-	-	-	-	
13,500	135,000	-	-	-	-	-	-	-	(135,000)	(135,000)	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	(15,000)	(15,000)	-	-	-	(15,000)	-	(15,000)	
-	-	-	-	-	-	-	-	-	(39,688)	(39,688)	-	-	-	(39,688)	-	(39,688)	
15,362	153,622	-	-	-	-	-	-	-	(153,622)	(153,622)	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	(2,048,297)	(2,048,297)	-	-	-	(2,048,297)	-	(2,048,297)	
10,241	102,415	(102,415)	-	-	-	(102,415)	-	-	-	-	-	-	-	-	-	-	
5,435	54,349	151,793	-	-	-	151,793	-	-	-	-	-	-	-	206,142	-	206,142	
-	-	-	-	-	-	-	-	-	2,061,502	2,061,502	-	-	-	2,061,502	(44,865)	2,016,637	
-	-	-	-	167,595	-	167,595	-	-	-	-	-	-	-	167,595	(140,240)	27,355	
-	-	-	-	(42,595)	-	(42,595)	-	-	-	-	-	-	-	(42,595)	-	(42,595)	
-	-	-	-	-	-	-	-	-	-	-	-	(12)	-	(12)	-	(12)	
-	-	-	-	-	-	-	-	-	-	-	-	219,893	-	219,893	148	220,041	
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	705,079	705,079	
-	-	-	12,843	-	-	12,843	-	-	-	-	-	-	-	12,843	-	12,843	
-	-	-	-	-	-	-	-	-	-	-	45,929	-	-	45,929	4,095	50,024	
556,750	\$5,567,505	\$817,768	\$60,171	\$518,555	\$157,423	\$1,553,917	\$2,127,492	\$17,260	\$3,499,870	\$5,644,622	\$63,135	\$185,415	\$(131,471)	\$12,883,123	\$1,163,593	\$14,046,716	

The accompanying notes are an integral part of the consolidated financial statements.
(With Deloitte & Touche audit report dated January 25, 2008)

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2007 AND 2006

(In Thousands of New Taiwan Dollars)

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income attributable to shareholders of the parent	\$ 2,061,502	\$ 2,972,695
Net income (loss) attributable to the minority interest	(44,865)	80,038
Adjustments to reconcile the consolidated net income to net cash provided by operating activities:		
Depreciation and amortization	1,225,700	1,176,273
Realized intercompany profit, net	(181)	(3,244)
Realized deferred revenue	-	(76,912)
Cash dividend	68,669	-
Gain on disposal of investments, net	(543,500)	(28,451)
Impairment loss	80,505	80,085
Investment loss (gain) recognized by the equity-method investment, net	(91,000)	10,292
Valuation loss (gain) on financial instruments	(17,634)	3,012
Loss (gain) on disposal of assets	7,835	(30,984)
Valuation loss on financial liabilities	5,393	-
Deferred income tax	(307,918)	(20,706)
Accrued pension liability	(3,900)	3,026
Deferred pension cost	(653)	-
Net changes in operating assets and liabilities		
Held-for-trading financial assets	-	1,168,905
Notes and accounts receivable	29,022	(295,633)
Other receivables	24,583	(103,210)
Inventories	1,008,599	(966,891)
Other current assets	47,160	(5,030)
Notes and accounts payable	(725,706)	(258,477)
Income tax payable	315,151	66,299
Other current liabilities	(40,836)	550,098
Net cash provided by operating activities	<u>3,097,926</u>	<u>4,321,185</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease in certificates of deposits - restricted	56,463	12,100
Proceeds of the disposal of:		
Financial assets designated at fair value through profit or loss	199,563	332,831
Equity-method investments	-	12,157
Available-for-sale financial assets	16,545,659	6,023,404
Financial assets carried at cost	424,932	29,194
Properties	10,917	8,065
Intangible assets	-	70,000
Capital return on available-for-sale financial assets	8,179	-
Capital return on financial assets carried at cost	89,213	131,732
Capital return by equity-method	-	41,302

(Continued)

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2007 AND 2006

(In Thousands of New Taiwan Dollars)

	2007	2006
Acquisition of:		
Equity-method investments	\$ (235,980)	\$ (60,319)
Available-for-sale financial assets	(14,705,063)	(9,416,215)
Financial assets carried at cost	(23,822)	(120,531)
Properties	(363,787)	(913,207)
Increase in intangible assets	(517,280)	(1,030,860)
Increase in deferred charges and others	<u>(179,230)</u>	<u>(14,505)</u>
Net cash provided by (used in) investing activities	<u>1,309,764</u>	<u>(4,894,852)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term loans	422,270	1,261,479
Increase (decrease) in commercial paper payable	(29,998)	14,991
Decrease in long-term loans	(60,000)	(124,500)
Increase (decrease) in guarantee deposits	(14,744)	2,266
Remuneration paid to directors and supervisors and bonus paid to employees	(54,688)	(49,517)
Cash dividends paid on common stock	(2,048,297)	(1,892,295)
Proceeds of the exercise of stock options	206,142	118,279
Dividends received by subsidiaries from the parent	12,843	12,244
Capital reduction	(5,069,262)	-
Increase in minority interests	<u>705,079</u>	<u>543,882</u>
Net cash used in financing activities	<u>(5,930,655)</u>	<u>(113,171)</u>
NET DECREASE IN CASH	<u>(1,522,965)</u>	<u>(686,838)</u>
CASH, BEGINNING OF YEAR	<u>4,743,863</u>	<u>5,862,432</u>
EFFECT OF EXCHANGE RATE CHANGES	<u>(57,900)</u>	<u>(5,973)</u>
EFFECT OF CHANGE OF CONSOLIDATED ENTITIES	<u>-</u>	<u>(425,758)</u>
CASH, END OF YEAR	<u>\$ 3,162,998</u>	<u>\$ 4,743,863</u>
SUPPLEMENTAL CASH FLOW INFORMATION:		
Income tax paid	<u>\$ 196,383</u>	<u>\$ 77,125</u>
Interest paid	<u>\$ 78,480</u>	<u>\$ 48,594</u>
NONCASH INVESTING AND FINANCING ACTIVITIES:		
Reclassification of properties into assets leased to others	<u>\$ 117,519</u>	<u>\$ -</u>
Reclassification of properties into deferred charges and others	<u>\$ 281,484</u>	<u>\$ 386,473</u>
Reclassification of long-term investments into credit balance on the carrying value of long-term investments	<u>\$ 5,547</u>	<u>\$ 5,817</u>
Current portion of long-term loans	<u>\$ 150,000</u>	<u>\$ 60,000</u>

(Continued)

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF CASH FLOWS****YEARS ENDED DECEMBER 31, 2007 AND 2006****(In Thousands of New Taiwan Dollars)**

	2007	2006
PARTIAL CASH INVESTING ACTIVITIES:		
Acquisition of properties	\$ (334,893)	\$ (918,374)
Increase (decrease) in payables to contractors and equipment suppliers	<u>(28,894)</u>	<u>5,167</u>
Cash paid	<u>\$ (363,787)</u>	<u>\$ (913,207)</u>
Acquisition of Intangible assets	\$ 938,241	\$ -
Increase in other current liabilities	<u>(420,961)</u>	<u>-</u>
Cash paid	<u>\$ 517,280</u>	<u>\$ -</u>

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

(With Deloitte & Touche audit report dated January 25, 2008)

(Concluded)

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2007 AND 2006

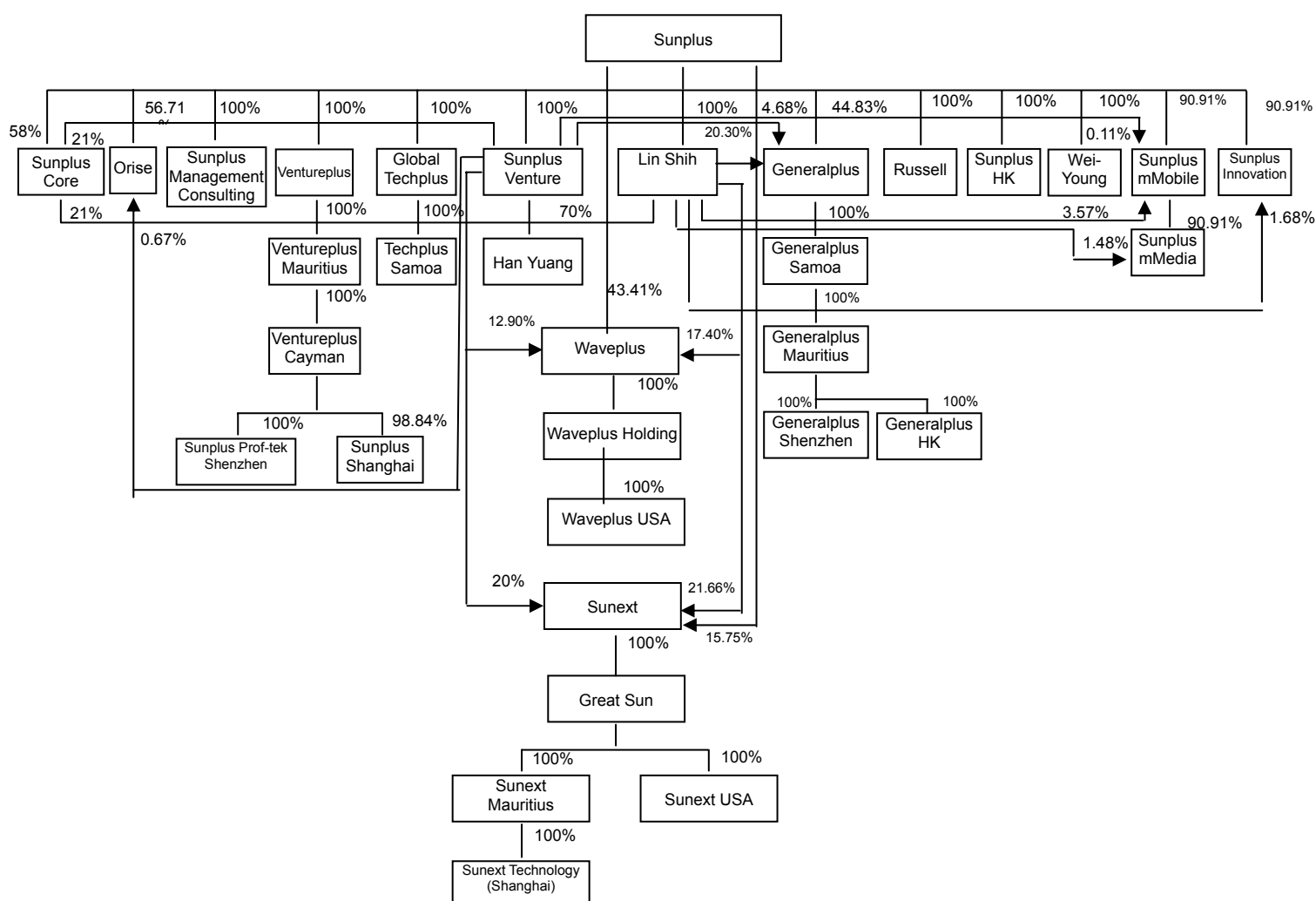
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. ORGANIZATION AND OPERATIONS

Sunplus Technology Company Limited ("Sunplus") was established in August 1990. It researches, develops, designs, tests and sells high quality, high value-added consumer integrated circuits (ICs). Its products are based on core technologies in such areas as multimedia audio/video, single-chip microcontrollers and digital signal processors. These technologies are used to develop hundreds of products including various ICs: Liquid crystal display, microcontroller, multimedia, voice/music, and application-specific.

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

Following is a diagram of the relationship and ownership percentages among Sunplus and its investees (collectively, the "Company") as of December 31, 2007:



To enhance its capability and performance through organization restructuring and streamlining of operations, the Company spun off on March 31, 2006 its LCD (liquid crystal display) driver and control IC (integrated circuit) department (the “department”) to establish a subsidiary, Orise Technology Co., Ltd. (“Orise”) and also spun off on December 1, 2006 the control peripheral business unit (CPBU) and the personal entertainment and advanced business unit (PEABU) to establish two subsidiaries, Sunplus Innovation Technology Inc. (“Sunplus Innovation”) and Sunplus mMobile Inc. (“Sunplus mMobile”), respectively, in accordance with the Law of Enterprise Purchase. Sunplus mMobile spun off on April 1, 2007 its personal entertainment to establish a subsidiary, Sunplus mMedia Inc. (“Sunplus mMedia”).

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

Sunplus and its consolidated entities are hereinafter referred to collectively as the “Company.” As of December 31, 2007 and 2006, the Company had 1,948 and 1,720 employees, respectively.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

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

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

Principles of Consolidation

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

The consolidated entities as of December 31, 2007 and 2006 were as follows:

Investor	Investee	% of Ownership as of December 31		Remark
		2007	2006	
Sunplus	Global Techplus	100.00	100.00	-
	Sunplus Management Consulting	100.00	100.00	-
	Ventureplus	100.00	100.00	-
	Orise	56.71	67.33	-
	Sunplus Venture	100.00	100.00	-
	Waveplus	43.41	9.52	Sunplus and the Subsidiaries held 73.71% ownership of waveplus.
	Lin Shih	100.00	100.00	-
	Sunplus mMobile	90.91	100.00	-
	Sunext	15.75	15.75	Sunplus and the Subsidiaries held 57.41% ownership of Sunext.
	Sunplus Core	58.00	-	Newly established.
	Sunplus Innovation	90.91	100.00	-
	Generalplus	44.83	48.36	Sunplus and the Subsidiaries held 69.81% ownership of Generalplus.
	Sunplus HK	100.00	100.00	-
	Wei-Young	100.00	100.00	-
	Russell	100.00	100.00	-
	Giantplus	32.00	33.27	The chairman of Sunplus and the general manager of Giantplus were the same until July 2006. Thus, Sunplus had a controlling interest in Giantplus. However, Sunplus no longer had a controlling interest in Giantplus beginning in August 2006; thus, Giantplus ceased to be a consolidated entity from then on.
Global Techplus Sunplus Venture	Techplus Samoa	100.00	100.00	-
	Han Yuang	70.00	70.00	-
	Sunext	20.00	20.00	Sunplus and the Subsidiaries held 57.41% ownership of Sunext.
	Waveplus	12.90	14.24	Sunplus and the Subsidiaries held 73.71% ownership of Waveplus.
	Generalplus	4.68	5.05	Sunplus and the Subsidiaries held 69.81% ownership of Generalplus.
	Orise	0.67	0.78	Sunplus and Subsidiaries held 57.38% ownership of Orise.
	Sunplus Core	21.00	-	Newly established, Sunplus and the subsidiaries held 100% ownership of Sunplus Core.
	Sunplus mMobile	0.11	-	Sunplus and Subsidiaries held 94.59% ownership of Sunplus mMobile
Ventureplus	Ventureplus Mauritius	100.00	100.00	-
Ventureplus Mauritius	Ventureplus Cayman	100.00	100.00	-
Ventureplus Cayman	Sunplus Shanghai	98.84	98.84	-
	Sunplus Prof-tek Shenzhen	100.00	-	Newly established.
Lin Shih	Generalplus	20.30	21.90	Sunplus and the Subsidiaries held 69.81% ownership of Generalplus.
	Sunext	21.66	21.66	Sunplus and the Subsidiaries held 57.41% ownership of Sunext.
	Waveplus	17.40	19.14	Sunplus and the Subsidiaries held 73.71% ownership of Waveplus.
	Sunplus Core	21.00	-	Newly established, Sunplus and the subsidiaries held 100% ownership of Sunplus Core.
	Sunplus mMedia	1.48	-	Newly established, Sunplus and Subsidiaries held 87.47% ownership of Sunplus mMedia.
	Sunplus mMobile	3.57	-	Sunplus and Subsidiaries held 94.59% ownership of Sunplus mMobile.
	Sunplus Innovation	1.68	-	Sunplus and the Subsidiaries held 92.59% ownership of Sunplus Innovation.

(Continued)

Investor	Investee	% of Ownership as of December 31		Remark
		2007	2006	
Waveplus	Waveplus Holding	100.00	100.00	-
Waveplus Holding	Waveplus USA	100.00	100.00	-
Sunext	Great Sun	100.00	100.00	-
Great Sun	Sunext Mauritius	100.00	100.00	-
	Sunext USA	100.00	100.00	-
Sunext Mauritius	Sunext (Shanghai)	100.00	100.00	-
Sunplus mMobile	Sunplus mMedia	90.91	-	Newly established.
Generalplus	Generalplus Samoa	100.00	100.00	-
Generalplus Samoa	Generalplus Mauritius	100.00	100.00	-
Generalplus Mauritius	Generalplus Shenzhen	100.00	100.00	-
	Generalplus HK	100.00	-	Newly established.
Giantplus	Giantplus SAMOA	100.00	100.00	In August 2006, Sunplus no longer had a controlling interest in Giantplus; thus, Giantplus SAMOA ceased to be a consolidated entity from then on.
Giantplus SAMOA	Giantplus Holding	100.00	100.00	In August 2006, Sunplus no longer had a controlling interest in Giantplus Holding; thus, Giantplus Holding ceased to be a consolidated entity from then on.
Giantplus Holding	Giantplus Kunshan	100.00	100.00	In August 2006, Sunplus no longer had a controlling interest in Giantplus Kunshan; thus, Giantplus Kunshan ceased to be a consolidated entity from then on.

(Concluded)

Minority interest in subsidiaries is presented as a separate component of shareholders' equity.

Significant accounting policies are summarized as follows:

Current/Noncurrent Assets and Liabilities

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

Financial Assets/Liabilities at Fair Value Through Profit or Loss

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

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

The fair values of those instruments without quoted market prices in an active market is based on valuation techniques incorporating estimates and assumptions that are consistent with prevailing market conditions.

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

Revenue Recognition and Allowance for Doubtful Accounts

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

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

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

Inventories

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

Available-for-sale Financial Assets

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

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

The recognition, derecognition and the fair value bases of available-for-sale financial assets are similar to those of financial assets at FVTPL.

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

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

Financial Assets Carried at Cost

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

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

Equity-method Investments

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.

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

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

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

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

Properties and Assets Leased to Others

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

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

Depreciation is computed using the straight-line method over service lives initially estimated as follows: buildings - 7 to 55 years; auxiliary equipment - 3 to 10 years; machinery and equipment - 1 to 6 years; testing equipment - 1 to 4 years; transportation equipment - 4 to 6 years; furniture and fixtures - 1 to 11 years; leasehold improvements - 1 to 10 years; other equipment - 3 to 5 years and assets leased to others - 10 to 20 years.

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

Intangible Assets

Intangible assets consist of technology license fees, technological Know-how, patents and land grant booked at the acquisition cost, which are amortized using the straight-line method over 1 to 10 years, 5 years, 5 to 18 years and 50 years, respectively.

Prior to January 1, 2006, the difference between the acquisition cost and the Company's proportionate share in the investee's equity was amortized by the straight-line method. Effective January 1, 2006, pursuant to the revised Statement of Financial Accounting Standard ("SFAS") No. 5, "Long-term Investments Accounted for by Equity Method", the acquisition cost is analyzed, and the acquisition cost in excess of the Company's share of the fair value of the identifiable net assets acquired is recognized as goodwill. Such goodwill is not amortized but instead is tested for impairment annually or whenever there are indications that the investments are impaired.

Pursuant to the statement of Financial Accounting Standards No. 37 "Intangible Assets" Expenditures arising from research activities and those related to development activities that do not meet the criteria for capitalization are charged to expense when incurred.

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

Deferred Charges

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

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

Stock-based Compensation

Employee stock option plans that are amended or have options granted on or after January 1, 2004 are accounted for by the interpretations issued by the Accounting Research and Development Foundation. The Company adopted the intrinsic value method and any compensation cost determined using this method is recognized in earnings over the employee vesting period.

Government Subsidies

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

Pension Costs

The Company has two types of pension plans: Defined benefit and defined contribution.

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

Treasury Stock

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

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

Income Tax

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

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

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

Income tax (10%) on unappropriated earnings generated annually since 1998 is recorded as expense in the year when the shareholders approve the retention of earnings.

Foreign-currency Transactions

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

Non-derivative foreign-currency transactions are recorded in New Taiwan dollars at the rates of exchange in effect when the transactions occur. Exchange differences arising from settlement of foreign-currency assets and liabilities are recognized in profit or loss.

At the balance sheet date, foreign-currency monetary assets and liabilities are revalued using prevailing exchange rates and the exchange differences are recognized in profit or loss.

At the balance sheet date, foreign-currency nonmonetary assets (such as equity instruments) and liabilities that are measured at fair value are revalued using prevailing exchange rates, with the exchange differences treated as follows:

- a. Recognized in shareholders' equity if the changes in fair value are recognized in shareholders' equity;
- b. Recognized in profit and loss if the changes in fair value is recognized in profit or loss.

Foreign-currency nonmonetary assets and liabilities that are carried at cost continue to be stated at exchange rates at trade dates.

If the functional currency of an equity-method investee is a foreign currency, translation adjustments will result from the translation of the investee's financial statements into the reporting currency of the Company. Such adjustments are accumulated and reported as a separate component of shareholders' equity.

Reclassifications

Certain accounts in the consolidated financial statements as of and for the year ended December 31, 2006 have been reclassified to conform to the consolidated financial statements as of and for the year ended December 31, 2007.

3. ACCOUNTING CHANGES

- a. Statement of Financial Accounting Standards ("Statement" or SFAS) No. 37 - "Accounting for Intangible Assets"

The Company adopted the recently released SFAS No. 37 - "Accounting for Intangible Assets" and the related revised revisions of previously released Statements. Thus, the Company re-evaluate the useful lives and the amortization method applied to intangible assets.

The accounting changes had no impact on the Company's net income and basic and diluted earnings per share for the year ended December 31, 2007.

- b. SFAS No. 34 and 36 and Related Revisions of Other Previously Released Statements

Upon adopting SFAS Nos. 34 and 36, the Company recategorized its financial assets. The adjustments made to the carrying amounts of the financial instruments categorized as financial instruments at fair value through profit or loss were included in the cumulative effect of accounting changes. On the other hand, the adjustments made to the carrying amounts of those categorized as available-for-sale financial assets were recognized as adjustments to shareholders' equity.

The adjustments based on the accounting are summarized as follows:

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

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

- c. SFAS No. 1 "Conceptual Framework for Financial Accounting and Preparation of Financial Statements," SFAS No. 5 - "Long-term Investments in Equity Securities" and SFAS No. 25 - "Business Combination".

Effective January 1, 2006, the Company adopted the recently revised SFAS No. 1 - "Conceptual Framework for Financial Accounting and Preparation of Financial Statements," SFAS No. 5 - "Long-term Investment in Equity Securities" and SFAS No. 25 - "Business Combinations - Accounting Treatment under Purchase Method." Based on these amended Statements, investment premiums, representing goodwill based on analysis of the acquisition costs, should be assessed for impairment instead of being amortized. This accounting change had no impact on net income for the year ended December 31, 2006.

- d. Recent Accounting Pronouncements

In March 2007, the Accounting Research and Development Foundation of the R.O.C. issued an interpretation that requires companies to record the bonus paid to directors, supervisors and employees as an expense rather than an appropriation of earnings. This interpretation should be applied to financial statements for fiscal years beginning on or after January 1, 2008.

The Accounting Research and Development Foundation of the R.O.C. also issued Statement of Financial Accounting Standards No. 39, "Accounting for Share-based Payment" (SFAS No. 39) in August 2007, which requires companies to record share-based payment transactions in the financial statements at fair value. SFAS No. 39 should be applied to financial statements for fiscal years beginning on or after January 1, 2008.

The Accounting Research and Development Foundation of the R.O.C. revised Statement of Financial Accounting Standards No. 10, "Accounting for Inventories" (SFAS No. 10) in November 2007, which requires inventories to be stated at the lower of cost or net realizable value item by item. Inventories are recorded by the specific identification method, first-in, first-out method or weighted average method. The last-in, first-out method is no longer permitted. The revised SFAS No. 10 should be applied to financial statements for the fiscal years beginning on or after January 1, 2009. Early adoption is permitted.

4. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2007	2006
<u>Financial assets at fair value through profit or loss</u>		
Forward exchange contracts	\$ <u>112</u>	\$ <u>519</u>
<u>Financial liability at fair value through profit or loss</u>		
Forward exchange contracts	\$ <u>5,392</u>	\$ <u>-</u>

The Company entered into derivative contracts during the years ended December 31, 2007 and 2006 to hedge the effect of exchange rate fluctuations on net foreign currency-denominated assets and liabilities. The strategy is to hedge most of the market price risks to which the Company is exposed. The strategy is to hedge most of the market price risks to which the Company is exposed.

As of December 31, 2007 and 2006, outstanding forward exchange contracts were as follows:

December 31, 2007	Currency	Maturity	Contract Amount (in Thousand)
Sell forward exchange contracts	US\$ to NT\$	November 16, 2007 - February 27, 2008	US\$ 32,500

December 31, 2006	Currency	Maturity	Contract Amount (in Thousand)
Sell forward exchange contracts	US\$ to NT\$	December 19, 2006 - February 26, 2007	US\$ 8,000

Net losses and net gains arising from financial assets held for trading were \$5,799 thousand and \$714 thousand for the years ended December 31, 2007 and 2006, respectively.

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

	December 31			
	2007		2006	
	Amount	Noncurrent	Amount	Noncurrent
Financial assets				
Inverse floaters: Time deposits with floating interest rates indexed to LIBOR rates	\$ -	\$ 167,676	\$ -	\$ 149,636
Credit-linked notes	-	-	192,997	-
	<u>\$ -</u>	<u>\$ 167,676</u>	<u>\$ 192,997</u>	<u>\$ 149,636</u>

Net gains and net losses arising from financial assets designated at fair value through profit or loss were \$24,606 thousand and \$1,198 thousand for the years ended December 31, 2007 and 2006, respectively.

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

	Principal Amount (in Thousands)	Carrying Amount	Maturity
<u>2007</u>			
Inverse floaters: Time deposits with floating interest rate indexed to LIBOR rates	<u>\$ 6,000</u>	<u>\$ 167,676</u>	September 2010 - April 2014
<u>2006</u>			
Inverse floaters: Time deposits with floating interest rate indexed to LIBOR rates	\$ 6,000	\$ 149,636	September 2010 - April 2014
Credit - linked notes			
Issuer			
Industrial Bank of Taiwan		<u>192,997</u>	August 2007
		<u>\$ 342,633</u>	

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

5. NOTES AND ACCOUNTS RECEIVABLE

	December 31	
	2007	2006
Notes receivable	\$ 4,043	\$ 42,237
Accounts receivable - other	3,002,881	3,011,005
Accounts receivable - related parties	1,036,059	986,601
Allowance for doubtful accounts	<u>(87,860)</u>	<u>(55,698)</u>
	<u>\$ 3,955,123</u>	<u>\$ 3,984,145</u>

Allowance for doubtful accounts movement:

	Years Ended December 31	
	2007	2006
Balance, beginning of year	\$ 55,698	\$ 88,988
Increase	33,593	25,505
Decrease	<u>(1,431)</u>	<u>(58,795)</u>
Balance, end of year	<u>\$ 87,860</u>	<u>\$ 55,698</u>

6. INVENTORIES

	December 31	
	2007	2006
Finished goods and merchandise	\$ 1,733,068	\$ 2,242,435
Work in process	1,188,669	1,543,328
Raw materials	<u>456,396</u>	<u>576,135</u>
	3,378,133	4,361,898
Less: Allowance for losses	<u>(474,835)</u>	<u>(450,001)</u>
	<u>\$ 2,903,298</u>	<u>\$ 3,911,897</u>

Allowance for losses movement:

	Years Ended December 31	
	2007	2006
Balance, beginning of year	\$ 450,001	\$ 319,843
Increase	288,404	301,310
Decrease	<u>(263,570)</u>	<u>(171,152)</u>
Balance, end of year	<u>\$ 474,835</u>	<u>\$ 450,001</u>

7. EQUITY-METHOD INVESTMENTS

	December 31			
	2007		2006	
	Amount	% of Ownership	Amount	% of Ownership
Equity method investment				
Giantplus Technology Co., Ltd.	\$ 1,171,730	32	\$ 1,040,819	33
Goldkey Technology Corp.	38,675	32	51,239	32
Synerchip Co., Ltd.	45,103	24	-	-
Jet Focus Ltd.	-	-	6,655	44
	<u>1,255,508</u>		<u>1,098,713</u>	
Prepayment	<u>252,296</u>		<u>60,319</u>	
	<u>\$ 1,507,804</u>		<u>\$ 1,159,032</u>	
Credit balance on carrying value of long-term investments				
Jet Focus Ltd.	\$ 11,364	44	\$ -	-
Synerchip Co., Ltd.	-	-	5,817	32
	<u>\$ 11,364</u>		<u>\$ 5,817</u>	

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

	Years Ended December 31	
	2007	2006
Giantplus Technology Co., Ltd.	\$ 184,805	\$ 72,877
Goldkey Technology Corp.	(12,573)	(12,228)
Jet Focus Ltd.	(17,142)	(51,858)
Synerchip Co., Ltd.	<u>(64,090)</u>	<u>(19,083)</u>
	<u>\$ 91,000</u>	<u>\$ (10,292)</u>

Fair values of listed equity-method investments calculated at their closing prices as of December 31, 2007 and 2006 were as follows:

	December 31	
	2007	2006
Giantplus Technology, Co., Ltd.	<u>\$ 3,678,476</u>	<u>\$ 1,722,362</u>

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31	
	2007	2006
Open-end funds	\$ 1,702,260	\$ 3,382,047
Listed stocks	<u>1,209,194</u>	<u>1,029,448</u>
	2,911,454	4,411,495
Current portion	<u>(1,702,260)</u>	<u>(3,382,047)</u>
	<u>\$ 1,209,194</u>	<u>\$ 1,029,448</u>

9. FINANCIAL ASSETS CARRIED AT COST

	December 31	
	2007	2006
Domestic unlisted stocks	\$ 715,098	\$ 896,784

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

10. PROPERTIES

	December 31	
	2007	2006
Accumulated depreciation:		
Buildings	\$ 147,302	\$ 115,116
Auxiliary equipment	127,925	110,190
Machinery and equipment	294,261	454,557
Testing equipment	369,418	202,254
Transportation equipment	8,072	6,937
Furniture and fixtures	181,050	181,681
Leasehold improvements	20,727	10,426
Other equipment	8,928	11,581
	<u>\$ 1,157,683</u>	<u>\$ 1,092,742</u>

11. INTANGIBLE ASSETS, NET

	December 31	
	2007	2006
Technology license fees	\$ 1,726,297	\$ 1,470,015
Patents	71,651	77,195
Land grant	34,688	33,822
Technological know-how	20,833	68,751
Goodwill	19,757	-
	<u>\$ 1,873,226</u>	<u>\$ 1,649,783</u>

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

12. DEFERRED CHARGES AND OTHERS

	December 31	
	2007	2006
Software and system design, net	\$ 310,351	\$ 278,901
Refundable deposits	14,712	13,542
Certificates of golf club membership	7,800	7,800
Others	1,370	-
	<u>\$ 334,233</u>	<u>\$ 300,243</u>

13. SHORT-TERM LOANS

	December 31	
	2007	2006
Working capital loans - 2007: Annual interest rate from 2.97%-3.38%; 2006: Annual interest rate at 2.35%-3.13%	\$ 900,000	\$ 567,000
Working capital loans - 2007: Annual interest rate from 2.650%-2.775%; 2006: US\$8,500 thousand, annual interest rate at 6.05%	500,000	277,057
Working capital loans - 2007: Annual interest rate from 2.60% to 2.84%	338,800	-
Working capital loans - 2007: RMB46,775 thousand, annual interest rate from 5.61%-6.17%; 2006: RMB38,419 thousand, annual interest rate at 5.61%	207,678	160,415
Working capital loans - 2007: Annual interest rate at 3.025%; 2006: Annual interest rate at 2.71%	5,000	84,703
Working capital loans - 2006: US\$9,500 thousand, annual interest rate from 6.15% to 6.31%	-	309,653
Working capital loans - 2006: Annual interest rate at 6.21%	-	130,380
	<u>\$ 1,951,478</u>	<u>\$ 1,529,208</u>

14. COMMERCIAL PAPER PAYABLE

	December 31	
	2007	2006
Secured by guarantees issued by financial institutions - 2007: Repayable by January 2008, annual interest rate at 1.75%; 2006: Repayable by January 2007, annual interest rate at 1.75%	\$ 70,000	\$ 100,000
Discount on commercial paper	(118)	(120)
	<u>\$ 69,882</u>	<u>\$ 99,880</u>

15. LONG-TERM LOANS

	December 31	
	2007	2006
Credit loans:		
Repayable by October 2008, annual interest rate 2007 at 3.145%; 2006 at 2.75%	\$ 100,000	\$ 100,000
Secured loans:		
Repayable in monthly installment, starting from January 2007 to October 2008, annual interest rate at 2.84%	50,000	110,000
	150,000	210,000
Current portion	(150,000)	(60,000)
	<u>\$ -</u>	<u>\$ 150,000</u>

16. PENSION PLAN

The Labor Pension (the "Act") took effect on July 1, 2005. The employees subject to the Labor Standards Law before July 1, 2005 were allowed to choose to be subject to the pension mechanism under the Act or to continue being subject to the pension mechanism under the Labor Standards Law. For Company employees who were subject to the Labor Standards Law before July 1, 2005 and choose to be subject to the Act, their service years as of July 1, 2005 will be retained. Those hired on or after July 1, 2005 are automatically subject to the Act. Based on the Act, the Company's monthly contributions to employees' individual pension accounts starting from July 1, 2005 have been at 6% of employees' salaries. Thus, the pension costs recognized by the Company were \$73,518 thousand and \$61,027 thousand for the years ended December 31, 2007 and 2006, respectively.

Before the promulgation of the Act, the Company has had a defined benefit pension plan under the Labor Standards Law. Under this plan, employees should receive either a series of pension payments with a defined annuity or a lump sum that is payable immediately on retirement and is equivalent to 2 base units for each of the first 15 years of service and 1 base unit for each year of service thereafter. The total retirement benefit is subject to a maximum of 45 units. The pension plan provides benefits based on the length of service and the average basic salary of the employee's final six months of service. In addition, the Company makes monthly contributions, equal to 2% of salaries, to a pension fund, which is administered by a fund monitoring committee. The fund is deposited in the committee's name in the Bank of Taiwan (the Central Trust of China merged with the Bank of Taiwan in July 2007 with the Bank of Taiwan as the survivor entity).

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

Other information on the defined pension plan is as follows (including Sunplus, Orise, Generalplus, Sunplus Innovation, Sunplus mMobile and Sunplus mMedia in 2007 and including Sunplus, Orise, Sunplus mMobile and Sunplus Innovation in 2006):

a. Components of net pension costs

	Years Ended December 31	
	2007	2006
Service costs	\$ 4,900	\$ 6,656
Interest costs	7,641	11,945
Projected return on plan assets	(3,506)	(2,760)
Amortization	<u>(1,368)</u>	<u>1,779</u>
Net pension costs	<u>\$ 7,667</u>	<u>\$ 17,620</u>

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

	December 31	
	2007	2006
Benefit obligation		
Vested benefit obligation	\$ -	\$ -
Non-vested benefit obligation	101,080	79,911
Accumulated benefit obligation	101,080	79,911
Additional benefits based on future salaries	172,088	138,381
Projected benefit obligation	273,168	218,292
Fair value of plan assets	<u>(103,279)</u>	<u>(86,716)</u>
Funded status	169,889	131,576
Unrecognized net transition obligation	(26,291)	3,238
Unrecognized net gain (loss)	38,038	52,088
Additional liability	<u>653</u>	<u>-</u>
Accrued pension liability	<u>\$ 182,289</u>	<u>\$ 186,902</u>
Vested benefit	<u>\$ -</u>	<u>\$ -</u>

c. Actuarial assumptions

Discount rate used in determining present values	3.00%	3.50%
Future salary increase rate	5.25%-6.50%	5.75%
Expected rate of return on plan assets	3.00%	3.50%

17 SHAREHOLDERS' EQUITY

a. Capital stock

The shareholders' approved a capital reduction by canceling 511,436 thousand issued and outstanding shares, amounting to 5,114,357 thousand, on December 8, 2006. All related actions, including the decrease in the number of issued and outstanding shares and capital return, were completed in March, 2007. The effective date of capital reduction was January 25, 2007. The share was returned at about NT\$5.00; thus, the capital reduction ratio was about 50% of share par value.

b. Employee stock option plan

On March 6, 2003 (2003 option plan) and September 11, 2007 (2007 option plan), the Securities and Futures Bureau approved the Sunplus's adoption of an employee stock option plan. The plan provides for the grant of 30,000 thousand options and 25,000 thousand options in 2003 and 2007 plan, respectively, with each unit representing one common share. The option rights are granted to qualified employees of the Company and subsidiaries. A total of 55,000 thousand common shares have been reserved for issuance. The options are valid for six years and exercisable at certain percentages after the second anniversary of the grant date. Stock option rights are granted at an exercise price equal to the closing price of the Sunplus's common shares listed on the Taiwan Stock Exchange on the grant date. All options had been granted or canceled as of December 31, 2007. Outstanding option rights were as follows:

	2003 Option Plan			
	2007		2006	
	Unit (in Thousands)	Weighted- average Price (NT\$)	Unit (in Thousands)	Weighted- average Price (NT\$)
Beginning outstanding balance	18,399	\$27.12	25,196	\$29.79
Options granted	302	44.81	995	26.65
Options exercised	(5,435)	37.93	(5,110)	23.14
Options canceled	(8,112)		(2,682)	
Ending outstanding balance	5,154		18,399	

	2007 Option Plan			
	2007		2006	
	Unit (in Thousands)	Weighted- average Price (NT\$)	Unit (in Thousands)	Weighted- average Price (NT\$)
Beginning outstanding balance	-	\$ -	-	\$ -
Option granted	25,000	47.58	-	-
Ending outstanding balance	25,000		-	

The number of shares and exercise prices of outstanding option have been adjusted to reflect the appropriations of dividends, stock bonuses and issuance of capital stock specified under the Plans. For the years ended December 31, 2007 and 2006, additional 302 thousand and 995 thousand options have been granted to reflect the appropriation of dividends and stock bonuses, respectively.

As of December 31, 2007, the outstanding and exercisable options were as follows:

As of December 31, 2007, the outstanding and exercisable options were as follows:					
	2003 Option Plan				
	Options Outstanding			Options Exercisable	
		Weighted-average			Weighted-average
	Number of	Contractual	Weighted-average	Number of	Exercise
Exercise Price (NT\$)	Options (in	Life (Years)	Exercise	Options (in	Price (NT\$)
	Thousands)		Price (NT\$)	Thousands)	
\$32.70	2,067	1.35	\$32.70	2,067	\$32.70
56.70	3,087	1.66	56.70	3,087	56.70

2007 Option Plan					
Exercise Price (NT\$)	Options Outstanding			Options Exercisable	
	Number of Options (in Thousands)	Weighted- average Remaining Contractual Life (Years)	Weighted- average Exercise Price (NT\$)	Number of Options (in Thousands)	Weighted- average Exercise Price (NT\$)
\$47.45	19,000	5.87	\$47.45	-	\$ -
48.00	6,000	5.99	48.00	-	-

No compensation costs for 2007 option plan, which were based on the intrinsic value method, were recognized in 2007. Had the Company used the fair value based method (based on the Black-Scholes model) to evaluate the options granted, the option assumptions and pro forma results of the Sunplus in 2007 would have been as follows:

	2007
Assumptions:	
Risk-free interest rate	3.00%
Expected life	6 years
Expected stock price volatility	44.92%
Expected dividend yield	-%
Net income	
Net income as reported	\$ 2,061,502
Pro forma net income	\$ 2,010,343
Earnings per share (EPS; in New Taiwan dollars)	
Basic EPS as reported	\$3.53
Pro forma basic EPS	\$3.44
Diluted EPS as reported	\$3.52
Pro forma diluted EPS	\$3.43

c. Global depositary receipts (GDRs)

In March 2001, Sunplus issued 20,000 thousand units of Global Depositary Receipts (GDRs), representing 40,000 thousand common shares consisting of newly issued and originally outstanding shares. The GDRs are listed on the London Stock Exchange (code: SUPD) with an issuance price of US\$9.57 per unit. As of December 31, 2007, the GDRs have been redeemed into 88,130 thousand of common shares amounting to US\$227,346 thousand. The outstanding GDRs, representing 579 thousand common shares, are accounted for 0.1% of outstanding common stock.

d. Capital surplus

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

e. Appropriation of earnings and dividend policy

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

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

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

Under the ROC Company Law, legal reserve should be appropriated until the reserve equals the Company's paid-in capital. This reserve may be used to offset a deficit. In addition, when the reserve exceeds 50% of the Company's paid-in capital, the excess portion that is over 25% of the excess may be distributed as stock dividend and bonus if the company has no deficit.

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

Sunplus' appropriations for the earnings of 2006 and 2005 were approved in the shareholders' meetings on June 15, 2007 and June 9, 2006, respectively. The appropriations, including dividends, were as follows:

	<u>For Fiscal Year 2007</u>		<u>For Fiscal Year 2006</u>	
	<u>Appropriation</u>	<u>Dividends</u>	<u>Appropriation</u>	<u>Dividends</u>
	<u>of Earnings</u>	<u>Per Share</u>	<u>of Earnings</u>	<u>Per Share</u>
		<u>(NT\$)</u>		<u>(NT\$)</u>
Legal reserve	\$ 297,269		\$ 239,836	
Special reserve	(277,600)		(43,628)	
Bonus to employees - stock	135,000		225,000	
Bonus to employees - cash	15,000		25,000	
Remuneration of directors and supervisors	39,688		24,517	
Stock dividends	153,622	\$0.29822	283,844	\$0.29894
Cash dividends	<u>2,048,297</u>	3.97620	<u>1,892,295</u>	1.99295
	<u>\$ 2,411,276</u>		<u>\$ 2,646,864</u>	

The above appropriation of the earnings is consistent with the resolutions passed at the meetings of the board of directors on April 27, 2007 and April 21, 2006. Had the above employee stock bonus been paid in cash and had all of the bonus to employees and remuneration to directors and supervisors been charged against income for 2006 and 2005, the after-tax basic earnings per share in 2006 and 2005 would have decreased from NT\$2.94 and NT\$2.56 to NT\$2.75 and NT\$2.26.

The shares distributed as a bonus to employees, 13,500 and 22,500 thousand shares in 2006 and 2005 represented 1.32% and 2.37% of the Company's total outstanding common shares as of December 31, 2006 and 2005, respectively.

As of January 25, 2008, the date of the accompanying auditors' report, the board of directors of Sunplus had not resolved the appropriation of the 2007 earnings. The earnings appropriation can be accessed online through the Market Observation Post System on the Web site of the Taiwan Stock Exchange.

Unrealized gain or loss on financial instruments

For the years ended December 31, 2007 and 2006 movement of unrealized gain or loss on financial instrument were as follows:

	Available- for-sale Financial Assets	Equity- method Investments	Total
<u>Year ended December 31, 2007</u>			
Balance, beginning of year	\$ (34,479)	\$ 13	\$ (34,466)
Recognized in shareholders' equity	<u>(219,893)</u>	<u>(12)</u>	<u>219,881</u>
Balance, end of year	<u>\$ (185,414)</u>	<u>\$ 1</u>	<u>\$ 185,415</u>
<u>Year ended December 31, 2006</u>			
Balance, beginning of the year	\$ (285,085)	\$ -	\$ (285,085)
Recognized in shareholders' equity	<u>250,606</u>	<u>13</u>	<u>250,619</u>
Balance, end of year	<u>\$ (34,479)</u>	<u>\$ 13</u>	<u>\$ (34,466)</u>
<u>Cumulative translation adjustment</u>			Translation of Foreign -currency Financial Statements
<u>Year ended December 31, 2007</u>			
Balance, beginning of year			\$ 17,206
Recognized in shareholders' equity			<u>45,929</u>
Balance, end of year			<u>\$ 63,135</u>
<u>Year ended December 31, 2006</u>			
Balance, beginning of year			\$ (9,775)
Recognized in shareholders' equity			<u>26,981</u>
Balance, end of year			<u>\$ 17,206</u>

18. TREASURY STOCK

(Units: Shares in Thousands)

Purpose of Purchase	Beginning Shares	Increase	Decrease	Ending Shares
<u>Year ended December 31, 2007</u>				
Company stocks held by subsidiaries	6,450	160	3,320	3,390
For subsequent transfer to employees	<u>2,582</u>	<u>-</u>	<u>1,289</u>	<u>1,293</u>
	<u>9,032</u>	<u>160</u>	<u>4,509</u>	<u>4,683</u>
<u>Year ended December 31, 2006</u>				
Company stocks held by subsidiaries	6,144	306	-	6,450
For subsequent transfer to employees	<u>2,582</u>	<u>-</u>	<u>-</u>	<u>2,582</u>
	<u>8,726</u>	<u>306</u>	<u>-</u>	<u>9,032</u>

Starting from January 2002, Sunplus accounted for its issued stocks amounting to \$95,605 thousand held by a subsidiary, Lin Shin Investment Co., Ltd., as treasury stock. As of December 31, 2007 and 2006, the book values of these stocks were \$63,401 thousand and \$95,605 thousand, and the market values of these stocks were \$164,780 thousand and \$256,404 thousand, respectively.

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

19. PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

	Years Ended December 31					
	2007			2006		
	Classified as Cost of Sales	Classified as Operating Expense	Total	Classified as Cost of Sales	Classified as Operating Expense	Total
Labor cost						
Salary	\$ 195,727	\$1,890,369	\$2,086,096	\$ 380,460	\$1,670,105	\$2,050,565
Labor/health insurance	12,922	98,967	111,889	38,246	99,641	137,887
Pension	8,284	77,391	85,675	12,156	76,451	88,607
Welfare benefit	5,148	50,561	55,709	9,036	47,492	56,528
Meal	4,202	30,181	34,383	15,026	29,542	44,568
Others	<u>280</u>	<u>2,989</u>	<u>3,269</u>	<u>1,294</u>	<u>1,686</u>	<u>2,980</u>
	<u>\$ 226,563</u>	<u>\$2,150,458</u>	<u>\$2,377,021</u>	<u>\$ 456,218</u>	<u>\$1,924,917</u>	<u>\$2,381,135</u>
Depreciation	<u>\$ 76,034</u>	<u>\$ 263,497</u>	<u>\$ 339,531</u>	<u>\$ 197,684</u>	<u>\$ 325,745</u>	<u>\$ 523,429</u>
Amortization	<u>\$ 2,760</u>	<u>\$ 880,735</u>	<u>\$ 883,495</u>	<u>\$ 2,612</u>	<u>\$ 650,232</u>	<u>\$ 652,844</u>

20. INCOME TAX

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

	2007	2006
Income tax expense before tax credits		
Domestic	\$ 464,297	\$ 353,504
Foreign	-	832
	<u>464,297</u>	<u>354,336</u>
Net change in deferred income taxes		
Domestic	(313,407)	(21,542)
Foreign	5,489	-
Cumulative effect of changes in accounting principles	-	12,438
Changes in fair value recognized as an adjustment to equity	-	(186)
Investment tax credits used	(243,798)	(184,577)
Loss carry forwards used	(13,195)	-
Adjustment of prior years' income tax expense	333,430	(1,353)
Income tax (10%) on undistributed earnings	<u>39,627</u>	<u>-</u>
Income tax expense	<u>\$ 272,443</u>	<u>\$ 159,116</u>

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

	December 31	
	2007	2006
Current:		
Loss carryforwards	\$ 92,047	\$ 6,436
Investment tax credits	207,172	270,576
Temporary differences	109,652	50,717
Valuation allowance	<u>(184,678)</u>	<u>(104,808)</u>
	<u>\$ 224,193</u>	<u>\$ 222,921</u>
Noncurrent:		
Loss carryforwards	\$ 814,036	\$ 585,178
Investment tax credits	1,391,491	1,334,516
Temporary differences	21,742	27,728
Valuation allowance	<u>(1,379,015)</u>	<u>(1,405,814)</u>
	<u>\$ 848,254</u>	<u>\$ 541,608</u>

As of December 31, 2007, investment tax credits were as follows:

Regulatory Basis of Tax Credits	Items	Total Creditable Amounts	Remaining Creditable Amounts	Expiry Year
Income Tax Law	Loss carryforwards	\$ 6,846	\$ -	2007
		95,233	91,804	2008
		63,119	63,119	2009
		218,702	218,702	2010
		162,541	159,621	2011
		372,594	372,594	2012
		<u>243</u>	<u>243</u>	2014
		<u>\$ 919,278</u>	<u>\$ 906,083</u>	
Statute for Upgrading Industries	Purchase of machinery and equipment	\$ 2,432	\$ -	2007
		10,376	10,376	2008
		<u>3,606</u>	<u>3,606</u>	2009
		<u>\$ 16,414</u>	<u>\$ 13,982</u>	
Statute for Upgrading Industries	Research and development expenditures	\$ 89,635	\$ -	2007
		191,971	133,365	2008
		349,602	344,105	2009
		568,091	528,250	2010
		<u>617,195</u>	<u>569,408</u>	2011
		<u>\$ 1,816,494</u>	<u>\$ 1,575,128</u>	
Statute for Upgrading Industries	Personnel training expenditures	\$ 48	\$ 48	2008
		86	86	2009
		24	24	2010
		<u>12</u>	<u>12</u>	2011
		<u>\$ 170</u>	<u>\$ 170</u>	
Statute for Upgrading Industries	Investments in important technology-based enterprise	\$ 4,930	\$ 4,930	2008
		1,275	1,275	2009
		1,400	1,400	2010
		<u>1,778</u>	<u>1,778</u>	2011
		<u>\$ 9,383</u>	<u>\$ 9,383</u>	

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

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

(Continued)

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

The income tax returns of Sunplus, Sunext, Waveplus, Wei-Young and Generalplus through 2005; income tax returns of Lin Shin and Sunplus Venture through 2004 had been assessed by the tax authorities. Sunplus disagreed with the tax authorities assessment of its 2003, 2004 and 2005 tax return and had applied for a re-examination. Nevertheless, Sunplus has provided for the income tax assessed by the tax authorities for conservatism.

d. Integrated income tax information of Sunplus:

	2007	2006
Shareholders' imputation credit account	\$ 41,267	\$ 16,518
Unappropriated earnings until 1997	\$ 452,310	\$ 452,310

The expected and actual creditable tax ratios for 2007 and 2006 of Sunplus were 1.35% and 5.80%, 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 2007 may be adjusted when the allocation of the imputation credits is made.

21. CONSOLIDATED EARNINGS PER SHARE

	2007		2006	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
Consolidated basic EPS (NT\$)				
Income before cumulative effect of changes in accounting principles attributable to common shareholders of the parent	\$ 4.00	\$ 3.53	\$ 3.01	\$ 2.86
Cumulative effect of changes in accounting principles attributable to common shareholders of the parent	-	-	(0.03)	(0.03)
Income attributable to the common shareholders of the parent for the year	<u>\$ 4.00</u>	<u>\$ 3.53</u>	<u>\$ 2.98</u>	<u>\$ 2.83</u>
Consolidated diluted EPS (NT\$)				
Income before cumulative effect of changes in accounting principles attributable to common shareholders of the parent	\$ 3.98	\$ 3.52	\$ 3.00	\$ 2.84
Cumulative effect of changes in accounting principles attributable to common shareholders of the parent	-	-	(0.03)	(0.03)
Income attributable to the common shareholders of the parent for the year	<u>\$ 3.98</u>	<u>\$ 3.52</u>	<u>\$ 2.97</u>	<u>\$ 2.81</u>

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

	<u>Amounts (Numerator)</u>		<u>Share (Denominator) (in Thousands)</u>	<u>EPS (Dollars)</u>	
	<u>Before Income Tax</u>	<u>After Income Tax</u>		<u>Before Income Tax</u>	<u>After Income Tax</u>
<u>2007</u>					
Consolidated net income	<u>\$ 2,289,080</u>	<u>\$ 2,016,637</u>			
Consolidated basic EPS					
Income attributable to common shareholders of the parent	\$ 2,333,945	\$ 2,061,502	584,195	<u>\$ 4.00</u>	<u>\$ 3.53</u>
Effect of dilutive securities					
Stock options	<u>-</u>	<u>-</u>	<u>1,753</u>		
Consolidated diluted EPS					
Income attributable to common and potential common shareholders of the parent	<u>\$ 2,333,945</u>	<u>\$ 2,061,502</u>	<u>585,948</u>	<u>\$ 3.98</u>	<u>\$ 3.52</u>
<u>2006</u>					
Consolidated net income	<u>\$ 3,211,849</u>	<u>\$ 3,052,733</u>			
Consolidated basic EPS					
Income attributable to common shareholders of the parent	\$ 3,131,811	\$ 2,972,695	1,051,075	<u>\$ 2.98</u>	<u>\$ 2.83</u>
Effect of dilutive securities					
Stock options	<u>-</u>	<u>-</u>	<u>5,027</u>		
Consolidated diluted EPS					
Income attributable to common and potential common shareholders of the parent	<u>\$ 3,131,811</u>	<u>\$ 2,972,695</u>	<u>1,056,102</u>	<u>\$ 2.97</u>	<u>\$ 2.81</u>

The weighted-average number of shares outstanding for EPS calculation was adjusted retroactively for stock dividends and stock bonuses issued subsequently (see Note 17). As a result of this adjustment, the basic EPS and diluted EPS after income tax in 2006 decreased from NT\$2.94 to NT\$2.83 and from NT\$2.92 to NT\$2.81, respectively.

22. FINANCIAL INSTRUMENTS

a. Fair values of financial instruments were as follows:

	<u>2007</u>		<u>2006</u>	
	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Carrying Value</u>	<u>Fair Value</u>
<u>Nonderivative instruments</u>				
Assets				
Financial assets at fair value through profit or loss (current and non-current portion)	\$ 167,676	\$ 167,676	\$ 342,633	\$ 342,633
Available-for-sale financial assets (current and non-current portion)	2,911,454	2,911,454	4,411,495	4,411,495
Financial assets carried at lost	715,098	-	896,784	-
<u>Derivative instruments</u>				
Assets				
Financial assets for trading	112	112	519	519
Liabilities				
Financial liabilities for trading	5,392	5,392	-	-

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

- b. Methods and assumptions used in determining fair values of financial assets and liabilities, based on quoted market prices or valuation techniques, were as follows:
 - 1) For cash, certificate of deposit - restricted, notes and accounts receivable, other receivables, short-term loans, commercial paper payable, and notes and accounts payable, the carrying amounts reported in the balance sheets approximate their fair values because of their short maturities.
 - 2) Fair values of financial assets at fair value through profit or loss and available-for-sale financial assets are based on their quoted prices in active markets. For those instruments not traded in active markets, their fair values are determined using valuation techniques incorporating estimates and assumptions that are consistent with prevailing market conditions.
 - 3) Financial assets carried at cost had no quoted prices in an active market and their fair value could not be reliably measured.
 - 4) Fair value of long-term loans is estimated using the present value of future cash flows discounted by the interest rates the Company may obtain for similar loans (e.g., similar maturities). The fair values of the Company's long-term loans are also their carrying values because they bear floating interest rates.
- c. Gain and loss recognized for the changes in fair value of financial instruments using valuation techniques were \$12,241 thousand and \$3,012 thousand for the years ended December 31, 2007 and 2006.
- d. As of December 31, 2007 and 2006, financial assets exposed to cash flow interest rate risk were \$1,217,112 thousand and \$1,644,916 thousand, respectively; financial assets exposed to fair value interest rate risk were \$1,681,022 thousand and \$3,415,536 thousand, respectively; As of December 31, 2007 and 2006; financial liabilities exposed to fair value interest rate risk were \$908,682 thousand and \$537,352 thousand, respectively, and financial liabilities exposed to cash flow interest rate risk were \$1,262,678 thousand and \$1,301,736 thousand, respectively.
- e. Interest income arising from the financial assets other than the financial assets at fair value through profit or loss for the years ended December 31, 2007 and 2006 were \$56,902 thousand and \$88,342 thousand, respectively; interest expense arising from the financial assets other than the financial assets at fair value through profit or loss for the years ended December 31, 2007 and 2006 were \$80,097 thousand and \$96,099 thousand, respectively.
- f. Financial risks
 - 1) Market risk. The financial instruments held by the Company are exposed to interest rate, foreign exchange rate and price risks.

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

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

- 2) Credit risk. The Company will incur a loss if the counter-parties or third-parties breach the contracts, which are affected by such factors as the concentrations of counter parties, components of financial instruments, contract amounts, and the receivables on the contracts. Thus, contracts with positive fair values on the balance sheet date are evaluated for credit risk. As of December 31, 2007 and 2006, credit risks of the financial assets, except those approximate to their carrying values, were as follows:

	2007		2006	
	Carrying Amount	Credit Risk	Carrying Amount	Credit Risk
Held-for-trading financial assets				
Forward exchange contracts	\$ 112	\$ 112	\$ 519	\$ 519
Financial assets designated at fair value through profit or loss				
CLNs	-	-	192,997	192,997
	<u>\$ 112</u>	<u>\$ 112</u>	<u>\$ 193,516</u>	<u>\$ 193,516</u>

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

23. RELATED-PARTY TRANSACTIONS

The Company's related parties were as follows:

- a. Global View Co., Ltd. ("Global View") - the supervisor of Sunplus and Waveplus.
- b. Giantplus Technology Co., Ltd. ("Giantplus") - originally an investee over which the Company had a controlling interest; beginning in August 2006, Giantplus became an investee accounted for using the equity-method due to changes in general manager of Giantplus.
- c. Kunshan Giantplus Optoelectronics Technology Co., Ltd. ("Kunshan Giantplus") - 100% indirect Subsidiary of Generalplus.
- d. Shenzhen Giantplus Optoelectronics Technology Co., Ltd. ("Shenzhen Giantplus") - the general manager of Kunshan Giantplus and Shenzhen Giantplus is the same. (Shenzhen Giantplus ceased to be the Company's related parties beginning in July 2006; the transactions made as of and for the year ended December 31, 2006 are disclosed only for reference.)
- e. Goldkey Technology Corp. ("Goldkey") - equity-method investee.
- f. Lin Shin Technology Co., Ltd. ("Lin Shin") - equity method investee of Russell Holding Ltd.
- g. Coolsand Technologies SARL ("Coolsand") - equity method investee of Russell Holding Ltd.
- h. AU Optronics Corp. ("AUO") - an equity-method investor of Orise since September 2006.
- i. AU Optronics (Labuan) Corporation ("AUL") - the subsidiary of AUO
- j. Tech-well Shanghai display Co., Ltd. ("Tech-well") - 100% indirect Subsidiary of Quanta Display Inc. (QDI) (QDI was merged by AUO at October 1, 2006, thus, DA-HUI became the 100% indirect Subsidiary of AUO after merged)
- k. NXP B.V., ("NXP") - the director of Sunext.
- l. NXP Semiconductors Taiwan Ltd. (NXP Taiwan) - the subsidiary of NXP.
- m. Zhuang, hui-zhen - a spouse of the president.

- n. Huang, Zhou-fu - a collateral relative by blood within two generations of the president.
- o. Others - please refer to Note 27 for related parties that do not have business transactions with the Company in the current period.

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

	Years Ended December 31			
	2007		2006	
	Amount	%	Amount	%
Sales				
AUL	\$ 1,307,777	6	\$ 1,019,821	4
Kunshan Giantplus	341,382	2	87,323	-
AUO	334,850	2	136,326	-
Coolsand	117,049	1	-	-
Giantplus	110,150	-	64,580	-
Lin Shin	3,954	-	2,380	-
Global View	-	-	5,135	-
	<u>\$ 2,215,162</u>	<u>11</u>	<u>\$ 1,315,565</u>	<u>4</u>

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

	Years Ended December 31			
	2007		2006	
	Amount	%	Amount	%
Purchase and subcontract costs				
NXP Taiwan	\$ 216,478	-	\$ 566,042	-
AUO	278	-	-	-
	<u>\$ 216,756</u>	<u>-</u>	<u>\$ 566,042</u>	<u>-</u>
Research development and rental expenses				
NXP	\$ 181,941	3	\$ 176,943	3
Giantplus	5,143	-	2,800	-
Zhuang, Hui-zhen	1,961	-	2,564	-
Huang, Zhou-fu	1,923	-	2,615	-
AUO	35	-	-	-
Global View	-	-	429	-
	<u>\$ 191,003</u>	<u>3</u>	<u>\$ 185,351</u>	<u>3</u>

The following transactions between the Company and the related parties were based on normal terms.

	Years Ended December 31			
	2007		2006	
	Amount	%	Amount	%
Nonoperating income and gains				
Lin Shin	\$ 572	-	\$ 16	-
Giantplus	2,964	-	-	-
Coolsand	36	-	-	-
Global View	-	-	241	-
	<u>\$ 3,572</u>	<u>-</u>	<u>\$ 257</u>	<u>-</u>

December 31				
	2007		2006	
	Amount	%	Amount	%
Notes and accounts receivable				
AUL	\$ 774,862	20	\$ 638,639	16
Kunshan Giantplus	115,132	3	76,783	2
AUO	88,347	2	126,731	3
Coolsand	28,932	1	-	-
Giantplus	27,767	-	3,611	-
Lin Shin	1,019	-	2,499	-
Tech-well	-	-	138,317	4
Global View	-	-	21	-
	<u>\$ 1,036,059</u>	<u>26</u>	<u>\$ 986,601</u>	<u>25</u>
Other receivables				
Lin Shin	\$ 103	-	\$ 16	-
Giantplus	8	-	-	-
Goldkey	-	-	19,702	8
	<u>\$ 111</u>	<u>-</u>	<u>\$ 19,718</u>	<u>8</u>
December 31				
	2007		2006	
	Amount	%	Amount	%
Notes and accounts payable				
NXP Taiwan	\$ 5,545	-	\$ 72,044	2
Other current liabilities				
NXP	\$ 54,641	4	\$ 16,965	2
AUO	219	-	1,132	-
	<u>\$ 54,860</u>	<u>4</u>	<u>\$ 18,097</u>	<u>2</u>

24. PLEDGED OR MORTGAGED ASSETS

Certain assets pledged or mortgaged as collateral for purchase and commercial paper payable were as follows:

	December 31	
	2007	2006
Sunplus' stock holding by subsidiary	\$ 146,016	\$ 238,500
Pledged time deposits	<u>23,265</u>	<u>79,728</u>
	<u>\$ 169,281</u>	<u>\$ 318,228</u>

25. SIGNIFICANT LONG-TERM OPERATING LEASES

Sunplus

Sunplus leases land from the Science-Based Industrial Park Administration under renewable agreements expiring in July 2015, December 2020 and 2021, with annual rentals aggregating \$7,862 thousand.

Future annual minimum rentals under the leases are as follows:

Year	Amount
2008	\$ 7,862
2009	7,862
2010	7,862
2011	7,862
2012	7,862
2013 and thereafter	<u>48,419</u>
	<u>\$ 87,729</u>

Orise

Orise leases factories from Anpec Electronics Corporation under renewable agreements expiring in April 2011, with annual rentals aggregating \$15,751 thousand.

Future annual minimum rentals under the leases are as follows:

Year	Amount
2008	\$ 15,751
2009	15,751
2010	15,751
2011	<u>3,938</u>
	<u>\$ 51,191</u>

26. GAIN ON SETTLEMENT COMPENSATION

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

27. ADDITIONAL DISCLOSURES

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

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

g. Investment in Mainland China: Table 7 (attached)

h. Intercompany relationships and significant intercompany transactions: Table 8 (attached)

28. SEGMENT INFORMATION

a. Industry information:

The Company only manufactures and sells value-added consumer integrated circuits (ICs) for the year ended December 31, 2007. The industry information for the year ended December 31, 2006 was as following:

	Consume Integrated Circuit IC Design	Manufacture of TN/STN LCDS and LCD Modules	Other	Adjustment and Elimination	Consolidate d
<u>2006</u>					
Sale to unaffiliated customers	\$ 22,435,119	\$ 5,003,559	\$ 6,546	\$ -	\$ 27,445,224
Transfer between affiliated parties	<u>506,624</u>	<u>1,530,240</u>	<u>10,550</u>	<u>(2,047,414)</u>	<u>-</u>
Total sales	<u>\$ 22,941,743</u>	<u>\$ 6,533,799</u>	<u>\$ 17,096</u>	<u>\$ (2,047,414)</u>	<u>\$ 27,455,224</u>
Gross profit	<u>\$ 7,328,262</u>	<u>\$ 822,367</u>	<u>\$ 17,096</u>	<u>\$ (260,412)</u>	<u>\$ 7,907,313</u>
Operating expense					(5,432,693)
Nonoperating income and gains					1,382,412
Nonoperating expense and losses					<u>(612,619)</u>
Income before income tax					<u>\$ 3,244,413</u>
Minority interest					<u>\$ 80,038</u>
Identifiable asset	<u>\$ 20,915,530</u>	<u>\$ -</u>	<u>\$ 716,950</u>	<u>\$ (173,829)</u>	<u>\$ 21,458,651</u>
Long term investment	<u>\$ 7,123,866</u>	<u>\$ -</u>	<u>\$ 2,862,391</u>	<u>\$ (6,751,357)</u>	<u>\$ 3,234,900</u>
Total assets					<u>\$ 24,693,551</u>
Depreciation and amortization expense	<u>\$ 1,026,673</u>	<u>\$ 134,750</u>	<u>\$ 14,850</u>	<u>\$ -</u>	<u>\$ 1,176,273</u>
Capital expenditure	<u>\$ 549,865</u>	<u>\$ 159,184</u>	<u>\$ 204,158</u>	<u>\$ -</u>	<u>\$ 913,207</u>

b. Geographic information:

The Company 90% revenue and 90% identifiable assets were from Taiwan for the year ended December 31, 2007. The geographic information for the year ended December 31, 2006 was as following:

	Other	Asia	Taiwan	Adjustment and Elimination	Consolidate d
<u>2006</u>					
Sale to unaffiliated customers	\$ 4,629	\$ 2,041,563	\$ 25,399,032	\$ -	\$ 27,455,224
Transfers between geographic areas	<u>128,959</u>	<u>1,082,169</u>	<u>836,286</u>	<u>(2,047,414)</u>	<u>-</u>
Total sales	<u>\$ 133,588</u>	<u>\$ 3,123,732</u>	<u>\$ 26,235,318</u>	<u>\$ (2,047,414)</u>	<u>\$ 27,455,224</u>
Gross profit	<u>\$ 133,588</u>	<u>\$ 490,254</u>	<u>\$ 7,543,883</u>	<u>\$ (260,412)</u>	<u>\$ 7,907,313</u>
Operating expense					(5,432,693)
Nonoperating income and gains					1,382,412
Nonoperating expense and losses					<u>(612,619)</u>
Income before income tax					<u>\$ 3,244,413</u>
Identifiable asset	<u>\$ 165,471</u>	<u>\$ 564,083</u>	<u>\$ 20,902,926</u>	<u>\$ (173,829)</u>	<u>\$ 21,458,651</u>
Long term investment	<u>\$ 400,023</u>	<u>\$ 970,195</u>	<u>\$ 8,616,039</u>	<u>\$ (6,751,357)</u>	<u>\$ 3,234,900</u>
Total assets					<u>\$ 24,693,551</u>

c. Export sales:

Area	2007	2006
Asia	\$ 14,972,878	\$ 17,288,631
Others	<u>784,798</u>	<u>341,693</u>
	<u>\$ 15,757,676</u>	<u>\$ 17,630,324</u>

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

Customer	2007		2006	
	Amount	%	Amount	%
A	\$ 3,419,127	17	\$ 3,249,984	12
B	2,454,955	12	3,008,560	11

TABLE 1

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

ENDORSEMENT/GUARANTTEE PROVIDED
YEAR ENDED DECEMBER 31, 2007

(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 Year	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	Sunplus mMobile Inc.	91% subsidiary	\$ 1,288,312 (Note 1)	\$ 622,820	\$ 80,887	\$ -	0.63%	\$ 2,576,625 (Note 2)
		Sunext Technology CO., Ltd.	Equity-method investee	1,288,312 (Note 1)	780,000	760,000	-	5.90%	2,576,625 (Note 2)
		Sunplus Technology (Shanghai) Co., Ltd.	99% indirect subsidiary	1,288,312 (Note 1)	329,825	329,825	-	2.56%	2,576,625 (Note 2)
		Sunplus Innovation Technology Inc.	91% subsidiary	1,288,312 (Note 1)	323,550	323,550	-	2.51%	2,576,625 (Note 2)
		Sunplus mMedia Inc.	87% indirect subsidiary	1,288,312 (Note 1)	479,443	479,443	-	3.72%	2,576,625 (Note 2)
		Waveplus Technology Co., Ltd.	Equity-method investee	1,288,312 (Note 1)	20,000	20,000	-	0.16%	2,576,625 (Note 2)
		Orise Technology Co., Ltd.	57% subsidiary	1,288,312 (Note 1)	684,910	-	-	-	2,576,625 (Note 2)

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

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

TABLE 2

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

YEAR ENDED DECEMBER 31, 2007

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

Holding Company	Type and Issuer/Name of Marketable Security	Relationship with the Holding Company	Financial Statement Account	December 31, 2007			Note	
				Shares or Units (Thousands)	Carrying Value	Percentage of Ownership		Market Value or Net Asset Value
Sunplus Technology Company Limited	<u>Stock</u>							
	Orise Technology Co., Ltd.	Equity-method investee	Equity-method investment	71,047	\$ 1,220,404	57	\$ 1,220,404	Note 1
	Giantplus Technology Co., Ltd.	Equity-method investee	Equity-method investment	76,317	1,171,730	32	1,171,730	Note 1
	Sunplus Venture Capital Co., Ltd.	Equity-method investee	Equity-method investment	100,000	652,367	100	652,367	Note 1
	Lin Shih Investment Co., Ltd.	Equity-method investee	Equity-method investment	70,000	657,300	100	657,300	Notes 1 and 5
	Russell Holdings Limited	Equity-method investee	Equity-method investment	19,260	651,954	100	651,954	Note 1
	Ventureplus Group Inc.	Equity-method investee	Equity-method investment	19,250	349,593	100	349,593	Note 1
	Wei-Young Investment Inc.	Equity-method investee	Equity-method investment	1,400	8,725	100	8,725	Note 1
	Generalplus Technology Inc.	Equity-method investee	Equity-method investment	23,285	461,612	45	461,612	Note 1
	Goldkey Technology Corp.	Equity-method investee	Equity-method investment	2,432	18,447	15	18,447	Notes 1
	Sunext Technology Co., Ltd.	Equity-method investee	Equity-method investment	12,600	(98,717)	16	(98,717)	Notes 1 and 4
	Waveplus Technology Co., Ltd.	Equity-method investee	Equity-method investment	434	22,433	43	22,433	Note 1
	Global Techplus Inc.	Equity-method investee	Equity-method investment	200	6,235	100	6,235	Note 1
	Sunplus Management Consulting Inc.	Equity-method investee	Equity-method investment	500	4,224	100	4,224	Note 1
	Sunplus Technology (H.K.) Co., Ltd.	Equity-method investee	Equity-method investment	11,075	(4,364)	100	(4,364)	Notes 1 and 4
	Sunplus mMobile Inc.	Equity-method investee	Equity-method investment	120,000	989,985	91	989,985	Note 1
	Sunplus Innovation Technology Inc.	Equity-method investee	Equity-method investment	22,000	347,675	91	347,675	Note 1
	Sunplus Core Technology Co., Ltd	Equity-method investee	Equity-method investment	5,600	44,721	58	44,721	Note 1
	RITEK Corp.	The Company's director	Equity-method investment	5,000	38,496	-	38,496	Note 3
	Global View Co., Ltd.	The Company's supervisor	Available-for-sale financial assets	13,568	236,077	11	236,077	Note 3
	United Microelectronics Corp.	-	Available-for-sale financial assets	1,883	37,940	-	37,940	Note 3
	Harvatek Corp.	-	Available-for-sale financial assets	4,896	160,330	3	160,330	Note 3
	Network Capital Global Fund	-	Financial assets carried at cost	1,333	13,333	7	13,333	Note 2
	Technology Partners Venture Capital Corp.	-	Financial assets carried at cost	2,222	22,223	11	22,223	Note 2
	Quality Test System Inc.	-	Financial assets carried at cost	648	-	2	-	Note 2
	Inverse floaters issued by Citi Bank	-	Financial assets at fair value through profit or loss	-	167,676	-	167,676	
	<u>Fund</u>							
	NITC Bond	-	Available-for-sale financial assets	1,496	250,000	-	250,000	Note 6
	Fun Hwa Bond	-	Available-for-sale financial assets	5,379	72,874	-	72,874	Note 6
	Tashin Lucky Bond Fund	-	Available-for-sale financial assets	30,224	315,000	-	315,000	Note 6

(Continued)

Holding Company	Type and Issuer/Name of Marketable Security	Relationship with the Holding Company	Financial Statement Account	December 31, 2007			Note
				Shares or Units (Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value
Orise Technology Co., Ltd.	Cathay Bond	-	Available-for-sale financial assets	1,935	\$ 22,650	-	\$ 22,650
	Jih Sun Bond	-	Available-for-sale financial assets	5,031	69,606	-	69,606
	President James Bond	-	Available-for-sale financial assets	10,068	157,799	-	157,799
	NITC Bond	-	Available-for-sale financial assets	415	65,358	-	65,358
	NITC Taiwan Bond Fund	-	Available-for-sale financial assets	6,731	96,369	-	96,369
	Funbon Ju-I	-	Available-for-sale financial assets	6,334	78,703	-	78,703
	IBT 1699 Bond Fund	-	Available-for-sale financial assets	5,166	65,080	-	65,080
	Prudential Well Poll Fund	-	Available-for-sale financial assets	262	3,329	-	3,329
	Tashin Lucky Fund	-	Available-for-sale financial assets	1,731	18,046	-	18,046
	Prudential Financial Bond Fund	-	Available-for-sale financial assets	6,955	103,256	-	103,256
	ING CHB Taiwan Bond	-	Available-for-sale financial assets	1,834	28,078	-	28,078
	Sunplus mMedia Inc.	Equity-method investee	Equity-method investment	75,000	1,157,851	91	1,157,851
	Prudential Financial Bond Fund	-	Available-for-sale financial assets	5	76	-	76
	IBT Ta-Chong Bond Fund	-	Available-for-sale financial assets	1	7	-	7
Sunplus mMedia Inc.	Ta Chong bond	-	Available-for-sale financial assets	19,442	257,316	-	257,316
	Prudential Financial Bond Fund	-	Available-for-sale financial assets	2,668	39,604	-	39,604
Lin Shih Investment Co., Ltd.	Polaris Di-Po Fund	-	Available-for-sale financial assets	4,892	55,109	-	55,109
	Stock						
	Goldkey Technology Corp.	Equity-method investee	Equity-method investment	2,666	20,228	17	20,228
	Waveplus Technology Co., Ltd.	Equity-method investee	Equity-method investment	174	8,990	17	8,990
	Sunext Technology Co., Ltd.	Equity-method investee	Equity-method investment	17,332	(135,759)	22	(135,759)
	Generalplus Technology Inc.	Equity-method investee	Equity-method investment	10,544	209,012	20	209,012
	Sunplus Core Technology Co., Ltd.	Equity-method investee	Equity-method investment	2,000	15,972	21	15,972
	Sunplus mMobile Inc.	Equity-method investee	Equity-method investment	4,707	58,548	4	58,548
	Sunplus mMedia Inc.	Equity-method investee	Equity-method investment	1,225	17,773	1	17,773
	Sunplus Innovation Technology Inc.	Equity-method investee	Equity-method investment	406	5,810	2	5,810
	Sunplus Technology Company Limited	Equity-method investee	Available-for-sale financial assets	3,390	164,780	-	164,780
	Ability Enterprise Co., Ltd.	Parent company	Available-for-sale financial assets	4,870	261,546	1	261,546
	RITEK Corp.	-	Available-for-sale financial assets	833	6,416	-	6,416
	Elite Advanced Laser Corp.	-	Available-for-sale financial assets	1,057	26,959	1	26,959
(Continued)	AIPTEK International Inc.	-	Available-for-sale financial assets	192	3,819	-	3,819
	Taiwan Nano Electro-Optical Technology Co., Ltd.	-	Available-for-sale financial assets	926	25,640	1	25,640
	Radiant Innovation Inc.	-	Available-for-sale financial assets	1,656	49,680	8	49,680
	Minton Optic Industry Co., Ltd.	-	Financial assets carried at cost	4,272	79,643	7	79,643
	NCTU Spring Venture Capital Co., Ltd.	-	Financial assets carried at cost	2,000	-	6	-
	GemFor Tech. Co., Ltd.	-	Financial assets carried at cost	831	10,685	6	10,685
	MaxEmil Photonics Corporation	-	Financial assets carried at cost	426	8,273	2	8,273
	WayTech Development Inc.	-	Financial assets carried at cost	1,500	15,000	5	15,000
	Miracle Technology Co., Ltd.	-	Financial assets carried at cost	1,295	13,940	9	13,940
	Socle Technology Corp.	-	Financial assets carried at cost	250	6,250	-	6,250
	Glokie Technology Corp.	-	Financial assets carried at cost	2,300	23,000	14	23,000
	Genius Vision Digital Co., Ltd.	-	Financial assets carried at cost	600	6,000	19	6,000
	Lingri Technology Co., Ltd.	-	Financial assets carried at cost	304	3,040	19	3,040

Holding Company Name	Type and Issuer/Name of Marketable Security	Relationship with the Holding Company	Financial Statement Account	December 31, 2007			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	Equity-method investment	4,794	US\$ (350) thousand	44	US\$ (350) thousand
	Synerchip Co., Ltd.	Equity-method investee	Equity-method investment	3,412	US\$ 1,391 thousand	24	US\$ 1,391 thousand
	Shang-Hai Fudan Microelectronics Company Limited	-	Available-for-sale financial assets	7,280	US\$ 980 thousand	-	US\$ 980 thousand
	Investar Excelsus Venture Capital (Int'l), Inc., LDC	-	Financial assets carried at cost	-	US\$ -	-	US\$ -
	OZ Optics Ltd.	-	Financial assets carried at cost	1,000	US\$ 500 thousand	8	US\$ 500 thousand
	Aicent, Inc.	-	Financial assets carried at cost	1,000	US\$ 500 thousand	2	US\$ 500 thousand
	Ortega InfoSystem, Inc.	-	Financial assets carried at cost	2,557	US\$ 1,000 thousand	-	US\$ 1,000 thousand
	Asia B2B on line Inc.	-	Financial assets carried at cost	1,000	-	3	-
	Asia Tech Taiwan Venture Fund	-	Financial assets carried at cost	-	US\$ 3,000 thousand	5	US\$ 3,000 thousand
	Ether Precision Inc.	-	Financial assets carried at cost	1,250	US\$ 500 thousand	3	US\$ 500 thousand
	Innobridge Venture Fund ILP	-	Financial assets carried at cost	-	US\$ 1,200 thousand	-	US\$ 1,200 thousand
	Visualon Inc.	-	Financial assets carried at cost	377	US\$ 200 thousand	2	US\$ 200 thousand
	Azalea Networks Inc.	-	Financial assets carried at cost	250	US\$ 250 thousand	1	US\$ 250 thousand
	<u>Stock</u> Joining Technology Co., Ltd. Waveplus Technology Co., Ltd. Sunext Technology Co., Ltd. Han Young Technology Co., Ltd. Generalplus Technology Inc. Orise Technology Co., Ltd. Sunplus Core Technology Co., Ltd. Sunplus mMobile Inc. Taiwan Nano Electro-Optical Technology Co., Ltd.	Equity-method investee Equity-method investee Equity-method investee Equity-method investee Equity-method investee Equity-method investee Equity-method investee Equity-method investee Equity-method investee Available-for-sale financial assets	Equity-method investment Equity-method investment Other current liabilities Equity-method investment Equity-method investment Equity-method investment Equity-method investment Equity-method investment Equity-method investment Available-for-sale financial assets	3,400 129 16,000 420 2,433 824 2,000 142 3,994	\$ - 6,666 (125,355) 1,780 48,205 13,954 15,972 1,211 110,622	39 13 20 70 5 1 21 - 2	\$ - 6,666 (125,355) 1,780 48,205 13,954 15,972 1,211 110,622
Sunplus Venture Capital Co., Ltd.	King Yuan Electronics Co., Ltd. AIPTEK International Inc. Ability Enterprise Co., Ltd. Radiant Innovation Inc. Elite Advanced Laser Corp. VenGlobal International Fund eWave System, Inc. Softchina Venture Capital Corp. Information Technology Total Services	- - - - - - - - -	Available-for-sale financial assets Available-for-sale financial assets Available-for-sale financial assets Available-for-sale financial assets Available-for-sale financial assets Financial assets carried at cost Financial assets carried at cost Financial assets carried at cost Financial assets carried at cost	2,319 1,132 3,494 791 161 1 1,833 407 51	36,639 22,478 187,654 23,722 4,117 - - - -	- 1 1 4 - 3 22 8 -	36,639 22,478 187,654 23,722 4,117 - - - -

(Continued)

Holding Company Name	Type and Issuer/Name of Marketable Security	Relationship with the Holding Company	Financial Statement Account	December 31, 2007			Note
				Shares or Units (Thousands)	Carrying Value	Percentage of Ownership (%)	Market Value or Net Asset Value
Generalplus Technology Inc.	Book4u Company Limited Simple Act Inc. Cyberon Corporation WayTech Development Inc. Miracle Technology Co., Ltd. Feature Integration Technology Inc. Chiabon Venture Capital Co., Ltd. Socle Technology Corp. MaxEmil Photonics Corp. Smec Media & Entertainment Corp. Minton Optic Industry Co., Ltd. Capella Micro System, Inc.	- - - - - - - - - - - -	Financial assets carried at cost Financial assets carried at cost Financial assets carried at cost Financial assets carried at cost Financial assets carried at cost Financial assets carried at cost Financial assets carried at cost Financial assets carried at cost Financial assets carried at cost Financial assets carried at cost Financial assets carried at cost Financial assets carried at cost	9	\$	-	\$
				1,900	19,000	10	19,000
				975	13,691	19	13,691
				1,000	10,000	4	10,000
				1,303	14,025	9	14,025
				3,350	43,889	12	43,889
				5,000	50,000	5	50,000
				550	13,750	2	13,750
				419	12,485	2	12,485
				2,000	20,000	7	20,000
				5,000	75,000	8	75,000
				630	9,450	3	9,450
				1,090	11,247	100	11,247
Generalplus International (Samoa) Inc.	Generalplus International (Samoa) Inc.	Subsidiary of Generalplus Technology Inc.	Equity-method investment	1,090	US\$ 351 thousand	100	US\$ 351 thousand
Generalplus (Mauritius) Inc.	Generalplus Technology (Shenzhen) Co., Ltd. Generalplus Technology (Hong Kong) Co., Ltd.	Subsidiary of Generalplus (Mauritius) Inc. Subsidiary of Generalplus (Mauritius) Inc.	Equity-method investment Equity-method investment	700	US\$ 159 thousand	100	US\$ 159 thousand
				390	US\$ 192 thousand	100	US\$ 192 thousand
Sunext Technology Co., Ltd.	Great Sun Corp.	Subsidiary of Sunext Technology Co., Ltd.	Equity-method investment	1,750	37,080	100	37,080
Great Sun Corp.	Sunext Design Inc. Sunext (Mauritius) Inc.	Subsidiary of Great Sun Corp. Subsidiary of Great Sun Corp.	Equity-method investment Equity-method investment	-	US\$ 932 thousand	100	US\$ 932 thousand
				-	US\$ 211 thousand	100	US\$ 211 thousand
Sunext Mauritius Inc.	Sunext Technology (Shanghai)	Subsidiary of Sunext Mauritius Inc.	Equity-method investment	-	US\$ 211 thousand	100	US\$ 211 thousand
Waveplus Technology Co., Ltd.	Waveplus Holding Ltd.	Subsidiary of Waveplus Technology Co., Ltd.	Equity-method investment	-	2,057	100	2,057
Waveplus Holding Ltd.	Waveplus Design, Inc.	Subsidiary of Waveplus Holding Ltd.	Equity-method investment	-	US\$ 63 thousand	100	US\$ 63 thousand

(Continued)

Holding Company Name	Type and Issuer/Name of Marketable Security	Relationship with the Holding Company	Financial Statement Account	December 31, 2007				Note
				Shares or Units (Thousands)	Carrying Value	Percentage of Ownership (%)	Market Value or Net Asset Value	
Global Techplus Capital Inc.	<u>Stock</u> Techplus Capital Samoa Inc.	Subsidiary of Global Techplus Capital Inc.	Equity-method investment	-	US\$ 146 thousand	100	US\$ 146 thousand	Note 1
Techplus Capital Samoa Inc.	Techplus Belize Inc.	-	Financial assets carried at cost	-	US\$ 150 thousand	4	US\$ 150 thousand	Note 2
Ventureplus Group Inc.	<u>Stock</u> Ventureplus Mauritius Inc.	Subsidiary of Ventureplus Group Inc.	Equity-method investment	-	US\$ 10,789 thousand	100	US\$ 10,789 thousand	Note 1
Ventureplus Mauritius Inc.	<u>Stock</u> Ventureplus Cayman Inc.	Subsidiary of Ventureplus Mauritius Inc.	Equity-method investment	-	US\$ 10,793 thousand	100	US\$ 10,793 thousand	Note 1
Ventureplus Cayman Inc.	<u>Stock</u> Sunplus Technology (Shanghai) Co., Ltd.	Subsidiary of Ventureplus Cayman Inc.	Equity-method investment	-	US\$ 8,531 thousand	99	US\$ 8,531 thousand	Note 1
	Sunplus Prof-tek Technology (Shenzhen) Co., Ltd.	Subsidiary of Ventureplus Cayman Inc.	Equity-method investment	-	US\$ 2,249 thousand	100	US\$ 2,249 thousand	Note 1
Wei-Young Investment Inc.	UNIWILL Co., Ltd.	-	Available-for-sale financial assets	500	6,800	-	6,800	Note 3

Note 1: The net asset value was based on audit financial data.

Note 2: The market value is based on carrying value as of December 31, 2007.

Note 3: The market value is based on the closing price as of December 31, 2007.

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

Note 5: The investment carrying value excluded the carrying value of \$63,401 thousand of the shares of Sunplus Technology Company Limited held by its subsidiary.

Note 6: The market value was based on the net asset value of fund as of December 31, 2007.

Note 7: As of December 31, 2007, the above marketable securities, except the carrying value \$146,016 of the Sunplus Technology Company Limited holding by Lin Shih Investment Co., Ltd., had not been pledged or mortgaged. (Concluded)

TABLE 3
SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES
MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
YEAR ENDED DECEMBER 31, 2007
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Type and Issuer/Name of Marketable Security	Financial Statement Account	Beginning Balance		Acquisition		Disposal			Ending Balance		
			Units (Thousand s)	Amount	Units (Thousand s)	Amount	Units (Thousand s)	Amount	Carrying Value	Gain (Loss) on Disposal	Units (Thousand s)	Amount (Note)
Sunplus Technology Company Limited	Prudential Financial Bond Fund Jan-Ho Taiwan Bond Fund NITC Bond	Available-for-sale financial assets	\$ 10,948	\$ 160,000	\$ 68,402	\$1,007,000	\$ 79,350	\$1,169,428	\$ 2,428	\$ -	-	
		Available-for-sale financial assets	32,366	456,000	24,869	353,000	57,235	811,823	2,823	-	-	
		Available-for-sale financial assets	-	-	3,260	542,000	1,764	294,459	2,459	1,496	250,000	
	Tasihin Lucky Fund	Available-for-sale financial assets	12,188	125,000	158,729	1,639,800	140,693	1,452,550	2,750	30,224	315,000	
		Available-for-sale financial assets	10,371	160,000	80,382	1,245,000	90,753	1,407,493	2,493	-	-	
		Available-for-sale financial assets	40,236	524,000	74,858	983,400	115,094	1,551,739	4,339	-	-	
	Cathay Bond	Available-for-sale financial assets	46,226	533,000	42,882	496,000	89,108	1,030,489	1,489	-	-	
		Available-for-sale financial assets	-	-	18,553	255,000	18,553	255,593	593	-	-	
		Available-for-sale financial assets	-	-	14,939	174,600	14,939	175,706	1,106	-	-	
	Dresdner Bond DAM Fund	Available-for-sale financial assets	-	-	12,881	130,000	12,881	130,399	399	-	-	
		Available-for-sale financial assets	20,799	265,000	1,568	20,000	22,367	285,627	627	-	-	
		Available-for-sale financial assets	-	-	34,946	413,000	34,946	413,213	213	-	-	
	IBT 1699 Bond Fund	Available-for-sale financial assets	-	-	23,111	290,000	23,111	290,322	322	-	-	
		Available-for-sale financial assets	37,626	567,000	-	-	37,626	568,893	1,893	-	-	
		Available-for-sale financial assets	19,895	232,000	8,993	105,000	28,888	337,932	932	-	-	
	Alpha Imaging Technology Corporation	Available-for-sale financial assets	-	-	12,641	142,000	12,641	142,359	359	-	-	
		Financial assets carried at cost	2,658	32,993	128	-	2,786	402,800	369,807	-	-	
		Available-for-sale financial assets	3,694	40,032	22,782	248,000	26,476	288,879	879	-	-	
	Orise Technology Co., Ltd.	Cathay Soaring Eagle Bond Fund Jih Sun Bond	Available-for-sale financial assets	-	-	40,299	553,592	35,268	485,093	1,093	5,031	69,606
			Available-for-sale financial assets	-	-	35,767	557,760	25,699	401,077	1,079	10,068	157,799
Available-for-sale financial assets			243	40,030	2,585	429,343	2,414	400,757	757	415	69,358	
NITC Bond		Available-for-sale financial assets	2,191	32,020	36,481	538,234	31,716	468,023	1,023	6,956	103,256	
		Available-for-sale financial assets	-	-	16,449	170,042	14,718	152,319	319	1,731	18,046	
		Available-for-sale financial assets	-	-	31,347	445,347	24,616	349,905	905	6,731	96,369	
Prudential Financial Bond Fund		Available-for-sale financial assets	-	-	19,969	232,007	20,638	239,891	529	1,935	22,650	
		Available-for-sale financial assets	2,604	30,024	33,711	417,163	27,377	339,178	701	6,334	78,703	
		Available-for-sale financial assets	-	-	13,024	190,000	13,024	190,474	474	-	-	
Teshin Bond		Available-for-sale financial assets	-	-	10,039	132,000	10,039	132,418	418	-	-	
		Available-for-sale financial assets	-	-	10,332	130,065	5,166	65,065	65	5,166	65,080	
		Available-for-sale financial assets	-	-	-	-	-	-	-	-	-	
NITC Taiwan Bond Fund		Available-for-sale financial assets	-	-	17,302	202,000	17,302	202,000	239	-	-	
		Available-for-sale financial assets	-	-	12,644	196,000	12,644	196,871	871	-	-	
		Available-for-sale financial assets	-	-	8,593	136,000	8,593	136,776	776	-	-	
Sunplus Innovation Technology Inc.		Dresdner Bond DAM Fund	Equity-method investee	-	-	75,000	1,050,000	-	-	-	75,000	1,157,851
			Available-for-sale financial assets	-	-	25,393	373,000	25,388	373,182	258	5	76
Generalplus Technology Inc.		President James Bond IIT Wan Pao	Available-for-sale financial assets	-	-	-	-	-	-	-	-	-
			Available-for-sale financial assets	-	-	-	-	-	-	-	-	-
Sunplus mMobile Inc.		Sunplus mMedia Inc.	Equity-method investee	-	-	75,000	1,050,000	-	-	-	75,000	1,157,851
	Available-for-sale financial assets		-	-	25,393	373,000	25,388	373,182	258	5	76	

(Continued)

Company Name	Type and Issuer/Name of Marketable Security	Financial Statement Account	Beginning Balance		Acquisition		Disposal			Ending Balance		
			Units (Thousand s)	Amount	Units (Thousand s)	Amount	Units (Thousand s)	Amount	Carrying Value	Gain (Loss) on Disposal	Units (Thousand s)	Amount (Note)
Sunplus mMedia Inc.	Ta Chong Bond	Available-for-sale financial assets	-	\$ -	12,784	\$ 167,000	12,783	\$ 167,323	\$ 166,993	\$ 330	1	\$ 7
	ING Bond Fund	Available-for-sale financial assets	-	-	10,069	152,000	10,069	152,189	152,000	189	-	-
	Ta Chong Bond	Available-for-sale financial assets	-	-	59,394	781,855	39,952	525,896	525,355	541	19,442	257,316 Note 1
	Prudential Financial Bond Fund	Available-for-sale financial assets	-	-	13,651	201,500	10,983	162,242	162,000	242	2,668	39,604 Note 1

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

(Concluded)

TABLE 4
SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES
TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
YEAR ENDED DECEMBER 31, 2007
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Nature of Relationship	Transaction Details			Abnormal Transaction		Note/Account Payable or Receivable		Note
			Purchase/Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total
Sunplus Technology Company Limited	Coolsand Co.	An equity-method investee of Russell Holding Limited	Sale	\$ 117,049	1	Note 21	Note 21	Note 21	\$ 28,932	2
Orise Technology Co., Ltd.	AU Optronics (Labuan) Corporation	Subsidiary of AU Optronics Corp.	Sale	1,307,777	33	Net 120 days from monthly closing dates in principle.	Note	Note	774,862	56
	Au Optronics Corporation	An equity-method investor of Orise Technology Co., Ltd.	Sale	334,850	8	Net 120 days from monthly closing dates in principle.	Note	Note	88,347	7
	Kunshan Giantplus Optoelectronics Technology Co., Ltd.	Subsidiary of Giantplus Technology Co., Ltd.	Sale	339,069	9	Net 45 days from monthly closing dates in principle.	Note	Note	114,788	8

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

TABLE 5
SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES
RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
YEAR ENDED DECEMBER 31, 2007
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts and Sales Discounts
					Amount	Action Taken		
Orise Technology Co., Ltd.	AU Optronics (Labuan) Corporation	Subsidiary of AU Optronics Corp.	\$ 774,862	1.85	\$ 3,876	-	\$ 2,943	\$ 288
	Kunshan Giantplus Optoelectronics Technology Co., Ltd.	Subsidiary of Giantplus Technology Co., Ltd.	114,788	3.56	-	-	-	-

TABLE 6

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCES
YEAR ENDED DECEMBER 31, 2007

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

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2007			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				December 31, 2007	December 31, 2006	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	\$ 881,314	\$ 645,334	76,317	32	\$ 1,171,730	\$ 584,336	\$ 184,805	Investee
	Sunplus mMobile Inc.	Hsinchu, Taiwan	Design of ICs	1,680,000	1,680,000	120,000	91	989,985	(722,382)	(703,851)	Subsidiary
	Sunplus Innovation Technology Inc.	Hsinchu, Taiwan	Design of ICs	308,000	308,000	22,000	91	347,675	55,780	55,100	Subsidiary
	Sunplus Core Technology Co., Ltd.	Hsinchu, Taiwan	Design of ICs	56,000	-	5,600	58	44,721	(19,336)	(11,279)	Subsidiary
	Sunplus Venture Capital Co., Ltd.	Hsinchu, Taiwan	Investment	999,982	999,982	100,000	100	652,367	(83,860)	(83,860)	Subsidiary
	Lin Shih Investment Co., Ltd.	Hsinchu, Taiwan	Investment	699,988	699,988	70,000	100	657,300	(11,441)	(11,441)	Subsidiary
	Russell Holdings Limited	Cayman Islands, British West Indies.	Investment	646,610	646,610	19,260	100	651,954	137,110	137,110	Subsidiary
	Ventureplus Group Inc.	Belize	Investment	643,775	570,808	19,250	100	349,593	(64,236)	(64,236)	Subsidiary
	Wei-Young Investment Inc.	Taipei, Taiwan	Investment	14,000	14,000	1,400	100	8,725	(121)	(121)	Subsidiary
	Generalplus Technology Inc.	Hsinchu, Taiwan	Design of ICs	146,000	146,000	23,285	45	461,612	395,793	182,842	Subsidiary
	Goldkey Technology Corp.	Hsinchu, Taiwan	Design of ICs	32,836	32,836	2,432	15	18,447	(39,044)	(5,997)	Investee
	Waveplus Technology Co., Ltd.	Hsinchu, Taiwan	Design and sale of ICs	35,517	31,272	434	43	22,433	16,650	4,492	Subsidiary
	Sunext Technology Co., Ltd.	Hsinchu, Taiwan	Design and sale of ICs	796,000	126,000	12,600	16	(98,717)	(640,667)	(100,905)	Subsidiary
	ORISE Technology Co., Ltd.	Hsinchu, Taiwan	Design of ICs	834,092	852,046	70,047	57	1,220,404	322,788	198,836	Subsidiary
	Global Techplus Capital Inc.	Seychelles	Investment	6,896	6,896	200	100	6,235	(55)	(55)	Subsidiary
	Sunplus Management Consulting Inc.	Taipei, Taiwan	Investment	5,000	5,000	500	100	4,224	(93)	(93)	Subsidiary
	Sunplus Technology (H.K.) Co., Ltd.	Kowloon Bay, Hong Kong	International trade	41,616	41,616	11,075	100	(4,364)	(5,744)	(5,744)	Subsidiary
	Synerchip Co., Ltd.	Mauritius	Investment	-	-	-	-	-	(89,218)	(43,759)	Subsidiary
Lin Shih Investment Co., Ltd.	Goldkey Technology Corp.	Hsinchu, Taiwan	Design of ICs	26,400	26,400	2,666	17	20,228	(39,044)	(6,575)	Investee
	Sunext Technology Co., Ltd.	Hsinchu, Taiwan	Design and sale of ICs	369,316	369,316	17,332	22	(135,759)	(640,667)	(138,768)	Subsidiary
	Waveplus Technology Co., Ltd.	Hsinchu, Taiwan	Design and sale of ICs	91,726	90,178	174	17	8,990	16,650	3,037	Subsidiary
	Sunplus Core Technology Co., Ltd.	Hsinchu, Taiwan	Design of ICs	20,000	-	2,000	21	15,972	(19,336)	(4,028)	Subsidiary
	Sunplus mMobile Inc.	Hsinchu, Taiwan	Design of ICs	65,898	-	4,707	4	58,548	(722,382)	(7,152)	Subsidiary
	Sunplus mMedia Inc.	Hsinchu, Taiwan	Design of ICs	17,147	-	1,225	1	17,773	117,595	611	Subsidiary
	Sunplus Innovation Technology Inc.	Hsinchu, Taiwan	Design of ICs	5,684	-	406	2	5,810	55,780	126	Subsidiary
	Generalplus Technology Inc.	Hsinchu, Taiwan	Design of ICs	65,000	65,000	10,544	20	209,012	395,793	82,782	Subsidiary
	Joining 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	360,000	360,000	16,000	20	(125,355)	(640,667)	(128,133)	Subsidiary
Sunplus Venture Capital Co., Ltd.	Han Young Technology Co., Ltd.	Taipei, Taiwan	Design of ICs	4,200	4,200	420	70	1,780	-	-	Subsidiary
	Waveplus Technology Co., Ltd.	Hsinchu, Taiwan	Design and sale of ICs	76,016	74,869	129	13	6,666	16,650	2,256	Subsidiary
	Orise Technology Co, Ltd.	Hsinchu, Taiwan	Design of ICs	10,800	10,800	824	1	13,954	322,788	2,314	Subsidiary
	Sunplus Core Technology Co., Ltd.	Hsinchu, Taiwan	Design of ICs	20,000	-	2,000	21	15,972	(19,336)	(4,028)	Subsidiary
	Generalplus Technology Inc.	Hsinchu, Taiwan	Design of ICs	15,000	15,000	2,433	5	48,205	395,793	19,085	Subsidiary
	Sunplus mMobile Inc.	Hsinchu, Taiwan	Design of ICs	1,988	-	142	-	1,211	(722,382)	(777)	Subsidiary
	Jet Focus Limited	Cayman Islands, British West Indies	Investment	US\$ 6,050 thousand	US\$ 6,050 thousand	4,794	44	US\$ (350) thousand	US\$ (1,185) thousand	US\$ (522) thousand	Investee
	Synerchip Co., Ltd.	Mauritius	Investment	US\$ 2,070 thousand	US\$ 2,050 thousand	3,412	24	US\$ 1,391 thousand	US\$ (2,716) thousand	US\$ (619) thousand	Investee
	Great Sun Corp.	SAMOA	Investment	59,339	54,449	1,750	100	37,080	(76)	(76)	Subsidiary
	Sunext Design, Inc.	U.S.A.	Design of ICs	US\$ 1,000 thousand	US\$ 1,000 thousand	-	100	US\$ 932 thousand	US\$ 140 thousand	US\$ 140 thousand	Subsidiary

(Continued)

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2007		Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				December 31, 2007	December 31, 2006	Shares (Thousands)	Percentage of Ownership			
Great Sun Corp.	Sunext (Mauritius) Inc.	Mauritius	Investment	US\$ 750 thousand	US\$ 600 thousand	-	100	US\$ (142) thousand	US\$ (142) thousand	Subsidiary
Sunext (Mauritius) Inc.	Sunext Technology (Shanghai) Co., Ltd.	Shanghai, China	Design of software	US\$ 750 thousand	US\$ 600 thousand	-	100	US\$ (142) thousand	US\$ (142) thousand	Subsidiary
Ventureplus Group Inc.	Ventureplus Mauritius Inc.	Mauritius	Investment	US\$ 19,250 thousand	US\$ 17,000 thousand	-	100	US\$ 10,789 thousand	US\$ (1,953) thousand	Subsidiary
Ventureplus Mauritius Inc.	Ventureplus Cayman Inc.	Cayman Islands, British West Indies	Investment	US\$ 19,250 thousand	US\$ 17,000 thousand	-	100	US\$ 10,793 thousand	US\$ (1,952) thousand	Subsidiary
Ventureplus Cayman Inc.	Sunplus Technology (Shanghai) Co., Ltd.	Shanghai, China	Research, development, manufacture and sale of ICs.	US\$ 17,000 thousand	US\$ 17,000 thousand	-	99	US\$ 8,531 thousand	US\$ (1,935) thousand	Subsidiary
	Sunplus Prof-tek Technology (Shenzhen) Co., Ltd	Shanghai, China	Research, development, manufacture and sale of ICs.	US\$ 2,250 thousand	US\$ - thousand	-	100	US\$ 2,249 thousand	US\$ (1) thousand	Subsidiary
Waveplus Technology Co., Ltd.	Waveplus Holding Ltd.	Mauritius	Investment	17,205	17,205	-	100	2,057	-	Subsidiary
Waveplus Holding Ltd.	Waveplus Design, Inc.	U.S.A.	Design of WLANs	17,205	17,205	-	100	US\$ 63 thousand	-	Subsidiary
Generalplus Technology Inc.	Generalplus International (Samoa) Inc.	SAMOA	Investment	US\$ 1,090 thousand	US\$ 700 thousand	1,090	100	\$ 11,247	\$ (5,165)	Subsidiary
Generalplus International (SAMOA) Inc.	Generalplus (Mauritius) Inc.	Mauritius	Investment	US\$ 1,090 thousand	US\$ 700 thousand	1,090	100	US\$ 351 thousand	US\$ (157) thousand	Subsidiary
Generalplus (Mauritius) Inc.	Generalplus Technology (Shenzhen) Co., Ltd.	Shenzhen, China	After-sales service	US\$ 700 thousand	US\$ 700 thousand	700	100	US\$ 159 thousand	US\$ 43 thousand	Subsidiary
	Generalplus Technology (Hong Kong) Inc.	Hong Kong	Sales	US\$ 390 thousand	-	390	100	US\$ 192 thousand	US\$ (197) thousand	Subsidiary
Sunplus mMobile Inc.	Sunplus mMedia Inc.	Hsinchu, Taiwan	Design of ICs	1,050,000	-	75,000	91	1,157,851	117,595	Subsidiary
Global Techplus Capital Inc. (Techplus Capital Niue Inc.)	Techplus Capital Samoa Inc.	SAMOA	Investment	US\$ 150 thousand	US\$ 150 thousand	-	100	US\$ 146 thousand	US\$ - thousand	Subsidiary

(Concluded)

TABLE 7

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES
INVESTMENT IN MAINLAND CHINA
YEAR ENDED DECEMBER 31, 2007
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Sunplus (Nature of Relationship: 0)

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type (e.g., Direct or Indirect)	Accumulated Outflow of Investment from Taiwan as of December 31, 2007	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2007	% Ownership of Direct or Indirect Investment	Investment Loss	Carrying Value as of December 31, 2007	Accumulated Inward Remittance of Earnings as of December 31, 2007
					Outflow	Inflow					
Sunplus Technology (Shanghai) Co., Ltd.	Research, development, manufacturing and sale of consumer ICs	US\$ 17,200 thousand	Indirect	US\$ 17,000 thousand	\$ -	\$ -	US\$ 17,000 thousand	99%	US\$ (1,935) thousand	US\$ 8,531 thousand	\$ -
Sunplus Prof-tek (ShenZhen) Co., Ltd.	Research and sale of computer software	US\$ 2,250 thousand	Indirect	US\$ - thousand	US\$ 2,250 thousand	-	US\$ 2,250 thousand	100%	US\$ (1) thousand	US\$ 2,249 thousand	-
SunMedia Technology Co., Ltd.	Research development and sale of computer software	US\$ - thousand	Indirect	US\$ - thousand	-	-	US\$ - thousand	-	US\$ - thousand	US\$ - thousand	-

Accumulated Investment in Mainland China as of December 31, 2007		Investment Amount Authorized by Investment Commission, MOEA		Upper Limit on Investment	
US\$19,250 thousand		US\$52,000 thousand		\$4,076,625	

Generalplus Technology (Nature of Relationship: 1)

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type (e.g., Direct or Indirect)	Accumulated Outflow of Investment from Taiwan as of January 1, 2007	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2007	% Ownership of Direct or Indirect Investment	Investment Gain	Carrying Value as of December 31, 2007	Accumulated Inward Remittance of Earnings as of December 31, 2007
					Outflow	Inflow					
Generalplus Shenzhen	Data processing service	US\$700 thousand	Indirect	US\$700 thousand	\$ -	\$ -	US\$700 thousand	100%	US\$43 thousand	US\$159 thousand	\$ -

Accumulated Investment in Mainland China as of December 31, 2007		Investment Amount Authorized by Investment Commission, MOEA		Upper Limit on Investment	
US\$700 thousand		US\$700 thousand		\$411,882	

(Continued)

Sunext Technology (Nature of Relationship: 1)

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type (e.g., Direct or Indirect)	Accumulated Outflow of Investment from Taiwan as of January 1, 2007	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2007	% Ownership of Direct or Indirect Investment	Investment Loss	Carrying Value as of December 31, 2007	Accumulated Inward Remittance of Earnings as of December 31, 2007
					Outflow	Inflow					
Sunext Technology (Shanghai)	Design of magnetic disc and software	US\$750 thousand	Indirect	US\$600 thousand	US\$150 thousand	\$ -	US\$750 thousand	100%	US\$(142) thousand	US\$211 thousand	\$ -

Accumulated Investment in Mainland China as of December 31, 2007		Upper Limit on Investment	
	Investment Amount Authorized by Investment Commission, MOEA		
US\$750 thousand	US\$750 thousand		\$80,000

(Concluded)

TABLE 8

SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
YEARS ENDED DECEMBER 31, 2007 and 2006
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

1. FOR THE YEAR ENDED DECEMBER 31, 2007

Company Name	Counter Party	Nature of Relationship (Note 7)	Intercompany Transactions			Percentage of Consolidated Total Gross Sales or Total Assets
			Financial Statements Account Item	Amount	Terms	
Sunplus Technology Co., Ltd.	Orise Technology Co., Ltd.	1	Sales	\$ 59,084	Note 1	0.29%
			Nonoperating income and gains	14,892	Note 2	0.07%
			Deferred royalty income	2,381	-	0.01%
			Other receivables	3,355	Note 1	0.02%
			Notes and accounts receivables	11,554	Note 1	0.06%
	Generalplus Technology Inc.	1	Sales	47,290	Note 1	0.24%
			Other receivables	499	Note 1	-
			Nonoperating income and gains	10,350	Note 2	0.05%
			Notes and accounts receivables	4,152	Note 1	0.02%
	Waveplus Technology Co., Ltd.	1	Sales	6,623	Note 1	0.03%
	Sunext Technology Co., Ltd.	1	Sales	22,184	Note 1	0.11%
			Nonoperating income and gains	8,329	Notes 2 and 4	0.04%
			Marketing expenses	387	Note 2	-
			Other receivables	4,546	Note 1	0.02%
	Sunplus Core Technology Co., Ltd.	1	Deferred royalty income	22,917	-	0.11%
			Other receivables	1,255	Note 1	0.11%
			Notes and accounts payables	3,621	Note 3	0.02%
			Nonoperating income and gains	4,695	Notes 2 and 4	0.02%
			Research and development	4,349	Note 2	0.02%
Sunplus mMobile	Sunplus mMobile	1	Sales	8,267	Note 1	0.04%
			Nonoperating income and gains	136,348	Notes 2 and 4	0.68%
			General and administrative	84	Note 2	-
			Research and development	515	Note 2	-
			Notes and accounts receivables	9	Note 1	-
			Other receivables	7,407	Note 1	0.04%
	Sunplus Innovation Technology Inc.	1	Sales	24,954	Note 1	0.12%
			Nonoperating income and gains	16,963	Notes 2 and 4	0.08%
			General and administrative	82	Note 2	-
			Research and development	3	Note 2	-
Sunplus mMedia Inc.	Sunplus mMedia Inc.	2	Notes and accounts receivables	803	Note 1	-
			Other receivables	1,708	Note 1	0.01%
			Sales	26,306	Note 1	0.13%
			Notes and accounts receivables	3,572	Note 1	0.02%
			Other receivables	13,500	Note 1	0.06%
			Nonoperating income and gains	129,751	Notes 2 and 4	0.65%

(Continued)

Company Name	Counter Party	Nature of Relationship (Note 7)	Intercompany Transactions		
			Financial Statements Account Item	Amount	Percentage of Consolidated Total Gross Sales or Total Assets
Sunext Technology Co., Ltd.	Sunext Design Inc.	3	Expenses payables	\$ 29,111	Note 3 0.14%
			Research and development	140,214	Note 2 0.70%
Orise Technology Co., Ltd.	Sunext Technology (Shanghai)	3	Other receivables	712	Note 3 -
			Notes and accounts payables	47	Note 3 -
Sunplus mMobile Inc.	Sunplus mMedia Inc.	3	Manufacturing expenses	48	Note 2 -
			Marketing expenses	6,093	Note 2 0.03%
			Marketing	6,845	Note 2 0.03%
			Other receivables	150	Note 1 -
Sunplus mMedia Inc.	Sunplus Technology (Shanghai) Co., Ltd.	3	Marketing	5,035	Note 2 0.03%

2. FOR THE YEAR ENDED DECEMBER 31, 2006

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

(Continued)

Company Name	Counter Party	Nature of Relationship (Note 7)	Intercompany Transactions			
			Financial Statements Account Item	Amount	Terms	Percentage of Consolidated Total Gross Sales or Total Assets
Sunplus mMobile Inc.	Sunplus Innovation Technology Inc.	2	Operating expenses Other current liabilities	\$ 39 88	Note 1 Note 1	- -
Sunext Technology Co., Ltd.	Sunext USA	2	Research and development expense Other current liabilities	126,458 17,344	Note 2 Note 1	0.46% 0.07%
	Sunext Technology (Shanghai) Co., Ltd.	2	Other current assets	712	Note 1	-
Generalplus Technology Co., Ltd.	Giantplus Technology Co., Ltd.	2	Sales	26,360	Note 1	0.09%
	Kunshan Giantplus Optoelectronics Technology Co., Ltd.	2	Sales	3,541	Note 1	0.01%
Orise Technology Co., Ltd.	Giantplus Technology Co., Ltd.	2	Sales	16,774	Note 1	0.06%
	Kunshan Giantplus Optoelectronics Technology Co., Ltd.	2	Sales	38,595	Note 1	0.14%
	Generalplus Technology Co., Ltd.	2	Operating expenses Notes and accounts payables	49 34	Note 1 Note 1	- -

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

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

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

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

Note 5: No. 1 represents the transaction from parent company to subsidiary.
No. 2 represents the transaction from parent company to indirect subsidiary.
No.

7.6 Financial Difficulties

Impact to the Company or subsidiaries if any turnover problems: None

VIII Financial Analysis

8.1 Financial Status

8.1.1 2006~2007 Financial Analysis Comparison

Unit: NT\$K

Item	Year	2007	2006	Variation	
				Amount Diff.	YoY
Current Assets		4,315,996	10,317,882	(6,001,886)	-58%
Property, Plant & Equipment		940,134	1,307,777	(367,643)	-28%
Other Assets		1,380,877	751,258	629,619	84%
Total Assets		15,668,366	20,425,267	(4,756,901)	-23%
Current Liabilities		2,472,048	2,587,433	(115,385)	-4%
Long-term Liabilities		313,195	453,761	(140,566)	-31%
Total Liabilities		2,785,243	3,041,194	(255,951)	-8%
Capital Stock		5,567,505	10,236,476	(4,668,971)	-46%
Capital Surplus		1,553,917	1,366,696	187,221	14%
Retained Earnings		5,644,622	5,974,727	(330,105)	-6%
Total Shareholder's Equities		12,883,123	17,384,073	(4,500,950)	-26%

Remark:

1. "Current Assets" declined due to return of capital
2. "Property, Plant *Equipment" declined due to asset re-clarifying
3. Capital Stock declined due to return of capital in 2007.

8.2 Operational Results

8.2.1 2006~2007 Operation Results Comparison

Unit: NT\$K

Item	Year	2007	2006	Variation	
				Amount Diff.	YoY
Gross Sale		\$9,380,826	\$17,463,778	(8,082,952)	-46%
Deduct: Sales Returns and Allowances		166,767	387,352	(220,585)	-57%
Net Sales		9,214,059	17,076,426	(7,862,367)	-46%
Deduct: Unrealized Gain on Inter-company Profit - Net		3,888	5,095	(1,207)	-24%
Cost of Sales		5,305,721	11,354,148	(6,048,427)	-53%
Gross Profit		3,912,226	5,727,373	(1,815,147)	-32%
Operating Expenses		2,306,030	3,551,627	(1,245,597)	-35%
Income From Operating		1,606,196	2,175,746	(569,550)	-26%
Non - Operating Income		1,108,159	1,216,492	(108,333)	-9%
Non - Operating Expenses		417,873	272,655	145,218	53%
Income Before Tax		2,296,482	3,119,583	(823,101)	-26%
Income Tax Benefits		(234,980)	(114,279)	(120,701)	106%
Cumulative Effect of Changes in Accounting Principles		0	(32,609)	32,609	-100%
Net Income		2,061,502	2,972,695	(911,193)	-31%

Remarks:

1. The "Gross sales", "Net Sales", "Gross Profit", "operating Profit" declined due to spin-off.
2. The "Non-operating expense" increased because of more loss from the long-term investment

8.3 Cash Flow

8.3.1 Cash Flow Analysis

(A) Cash Flow Analysis from 2006~2007

Item	Year	2007	2006	+/- (%)
Cash flow ratio		103.20	161.20	-35.98%
Cash flow adequacy ratio		110.94	111.58	-0.57%
Cash flow reinvestment ratio		3.58	11.87	-69.84%
Remarks:				
The cash flow ratio and cash flow investment ration declined due to spin-off.				

(B) 2008 Cash Flow Forecast

Unit: NT\$K

Cash, beginning of the year	Cash Flow from Operating Activities	Net Cash Outflow	Net Cash Balance	Remedial Measure if cash not enough	
Balance (1)	Net Cash Flow (2)	(3)	(1)+(2)-(3)	Investment plan	financial leverage plan
681,285	1,005,781	1,469,815	217,251	-	-
From operating: cash flow in because of Net profit in 2008					
From Investing: cash flow in because of disposal gain of long-term investment and financial assets					
From Financing :Cash flow out because of profit distribution					

8.4 Major Capital Expenditure

8.4.1 Major Capital Expenditure and Sources

Unit: NT\$K

Item	Sources of Fund	Est. Due Date	Required Capital Amount	Capital Expenditure Plan						
				2006	2007	2008	2009	2010	2011	2012
Testing facility	Own	2006~2012	\$363,472	55,563	30,409	55,500	55,500	55,500	55,500	55,500
IP licensing	Own	2006~2012	\$941,864	619,206	322,658	-	-	-	-	-

8.4.2 Benefits from the Capital Expenditure:

The testing cost could be saved in 5 years:

Year	Cost saved in NT\$K
2008	16,700
2009	16,700
2010	16,700
2011	16,700
2012	16,700

8.5 Long-Term Investment

Analysis Item	Amount (Note)	Policy	Reason of Gain or Loss	Improvement Plan	Investment Plan
Sunext	670,000,000	To invest the leading technology within consumer applications	Sunext is working on the leading optical storage IC solution. The company invests lot R&D expenditure, but there is no significant sales contribution so far so that the company hasn't generated profits yet.	Sunext licensed it technologies in 2008 to collect significant licensing income which will improve its financial status.	

Note: The investment amount over 5% of the paid-in capital.

8.6 Risk Management

8.6.1 The Impact of Inflation, Foreign Exchange and Interest Rate Fluctuation and Measures to Cope With

- (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: And the products are quoted in US dollars. Most of the costs are quoted in US dollars but still some in NT dollars. So the New Taiwan Dollars appreciation will impact the company sales and gross margin. Our 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: The increasing material costs make higher manufacture cost and selling pricing which would impact the consumers' budget for the high-end consumer electronic products. But Sunplus is working hard to develop the emerging markets to relief the slow-down from developed countries.

8.6.2 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.

8.6.3 R&D Plan and Execution

Sunplus will keep investing in developing new products, such as IC solutions for HDMI DVD player, Set-up-Box, Portable TV, Full-HD LCD TV, DTV, etc.

Except developing core technology on our own, Sunplus is also looking for outside resources like purchasing or licensing IPs to speed up the mass-production schedule.

8.6.4 Political and Regulatory Environment

According to the "Minimum Tax Act" coming into force on January 1st, 2006, Sunplus will enjoy fewer benefits than before from investment tax credits which that Sunplus has to pay more tax as a long run. Besides, the employee bonus and rewards to BOD will be expensed from 2008 which will impact the company's bottom line. However this change

will make investors to evaluate the true value of each company to give fair PE ratio and share price.

8.6.5 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.

8.6.6 Corporate Identify and Image Change

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

8.6.7 Mergers &Acquisitions

None

8.6.8 Expansion of Facilities

None

8.6.9 Suppliers & Customers

The company purchase materials from several suppliers and subcontract to backend package and testing houses. The Top 5 customers of the company are all distributors with fair due diligence and regular auditing. Besides asking guarantee, the accounting department will track the account receivable monthly.

8.6.10 Major Shareholding Change

None

8.6.11 Ownership Change

None

8.6.12 Litigation Proceedings

None

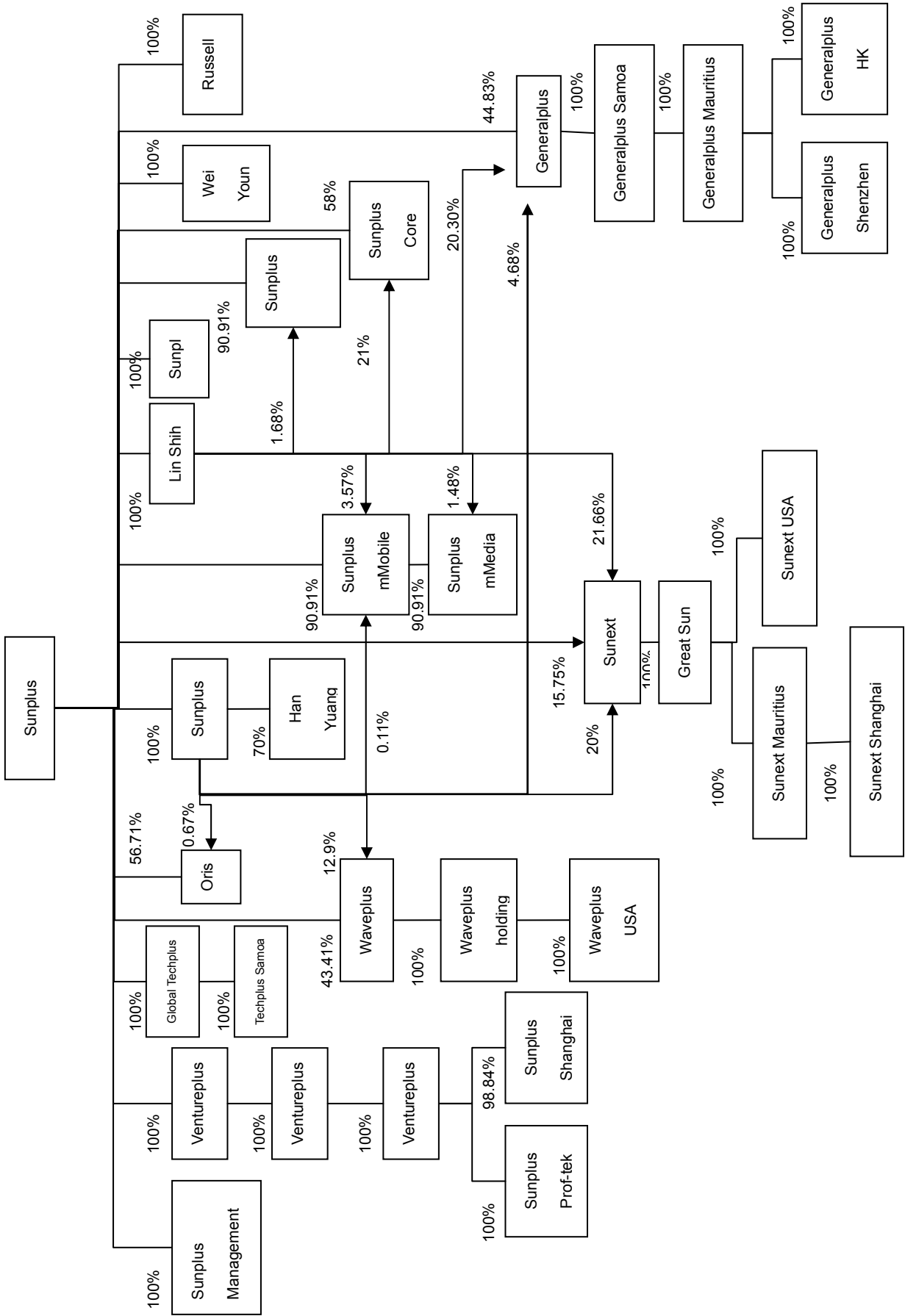
8.6.13 Other Risks

None

8.7 Other Remarks

IX SPECIAL NOTES

9.1 Affiliates



9.1.2 Affiliated Companies

Unit: NT\$K, and specified otherwise

Company	Date of Incorporation	Place of Registration	Capital	Business Activities
Sunplus Technology (HK) Co., Ltd.	Aug. 31, 1993	Kowloon, HK	HK\$11,075 (Note 1)	Trading
Lin Shih Investment, Ltd.	Jul. 2, 1998	Hsinchu, Taiwan	700,000	Investment
Russell Holdings Ltd.	Mar. 11, 1998	Cayman Islands, British West Indies.	US\$19,260,000 (Note 2)	Investment
Sunplus Venture Capital Co., Ltd.	Dec. 16, 1999	Hsinchu, Taiwan	1,000,000	Investment
Waveplus Technology Co., Ltd.	Dec. 6, 1999	Hsinchu, Taiwan	10,000	IC Design
Waveplus Holding Ltd.	May. 29, 2003	Mauritius	US\$500,000 (Note 2)	Investment
Waveplus Design Inc.	Jun. 17, 2003	CA, USA	US\$500,000 (Note 2)	IC Design
Ventureplus Group Inc.	Jul. 27, 2001	Belize	US\$19,250,000 (Note 2)	Investment
Ventureplus Mauritius Inc.	Aug. 2, 2001	Mauritius	US\$19,250,000 (Note 2)	Investment
Ventureplus Cayman Inc.	Sep. 14, 2001	Cayman Islands, British West Indies.	US\$19,250,000 (Note 2)	Investment
Shanghai Sunplus Co., Ltd.	Dec. 7, 2001	Shanghai, China	US\$17,200,000 (Note 2)	CE Products manufacture and sales
Sunplus Prof-tek (Shenzhen) Ltd.	Oct.20,2007	ShenZhen, China	US\$2,250,000	Software and System Design
Global Techplus Capital Inc. (The original Name: Techplus Capital Niue Inc.)	Oct., 2001	Mahe, Seychelles	US\$200,000 (Note 2)	Investment
Techplus Capital Samoa Inc.	Oct. 23, 2001	Samoa	US\$150,000 (Note 2)	Investment
Sunext Technology Co., Ltd.	Mar. 13, 2003	Hsinchu, Taiwan	800,000	IC Design
Great Sun Corporation	Jan.28,2003	Samoa	US\$1,750,000	Investment
Sunext Design, Inc.	Apr. 5, 2003	CA, USA	US\$1,000,000 (Note 2)	IC Design
Sunext (Maruitius) Inc.	Aug. 19, 2004	Mauritius	US\$750,000 (Note 2)	Investment
Sunext Optoelectronics Technology (Shanghai) Co. Ltd	Dec. 27, 2004	Shanghai, China	US\$750,000 (Note 2)	Software

Company	Date of Incorporation	Place of Registration	Capital	Business Activities
Sunplus Management Consulting Inc.	Oct. 29, 2003	Taipei, Taiwan	5,000	Management Consulting
WeiYing Investment	Feb. 13, 2004	Taipei, Taiwan	14,000	Investment
Generalplus Technology Co., Ltd	Mar. 30, 2004	Hsinchu, Taiwan	519,407	IC Design
Generalplus International (Samoa) Inc.	Nov. 12, 2004	Samoa	US\$1,090,000 (Note 2)	Investment
Generalplus (Mauritius) Inc.	Nov. 25, 2004	Mauritius	US\$1,090,000 (Note 2)	Investment
Generalplus Technology (Shenzhen) Inc.	Mar. 24, 2005	Shenzhen, China	US\$700,000 (Note 2)	Sales Service
Generalplus Technology (HK) Inc.	Mar.21,2007	Hong Kong	US\$390,000	Sales Service
Orise Technology Co., Ltd	Jan. 3, 2006	Hsinchu, Taiwan	1,235,220	IC Design
Sunplus mMobile Inc.	Dec. 20, 2006	Hsinchu, Taiwan	1,320,000	IC Design
Sunplus Innovation Technology Inc.	Dec. 14, 2006	Hsinchu, Taiwan	242,000	IC Design
Sunplus mMedia Inc.	Apr.18,2007	Hsinchu, Taiwan	825,000	IC Design
Sunplus Core Technology Co., Ltd	Sep.29,2007	Hsinchu, Taiwan	120,000	IC Design

Note1: End of 2007, HK\$1=NT\$4.157

Note2 :End of 2007, US\$1=NT\$32.43

9.1.3 Business Scope of Affiliated Companies

Company	Business Activities	Business Relationship
Sunplus Technology (HK) Co., Ltd.	Trading	NA
Lin Shih Investment, Ltd.	Investment	NA
Russell Holdings Ltd.	Investment	NA
Sunplus Venture Capital Co., Ltd.	Investment	NA
Waveplus Technology Co., Ltd.	IC Design	Customer
Waveplus Holding Ltd.	Investment	NA
Waveplus Design Inc.	IC Design	NA
Ventureplus Group Inc.	Investment	NA
Ventureplus Mauritius Inc.	Investment	NA
Ventureplus Cayman Inc.	Investment	NA
Shanghai Sunplus Co., Ltd.	manufacture and sales service	China branch
Sunplus Prof-tek (Shenzhen) Ltd.	Software and System Design	China branch
Global Techplus Capital Inc. (The original Name: Techplus Capital Niue Inc.)	Investment	NA
Techplus Capital Samoa Inc.	Investment	NA
Sunext Technology Co., Ltd.	IC Design	NA
Great Sun Corporation	Investment	NA

Company	Business Activities	Business Relationship
Sunext Design, Inc.	IC Design	NA
Sunext (Maruitius) Inc.	Investment	NA
Sunext Optoelectronics Technology (Shanghai) Co. Ltd	Software	NA
Sunplus Management Consulting Inc.	Management Consulting	NA
WeiYing Investment	Investment	Subsidiary
Generalplus Technology Co., Ltd	IC Design	NA
Generalplus International (Samoa) Inc.	Investment	NA
Generalplus (Mauritius) Inc.	Investment	NA
Generalplus Technology (Shenzhen) Inc.	Sales Service	NA
Generalplus Technology (HK) Inc.	Sales Service	NA
Orise Technology Co., Ltd	IC Design	Subsidiary
Sunplus mMobile Inc.	IC Design	Subsidiary
Sunplus Innovation Technology Inc.	IC Design	Subsidiary
Sunplus mMedia Inc.	IC Design	Subsidiary
Sunplus Core Technology Co., Ltd	IC Design	Subsidiary

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

Company	Title	Name	Shareholding	
			Amount (shares)	%
Sunplus Technology (HK) Co., Ltd.		Sunplus Technology	HK\$11,075,000	100%
	Chairman	Chou-Chye Huang (repr.)	-	-
	Director	Ming-Cheng Hsieh (repr.)	-	-
Lin Shih Investment Co., Ltd.		Sunplus Technology	70,000,000	100%
	Chairman& President	Chou-Chye Huang (repr.)	-	-
	Director	Bing-Huang Shih	-	-
	Director	Yarn-Chen Chen	-	-
	Supervisor	Gow-Chin Su	-	-
Russell Holdings Ltd.		Sunplus Technology	US\$19,260,000	100%
	Director	Chou-Chye Huang (repr.)	-	-
Sunplus Venture Capital Co., Ltd.		Sunplus Technology	100,000,000	100%
	Chairman& President	Chou-Chye Huang (repr.)	-	-
	Director	Yarn-Chen Chen	-	-
	Director	Bing-Huang Shih	-	-
	Director	Hans Tai	-	-
	Director	Gow-Chin Su	-	-
	Supervisor	Wayne Shen	-	-
Waveplus Technology Co., Ltd.		Sunplus Technology	434,111	43.41%
	Chairman& President	Chou-Chye Huang (repr.)	-	-

Company	Title	Name	Shareholding	
			Amount (shares)	%
	Director	Sunplus Venture Capital	129,000	12.9%
	Director	Lin Shih Investment	174,000	17.4%
	Supervisor	Global View	4,703	0.47%
Waveplus Holding Ltd.		Waveplus Technology	US\$500,000	100%
	Director	Chou-Chye Huang (repr.)	-	-
Waveplus Design Inc.		Waveplus Holding	US\$500,000	100%
	Director	Xian Qing Yeh(repr.)	-	-
Ventureplus Group Inc.		Sunplus Technology	US\$19,250,000	100%
	Director	Chou-Chye Huang (repr.)	-	-
Ventureplus Mauritius Inc.		Ventureplus Group	US\$19,250,000	100%
	Director	Chou-Chye Huang (repr.)	-	-
Ventureplus Cayman Inc.		Ventureplus Mauritius	US\$19,250,000	100%
	Director	Chou-Chye Huang (repr.)	-	-
Shanghai Sunplus Co., Ltd.		Ventureplus Cayman	US\$17,000,000	98.84%
	Director	Chou-Chye Huang (repr.)	-	-
	Director	Yarn-Chen Chen	-	-
Sunplus Prof-tek Co., Ltd.		Ventureplus Cayman	US\$2,250,000	100%
	Director	Chou-Chye Huang (repr.)	-	-
	Director	Yarn-Chen Chen	-	-
Global Techplus Capital Inc. (The original name: Techplus Capital Niue Inc.)		Sunplus Technology	US\$200,000	100%
	Director	Chou-Chye Huang (repr.)	-	-
Techplus Capital Samoa Inc.		Global Techplus Capital	US\$150,000	100%
	Director	Chou-Chye Huang (repr.)	-	-
Sunext Technology Co., Ltd.		Sunplus Venture Capital	16,000,000	20%
	Chairman	Chou-Chye Huang (repr.)	-	-
	Director	Yarn-Chen Chen	-	-
	Director	Bing-Huang Shih	-	-
	Director	NXP B.V., Mark Hamersma (repr.)	19,386,000 -	24.23% -
	Director & President	Kuang-Pu Mi	1,544,000	1.93%
	Supervisor	Sunplus Venture Capital	16,000,000	20%
		Hans Tai (repr.)		
Great Sun Corporation		Sunext Technology	US\$1,750,000	100%
	Director	Chou-Chye Huang (repr.)	-	-
Sunext Design, Inc.		Great Sun Corporation	US\$1,000,000	100%
	Director	Chou-Chye Huang (repr.)	-	-
Sunext (Mauritius) Inc.		Sunext Design, Inc.	US\$750,000	100%
	Director	Chou-Chye Huang (repr.)	-	-
Sunext Optoelectronics Technology		Sunext (Mauritius)	US\$750,000	100%

Company	Title	Name	Shareholding	
			Amount (shares)	%
(Shanghai) Co. Ltd	Director	Chou-Chye Huang (repr.)	-	-
	Director	Yam-Chen Chen	-	-
	Director	Kuang-Pu Mi	-	-
Sunplus Management Consulting Inc.		Sunplus Technology	500,000	100%
	Director	Chou-Chye Huang (repr.)	-	-
	Director	Yam-Chen Chen	-	-
	Director	Bing-Huang Shih	-	-
	Supervisor	Shu-Lan Wang	-	-
WeiYing Investment Co., Ltd.		Sunplus Technology	1,400,000	100%
	Director	Chou-Chye Huang (repr.)	-	-
	Director	Yam-Chen Chen	-	-
	Director	Bing-Huang Shih	-	-
	Supervisor	Shu-Lan Wang	-	-
Generalplus Technology Co., Ltd		Sunplus Technology	23,285,119	44.83%
	Chairman& President	Chou-Chye Huang (repr.)	-	-
	Director	Yam-Chen Chen	-	-
	Director	Hou-Shien Chu	-	-
	Director	Han-Hwa Lu	621,800	1.2%
	Director	Chih-I Yang	716,800	1.38%
	Supervisor	Lin-Shih Investment	10,543,931	20.30%
	Supervisor	Sunplus Venture Capital	2,433,215	4.68%
Generalplus International (Samoa) Inc.	Director	Generalplus Technology	US\$1,090,000	100%
		Chou-Chye Huang (repr.)	-	-
Generalplus (Mauritius) Inc.		Generalplus International (Samoa)	US\$1,090,000	100%
	Director	Chou-Chye Huang (repr.)	-	-
Generalplus Technology (Shenzhen) Inc.		Generalplus International (Mauritius)	US\$700,000	100%
	Director	Chou-Chye Huang (repr.)	-	-
	Director	Yam-Chen Chen	-	-
	Director	Han- Hwa Lu	-	-
Orise Technology Co., Ltd.		Sunplus Technology	70,064,650	56.71%
	Chairman	Chou-Chye Huang (repr.)	-	-
	Director	Bing-Huang Shih	-	-
	Director& President	Chin-Nai Tsen	1,256,260	1.02%
		Konly Venture Corporation	20,685,490	16.75%
	Director	Chun-Ting Liu (repr.)	-	-
	Director	Hsien-Ho Shen	-	-
	Director	Pi-Chin Li	-	-
	Director	Yi-Fang Kao	-	-
	Supervisor	Sunplus Venture Capital	824,000	0.67%

Company	Title	Name	Shareholding	
			Amount (shares)	%
	Supervisor	Chi-Ying Chiu	-	-
	Supervisor	Chao-Chang Chen	-	-
Sunplus mMobile Inc.		Sunplus Technology	120,000,000	90.91%
	Chairman	Chou-Chye Huang (repr.)	-	-
	Director& President	Yarn-Chen Chen	-	-
	Director	Bing-Huang Shih	-	-
	Supervisor	Shu-Lan Wang	-	-
Sunplus Innovation Technology Inc.		Sunplus Technology	22,000,000	90.91%
	Chairman	Chou-Chye Huang (repr.)	-	-
	Director	Bing-Huang Shih	-	-
	Director& President	Chih-Hao Kung	-	-
	Supervisor	Hans Tai	-	-
Sunplus mMedia Inc.		Sunplus Technology	75,000,000	90.91%
	Chairman	Chou-Chye Huang (repr.)	-	-
	Director& President	Yarn-Chen Chen	-	-
	Director	Bing-Huang Shih	-	-
	Supervisor	Shu-Lan Wang	-	-
Sunplus Core Technology Co., Ltd		Sunplus Technology	5,600,000	58.33%
	Chairman	Chou-Chye Huang (repr.)	-	-
	Director	Bing-Huang Shih	-	-
	Director	Lin Shih Investment	2,000,000	20.3%
	Director	Sunplus Venture Capital	2,000,000	20.83%

9.1.5 Common Shareholders of Sunplus and Its Subsidiaries or Its Affiliates with Actual of Deemed Control

Not applicable

9.1.6 Operation Highlights of Sunplus Affiliates

Unit: NT\$K ; except EPS(NT\$)

Company	Capital	Assets	Liabilities	Net Worth	Net Sales	Operation Income	Net Income (After Tax)	EPS (After Tax)
Sunplus Technology (HK) Co., Ltd.	46,039	443	4,807	(4,364)	2,302	(5,671)	(5,744)	NA
Lin Shih Investment Co., Ltd.	700,000	1,060,960	238,880	822,080	211,543	(12,213)	(11,441)	(0.16)
Russell Holdings Limited	624,602	663,478	11,524	651,954	206,709	126,217	137,110	NA
Sunplus Venture Capital Co., Ltd.	1,00,000	810,681	158,313	652,367	90,859	(84,443)	(83,860)	(0.84)
Waveplus Technology Co., Ltd.	10,000	118,571	66,897	51,674	163,138	35,405	16,650	16.65
Ventureplus Group Inc.	624,278	349,902	309	349,593	0	(63,419)	(64,236)	NA
Ventureplus Mauritius Inc.	624,278	350,041	154	349,887	0	(63,333)	(63,333)	NA

Company	Capital	Assets	Liabilities	Net Worth	Net Sales	Operation Income	Net Income (After Tax)	EPS (After Tax)
Ventureplus Cayman Inc.	624,278	350,209	193	350,016	0	(63,296)	(63,292)	NA
Shanghai Sunplus Co., Ltd.	557,796	527,772	251,858	275,914	28,518	(86,968)	(66,122)	NA
Global Techplus Capital Inc. (The original name: Techplus Capital Niue Inc.)	6,486	6,284	49	6,235	0	(88)	(55)	NA
Hang Young Technology Co., Ltd.	6,000	2,544	0	2,544	0	0	0	0
Sunext Technology Co., Ltd.	800,000	1,163,153	1,117,321	45,832	258,420	(621,842)	(640,667)	(8.01)
Sunplus Management Consulting Inc.	5,000	4,224	0	4,224	0	(166)	(93)	(0.19)
Waveplus Holding Ltd.	16,215	2,141	84	2,057	0	0	0	NA
Waveplus Design Inc.	16,215	2,995	886	2,109	0	0	0	NA
GreatSun Corporation	56,753	37,080	0	37,080	0	(1)	(76)	NA
Sunext Design Inc.	32,430	38,282	8,066	30,216	145,528	6,491	4,531	NA
WeiYing Investment Co., Ltd.	14,000	8,786	61	8,725	0	(59)	(121)	(0.09)
Generalplus Technology Co., Ltd.	519,407	1,376,579	346,875	1,029,704	2,215,188	405,167	395,793	7.62
Techplus Capital Samoa Inc.	4,865	4,865	139	4,726	0	(26)	(26)	NA
Sunext (Mauritius) Inc.	24,323	6,860	0	6,860	0	(2)	(4,606)	NA
Generalplus International Samoa Inc.	35,349	11,427	178	11,249	0	(1200)	(5,165)	NA
Generalplus (Mauritius) Inc.	5,349	11,427	178	11,249	0	(120)	(5,099)	NA
Sunext Optoelectronics Technology (Shanghai) Co. Ltd	24,323	8,379	1,529	6,850	3,980	(4,814)	(4,796)	NA
Generalplus Technology (Shenzhen) Inc.	22,701	8,045	2,895	5,150	38,663	(12,021)	1,478	NA
Orise Technology Co., Ltd.	1,235,220	3,004,820	741,751	2,151,958	3,968,837	386,241	322,788	2.74
Sunplus mMobile Inc.	1,320,000	1,995,169	806,197	1,088,972	0	(722,547)	(722,382)	(5.47)
Sunplus Innovation Technology Inc.	242,000	623,806	241,368	382,438	1,356,562	72,983	55,780	2.30
Sunplus mMedia Inc.	825,000	1,753,580	479,956	1,273,624	2,591,419	201,719	117,595	1.43
Sunplus Core Technology	96,000	83,569	6,905	76,664	4,349	(19,472)	(19,336)	(2.01)
Generalplus HK	12,648	6,319	74	6,245	6,344	(6,400)	(6,400)	NA
Sunplus Prof-tek(ShenZhen)	72,968	73,878	0	73,8780	0	(48)	(48)	NA

9.2 Private Placement Securities

9.3 Status of Sunplus Common Shares/GDRs Acquired, Disposed of, or Held by Subsidiaries

Company	Capital	Source of Fund	% Owned by Sunplus	Transaction Date	Amount of Acquisition	Amount of Disposal	Investment Income	Balance (by the Date of this Report Printed)	Balance of Pledged Shares	Balance of Guarantee Provided by Sunplus	Balance of Financing Provided by Sunplus
Lin Shih Investment Co., Ltd.	700,000	self-owned reserves	100%	2001.12.25	3,870,196 Shares & \$95,605,000	—	—	—	None	None	None
				2002.07.02	967,549 Shares Capital increase from profits and capital surplus	—	—	—	None	None	None
				2003.07.13	483,774 Shares Capital increase from capital surplus	—	—	—	None	None	None
				2004.08.23	532,151 Shares Capital increase from profits and capital surplus	—	—	—	None	None	None
				2005.08.23	290,614 Shares Capital increase from profits and capital surplus	—	—	—	2,503,705 Shares Pledged	None	None
				2006.08.05	306,132 Shares Capital increase from profits and capital surplus	—	—	—	500,741 Shares Pledged	None	None
				2007.03.26	-3,220,429 Shares Capital reduction	—	—	—	None	None	None
				2007.09.05	+160,538 Shares Capital increase from profits and capital surplus	-	-	-	380,000 Shares Pledged		
				By the date of this report printed	—	—	—	3,390,525 Shares \$63,401,000	3,384,446 shares pledged	None	None

9.4 Special Notes

Other necessary supplement: None

9.5 Any Events Impact to Shareholders' Equity and Share Price

None

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