

# **Sunplus Technology Company Limited**

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

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders  
Sunplus Technology Company Limited

We have audited the accompanying balance sheets of Sunplus Technology Company Limited as of December 31, 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		2007		2006	
	Amount	%	Amount	%	Amount	%	Amount	%
<b>CURRENT ASSETS</b>								
Cash	\$ 681,285	4	\$ 3,394,346	17	\$ 500,000	3	\$ 277,057	1
Financial assets at fair value through profit or loss - current (Notes 2, 3 and 4)	-	-	193,516	1	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	362,981	3	100,461	1
Notes and accounts receivable, net (Notes 2, 5 and 21)	1,513,452	10	1,473,267	7	2,222	-	-	-
Other receivables (Note 21)	165,851	1	226,582	1	22,287	-	22,171	-
Inventories, net (Notes 2 and 6)	1,104,001	7	1,515,705	7	736	-	7,005	-
Deferred income tax - current (Notes 2 and 18)	143,413	1	206,188	1	628,938	4	891,022	5
Other current assets	70,120	1	135,013	1	2,472,048	16	2,587,433	13
Total current assets	<u>4,315,996</u>	<u>28</u>	<u>10,317,882</u>	<u>51</u>	<u>2,472,048</u>	<u>16</u>	<u>2,587,433</u>	<u>13</u>
<b>LONG-TERM INVESTMENTS</b>								
Equity-method investments (Notes 2 and 7)	7,513,385	48	6,276,931	31	3,223	-	23,129	-
Financial assets at fair value through profit or loss - non-current (Notes 2, 3 and 4)	167,676	1	149,636	1	62,949	-	69,429	-
Available-for-sale financial assets - non-current (Notes 2, 3 and 8)	472,843	3	519,899	2	247,023	2	361,203	2
Financial assets carried at cost (Notes 2 and 9)	35,556	-	97,826	-	313,195	2	453,761	2
Total long-term investments	<u>8,189,460</u>	<u>52</u>	<u>7,044,292</u>	<u>34</u>	<u>2,785,243</u>	<u>18</u>	<u>3,041,194</u>	<u>15</u>
<b>PROPERTIES (Notes 2, 10 and 21)</b>								
Cost								
Buildings	688,983	4	758,822	4	5,567,505	35	10,236,476	50
Auxiliary equipment	179,140	1	165,573	1				
Machinery and equipment	378,667	2	549,878	3	817,768	5	768,390	4
Testing equipment	402,639	3	325,281	1	60,171	1	47,328	-
Transportation equipment	5,573	-	5,573	-	675,978	4	550,978	3
Furniture and fixtures	128,706	1	116,923	-				
Leasehold improvements	459	-	459	-				
Total cost	<u>1,784,167</u>	<u>11</u>	<u>1,922,509</u>	<u>9</u>	2,127,492	14	1,830,223	9
Less: Accumulated depreciation	844,033	5	881,424	4	17,260	-	294,860	1
Advance payments and construction-in-progress	-	-	328	-	3,499,870	22	3,849,644	19
Net properties	<u>940,134</u>	<u>6</u>	<u>1,041,413</u>	<u>5</u>	63,135	1	17,206	-
<b>INTANGIBLE ASSETS, NET (Notes 2 and 11)</b>								
Other	841,899	5	1,004,058	5	185,415	1	(34,466)	-
Cumulative translation adjustments	-	-	-	-	(131,471)	(1)	(176,566)	(1)
Unrealized valuation gain (loss) on financial assets	-	-	-	-				
Treasury stock (at cost) - 4,683 thousand shares in 2007 and 9,032 thousand shares in 2006	-	-	-	-				
Total shareholders' equity	<u>12,883,123</u>	<u>82</u>	<u>17,384,073</u>	<u>85</u>	<u>12,883,123</u>	<u>82</u>	<u>17,384,073</u>	<u>85</u>
<b>TOTAL</b>	<u>\$ 15,668,366</u>	<u>100</u>	<u>\$ 20,425,267</u>	<u>100</u>	<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>

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# 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):

	<b>2006</b>
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):

	<u>2007</u>		<u>2006</u>	
	<b>Before Income Tax</b>	<b>After Income Tax</b>	<b>Before Income Tax</b>	<b>After Income Tax</b>
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)

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**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 (Notes 2, 15 and 16)				Retained Earnings (Notes 2, 15 and 16)			Others (Notes 2, 3 and 16)			Total Shareholders' Equity		
	Shares (Thousands)	Amount	Additional Paid-in Capital In Excess of Par	Treasury Stock	Long-term Investments	Merger	Total	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Cumulative Translation Adjustments		Unrealized Valuation (Loss) Gain on Financial Assets	Treasury Stock
BALANCE, JANUARY 1, 2006	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
Effect of accounting changes	-	-	-	-	-	-	-	-	-	-	-	-	41,606	-	41,606
Appropriation of prior year's earnings	-	-	-	-	-	-	-	-	-	(239,836)	-	-	-	-	-
Legal reserve	-	-	-	-	-	-	-	239,836	-	-	-	-	-	-	-
Special reserve	-	-	-	-	-	-	-	-	(43,628)	43,628	-	-	-	-	-
Bonus to employees - stock	22,500	225,000	-	-	-	-	-	-	-	(225,000)	(225,000)	-	-	-	(25,000)
Bonus to employees - cash	-	-	-	-	-	-	-	-	-	(25,000)	(25,000)	-	-	-	(25,000)
Remuneration to directors and supervisors	-	-	-	-	-	-	-	-	-	(24,517)	(24,517)	-	-	-	(24,517)
Stock dividends - NT\$0.29894 per share	28,384	283,844	-	-	-	-	-	-	-	(283,844)	(283,844)	-	-	-	(283,844)
Cash dividends - NT\$1.99295 per share	-	-	-	-	-	-	-	-	-	(1,892,295)	(1,892,295)	-	-	-	(1,892,295)
Capital stock transferred from capital surplus	18,923	189,230	(189,230)	-	-	-	(189,230)	-	-	-	-	-	-	-	-
Issuance of shares upon exercise of employee stock options	5,111	51,106	67,173	-	-	-	67,173	-	-	-	-	-	-	-	118,279
Adjustment arising from changes in percentage of ownership of investees	-	-	-	-	(44,453)	-	(44,453)	-	-	-	-	-	-	-	(44,453)
Adjustment of capital surplus - others	-	-	-	-	501	-	501	-	-	-	-	-	-	-	501
Net income in 2006	-	-	-	-	-	-	-	-	-	2,972,695	2,972,695	-	-	-	2,972,695
Translation adjustments on long-term investments	-	-	-	-	-	-	-	-	-	-	-	26,981	-	-	26,981
Cash dividends received by subsidiaries from the Company	-	-	-	12,244	-	-	12,244	-	-	-	-	-	-	-	12,244
Adjustment for changes in shareholders' equities in equity-method investees	-	-	-	-	-	-	-	-	-	-	-	-	138,717	-	138,717
Valuation gain on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	70,296	70,296	-	-	-	70,296
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	(34,466)	(176,566)	17,388,073
Cancellation of Common Shares	(511,436)	(5,114,357)	-	-	-	-	-	-	-	-	-	-	-	45,095	(5,069,262)
Appropriation of prior year's earnings:	-	-	-	-	-	-	-	-	-	(297,269)	-	-	-	-	-
Legal reserve	-	-	-	-	-	-	-	297,269	-	277,600	-	-	-	-	-
Special reserve	-	-	-	-	-	-	-	-	(277,600)	(135,000)	(135,000)	-	-	-	-
Bonus to employees - stock	13,500	135,000	-	-	-	-	-	-	-	(15,000)	(15,000)	-	-	-	(15,000)
Bonus to employees - cash	-	-	-	-	-	-	-	-	-	(39,688)	(39,688)	-	-	-	(39,688)
Remuneration to directors and supervisors	-	-	-	-	-	-	-	-	-	(153,622)	(153,622)	-	-	-	(153,622)
Stock dividends - NT\$0.29822 per share	15,362	153,622	-	-	-	-	-	-	-	(2,048,297)	(2,048,297)	-	-	-	(2,048,297)
Cash dividends - NT\$3.97620 per share	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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	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

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
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
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>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
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

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# 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>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
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>
<b>NET DECREASE IN CASH</b>	(2,713,061)	(1,120,073)
<b>CASH BEGINNING OF YEAR</b>	<u>3,394,346</u>	<u>4,514,419</u>
<b>CASH END OF YEAR</b>	<u>\$ 681,285</u>	<u>\$ 3,394,346</u>
<b>SUPPLEMENTAL CASH FLOW INFORMATION:</b>		
Income tax paid	<u>\$ 154,639</u>	<u>\$ 71,534</u>
Interest paid	<u>\$ 16,447</u>	<u>\$ 16,395</u>
<b>NONCASH INVESTING AND FINANCING ACTIVITIES:</b>		
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>
<b>PARTIAL CASH INVESTING AND FINANCING ACTIVITIES:</b>		
Acquisition of properties	\$ 165,672	\$ 421,002
Decrease in payables to contractors and equipment suppliers	<u>8,551</u>	<u>10,266</u>
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	<u>(97)</u>
Net assets	999,800
Acquisition of equity-method investments	<u>(1,099,800)</u>
Cash paid	<u>\$ (100,000)</u>

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

	<b>Sunplus Innovation Technology Inc.</b>	<b>Sunplus mMobile Inc.</b>
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	<u>(25,367)</u>	<u>(50,771)</u>
Net assets	248,000	1,530,000
Acquisition of equity-method investments	<u>(308,000)</u>	<u>(1,680,000)</u>
Cash paid	<u>\$ (60,000)</u>	<u>\$ (150,000)</u>

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

(With Deloitte & Touche audit report dated 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)

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### 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:

	<b>Recognized as Cumulative Effect of Changes in Accounting Principles (Net of Tax)</b>	<b>Recognized as a Separate Component of Shareholders' Equity</b>
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

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

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

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

  

<b>December 31, 2006</b>	<b>Currency</b>	<b>Maturity</b>	<b>Contract Amount (in Thousand)</b>
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:

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

	<b>Principal Amount (in Thousands)</b>	<b>Carrying Amount</b>	<b>Maturity</b>
<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>	\$ 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

	<u>December 31</u>	
	<u>2007</u>	<u>2006</u>
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:

	<u>Years Ended December 31</u>	
	<u>2007</u>	<u>2006</u>
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

	<u>December 31</u>	
	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:

	<u>Years Ended December 31</u>	
	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

	<u>December 31</u>			
	<u>2007</u>		<u>2006</u>	
	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)

	<b>December 31</b>			
	<b>2007</b>		<b>2006</b>	
	<b>Amount</b>	<b>% of Owner- ship</b>	<b>Amount</b>	<b>% of Owner- ship</b>
Prepayment				
Sunext Technology Co., Ltd	\$ 670,000		\$ -	
Giantplus Technology Co., Ltd.	<u>235,980</u>		<u>-</u>	
	<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	16	\$ -	-
Sunplus Technology (H.K.) Co., Ltd.	<u>4,364</u>	<u>100</u>	<u>-</u>	<u>-</u>
	<u>\$ 103,081</u>		<u>\$ -</u>	

(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:

	<b>Years Ended December 31</b>	
	<b>2007</b>	<b>2006</b>
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)

	<u>Years Ended December 31</u>	
	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:

	<u>December 31</u>	
	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									
	Buildings	Auxiliary Equipment	Machinery and Equipment	Testing Equipment	Transportation Equipment	Furniture and Fixtures	Leasehold Improvements	Advance Payments and Construction-in-progress	Total
<u>Cost</u>									
Balance, beginning of the 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>									
Balance, beginning of the 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									
	Buildings	Auxiliary Equipment	Machinery and Equipment	Testing Equipment	Transportation Equipment	Furniture and Fixtures	Leasehold Improvements	Advance Payments and Construction-in-progress	Total
<u>Cost</u>									
Balance, beginning of the 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>									
Balance, beginning of the 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)

	<b>Year Ended December 31, 2007</b>		
	<b>Patents</b>	<b>Technology License Fee</b>	<b>Total</b>
<u>Accumulated amortization</u>			
Balance beginning of year	\$ 20,654	\$ 1,326,486	\$ 1,347,140
Amortization expense	5,544	479,273	484,817
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)

	<b>Year Ended December 31, 2006</b>		
	<b>Patents</b>	<b>Technology License Fee</b>	<b>Total</b>
<u>Cost</u>			
Balance, beginning of year	\$ 97,849	\$ 1,907,418	\$ 2,005,267
Increase	-	619,206	619,206
Spun-off	-	(273,275)	(273,275)
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	-	(108,971)	(108,971)
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

	<b>December 31</b>	
	<b>2007</b>	<b>2006</b>
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

	<u>December 31</u>	
	<u>2007</u>	<u>2006</u>
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

	<u>Year Ended December 31</u>	
	<u>2007</u>	<u>2006</u>
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

	<u>December 31</u>	
	<u>2007</u>	<u>2006</u>
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	<u>(96,363)</u>	<u>(85,779)</u>
Funded status	38,998	20,669
Unrecognized net transition obligation	(2,837)	(3,328)
Unrecognized net gain	<u>26,788</u>	<u>52,088</u>
 Accrued pension liability	 <u>\$ 62,949</u>	 <u>\$ 69,429</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	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:

	<b>2003 Option Plan</b>			
	<b>2007</b>		<b>2006</b>	
	<b>Unit (in Thousands)</b>	<b>Weighted- average Price (NT\$)</b>	<b>Unit (in Thousands)</b>	<b>Weighted- average Price (NT\$)</b>
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>	

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

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

	<b>2007 Option Plan</b>				
	<b>Options Outstanding</b>			<b>Options Exercisable</b>	
	<b>Exercise Price (NT\$)</b>	<b>Number of Options (in Thousands)</b>	<b>Weighted- average Remaining Contractual Life (Years)</b>	<b>Weighted- average Exercise Price (NT\$)</b>	<b>Number of Options (in Thousands)</b>
\$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:

	<u>2007</u>
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	<u>\$ 2,061,502</u>
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>	
	Dividends		Dividends	
	Appropriation	Per Share	Appropriation	Per Share
	of Earnings	(NT\$)	of Earnings	(NT\$)
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:

	<b>Available- for-sale Financial Assets</b>	<b>Equity- method Investments</b>	<b>Total</b>
<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

		<b>Translation of Foreign- currency Financial Statements</b>
<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	2,243	11,224	13,467	2,845	20,337	23,182
	<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:

	<b>2007</b>	<b>2006</b>
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:

	<b>December 31</b>	
	<b>2007</b>	<b>2006</b>
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:

<b>Regulatory Basis of Tax Credits</b>	<b>Items</b>	<b>Total Creditable Amounts</b>	<b>Remaining Creditable Amounts</b>	<b>Expiry Year</b>
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
		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:

<b>Project</b>	<b>Tax Exemption Period</b>
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:

	<b>2007</b>	<b>2006</b>
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:

	2007		2006	
	Carrying Amount	Credit Risk	Carrying Amount	Credit Risk
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
	\$ -	\$ -	\$ 193,516	\$ 193,516

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:

- a. Global View Co., Ltd. ("Global View") - the Company's supervisor
- b. Giantplus Technology Co., Ltd. ("Giantplus") - equity-method investee
- c. Waveplus Technology Co., Ltd. ("Waveplus") - equity-method investee
- d. Sunext Technology Co., Ltd. ("Sunext") - equity-method investee
- e. Generalplus Technology Inc. ("Generalplus") - equity-method investee
- f. Coolsand Technologies SARM ("Coolsand") - equity-method investee of Russell Holding Ltd.

- g. Lin Shin Technology Co., Ltd. (“Lin Shin”) - equity-method investee of Russell Holding Ltd.
- h. Kunshan Giantplus Optoelectronics Technology Co., Ltd. (“Kunshan Giantplus”) - 100% indirect Subsidiary of Generalplus
- i. Sunplus Core Technology Co., Ltd (“Sunplus Core”) - 58% subsidiary
- j. 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:

	<b>Years Ended December 31</b>			
	<b>2007</b>		<b>2006</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
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.

	<b>2007</b>		<b>2006</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Operating expense - market services expense and others:				
Sunplus H.K.	\$ -	-	\$ 8,265	-
Orise	-	-	15	-
	<u>\$ -</u>	<u>-</u>	<u>\$ 8,280</u>	<u>-</u>

	<u>2007</u>		<u>2006</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
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.

	<u>December 31</u>			
	<u>2007</u>		<u>2006</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
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>

	<b>December 31</b>			
	<b>2007</b>		<b>2006</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
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>

	<b>Years Ended December 31</b>			
	<b>2007</b>		<b>2006</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
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>	

	<b>Years Ended December 31</b>			
	<b>2007</b>		<b>2006</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
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	253	4	16	-
	<u>\$ 5,735</u>	<u>94</u>	<u>\$ 1,374</u>	<u>-</u>
Acquisition of intangible assets:				
Waveplus	\$ -	-	\$ 73,500	12

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	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>

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

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

	<b>Orise</b>	<b>Sunplus Innovation</b>	<b>Sunplus mMobile</b>	<b>Total Amount</b>
Net sales	\$ 942,343	\$ 1,808,164	\$ 3,799,598	\$ 6,550,105
Cost of sales	<u>(721,152)</u>	<u>(1,282,482)</u>	<u>(2,528,328)</u>	<u>(4,531,962)</u>
Gross profit	<u>\$ 221,191</u>	<u>\$ 525,682</u>	<u>\$ 1,271,270</u>	<u>\$ 2,018,143</u>
Operating income	<u>\$ 117,852</u>	<u>\$ 150,708</u>	<u>\$ 50,188</u>	<u>\$ 318,748</u>
Net income	<u>\$ 100,566</u>	<u>\$ 140,039</u>	<u>\$ 26,910</u>	<u>\$ 267,515</u>
Basic earnings per share (EPS)	<u>\$ 0.10</u>	<u>\$ 0.13</u>	<u>\$ 0.03</u>	<u>\$ 0.26</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:

- 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. 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:

<b>Area</b>	<b>2007</b>	<b>2006</b>
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:

<b>Customer</b>	<b>2007</b>		<b>2006</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
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 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.

## SUNPLUS TECHNOLOGY COMPANY LIMITED

## 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	The Company's supervisor	5,000	38,496	-	38,496	Note 3
	Global View Co., Ltd.	-	-	13,568	236,077	11	236,077	Note 3
	United Microelectronics Corp.	-	-	1,883	37,940	-	37,940	Note 3
	Harvatek Corp.	-	-	4,896	160,330	3	160,330	Note 3
	Network Capital Global Fund	-	-	1,333	13,333	7	13,333	Note 2
Technology Partners Venture Capital Corp.	-	-	2,222	22,223	11	22,223	Note 2	
Quality Test System Inc.	-	-	648	-	2	-	Note 2	
Inverse floaters issued by Citi Bank	-	-	-	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
	Tasihin Lucky Bond Fund	-	Available-for-sale financial assets	30,224	315,000	-	315,000	Note 6
Orise Technology Co., Ltd.	Cathay Bond	-	Available-for-sale financial assets	1,935	22,650	-	22,650	Note 6
	Jih Sun Bond	-	Available-for-sale financial assets	5,031	69,606	-	69,606	Note 6
	President James Bond	-	Available-for-sale financial assets	10,068	157,799	-	157,799	Note 6
	NITC Bond	-	Available-for-sale financial assets	415	65,358	-	65,358	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
	NITC Taiwan Bond Fund	-	Available-for-sale financial assets	6,731	\$ 96,369	-	\$ 96,369	Note 6
	Funbon Ju-I	-	Available-for-sale financial assets	6,334	78,703	-	78,703	Note 6
	IBT 1699 Bond Fund	-	Available-for-sale financial assets	5,166	65,080	-	65,080	Note 6
	Prudential Well Poll Fund	-	Available-for-sale financial assets	262	3,329	-	3,329	Note 6
	Tashih Lucky Fund	-	Available-for-sale financial assets	1,731	18,046	-	18,046	Note 6
	Prudential Financial Bond Fund	-	Available-for-sale financial assets	6,955	103,256	-	103,256	Note 6
	ING CHB Taiwan Bond	-	Available-for-sale financial assets	1,834	28,078	-	28,078	Note 6
Sunplus mMobile Inc.	Sunplus mMedia Inc.	Equity-method investee	Equity-method investment	75,000	1,157,851	91	1,157,851	Note 1
	Prudential Financial Bond Fund	-	Available-for-sale financial assets	5	76	-	76	Note 6
	IBT Ta-Chong Bond Fund	-	Available-for-sale financial assets	1	7	-	7	Note 6
Sunplus mMedia Inc.	Ta Chong bond	-	Available-for-sale financial assets	19,442	257,316	-	257,316	Note 6
	Prudential Financial Bond Fund	-	Available-for-sale financial assets	2,668	39,604	-	39,604	Note 6
	Polaris Di-Po Fund	-	Available-for-sale financial assets	4,892	55,109	-	55,109	Note 6
Lin Shih Investment Co., Ltd.	Stock							
	Goldkey Technology Corp.	Equity-method investee	Equity-method investment	2,666	20,228	17	20,228	Note 1
	Waveplus Technology Co., Ltd.	Equity-method investee	Equity-method investment	174	8,990	17	8,990	Note 1
	Sunext Technology Co., Ltd.	Equity-method investee	Equity-method investment	17,332	(135,759)	22	(135,759)	Notes 1 and 4
	Generalplus Technology Inc.	Equity-method investee	Equity-method investment	10,544	209,012	20	209,012	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	4,707	58,548	4	58,548	Note 1
	Sunplus mMedia Inc.	Equity-method investee	Equity-method investment	1,225	17,773	1	17,773	Note 1
	Sunplus Innovation Technology Inc.	Equity-method investee	Equity-method investment	406	5,810	2	5,810	Note 1
	Sunplus Technology Company Limited	Equity-method investee	Equity-method investment	3,390	164,780	-	164,780	Note 3
	Ability Enterprise Co., Ltd.	Parent company	Available-for-sale financial assets	4,870	261,546	1	261,546	Note 3
	RITEK Corp.	-	Available-for-sale financial assets	833	6,416	-	6,416	Note 3
	Elite Advanced Laser Corp.	-	Available-for-sale financial assets	1,057	26,959	1	26,959	Note 3
	AIPTEK International Inc.	-	Available-for-sale financial assets	192	3,819	-	3,819	Note 3
	Taiwan Nano Electro-Optical Technology Co., Ltd.	-	Available-for-sale financial assets	926	25,640	1	25,640	Note 3
	Radiant Innovation Inc.	-	Available-for-sale financial assets	1,656	49,680	8	49,680	Note 3
	Minton Optic Industry Co., Ltd.	-	Financial assets carried at cost	4,272	79,643	7	79,643	Note 2
	NCTU Spring Venture Capital Co., Ltd.	-	Financial assets carried at cost	2,000	-	6	-	Note 2
	GemFor Tech. Co., Ltd.	-	Financial assets carried at cost	831	10,685	6	10,685	Note 2
	MaxEmil Photonics Corporation	-	Financial assets carried at cost	426	8,273	2	8,273	Note 2
	WayTech Development Inc.	-	Financial assets carried at cost	1,500	15,000	5	15,000	Note 2
	Miracle Technology Co., Ltd.	-	Financial assets carried at cost	1,295	13,940	9	13,940	Note 2
	Socle Technology Corp.	-	Financial assets carried at cost	250	6,250	-	6,250	Note 2
	Glokie Technology Corp.	-	Financial assets carried at cost	2,300	23,000	14	23,000	Note 2
	Genius Vision Digital Co., Ltd.	-	Financial assets carried at cost	600	6,000	19	6,000	Note 2
	Lingri Technology Co., Ltd.	-	Financial assets carried at cost	304	3,040	19	3,040	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
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
	Book4u Company Limited	-	Financial assets carried at cost	9	\$ -	-	\$ -	Note 2
	Simple Act Inc.	-	Financial assets carried at cost	1,900	19,000	10	19,000	Note 2
	Cyberon Corporation	-	Financial assets carried at cost	975	13,691	19	13,691	Note 2
	WayTech Development Inc.	-	Financial assets carried at cost	1,000	10,000	4	10,000	Note 2
	Miracle Technology Co., Ltd.	-	Financial assets carried at cost	1,303	14,025	9	14,025	Note 2
	Feature Integration Technology Inc.	-	Financial assets carried at cost	3,350	43,889	12	43,889	Note 2
	Chiabon Venture Capital Co., Ltd.	-	Financial assets carried at cost	5,000	50,000	5	50,000	Note 2
	Socle Technology Corp.	-	Financial assets carried at cost	550	13,750	2	13,750	Note 2
	MaxEmil Photonics Corp.	-	Financial assets carried at cost	419	12,485	2	12,485	Note 2
	Smec Media & Entertainment Corp.	-	Financial assets carried at cost	2,000	20,000	7	20,000	Note 2
	Minton Optic Industry Co., Ltd.	-	Financial assets carried at cost	5,000	75,000	8	75,000	Note 2
	Capella Micro System, Inc.	-	Financial assets carried at cost	630	9,450	3	9,450	Note 2
Generalplus Technology Inc.	<u>Stock</u> Generalplus International (Samoa) Inc.	Subsidiary of Generalplus Technology Inc.	Equity-method investment	1,090	11,247	100	11,247	Note 1
Generalplus International (Samoa) Inc.	<u>Stock</u> Generalplus (Mauritius) Inc.	Subsidiary of Generalplus International (Samoa) Inc.	Equity-method investment	1,090	351 thousand	100	351 thousand	Note 1
Generalplus (Mauritius) Inc.	<u>Stock</u> Generalplus Technology (Shenzhen) Co., Ltd.	Subsidiary of Generalplus (Mauritius) Inc.	Equity-method investment	700	159 thousand	100	159 thousand	Note 1
Sunext Technology Co., Ltd.	<u>Stock</u> Generalplus Technology (Hong Kong) Co., Ltd.	Subsidiary of Generalplus (Mauritius) Inc.	Equity-method investment	390	192 thousand	100	192 thousand	Note 1
Great Sun Corp.	<u>Stock</u> Great Sun Corp.	Subsidiary of Sunext Technology Co., Ltd.	Equity-method investment	1,750	37,080	100	37,080	Note 1
Sunext Mauritius Inc.	<u>Stock</u> Sunext Design Inc.	Subsidiary of Great Sun Corp.	Equity-method investment	-	932 thousand	100	932 thousand	Note 1
Waveplus Technology Co., Ltd.	<u>Stock</u> Sunext Technology (Shanghai) Co., Ltd.	Subsidiary of Great Sun Corp.	Equity-method investment	-	211 thousand	100	211 thousand	Note 1
Waveplus Holding Ltd.	<u>Stock</u> Waveplus Holding Ltd.	Subsidiary of Sunext Mauritius Inc.	Equity-method investment	-	211 thousand	100	211 thousand	Note 1
Waveplus Design, Inc.	<u>Stock</u> Waveplus Design, Inc.	Subsidiary of Waveplus Technology Co., Ltd.	Equity-method investment	-	2,057	100	2,057	Note 1
		Subsidiary of Waveplus Holding Ltd.	Equity-method investment	-	63 thousand	100	63 thousand	Note 1

(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 (Thousands)	Amount	Units (Thousands)	Amount	Units (Thousands)	Amount	Units (Thousands)	Amount (Note)	
Sunplus Technology Company Limited	Prudential Financial Bond Fund	Available-for-sale financial assets	\$ 10,948	\$ 160,000	\$ 68,402	\$ 1,007,000	\$ 79,350	\$ 1,169,428	\$ 2,428	\$ -	
	Jan-Ho Taiwan Bond Fund	Available-for-sale financial assets	32,366	456,000	24,869	353,000	57,235	811,823	2,823	-	
	NITC Bond	Available-for-sale financial assets	-	-	3,260	542,000	1,764	294,459	2,459	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	Note 1	
	President James Bond	Available-for-sale financial assets	10,371	160,000	80,382	1,245,000	90,753	1,407,493	2,493	Note 1	
	Ta Chong Bond	Available-for-sale financial assets	40,236	524,000	74,858	983,400	115,094	1,507,400	4,339	-	
	Cathay Bond	Available-for-sale financial assets	46,226	533,000	42,882	496,000	89,108	1,029,000	1,489	-	
	Jin Sun Bond Fund	Available-for-sale financial assets	-	-	18,553	255,000	18,553	255,000	593	-	
	Dresdner Bond DAM Fund	Available-for-sale financial assets	-	-	14,939	174,600	14,939	174,600	1,106	-	
	Fuhwa currency Fund	Available-for-sale financial assets	-	-	12,881	130,000	12,881	130,000	399	-	
	Truswell Bond Fund	Available-for-sale financial assets	20,799	265,000	1,568	20,000	22,367	285,627	627	-	
	Fuhwa Apex Bond Fund	Available-for-sale financial assets	-	-	34,946	413,000	34,946	413,000	213	-	
	IBT 1699 Bond Fund	Available-for-sale financial assets	-	-	23,111	290,000	23,111	290,000	322	-	
	ABN AMRO Taiman Bond Fund	Available-for-sale financial assets	37,626	567,000	-	-	37,626	567,000	1,893	-	
	TLAM Solomon Bond Fund	Available-for-sale financial assets	19,895	232,000	8,993	105,000	28,888	337,932	932	-	
	Polaris Di-Po Fund	Available-for-sale financial assets	-	-	12,641	142,000	12,641	142,000	359	-	
	Alpha Imaging Technology Corporation	Financial assets carried at cost	2,658	32,993	128	-	2,786	402,800	369,807	-	
	Orise Technology Co., Ltd.	Cathay Soaring Eagle Bond Fund	Available-for-sale financial assets	3,694	40,032	22,782	248,000	26,476	288,879	879	-
		Jih Sun Bond	Available-for-sale financial assets	-	-	40,299	553,592	35,268	485,093	1,093	69,606
		President Bond Fund	Available-for-sale financial assets	-	-	35,767	557,760	25,699	401,077	1,079	Note 1
		NITC Bond	Available-for-sale financial assets	243	40,030	2,585	429,343	2,414	400,757	757	157,799
		Prudential Financial Bond Fund	Available-for-sale financial assets	2,191	32,020	36,481	538,234	31,716	468,023	1,023	Note 1
		Tasihin Bond	Available-for-sale financial assets	-	-	16,449	170,042	14,718	152,319	319	18,046
NITC Taiwan Bond Fund		Available-for-sale financial assets	-	-	31,347	445,347	24,616	349,905	905	Note 1	
Cathay Bond		Available-for-sale financial assets	2,604	30,024	19,969	232,007	20,638	239,891	529	96,369	
Fubon Jin-Ju-I Fund		Available-for-sale financial assets	-	-	33,711	417,163	27,377	339,178	701	Note 1	
Fubon Lucky Fund		Available-for-sale financial assets	-	-	13,024	190,000	13,024	190,474	474	22,650	
Sunplus Innovation Technology Inc.	Ta Chong Bond	Available-for-sale financial assets	-	-	10,039	132,000	10,039	132,418	418	-	
	IBT 1699 Bond Fund	Available-for-sale financial assets	-	-	10,332	130,065	5,166	65,065	65	-	
	Dresdner Bond DAM Fund	Available-for-sale financial assets	-	-	17,302	202,000	17,302	202,239	239	65,080	
	President James Bond	Available-for-sale financial assets	-	-	12,644	196,000	12,644	196,871	871	Note 1	
Generalplus Technology Inc.	IIT Wan Pao	Available-for-sale financial assets	-	-	8,593	136,000	8,593	136,776	776	-	
	Sunplus mMedia Inc.	Equity-method investee	-	-	75,000	1,050,000	-	-	-	1,157,851	
Sunplus mMobile Inc.	Prudential Financial Bond Fund	Available-for-sale financial assets	-	-	25,393	373,000	25,388	373,182	258	Note 2	
										76	

(Continued)

Company Name	Type and Issuer/Name of Marketable Security	Financial Statement Account	Beginning Balance		Acquisition		Disposal			Ending Balance		
			Units (Thousands)	Amount	Units (Thousands)	Amount	Units (Thousands)	Amount	Carrying Value	Gain (Loss) on Disposal	Units (Thousands)	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
	Prudential Financial Bond Fund	Available-for-sale financial assets	-	-	13,651	201,500	10,983	162,242	162,000	242	2,668	Note 1 39,604 Note 1

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

(Concluded)

**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 Ending Balance	Note
			Purchase/Sale	Amount	% to Total	Payment Terms		
Sumplus Technology Company Limited	Coolsand Co.	An equity-method investee of Russell Holding Limited	Sale	\$ 117,049	1	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.	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.	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.	114,788	8

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

## SUNPLUS TECHNOLOGY COMPANY LIMITED

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NTS100 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 Kunshan Giantplus Optoelectronics Technology, Co., Ltd.	Subsidiary of AU Optronics Corp. Subsidiary of Giantplus Technology Co., Ltd.	\$ 774,862 114,788	1.85 3.56	\$ 3,876 -	- -	\$ 2,943 -	\$ 288 -

## SUNPLUS TECHNOLOGY COMPANY LIMITED

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		Shares (Thousands)	Balance as of December 31, 2007 Percentage of Ownership	Carrying Value	Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				December 31, 2007	December 31, 2006						
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)	(35)	Subsidiary
	Sumplus 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
	Great Sun Corp.	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\$ 211 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	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
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	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	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
Sunplus mMobile Inc.	Generalplus Technology (Hong Kong) Inc.	Hong Kong	Sales	US\$ 390 thousand	-	390	100	US\$ 192 thousand	US\$ (197) thousand	Subsidiary
Global Techplus Capital Inc. (Techplus Capital Niue Inc.)	Sunplus mMedia Inc.	Hsinchu, Taiwan	Design of ICs	1,050,000	-	75,000	91	1,157,851	117,595	Subsidiary
	Techplus Capital Samoa Inc.	SAMOA	Investment	US\$ 150 thousand	US\$ 150 thousand	-	100	US\$ 146 thousand	US\$ - thousand	Subsidiary

(Concluded)

**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

(Continued)

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

<b>December 31, 2007</b>	<b>Currency</b>	<b>Maturity</b>	<b>Contract Amount (in Thousand)</b>
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)

## 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