

**Sunplus Technology Company Limited  
and Subsidiaries**

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

## **REPRESENTATION LETTER**

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

Very truly yours,

SUNPLUS TECHNOLOGY COMPANY LIMITED

By

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CHOU-CHIEH HUANG  
Chairman

January 25, 2008

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders  
Sunplus Technology Company Limited

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

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

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

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

January 25, 2008

Notice to Readers

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

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

**SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEETS**

**DECEMBER 31, 2007 AND 2006**

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

ASSETS	2007		2006		2007		2006	
	Amount	%	Amount	%	Amount	%	Amount	%
<b>CURRENT ASSETS</b>								
Cash (Note 2)	\$ 3,162,998	15	\$ 4,743,863	19	\$ 1,951,478	9	\$ 1,529,208	6
Financial assets at fair value through profit or loss - current (Notes 2, 3 and 4)	112	-	193,516	1	69,882	-	99,880	-
Available-for-sale financial assets - current (Notes 2, 3, and 8)	1,702,260	8	3,382,047	14	2,198,489	11	2,925,368	12
Notes and accounts receivable, net (Notes 2, 5 and 23)	3,955,123	19	3,984,145	16	454,535	2	139,384	1
Other receivables (Note 23)	234,299	1	258,882	1	5,392	-	-	-
Inventories, net (Notes 2 and 6)	2,903,298	14	3,911,897	16	150,000	1	60,000	-
Deferred income tax - current (Notes 2 and 20)	224,193	1	222,921	1	1,508,501	7	1,151,238	5
Certificates of deposits - restricted (Note 24)	23,265	-	79,728	-	-	-	-	-
Other current assets	133,716	1	180,876	1	6,338,277	30	5,905,078	24
Total current assets	12,339,264	59	16,957,875	69	-	-	150,000	1
<b>LONG-TERM INVESTMENTS</b>								
Equity-method investments (Notes 2 and 7)	1,507,804	7	1,159,032	5	183,002	1	186,902	1
Financial assets at fair value through profit or loss - non-current (Notes 2, 3 and 4)	167,676	1	149,636	-	413,378	2	428,122	1
Available-for-sale financial assets - non-current (Notes 2 and 8)	1,209,194	6	1,029,448	4	-	-	-	-
Financial assets carried at cost (Notes 2 and 9)	715,098	3	896,784	4	596,380	3	615,024	2
Total long-term investments	3,599,772	17	3,234,900	13	6,934,657	33	6,670,102	27
<b>PROPERTIES (Notes 2 and 10)</b>								
Cost								
Buildings	1,279,476	6	1,368,921	6	5,567,505	26	10,236,476	41
Auxiliary equipment	179,140	1	165,573	1	817,768	4	768,390	3
Machinery and equipment	431,988	2	605,977	2	60,171	-	47,328	-
Testing equipment	737,392	4	581,671	2	675,978	3	550,978	3
Transportation equipment	10,806	-	10,453	-	-	-	-	-
Furniture and fixtures	294,213	1	280,469	1	2,127,492	10	1,830,223	7
Leasehold improvements	71,406	-	66,066	-	17,260	-	294,860	1
Other equipment	18,403	-	15,272	-	3,499,870	17	3,849,644	16
Total cost	3,022,824	14	3,094,402	12	-	-	-	-
Less: Accumulated depreciation	1,157,683	5	1,092,742	4	-	-	-	-
Prepayments and construction-in-progress	3,964	-	7,482	-	-	-	-	-
Net properties	1,869,105	9	2,009,142	8	63,135	-	17,206	-
INTANGIBLE ASSETS, NET (Notes 2 and 11)	1,873,226	9	1,649,783	7	185,415	1	(34,466)	-
<b>OTHER ASSETS</b>								
Rental assets (Note 2)	117,519	-	-	-	(131,471)	-	(176,566)	(1)
Deferred charges and others (Notes 2 and 12)	334,233	2	300,243	1	12,883,123	61	17,384,073	70
Deferred income tax - non-current (Notes 2 and 20)	848,254	4	541,608	2	1,163,593	6	639,376	3
Total other assets	1,300,006	6	841,851	3	14,046,716	67	18,023,449	73
<b>TOTAL</b>	<u>\$ 20,981,373</u>	<u>100</u>	<u>\$ 24,693,551</u>	<u>100</u>	<u>\$ 20,981,373</u>	<u>100</u>	<u>\$ 24,693,551</u>	<u>100</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>								
<b>CURRENT LIABILITIES</b>								
Short-term bank loans (Notes 13 and 24)								
Commercial paper payable (Notes 14 and 24)								
Notes and accounts payable (Note 23)								
Income tax payable (Notes 2 and 20)								
Financial liabilities at fair value through profit or loss - current (Notes 2, 3 and 4)								
Long-term loans - current portion (Notes 15 and 24)								
Other current liabilities (Note 23)								
Total current liabilities								
<b>LONG-TERM LIABILITIES</b>								
Long-term bank loans (Notes 15 and 24)								
<b>OTHER LIABILITIES</b>								
Accrued pension liability (Notes 2 and 16)								
Guarantee deposits								
Total other liabilities								
Total liabilities								
<b>EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT</b>								
(Notes 2, 3, 17 and 18)								
Capital stock - NTS10.00 par value								
Authorized - 1,200,000 thousand shares								
Issued and outstanding - 556,750 thousand shares in 2007 and 1,023,648 thousand shares in 2006								
Capital surplus								
Additional paid-in capital in excess of par								
Treasury stock transactions								
Merger and others								
Retained earnings								
Legal reserve								
Special reserve								
Unappropriated earnings								
Others								
Cumulative translation adjustments								
Unrealized valuation (loss) gain on financial assets								
Treasury stock (at cost) - 4,683 thousand shares in 2007 and 9,032 thousand shares in 2006								
Total equity attributed to shareholders of the parent								
<b>MINORITY INTEREST (Note 2)</b>								
Total shareholders' equity								
<b>TOTAL</b>	<u>\$ 20,981,373</u>	<u>100</u>	<u>\$ 24,693,551</u>	<u>100</u>	<u>\$ 20,981,373</u>	<u>100</u>	<u>\$ 24,693,551</u>	<u>100</u>

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

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

# SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

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

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

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

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# SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

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

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

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

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

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

(Concluded)

**SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES**

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

	Equity Attributable to Shareholders of the Parent											Minority Interest (Note 2)	Total Shareholder's Equity	
	Capital Stock Issued and Outstanding (Note 17)			Capital Surplus (Notes 2 and 17)			Retained Earnings (Notes 2 and 17)		Cumulative Translation Adjustments	Unrealized Valuation Gain on Financial Assets	Treasury Stock			Total
	Shares (Thousands)	Amount	Additional Paid-in Capital in Excess of Par	Treasury Stock Transactions	Long-term Investments	Merger	Total	Legal Reserve						
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	\$ (176,566)	\$15,989,019	\$1,961,221	\$17,950,240
Effect of accounting changes	-	-	-	-	-	-	-	-	-	-	-	41,606	-	41,606
Appropriation of prior year's earnings:														
Legal reserve	-	-	-	-	-	-	-	239,836	-	(239,836)	-	-	-	-
Special reserve	-	-	-	-	-	-	-	-	(43,628)	43,628	-	-	-	-
Bonus to employees - stock	22,500	225,000	-	-	-	-	-	-	-	(225,000)	-	(25,000)	-	(25,000)
Bonus to employees - cash	-	-	-	-	-	-	-	-	-	(24,517)	-	(24,517)	-	(24,517)
Remuneration to directors and supervisors	28,384	283,844	-	-	-	-	-	-	-	(283,844)	-	(283,844)	-	(283,844)
Stock dividends - NT\$0.2982 per share	-	-	-	-	-	-	-	-	-	(1,892,295)	-	(1,892,295)	-	(1,892,295)
Cash dividends - NT\$1.99295 per share	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital stock transferred from capital surplus	18,923	189,230	(189,230)	-	-	-	(189,230)	-	-	-	-	-	-	-
Issuance of shares upon exercise of employee stock options	5,111	51,106	67,173	-	-	-	67,173	-	-	-	-	118,279	-	118,279
Adjustment arising from changes in percentage of ownership of investees	-	-	-	-	(44,453)	-	(44,453)	-	-	-	-	(44,453)	7,054	(37,399)
Adjustment of capital surplus - others	-	-	-	-	501	-	501	-	-	-	-	501	-	501
Consolidated net income in 2006	-	-	-	-	-	-	-	-	-	2,972,695	-	2,972,695	80,038	3,052,733
Increase in minority interests	-	-	-	-	-	-	-	-	-	-	-	-	536,828	536,828
Effect of changes in consolidated entities	-	-	-	-	-	-	-	-	-	-	-	-	(1,943,691)	(1,943,691)
Translation adjustments on long-term investments	-	-	-	-	-	-	-	-	-	-	26,981	26,981	(2,802)	24,179
Cash dividends received by subsidiaries from the Company	-	-	88,244	12,244	-	-	12,244	-	-	-	-	12,244	-	12,244
Adjustment for changes in shareholders' equities in equity-method investees	-	-	-	-	-	-	-	-	-	-	13	13	-	13
Valuation gain on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	209,000	209,000	728	209,728
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	(176,566)	17,384,073	639,376	18,023,449
Cancellation of Common Shares	(511,436)	(5,114,357)	-	-	-	-	-	-	-	-	45,095	(5,069,262)	-	(5,069,262)
Appropriation of prior year's earnings:														
Legal reserve	-	-	-	-	-	-	-	297,269	-	(297,269)	-	-	-	-
Special reserve	-	-	-	-	-	-	-	-	(277,600)	277,600	-	-	-	-
Bonus to employees - stock	13,500	135,000	-	-	-	-	-	-	-	(135,000)	-	(15,000)	-	(15,000)
Bonus to employees - cash	-	-	-	-	-	-	-	-	-	(39,688)	-	(39,688)	-	(39,688)
Remuneration to directors and supervisors	15,362	153,622	-	-	-	-	-	-	-	(153,622)	-	(153,622)	-	(153,622)
Stock dividends - NT\$0.2982 per share	-	-	-	-	-	-	-	-	-	(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	-	206,142
Consolidated net income (loss) in 2007	-	-	-	-	-	-	-	-	-	2,061,502	-	2,061,502	(44,865)	2,016,637
Adjustment arising from changes in percentage of ownership of investees	-	-	-	-	167,595	-	167,595	-	-	-	-	167,595	(140,240)	27,355
Adjustment of capital surplus - others	-	-	-	-	(42,595)	-	(42,595)	-	-	-	-	(42,595)	-	(42,595)
Adjustment for changes in shareholders' equities in equity-method investees	-	-	-	-	-	-	-	-	-	-	(12)	(12)	-	(12)
Valuation loss on available-for-sale financial assets	-	-	-	-	-	-	-	-	219,893	-	-	219,893	148	220,041
Increase in minority interests	-	-	-	-	-	-	-	-	-	-	-	-	705,079	705,079
Cash dividends received by subsidiaries from the Company	-	-	-	12,843	-	-	12,843	-	-	-	-	12,843	-	12,843
Translation adjustments on long-term investments	-	-	-	-	-	-	-	-	-	-	-	-	45,929	45,929
BALANCE, DECEMBER 31, 2007	556,750	5,567,505	8817,768	660,171	5518,555	157,423	11,553,917	2,127,492	17,260	3,499,870	(131,471)	12,883,123	1,163,593	14,046,716

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

# SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2007 AND 2006

(In Thousands of New Taiwan Dollars)

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

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# SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2007 AND 2006 (In Thousands of New Taiwan Dollars)

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

(Continued)

# SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2007 AND 2006

(In Thousands of New Taiwan Dollars)

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

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

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

(Concluded)

# SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2007 AND 2006

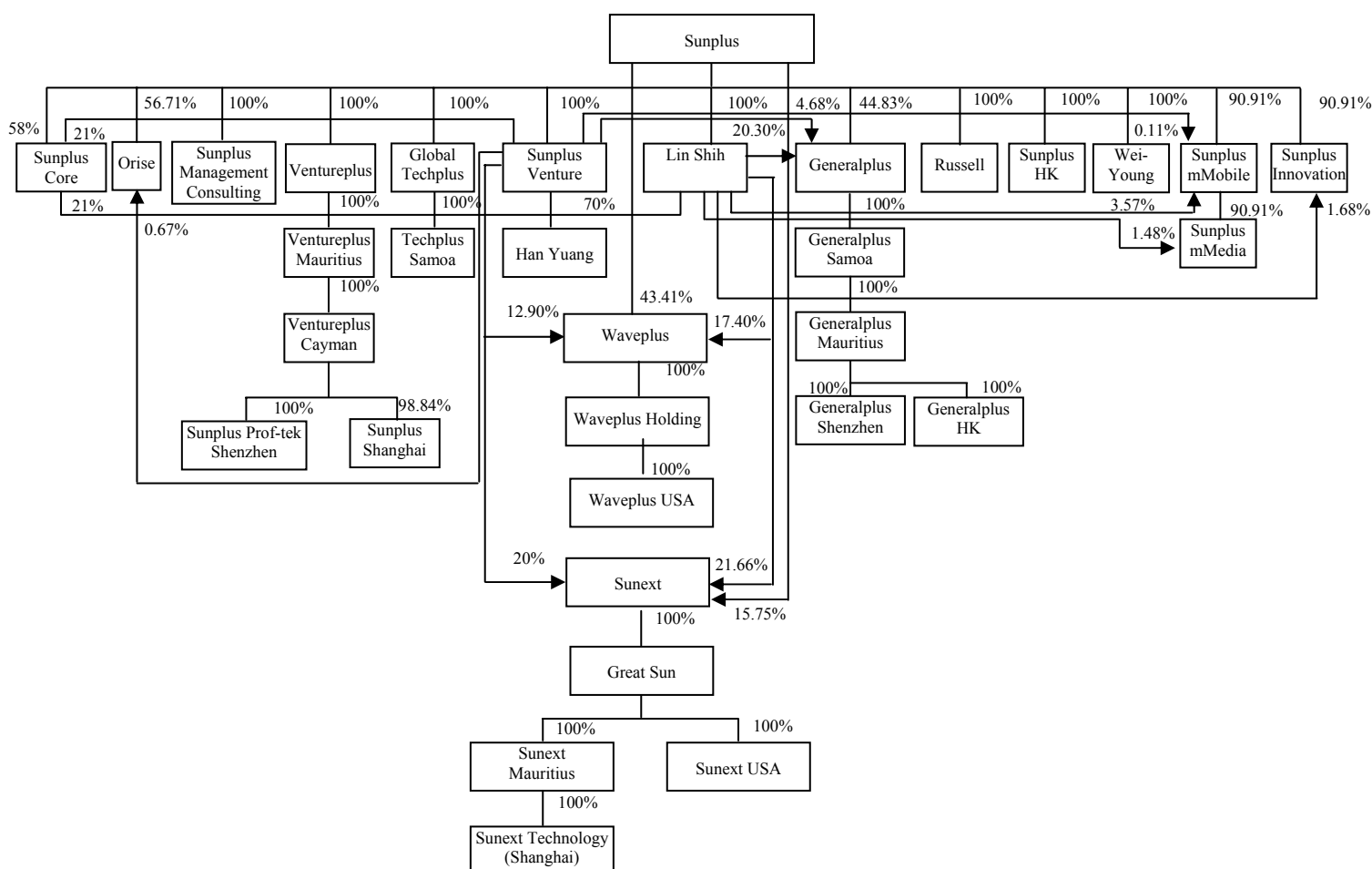
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

### 1. ORGANIZATION AND OPERATIONS

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

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

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



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

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

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

## **2. SIGNIFICANT ACCOUNTING POLICIES**

### **Basis of Presentation**

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

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

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

### **Principles of Consolidation**

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

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

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

(Continued)

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

(Concluded)

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

Significant accounting policies are summarized as follows:

#### **Current/Noncurrent Assets and Liabilities**

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

#### **Financial Assets/Liabilities at Fair Value Through Profit or Loss**

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

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

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

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

## **Revenue Recognition and Allowance for Doubtful Accounts**

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

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

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

## **Inventories**

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

## **Available-for-sale Financial Assets**

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

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

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

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

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

## **Financial Assets Carried at Cost**

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

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

### **Equity-method Investments**

Investments in share of stock of companies in which the Company owns at least 20% of the outstanding voting shares or exercises significant influence on their operating and financial policy decisions are accounted for by the equity method.

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

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

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

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

### **Properties and Assets Leased to Others**

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

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

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

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

## **Intangible Assets**

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

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

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

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

## **Deferred Charges**

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

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

## **Stock-based Compensation**

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

## **Government Subsidies**

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

## **Pension Costs**

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

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

## **Treasury Stock**

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

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

## **Income Tax**

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

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

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

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

## **Foreign-currency Transactions**

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

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

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

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

- a. Recognized in shareholders' equity if the changes in fair value are recognized in shareholders' equity;

- b. Recognized in profit and loss if the changes in fair value is recognized in profit or loss.

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

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

### Reclassifications

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

## 3. ACCOUNTING CHANGES

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

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

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

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

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

The adjustments based on the accounting are summarized as follows:

	<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	\$ (32,564)	\$ -
Available-for-sale financial assets	<u>-</u>	<u>75,312</u>
	<u>\$ (32,564)</u>	<u>\$ 75,312</u>

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

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

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

- d. Recent Accounting Pronouncements

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

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

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

#### 4. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

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

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

<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 - February 27, 2008	US\$ 32,500

<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 \$5,799 thousand and \$714 thousand for the years ended December 31, 2007 and 2006, respectively.

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

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

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

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

	<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	\$ 6,000	\$ 149,636	September 2010 - April 2014
Credit - linked notes			
Issuer			
Industrial Bank of Taiwan		<u>192,997</u>	August 2007
		<u>\$ 342,633</u>	

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

## 5. NOTES AND ACCOUNTS RECEIVABLE

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

Allowance for doubtful accounts movement:

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

## 6. INVENTORIES

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

Allowance for losses movement:

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

## 7. EQUITY-METHOD INVESTMENTS

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

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

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

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

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

## 8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

## 9. FINANCIAL ASSETS CARRIED AT COST

	<u>December 31</u>	
	<u>2007</u>	<u>2006</u>
Domestic unlisted stocks	<u>\$ 715,098</u>	<u>\$ 896,784</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

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

## 11. INTANGIBLE ASSETS, NET

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

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

## 12. DEFERRED CHARGES AND OTHERS

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

## 13. SHORT-TERM LOANS

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

## 14. COMMERCIAL PAPER PAYABLE

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

## 15. LONG-TERM LOANS

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

## 16. PENSION PLAN

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

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

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

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

a. Components of net pension costs

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

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

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

c. Actuarial assumptions

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

## 17 SHAREHOLDERS' EQUITY

a. Capital stock

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

b. Employee stock option plan

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

Outstanding option rights were as follows:

	<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	<u>-</u>	-
Ending outstanding balance	<u>25,000</u>		<u>-</u>	

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

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

	<b>2003 Option Plan</b>				
	<b>Options Outstanding</b>		<b>Options Exercisable</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>	<b>Weighted- average Exercise Price (NT\$)</b>
Exercise Price (NT\$)					
\$32.70	2,067	1.35	\$32.70	2,067	\$32.70
56.70	3,087	1.66	56.70	3,087	56.70

<b>2007 Option Plan</b>					
<b>Exercise Price (NT\$)</b>	<b>Options Outstanding</b>			<b>Options Exercisable</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>	<b>Weighted- average Exercise Price (NT\$)</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 Sunplus in 2007 would have been as follows:

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

c. Global depositary receipts (GDRs)

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

d. Capital surplus

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

e. Appropriation of earnings and dividend policy

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

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

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

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

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

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

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

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

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

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

#### Unrealized gain or loss on financial instruments

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

	<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	\$ (34,479)	\$ 13	\$ (34,466)
Recognized in shareholders' equity	<u>(219,893)</u>	<u>(12)</u>	<u>219,881</u>
Balance, end of year	<u>\$ (185,414)</u>	<u>\$ 1</u>	<u>\$ 185,415</u>
<u>Year ended December 31, 2006</u>			
Balance, beginning of the year	\$ (285,085)	\$ -	\$ (285,085)
Recognized in shareholders' equity	<u>250,606</u>	<u>13</u>	<u>250,619</u>
Balance, end of year	<u>\$ (34,479)</u>	<u>\$ 13</u>	<u>\$ (34,466)</u>

#### 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>

## 18. TREASURY STOCK

(Units: Shares in Thousands)

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

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

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

## 19. PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

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

## 20. INCOME TAX

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

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

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

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

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

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

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

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

(Continued)

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

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

d. Integrated income tax information of Sunplus:

	2007	2006
Shareholders' imputation credit account	<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 of Sunplus were 1.35% and 5.80%, respectively.

The imputation credits allocated to the shareholders are based on the balance as of the date of dividend distribution. The expected creditable ratio for distribution of earnings of 2007 may be adjusted when the allocation of the imputation credits is made.

## 21. CONSOLIDATED EARNINGS PER SHARE

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

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

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

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

## 22. FINANCIAL INSTRUMENTS

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

	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)	2,911,454	2,911,454	4,411,495	4,411,495
Financial assets carried at lost	715,098	-	896,784	-
<u>Derivative instruments</u>				
Assets				
Financial assets for trading	112	112	519	519
Liabilities				
Financial liabilities for trading	5,392	5,392	-	-

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

- b. Methods and assumptions used in determining fair values of financial assets and liabilities, based on quoted market prices or valuation techniques, were as follows:
- 1) For cash, certificate of deposit - restricted, notes and accounts receivable, other receivables, short-term loans, commercial paper payable, and notes and accounts payable, the carrying amounts reported in the balance sheets approximate their fair values because of their short maturities.
  - 2) Fair values of financial assets at fair value through profit or loss and available-for-sale financial assets are based on their quoted prices in active markets. For those instruments not traded in active markets, their fair values are determined using valuation techniques incorporating estimates and assumptions that are consistent with prevailing market conditions.
  - 3) Financial assets carried at cost had no quoted prices in an active market and their fair value could not be reliably measured.
  - 4) Fair value of long-term loans is estimated using the present value of future cash flows discounted by the interest rates the Company may obtain for similar loans (e.g., similar maturities). The fair values of the Company's long-term loans are also their carrying values because they bear floating interest rates.
- c. Gain and loss recognized for the changes in fair value of financial instruments using valuation techniques were \$12,241 thousand and \$3,012 thousand for the years ended December 31, 2007 and 2006.

- d. As of December 31, 2007 and 2006, financial assets exposed to cash flow interest rate risk were \$1,217,112 thousand and \$1,644,916 thousand, respectively; financial assets exposed to fair value interest rate risk were \$1,681,022 thousand and \$3,415,536 thousand, respectively; As of December 31, 2007 and 2006; financial liabilities exposed to fair value interest rate risk were \$908,682 thousand and \$537,352 thousand, respectively, and financial liabilities exposed to cash flow interest rate risk were \$1,262,678 thousand and \$1,301,736 thousand, respectively.
- e. Interest income arising from the financial assets other than the financial assets at fair value through profit or loss for the years ended December 31, 2007 and 2006 were \$56,902 thousand and \$88,342 thousand, respectively; interest expense arising from the financial assets other than the financial assets at fair value through profit or loss for the years ended December 31, 2007 and 2006 were \$80,097 thousand and \$96,099 thousand, respectively.

f. Financial risks

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

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

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

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

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

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

### 23. RELATED-PARTY TRANSACTIONS

The Company's related parties were as follows:

- a. Global View Co., Ltd. ("Global View") - the supervisor of Sunplus and Waveplus.

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

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

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

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

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

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

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

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

	<b>December 31</b>			
	<b>2007</b>		<b>2006</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Notes and accounts payable				
NXP Taiwan	\$ 5,545	-	\$ 72,044	2
Other current liabilities				
NXP	\$ 54,641	4	\$ 16,965	2
AUO	219	-	1,132	-
	<u>\$ 54,860</u>	<u>4</u>	<u>\$ 18,097</u>	<u>2</u>

## 24. PLEDGED OR MORTGAGED ASSETS

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

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

## 25. SIGNIFICANT LONG-TERM OPERATING LEASES

### Sunplus

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

Future annual minimum rentals under the leases are as follows:

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

### Orise

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

Future annual minimum rentals under the leases are as follows:

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

## **26. GAIN ON SETTLEMENT COMPENSATION**

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

## **27. ADDITIONAL DISCLOSURES**

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

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

## 28. SEGMENT INFORMATION

### a. Industry information:

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

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

### b. Geographic information:

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

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

c. Export sales:

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

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

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

**TABLE 1**

**SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES**

**ENDORSEMENT/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 AND SUBSIDIARIES

MARKETABLE SECURITIES HELD  
YEAR ENDED DECEMBER 31, 2007  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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

(Continued)

Holding Company	Type and Issuer/Name of Marketable Security	Relationship with the Holding Company	Financial Statement Account	December 31, 2007			Note	
				Shares or Units (Thousands)	Carrying Value	Percentage of Ownership		Market Value or Net Asset Value
Orise Technology Co., Ltd.	Cathay Bond	-	Available-for-sale financial assets	1,935	\$ 22,650	-	\$ 22,650	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
	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 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.	<u>Stock</u>							
	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)	Note 1 and Note 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	Parent company	Available-for-sale financial assets	3,390	164,780	-	164,780	Note 3
	Ability Enterprise Co., Ltd.	-	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 Name	Type and Issuer/Name of Marketable Security	Relationship with the Holding Company	Financial Statement Account	December 31, 2007			Note		
				Shares or Units (Thousands)	Carrying Value	Percentage of Ownership (%)		Market Value or Net Asset Value	
Russell Holdings Limited	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 Name	Type and Issuer/Name of Marketable Security	Relationship with the Holding Company	Financial Statement Account	December 31, 2007			Note
				Shares or Units (Thousands)	Carrying Value	Percentage of Ownership (%)	
	Book4u Company Limited	-	Financial assets carried at cost	9	\$ -	-	Note 2
	Simple Act Inc.	-	Financial assets carried at cost	1,900	19,000	10	Note 2
	Cyberon Corporation	-	Financial assets carried at cost	975	13,691	19	Note 2
	WayTech Development Inc.	-	Financial assets carried at cost	1,000	10,000	4	Note 2
	Miracle Technology Co., Ltd.	-	Financial assets carried at cost	1,303	14,025	9	Note 2
	Feature Integration Technology Inc.	-	Financial assets carried at cost	3,350	43,889	12	Note 2
	Chiabon Venture Capital Co., Ltd.	-	Financial assets carried at cost	5,000	50,000	5	Note 2
	Socle Technology Corp.	-	Financial assets carried at cost	550	13,750	2	Note 2
	MaxEmil Photonics Corp.	-	Financial assets carried at cost	419	12,485	2	Note 2
	Smec Media & Entertainment Corp.	-	Financial assets carried at cost	2,000	20,000	7	Note 2
	Minton Optic Industry Co., Ltd.	-	Financial assets carried at cost	5,000	75,000	8	Note 2
	Capella Micro System, Inc.	-	Financial assets carried at cost	630	9,450	3	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	Note 1
Generalplus International (Samoa) Inc.	<u>Stock</u> Generalplus (Mauritius) Inc.	Subsidiary of Generalplus International (Samoa) Inc.	Equity-method investment	1,090	US\$ 351 thousand	100	Note 1
Generalplus (Mauritius) Inc.	<u>Stock</u> Generalplus Technology (Shenzhen) Co., Ltd.	Subsidiary of Generalplus (Mauritius) Inc.	Equity-method investment	700	US\$ 159 thousand	100	Note 1
Sunext Technology Co., Ltd.	<u>Stock</u> Great Sun Corp.	Subsidiary of Sunext Technology Co., Ltd.	Equity-method investment	1,750	37,080	100	Note 1
Great Sun Corp.	<u>Stock</u> Sunext Design Inc.	Subsidiary of Great Sun Corp.	Equity-method investment	-	US\$ 932 thousand	100	Note 1
Sunext Mauritius Inc.	<u>Stock</u> Sunext Technology (Shanghai)	Subsidiary of Sunext Mauritius Inc.	Equity-method investment	-	US\$ 211 thousand	100	Note 1
Waveplus Technology Co., Ltd.	<u>Stock</u> Waveplus Holding Ltd.	Subsidiary of Waveplus Technology Co., Ltd.	Equity-method investment	-	2,057	100	Note 1
Waveplus Holding Ltd.	<u>Stock</u> Waveplus Design, Inc.	Subsidiary of Waveplus Holding Ltd.	Equity-method investment	-	US\$ 63 thousand	100	Note 1

(Continued)

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

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

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

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

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

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

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

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

TABLE 3

## SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

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

Company Name	Type and Issuer/Name of Marketable Security	Financial Statement Account	Beginning Balance		Acquisition		Disposal		Ending Balance		
			Units (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	
	IIT Wan Pao	Available-for-sale financial assets	-	-	8,593	136,000	8,593	136,776	776	-	
Generalplus Technology Inc.	Sunplus mMedia Inc.	Equity-method investee	-	-	75,000	1,050,000	-	-	-	1,157,851	
	Prudential Financial Bond Fund	Available-for-sale financial assets	-	-	25,393	373,000	25,388	373,182	258	Note 2	
Sunplus mMobile Inc.									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 AND SUBSIDIARIES**

**TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL YEAR ENDED DECEMBER 31, 2007**

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

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

**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	1.85	\$ 3,876	-	\$ 2,943	\$ 288
			114,788	3.56	-	-	-	-

## SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES

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

Investor	Investee	Location	Main Businesses and Products	Investment Amount		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)		
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
	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	
Russell Holdings Limited	Jet Focus Limited	Cayman Islands, British West Indies	Investment	US\$ 6,050 thousand	US\$ 6,050 thousand	4,794	44	US\$ (350) thousand	US\$ (1,185) thousand	US\$ (522) thousand	Investee
	Synerchip Co., Ltd.	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.	Sunext Design, Inc.	U.S.A.	Design of ICs	US\$ 1,000 thousand	US\$ 1,000 thousand	-	100	US\$ 932 thousand	US\$ 140 thousand	US\$ 140 thousand	Subsidiary

(Continued)

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2007		Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				December 31, 2007	December 31, 2006	Shares (Thousands)	Percentage of Ownership			
Great Sun Corp.	Sunext (Mauritius) Inc.	Mauritius	Investment	US\$ 750 thousand	US\$ 600 thousand	-	100	US\$ 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.	Sunplus Prof-tek Technology (Shenzhen) Co., Ltd	Shanghai, China	Research, development, manufacture and sale of ICs.	US\$ 2,250 thousand	US\$ - thousand	-	100	US\$ 2,249 thousand	US\$ (1) thousand	Subsidiary
Waveplus Holding Ltd.	Waveplus Holding Ltd.	Mauritius	Investment	17,205	17,205	-	100	2,057	-	Subsidiary
Generalplus Technology Inc.	Waveplus Design, Inc.	U.S.A.	Design of WLANs	17,205	17,205	-	100	US\$ 63 thousand	-	Subsidiary
Generalplus International (SAMOA) Inc.	Generalplus International (Samoa) Inc.	SAMOA	Investment	US\$ 1,090 thousand	US\$ 700 thousand	1,090	100	\$ 11,247	\$ (5,165)	Subsidiary
Generalplus (Mauritius) Inc.	Generalplus (Mauritius) Inc.	Mauritius	Investment	US\$ 1,090 thousand	US\$ 700 thousand	1,090	100	US\$ 351 thousand	US\$ (157) thousand	Subsidiary
Generalplus (Mauritius) Inc.	Generalplus Technology (Shenzhen) Co., Ltd.	Shenzhen, China	After-sales service	US\$ 700 thousand	US\$ 700 thousand	700	100	US\$ 159 thousand	US\$ 43 thousand	Subsidiary
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 AND SUBSIDIARIES

INVESTMENT IN MAINLAND CHINA  
YEAR ENDED DECEMBER 31, 2007

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

Sumplus (Nature of Relationship: 0)

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

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

Generalplus Technology (Nature of Relationship: 1)

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

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

(Continued)

Sunext Technology (Nature of Relationship: 1)

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

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

(Concluded)

**SUNPLUS TECHNOLOGY COMPANY LIMITED AND SUBSIDIARIES**

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS**

**YEARS ENDED DECEMBER 31, 2007 and 2006**

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

**1. FOR THE YEAR ENDED DECEMBER 31, 2007**

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

(Continued)

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

2. FOR THE YEAR ENDED DECEMBER 31, 2006

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

(Continued)

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

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

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

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

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

Note 5: No. 1 represents the transaction from parent company to subsidiary.  
No. 2 represents the transaction from parent company to indirect subsidiary.  
No. 3 represents the transaction between the subsidiaries.

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