

Global Unichip Corp. and Subsidiaries

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

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Global Unichip Corp.

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

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

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

January 8, 2007

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated 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 jurisdiction. 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 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.

GLOBAL UNICHIP CORP. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2006 AND 2005

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

ASSETS	2006		2005		LIABILITIES AND SHAREHOLDERS' EQUITY	2006		2005	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents	\$ 514,805	18	\$ 336,725	23	Payables to related parties (Note 17)	\$ 459,300	17	\$ 114,970	8
Pledged time deposits (Note 18)	-	-	9,500	1	Accounts payable	304,522	11	66,092	5
Available-for-sale financial assets (Notes 2 and 4)	180,215	6	-	-	Customer advances	121,606	4	108,184	7
Receivables from related parties (Note 17)	2,118	-	27,311	2	Income tax payable	10,074	-	10	-
Notes and accounts receivable (Note 2)	778,527	28	295,042	20	Payables to contractors and equipment suppliers	11,485	1	-	-
Allowance for doubtful receivables (Note 2)	(7,487)	-	(896)	-	Accrued expenses and other current liabilities (Notes 9 and 19)	119,179	4	99,520	7
Other financial assets (Note 17)	3,642	-	367	-	Current portion of long-term liabilities (Notes 8, 18 and 19)	4,137	-	5,489	-
Inventories, net (Notes 2 and 5)	631,799	23	166,201	11	Total current liabilities	1,030,303	37	394,265	27
Deferred income tax assets, net (Notes 2 and 13)	22,869	1	16,746	1	LONG-TERM LIABILITIES				
Prepaid expenses and other current assets	27,901	1	52,984	4	Long-term bank loans (Notes 8, 18 and 19)	2,089	-	6,226	-
Total current assets	2,154,389	77	903,980	62	Other long-term payables (Notes 9 and 19)	35,108	1	23,485	2
PROPERTY, PLANT AND EQUIPMENT (Notes 2 and 6)					Total long-term liabilities	37,197	1	29,711	2
Cost					OTHER LIABILITIES				
Buildings	213,713	8	206,945	14	Accrued pension cost (Notes 2 and 10)	9,944	1	12,549	1
Machinery and equipment	17,669	1	38,507	3	Total liabilities	1,077,444	39	436,525	30
Research and development equipment	156,021	6	72,340	5	SHAREHOLDERS' EQUITY				
Transportation equipment	1,992	-	1,945	-	Capital stock - \$10 par value				
Office equipment	15,609	-	15,722	1	Authorized: 150,000 thousand shares in 2006 and 97,613 thousand shares in 2005				
Miscellaneous equipment	99,018	3	76,626	5	Issued: 108,917 thousand shares in 2006 and 87,879 thousand shares in 2005	1,089,176	39	878,791	60
	504,022	18	412,085	28	Capital surplus				
Accumulated depreciation	(124,165)	(4)	(91,194)	(6)	Paid-in capital in excess of par	351,228	13	13,360	1
Net property, plant and equipment	379,857	14	320,891	22	Capital surplus from merge	16,621	-	16,621	1
OTHER ASSETS					Retained earnings				
Deferred charges, net (Notes 2 and 7)	213,210	8	184,791	13	Appropriated as legal capital reserve	13,717	-	3,043	-
Assets leased to others (Notes 2 and 6)	27,510	1	34,659	2	Unappropriated earnings	238,068	9	106,748	8
Pledged time deposits (Note 18)	9,500	-	9,500	1	Cumulative translation adjustments (Note 2)	(231)	-	(143)	-
Refundable deposits	1,772	-	1,124	-	Unrealized gain on financial instruments (Notes 2 and 16)	215	-	-	-
Total other assets	251,992	9	230,074	16	Total shareholders' equity	1,708,794	61	1,018,420	70
TOTAL	\$2,786,238	100	\$1,454,945	100	TOTAL	\$2,786,238	100	\$1,454,945	100

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

GLOBAL UNICHIP CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

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

	2006		2005	
	Amount	%	Amount	%
GROSS SALES (Notes 2 and 17)	\$ 3,364,127		\$ 1,595,356	
SALES RETURNS AND ALLOWANCES	<u>5,380</u>		<u>4,133</u>	
NET SALES	3,358,747	100	1,591,223	100
COST OF SALES (Notes 14 and 17)	<u>2,579,109</u>	<u>77</u>	<u>1,113,286</u>	<u>70</u>
GROSS PROFIT	<u>779,638</u>	<u>23</u>	<u>477,937</u>	<u>30</u>
OPERATING EXPENSES (Notes 14 and 17)				
Sales and marketing	105,178	3	63,426	4
General and administrative	76,906	2	54,600	3
Research and development	<u>375,043</u>	<u>11</u>	<u>295,108</u>	<u>19</u>
Total operating expenses	<u>557,127</u>	<u>16</u>	<u>413,134</u>	<u>26</u>
INCOME FROM OPERATIONS	<u>222,511</u>	<u>7</u>	<u>64,803</u>	<u>4</u>
NON-OPERATING INCOME AND GAINS				
Rental income (Notes 6 and 17)	15,426	1	17,035	1
Interest income	6,544	-	3,610	-
Foreign exchange gain, net (Notes 2)	5,552	-	3,864	1
Gain on disposal of property, plant and equipment (Note 2)	3,053	-	-	-
Gain on settlement and disposal of financial instruments, net (Notes 2, 3 and 16)	416	-	921	-
Valuation gain on financial instruments, net (Notes 2, 3 and 16)	-	-	496	-
Others (Note 2)	<u>1,187</u>	<u>-</u>	<u>3,061</u>	<u>-</u>
Total non-operating income and gains	<u>32,178</u>	<u>1</u>	<u>28,987</u>	<u>2</u>
NON-OPERATING EXPENSES AND LOSSES				
Provision for loss on inventories (Note 2)	12,402	1	2,135	-
Others (Notes 2 and 6)	<u>718</u>	<u>-</u>	<u>1,495</u>	<u>-</u>
Total non-operating expenses and losses	<u>13,120</u>	<u>1</u>	<u>3,630</u>	<u>-</u>

(Continued)

GLOBAL UNICHIP CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

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

	2006		2005	
	Amount	%	Amount	%
INCOME BEFORE INCOME TAX	\$ 241,569	7	\$ 90,160	6
INCOME TAX (EXPENSE) BENEFIT (Notes 2 and 13)	<u>(4,274)</u>	<u>-</u>	<u>16,588</u>	<u>1</u>
NET INCOME	<u>\$ 237,295</u>	<u>7</u>	<u>\$ 106,748</u>	<u>7</u>
	2006		2005	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
CONSOLIDATED EARNINGS PER SHARE (Note 15)				
Basic earnings per share	<u>\$ 2.49</u>	<u>\$ 2.44</u>	<u>\$ 0.97</u>	<u>\$ 1.15</u>
Diluted earnings per share	<u>\$ 2.41</u>	<u>\$ 2.36</u>	<u>\$ 0.97</u>	<u>\$ 1.15</u>

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

(Concluded)

GLOBAL UNICHIP CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

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

	Capital Stock		Capital Surplus			Retained Earnings			Cumulative Translation Adjustments	Unrealized Gain on Financial Instruments	Total Shareholders' Equity
	Shares (in Thousands)	Amount	Paid-in Capital in Excess of Par	Capital Surplus from Merge	Total	Legal Capital Reserve	Unappropriated Earnings	Total			
BALANCE, JANUARY 1, 2005	82,500	\$ 825,000	\$ 12,039	\$ 16,621	\$ 28,660	\$ -	\$ 30,424	\$ 30,424	\$(184)	\$ -	\$ 883,900
Appropriations of prior year's earnings											
Legal capital reserve	-	-	-	-	-	3,043	(3,043)	-	-	-	-
Employees' profit sharing - in stock	328	3,286	-	-	-	-	(3,286)	(3,286)	-	-	-
Stock dividends to shareholders - NT\$0.28 per share	2,410	24,095	-	-	-	-	(24,095)	(24,095)	-	-	-
Issuance of stock from exercising stock options	2,641	26,410	1,321	-	1,321	-	-	-	-	-	27,731
Net income in 2005	-	-	-	-	-	-	106,748	106,748	-	-	106,748
Translation adjustments	-	-	-	-	-	-	-	-	41	-	41
BALANCE, DECEMBER 31, 2005	87,879	878,791	13,360	16,621	29,981	3,043	106,748	109,791	(143)	-	1,018,420
Appropriations of prior year's earnings											
Legal capital reserve	-	-	-	-	-	10,674	(10,674)	-	-	-	-
Employees' profit sharing - in stock	1,143	11,430	-	-	-	-	(11,430)	(11,430)	-	-	-
Employees' profit sharing - in cash	-	-	-	-	-	-	(2,858)	(2,858)	-	-	(2,858)
Cash dividends to shareholders - NT\$0.52 per share	4,745	47,455	-	-	-	-	(47,455)	(47,455)	-	-	-
Stock dividends to shareholders - NT\$0.35 per share	-	-	-	-	-	-	(31,637)	(31,637)	-	-	(31,637)
Bonus to directors and supervisors	-	-	-	-	-	-	(1,921)	(1,921)	-	-	(1,921)
Net income in 2006	-	-	-	-	-	-	237,295	237,295	-	-	237,295
Issuance of stock from exercising stock options	2,862	28,620	1,431	-	1,431	-	-	-	-	-	30,051
Issuance of capital stock for cash	12,288	122,880	336,437	-	336,437	-	-	-	-	-	459,317
Valuation gain on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	215	215
Translation adjustments	-	-	-	-	-	-	-	-	(88)	-	(88)
BALANCE, DECEMBER 31, 2006	<u>108,917</u>	<u>\$ 1,089,176</u>	<u>\$ 351,228</u>	<u>\$ 16,621</u>	<u>\$ 367,849</u>	<u>\$ 13,717</u>	<u>\$ 238,068</u>	<u>\$ 251,785</u>	<u>\$(231)</u>	<u>\$ 215</u>	<u>\$ 1,708,794</u>

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

GLOBAL UNICHIP CORP. AND SUBSIDIARIES

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

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 237,295	\$ 106,748
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	42,224	38,554
Amortization	97,461	80,047
Property, plant and equipment reclassified to other loss	708	104
Deferred charges reclassified to expense	3,369	-
Gain on disposal of property, plant and equipment, net	(3,053)	-
Deferred income tax	(6,123)	(16,746)
Net changes in operating assets and liabilities:		
Decrease (increase) in:		
Financial assets at fair value through profit or loss	-	195,691
Notes and accounts receivable	(451,701)	(131,256)
Other financial assets	(3,275)	7,168
Inventories, net	(465,598)	(74,234)
Prepaid expenses and other current assets	25,083	(35,214)
Increase (decrease) in:		
Accounts payable	582,760	62,841
Customer advances	13,422	28,244
Income tax payable	10,064	10
Accrued expenses and other current liabilities	(992)	7,205
Accrued pension cost	<u>(2,605)</u>	<u>704</u>
Net cash provided by operating activities	<u>79,039</u>	<u>269,866</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Available-for-sale financial assets	(180,000)	-
Property, plant and equipment	(84,726)	(28,519)
Assets leased to others	-	(589)
Increase in refundable deposits	(648)	(620)
Proceeds from disposal of property, plant and equipment	4,500	-
Increase in deferred charges	(73,926)	(56,276)
Decrease in pledged time deposits	<u>9,500</u>	<u>5,750</u>
Net cash used in investing activities	<u>(325,300)</u>	<u>(80,254)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments on:		
Long-term bank loans	(5,489)	(5,489)
Other long-term payables	(23,049)	-
Cash bonus paid to employees	(2,858)	-
Cash dividends paid for common stock	(31,637)	-
Bonus to directors and supervisors	(1,921)	-

(Continued)

GLOBAL UNICHIP CORP. AND SUBSIDIARIES

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

	2006	2005
Proceeds from:		
Issuance of capital stock for cash	\$ 459,317	\$ -
Exercise of employee stock options	<u>30,051</u>	<u>27,731</u>
Net cash provided by financing activities	<u>424,414</u>	<u>22,242</u>
EFFECT OF EXCHANGE RATE CHANGES	<u>(73)</u>	<u>6</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	178,080	211,860
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>336,725</u>	<u>124,865</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 514,805</u>	<u>\$ 336,725</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid for income tax	<u>\$ 333</u>	<u>\$ 148</u>
NONCASH INVESTING AND FINANCING ACTIVITIES		
Current portion of long-term liabilities	<u>\$ 4,137</u>	<u>\$ 5,489</u>
Current portion of other long-term payables (under accrued expenses and other current liabilities)	<u>\$ 48,368</u>	<u>\$ 27,717</u>
Assets leased to others reclassified to property, plant and equipment	<u>\$ 6,517</u>	<u>\$ -</u>
Property, plant and equipment reclassified to assets leased to others	<u>\$ -</u>	<u>\$ 93</u>
INVESTING ACTIVITIES AFFECTING BOTH CASH AND NON-CASH ITEMS		
Acquisition of property, plant and equipment	\$ 96,211	\$ 18,913
Decrease (increase) in payables to contractors and equipment suppliers	<u>(11,485)</u>	<u>9,606</u>
Cash paid	<u>\$ 84,726</u>	<u>\$ 28,519</u>

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

(Concluded)

GLOBAL UNICHIP CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

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

1. GENERAL

Global Unichip Corp. (GUC), a Republic of China (R.O.C.) corporation, was incorporated on January 22, 1998. GUC is engaged mainly in researching, developing, manufacturing, testing and marketing of integrated circuits. On November 3, 2006, its shares were listed on the Taiwan Stock Exchange (TSE). As of December 31, 2006 and 2005, Taiwan Semiconductor Manufacturing Company Limited (TSMC) owned 38% and 46%, respectively, of GUC's common shares.

As of December 31, 2006 and 2005, GUC and its subsidiaries had 285 and 220 employees, respectively.

2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements are presented in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, Business Accounting Law, Guidelines Governing Business Accounting, and accounting principles generally accepted in the R.O.C. Under these guidelines, law and principles, GUC and its subsidiaries should reasonably estimate the amounts of allowance for doubtful receivables; loss on inventories; depreciation of property, plant and equipment; amortization of intangible assets; impairment loss on assets and deferred charges; pension expenses. Actual results could differ from those 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.

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 GUC. All significant intercompany balances and transactions have been eliminated upon consolidation.

The consolidated entities were as follows:

<u>Name of Investor</u>	<u>Name of Investee</u>	<u>Percentage of Ownership at December 31, 2006 and 2005</u>
GUC	Global Unichip Corp.-NA (GUC-NA)	100%
	Global Unichip Japan Co., Ltd. (GUC-Japan)	100%

GUC-NA and GUC-Japan are engaged in providing products consulting in North America and Japan, respectively.

GUC together with its consolidated subsidiaries are hereinafter referred to collectively as the "Company".

Classification of Current and Noncurrent Assets and Liabilities

Current assets are assets held for trading purposes and assets expected to be converted to cash, sold or consumed within one year from the balance sheet date. Current liabilities are obligations incurred for trading purposes and obligations expected to be settled within one year from the balance sheet date. Assets and liabilities that are not classified as current are noncurrent assets and liabilities, respectively.

Available-for-sale Financial Assets

Available-for-sale financial assets are initially recognized at fair value plus transaction costs that are directly attributable to the acquisition. Changes in fair value from subsequent remeasurement are reported as a separate component of shareholders' equity. The corresponding accumulated gains or losses are recognized in earnings when the financial asset is derecognized from the balance sheet. A regular way purchase or sale of financial assets is accounted for using settlement date accounting.

Fair value of open-end mutual funds represents their net assets value at the balance sheet date.

Allowance for Doubtful Receivables

An allowance for doubtful receivables is provided based on a review of the collectibility of accounts receivable.

Inventories

Inventories consist of finished goods, work in process and raw materials. Inventories are stated at the lower of cost or market value, with cost determined on a weighted-average basis. Market value represents replacement cost for raw materials and net realizable value for work in process and finished goods. Estimated losses on scrap and slow-moving items are recognized and included in the allowance for losses.

Property, Plant and Equipment and Assets Leased to Others

Property, plant and equipment and assets leased to others are stated at cost less accumulated depreciation. When an indication of impairment is identified, any excess of the carrying amount of an asset over its recoverable amount is recognized as a loss. If the recoverable amount increases in a subsequent period, the amount previously recognized as impairment would be reversed and recognized as a gain. However, the adjusted amount may not exceed the carrying amount that would have been determined, net of depreciation, as if no impairment loss had been recognized. Significant additions, renewals and betterments incurred during the construction period are capitalized. Maintenance and repairs are expensed as incurred.

Depreciation is computed using the straight-line method over the following estimated service lives: buildings - 50 years; machinery and equipment - 3 to 5 years; research and development equipment - 3 to 5 years; transportation equipment - 5 years; office equipment - 3 to 5 years; miscellaneous equipment - 3 to 10 years; assets leased to others - 50 years.

Upon sale or disposal of property, plant and equipment and assets leased to others, the related cost and accumulated depreciation are deducted from the corresponding accounts, with any gain or loss recorded as non-operating gains or losses in the year of sale or disposal.

Deferred Charges

Deferred charges consist of softwares, technology license fees, patents and others. The amounts are amortized over the following periods: softwares - 1 to 5 years; technology license fees - the term of the technology transfer contract; patents - economic lives of the patents. When an indication of impairment is identified, any excess of the carrying amount of an asset over its recoverable amount is recognized as a loss. If the recoverable amount increases in a subsequent period, the previously recognized impairment loss would be reversed and recognized as a gain. However, the adjusted amount may not exceed the carrying amount that would have been determined, net of amortization, as if no impairment loss had been recognized.

Pension Costs

For employees under defined contribution pension plans, pension costs are recorded based on the actual contributions made to employees' individual pension accounts during their service periods. For employees under defined benefit pension plans, pension costs are recorded based on actuarial calculations.

Revenue Recognition

The Company recognizes revenue when evidence of an arrangement exists, shipment is made, price is fixed or determinable, and collectibility is reasonably assured.

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

Income Tax

The Company uses the inter-period tax allocation method. Deferred income tax assets and liabilities are recognized for the tax effects of temporary differences, operating loss carryforwards, and unused tax credits. Valuation allowances are provided to the extent, if any, that it is more likely than not that deferred income tax assets 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. However, if a deferred tax asset or liability does not relate to an asset or liability in the financial statements, then it is classified as either current or noncurrent based on the expected length of time before it is realized or settled.

Any tax credits arising from purchase of machinery, equipment and technology, research and development expenditures, and personnel training are recognized using the flow-through method.

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

Income tax on unappropriated earnings at a rate of 10% is expensed in the year of shareholder approval which is the year subsequent to the year the earnings are generated.

The R.O.C. government enacted the Alternative Minimum Tax Act (the 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 shall include 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.

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.

Foreign-currency Transactions

Foreign-currency transactions are recorded in New Taiwan dollars at the rates of exchange in effect when the transactions occur. Exchange gains or losses derived from conversion or settlement monetary assets and liabilities denominated in foreign currencies are recognized in earnings. At the balance sheet date, monetary assets and liabilities denominated in foreign currencies are revalued at prevailing exchange rates with the resulting gains or losses recognized in earnings.

Translation of Foreign-currency Financial Statements

The financial statements of foreign subsidiaries are translated into New Taiwan dollars at the following exchange rates: Assets and liabilities - spot rates at year-end; shareholders' equity - historical rates; income and expenses - average rates during the year. The resulting translation adjustments are recorded as a separate component of shareholders' equity.

3. ACCOUNTING CHANGES

On January 1, 2006, the Company adopted the newly released Statements of Financial Accounting Standards No. 34, "Financial Instruments: Recognition and Measurement" (SFAS No. 34) and No. 36, "Financial Instruments: Disclosure and Presentation" and related revisions of previously released SFASs.

a. Effect of adopting the newly released SFASs

Upon adopting the newly released SFASs, the Company held neither financial instruments at fair value through profit or loss nor available-for-sale financial instruments.

Before adopting the newly released SFASs, the Company recorded its short-term investments (open-end mutual funds) at the lower of cost or market value. An allowance for decline in value was provided and charged to earnings when the aggregate carrying amount of the investments exceeded the aggregate market value. A reversal of the allowance to earnings was recorded for a subsequent recovery of the aggregate market value. The adoption of the newly released SFASs had no significant effect on the Company's consolidated financial statements as of and for the year ended December 31, 2006.

b. Reclassifications

Upon adoption of SFAS No. 34, certain accounts in the consolidated financial statements as of and for the year ended December 31, 2005 were reclassified to conform to the consolidated financial statements as of and for the year ended December 31, 2006. The previously issued consolidated financial statements as of and for the year ended December 31, 2005 were not required to be restated.

Certain accounts in the consolidated financial statements as of and for the year ended December 31, 2005 have been reclassified to conform to the classifications prescribed by the newly released SFASs. The reclassifications of the whole or a part of the account balances of certain accounts are summarized as follows:

	Before Reclassification	After Reclassification
<u>Statement of income</u>		
Gain on disposal of investment, net	\$ 921	\$ -
Gain from recovery in value of short-term investments	496	-
Gain on settlement and disposal of financial instruments, net	-	921
Valuation gain on financial instruments, net	<u>-</u>	<u>496</u>
	<u>\$ 1,417</u>	<u>\$ 1,417</u>

4. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	<u>December 31</u>	
	2006	2005
Open-end mutual funds	<u>\$ 180,215</u>	<u>\$ -</u>

5. INVENTORIES, NET

	<u>December 31</u>	
	2006	2005
Finished goods	\$ 127,773	\$ 13,320
Work in process	515,399	155,335
Raw materials	<u>3,483</u>	<u>-</u>
	646,655	168,655
Allowance for valuation	<u>(14,856)</u>	<u>(2,454)</u>
	<u>\$ 631,799</u>	<u>\$ 166,201</u>

6. PROPERTY, PLANT AND EQUIPMENT

Accumulated depreciation consisted of the following:

	<u>December 31</u>	
	2006	2005
Buildings	\$ 10,031	\$ 5,654
Machinery and equipment	16,853	31,275
Research and development equipment	67,634	38,587
Transportation equipment	1,265	894
Office equipment	7,114	3,981
Miscellaneous equipment	<u>21,268</u>	<u>10,803</u>
	<u>\$ 124,165</u>	<u>\$ 91,194</u>

The Company rent out certain floor space of its buildings under several operating lease arrangements. The related book value of the leased floor space has been reclassified to assets leased to others under other assets.

7. DEFERRED CHARGES, NET

	<u>December 31</u>	
	<u>2006</u>	<u>2005</u>
Software	\$ 119,125	\$ 70,907
Technology license fees	93,651	113,421
Patents	<u>434</u>	<u>463</u>
	<u>\$ 213,210</u>	<u>\$ 184,791</u>

8. LONG-TERM BANK LOANS

	<u>December 31</u>	
	<u>2006</u>	<u>2005</u>
Science Park Administration (SPA) DSP loan, repayable by June 2007 in 20 payments, interest-free	\$ 1,353	\$ 4,057
SPA SOC loan, repayable by September 2008 in 20 payments, interest-free	<u>4,873</u>	<u>7,658</u>
	6,226	11,715
Current portion	<u>4,137</u>	<u>5,489</u>
	<u>\$ 2,089</u>	<u>\$ 6,226</u>

As of December 31, 2006, future repayments of the long-term loans were as follows:

Year of Repayment	Amount
2007	\$ 4,137
2008	<u>2,089</u>
	<u>\$ 6,226</u>

9. OTHER LONG-TERM PAYABLES

The payables were primarily attributable to several license arrangements that the Company entered into for certain software license fees. As of December 31, 2006, future payments for other long-term payables were as follows:

Year of Payment	Amount
2007	\$ 48,368
2008	<u>35,108</u>
	83,476
Current portion (under accrued expenses and other current liabilities)	<u>48,368</u>
	<u>\$ 35,108</u>

10. PENSION PLANS

The Labor Pension Act (the Act) became effective on July 1, 2005. The employees of GUC who were subject to the Labor Standards Law prior to July 1, 2005 were allowed to choose to be subject to the pension mechanism under the Act with their seniority as of July 1, 2005 retained or continue to be subject to the pension mechanism under the Labor Standards Law. Employees who joined GUC after July 1, 2005 can only be subject to the pension mechanism under the Act.

The pension mechanism under the Act is deemed a defined contribution plan. Pursuant to the Act, GUC has made monthly contributions equal to 6% of each applicable employee's monthly salary to employees' pension accounts starting from July 1, 2005. Pursuant to the aforementioned Act and local regulations, GUC made monthly contributions and recognized pension costs of NT\$10,935 thousand and NT\$4,061 thousand for the years ended December 31, 2006 and 2005, respectively.

GUC has a defined benefit plan under the Labor Standards Law, which provides benefits based on an employee's length of service and average monthly salary at retirement. GUC contributes an amount equal to 2% of salaries paid each month to a pension fund (the Fund), which is administered by the pension fund monitoring committee and deposited in the name of the committee with the Central Trust of China.

Information about the defined benefit plan is summarized as follows:

a. Components of net periodic pension cost for the year

	2006	2005
Service cost	\$ 28	\$ 2,842
Interest cost	428	560
Projected return on plan assets	(284)	(216)
Amortization	<u>(243)</u>	<u>45</u>
Net periodic pension cost	<u>\$ (71)</u>	<u>\$ 3,231</u>

b. Reconciliation of funded status of the plan and accrued pension cost at December 31, 2006 and 2005

	2006	2005
Benefit obligation		
Vested benefit obligation	\$ -	\$ -
Nonvested benefit obligation	<u>10,105</u>	<u>8,120</u>
Accumulated benefit obligation	10,105	8,120
Additional benefits based on future salaries	<u>4,907</u>	<u>4,121</u>
Projected benefit obligation	15,012	12,241
Fair value of plan assets	<u>(13,023)</u>	<u>(10,238)</u>
Funded status	1,989	2,003
Unrecognized net transition obligation	(2,229)	(2,478)
Unrecognized net gain	<u>10,184</u>	<u>13,024</u>
Accrued pension cost	<u>\$ 9,944</u>	<u>\$ 12,549</u>
Vested benefit	<u>\$ -</u>	<u>\$ -</u>

c. Actuarial assumptions at December 31, 2006 and 2005

	2006	2005
Discount rate used in determining present values	3.5%	3.5%
Future salary increase rate	2.0%	2.0%
Expected rate of return on plan assets	2.5%	2.5%
d. Contributions to the Fund for the year	<u>\$ 2,534</u>	<u>\$ 2,527</u>
e. Payments from the Fund for the year	<u>\$ -</u>	<u>\$ -</u>

11. SHAREHOLDERS' EQUITY

Capital surplus can only be used to offset a deficit under the Company Law. However, the capital surplus arising from donations and paid-in capital in excess of par (including the stock issued for new capital and mergers) may be appropriated as stock dividends, which are limited to a certain percentage of GUC's paid-in capital.

GUC's Articles of Incorporation provide that, when allocating the net profits for each fiscal year, GUC shall first offset its losses in previous years and then set aside the following items accordingly:

- a. Legal capital reserve at 10% of the profits left over;
- b. Special capital reserve approved by shareholders' meeting;
- c. Bonus to directors and supervisors of not more than 2% of the remainder after set aside a and b above;
- d. Bonus to employees of GUC of not less than 10% of the remainder after set aside a and b above. GUC may issue stock bonuses to employees of an affiliated company meeting the conditions set by the Board of Directors;
- e. Any balance left over shall be allocated according to the resolution of the shareholders' meeting as shareholders' dividends.

GUC at present is at a business growth stage. The proportion of dividends that will be paid in cash will depend on future expansion plan and cash needs. For profit distribution, the proportion of cash dividends shall not be lower than 10% of the total amount of dividends.

A special capital reserve equivalent to the net debit balance of other components of shareholders' equity (for example, cumulative translation adjustments and unrealized loss on financial instruments) shall be appropriated from unappropriated earnings pursuant to existing regulations promulgated by the Securities and Futures Bureau (SFB). Any special capital reserve appropriated may be reversed to the extent that the net debit balance reverses.

The appropriation for legal capital reserve shall be made until the reserve equals GUC's paid-in capital. The reserve may be used to offset a deficit, or be distributed as dividends and bonuses for the portion in excess of 50% of the paid-in capital if GUC has no unappropriated earnings and the reserve balance has exceeded 50% of GUC's paid-in capital. The Company Law also prescribes that, when the reserve has reached 50% of GUC's paid-in capital, up to 50% of the reserve may be transferred to capital.

Any appropriations of earnings are recorded in the year of shareholder approval and given effect to in the financial statements of that year. Under the Integrated Income Tax System, R.O.C. resident shareholders are allowed a tax credit for their proportionate share of the income tax paid by GUC.

The appropriations of earnings for 2005 and 2004 had been approved in the shareholders' meetings held on June 30, 2006 and May 31, 2005, respectively. The appropriations and dividends per share were as follows:

	<u>Appropriation of Earnings</u>		<u>Dividends Per Share</u> <u>(NT\$)</u>	
	<u>For Fiscal</u> <u>Year 2005</u>	<u>For Fiscal</u> <u>Year 2004</u>	<u>For Fiscal</u> <u>Year 2005</u>	<u>For Fiscal</u> <u>Year 2004</u>
Legal capital reserve	\$ 10,674	\$ 3,043		
Employees' profit sharing - in stock	11,430	3,286		
Employees' profit sharing - in cash	2,858	-		
Stock dividends to shareholders	47,455	24,095	\$ 0.52	\$ 0.28
Cash dividends to shareholders	31,637	-	0.35	
Bonus to directors and supervisors	<u>1,921</u>	<u>-</u>		
	<u>\$ 105,975</u>	<u>\$ 30,424</u>		

The amounts of the above appropriations of earnings for 2005 and 2004 are consistent with the resolutions of the meetings of the Board of Directors held on February 16, 2006 and March 8, 2005, respectively. If the above bonus to employees, directors and supervisors had been paid entirely in cash and charged to earnings of 2005 and 2004, the basic earnings per share (after income tax) for the years ended December 31, 2005 and 2004 shown in the respective financial statements would have decreased from NT\$1.23 to NT\$1.04 and NT\$0.37 to NT\$0.33, respectively. The shares distributed as a bonus to employees represented 1.3% and 0.4% of GUC's total outstanding common shares as of December 31, 2005 and 2004, respectively.

As of January 8, 2007, the Board of Directors had not resolved the appropriations for earnings of 2006. The information about the appropriations of bonus to employees, directors and supervisors is available at the Market Observation Post System website.

As part of the listing plan on the TSE, the Board of Directors had resolved to increase GUC's capital by 12,288 thousand shares in the fourth quarter of 2006, which were issued at NT\$38 per share.

12. STOCK-BASED COMPENSATION PLANS

GUC's Employee Stock Option Plans, consisting of the GUC 2003 Plan and GUC 2002 Plan, were approved by its Board of Directors on January 23, 2003 and July 1, 2002, respectively. The maximum number of options authorized to be granted under the GUC 2003 Plan and GUC 2002 Plan was 7,535 and 5,000, respectively, with each option eligible to subscribe for one thousand common shares when exercisable. The options may be granted to qualified employees of GUC. Options of the plans are valid for six years and exercisable at certain percentages subsequent to the second anniversary of the grant date.

Moreover, the GUC 2006 Plan and GUC 2004 Plan were approved by the SFB on July 3, 2006 and August 16, 2004 to grant a maximum of 3,665 options and 2,500 options, respectively, with each option eligible to subscribe for one thousand common shares when exercisable. The options may be granted to qualified employees of GUC or any of its subsidiaries. The options of the GUC 2006 Plan are valid until August 15, 2011 and the options of the GUC 2004 Plan are valid for six years. Options of both Plans are exercisable at certain percentages subsequent to the second anniversary of the grant date.

Information about GUC's outstanding stock options for the years ended December 31, 2006 and 2005 was as follows:

	Number of Options	Weighted- average Exercise Price (NT\$)
<u>Year ended December 31, 2006</u>		
Balance, beginning of year	7,132	\$10.66
Options granted	3,689	19.50
Options exercised	(2,862)	10.50
Options canceled	<u>(617)</u>	12.08
Balance, end of year	<u>7,342</u>	14.04
<u>Year ended December 31, 2005</u>		
Balance, beginning of year	7,889	\$10.50
Options granted	2,499	10.96
Options exercised	(2,641)	10.50
Options canceled	<u>(615)</u>	10.57
Balance, end of year	<u>7,132</u>	10.66

As of December 31, 2006, information about GUC's outstanding and exercisable options was as follows:

Range of Exercise Price (NT\$)	Options Outstanding			Options Exercisable	
	Number of Options	Weighted- average Remaining Contractual Life (Years)	Weighted- average Exercise Price (NT\$)	Number of Options	Weighted- average Exercise Price (NT\$)
\$10.0-\$18.4	7,342	1.58-4.75	\$14.04	15	\$10.50

No compensation cost was recognized under the intrinsic value method for the years ended December 31, 2006 and 2005. Had the Company used the fair value based method (based on the Black-Scholes model) to evaluate the options, the assumptions and pro forma results of the Company for the years ended December 31, 2006 and 2005 would have been as follows:

	2006	2005
Assumptions:		
Expected dividend yield	-	-
Expected volatility	22.65%-41.74%	22.65%-28.02%
Risk free interest rate	2.23%-2.56%	2.56%
Expected life	3-6 years	6 years
Net income:		
As reported	\$ 237,295	\$ 106,748
Pro forma	232,115	104,154
Consolidated earnings per share (EPS) - after income tax (NT\$):		
Basic EPS as reported	\$2.44	\$1.15
Pro forma basic EPS	2.39	1.13
Diluted EPS as reported	2.36	1.15
Pro forma diluted EPS	2.31	1.12

13. INCOME TAX

- a. A reconciliation of income tax expense based on “income before income tax” at statutory rate and income tax currently payable was as follows:

	Years Ended	
	December 31	
	2006	2005
Income tax expense based on “income before income tax” at statutory rate (25%)	\$ 60,624	\$ 22,649
Tax effect of the following:		
Temporary differences	3,809	571
Permanent differences	(104)	(354)
Loss carryforwards	(38,436)	(12,134)
Additional tax at 10% on unappropriated earnings	77	369
Investment tax credits used	<u>(15,573)</u>	<u>(10,942)</u>
Income tax currently payable	<u>\$ 10,397</u>	<u>\$ 159</u>

- b. Income tax (expense) benefit consisted of the following:

Income tax currently payable	\$ (10,397)	\$ (159)
Net change in deferred income tax assets		
Investment tax credits	(5,878)	52,935
Net operating loss carryforwards	(38,436)	(12,134)
Temporary differences	901	570
Adjustments in valuation allowance	<u>49,536</u>	<u>(24,624)</u>
Income tax (expense) benefit	<u>\$ (4,274)</u>	<u>\$ 16,588</u>

- c. Net deferred income tax assets consisted of the following:

	December 31	
	2006	2005
Current deferred income tax assets, net		
Investment tax credits	\$ 38,800	\$ 20,622
Net operating loss carryforwards	-	15,825
Temporary differences	6,669	2,286
Valuation allowance	<u>(22,600)</u>	<u>(21,987)</u>
	<u>\$ 22,869</u>	<u>\$ 16,746</u>
Non-current deferred income tax assets, net		
Investment tax credits	\$ 127,497	\$ 151,553
Net operating loss carryforwards	-	22,611
Temporary differences	(529)	2,953
Valuation allowance	<u>(126,968)</u>	<u>(177,117)</u>
	<u>\$ -</u>	<u>\$ -</u>

d. Integrated income tax information:

There was no imputation tax credit as of December 31, 2006 and 2005. Therefore, the creditable ratio for distribution of GUC's earnings of 2006 and 2005 was nil.

e. As of December 31, 2006, the Company's investment tax credits consisted of the following:

Regulation	Item	Total Creditable Amount	Remaining Creditable Amount	Expiry Year
Statute for Upgrading Industries	Purchase of machinery and equipment	\$ 172	\$ -	2006
		<u>514</u>	<u>514</u>	2008
		<u>\$ 686</u>	<u>\$ 514</u>	
Statute for Upgrading Industries	Research and development expenditures	\$ 20,404	\$ -	2006
		38,618	38,618	2007
		41,685	41,685	2008
		37,934	37,934	2009
		<u>46,539</u>	<u>46,539</u>	2010
		<u>\$ 185,180</u>	<u>\$ 164,776</u>	
Statute for Upgrading Industries	Personnel training	\$ 46	\$ -	2006
		182	182	2007
		43	43	2008
		186	186	2009
		<u>596</u>	<u>596</u>	2010
		<u>\$ 1,053</u>	<u>\$ 1,007</u>	

f. The tax authorities have examined income tax returns of GUC through 2003.

14. LABOR COST, DEPRECIATION AND AMORTIZATION

	Year Ended December 31, 2006		
	Classified as Cost of Sales	Classified as Operating Expenses	Total
Labor cost			
Salary	\$ 36,475	\$ 241,297	\$ 277,772
Labor and health insurance	2,431	16,865	19,296
Pension	1,745	9,119	10,864
Meal	876	4,519	5,395
Welfare	686	3,472	4,158
Others	<u>417</u>	<u>5,122</u>	<u>5,539</u>
	<u>\$ 42,630</u>	<u>\$ 280,394</u>	<u>\$ 323,024</u>
Depreciation	<u>\$ 2,397</u>	<u>\$ 39,195</u>	<u>\$ 41,592</u>
Amortization	<u>\$ -</u>	<u>\$ 97,461</u>	<u>\$ 97,461</u>

	Year Ended December 31, 2005		
	Classified as	Classified as	
	Cost of Sales	Operating Expenses	Total
Labor cost			
Salary	\$ 19,161	\$ 172,456	\$ 191,617
Labor and health insurance	1,245	12,260	13,505
Pension	861	6,425	7,286
Meal	427	3,319	3,746
Welfare	279	1,906	2,185
Others	<u>178</u>	<u>2,462</u>	<u>2,640</u>
	<u>\$ 22,151</u>	<u>\$ 198,828</u>	<u>\$ 220,979</u>
Depreciation	<u>\$ 1,671</u>	<u>\$ 36,185</u>	<u>\$ 37,856</u>
Amortization	<u>\$ 29</u>	<u>\$ 80,018</u>	<u>\$ 80,047</u>

15. CONSOLIDATED EARNINGS PER SHARE

Consolidated EPS for the years ended December 31, 2006 and 2005 were computed as follows:

	<u>Amounts (Numerator)</u>		<u>Number of Shares (Denominator) (in Thousands)</u>	<u>EPS (NT\$)</u>	
	<u>Before Income Tax</u>	<u>After Income Tax</u>		<u>Before Income Tax</u>	<u>After Income Tax</u>
<u>Year ended December 31, 2006</u>					
Consolidated basic EPS					
Income available to common shareholders of the parent	\$ 241,569	\$ 237,295	97,113	<u>\$ 2.49</u>	<u>\$ 2.44</u>
Effect of dilutive potential common stock - stock options	<u>-</u>	<u>-</u>	<u>3,292</u>		
Consolidated diluted EPS					
Income available to common shareholders of the parent (including effect of dilutive potential common stock)	<u>\$ 241,569</u>	<u>\$ 237,295</u>	<u>100,405</u>	<u>\$ 2.41</u>	<u>\$ 2.36</u>
<u>Year ended December 31, 2005</u>					
Consolidated basic EPS					
Income available to common shareholders of the parent	\$ 90,160	\$ 106,748	92,493	<u>\$ 0.97</u>	<u>\$ 1.15</u>
Effect of dilutive potential common stock - stock options	<u>-</u>	<u>-</u>	<u>462</u>		
Consolidated diluted EPS					
Income available to common shareholders of the parent (including effect of dilutive potential common stock)	<u>\$ 90,160</u>	<u>\$ 106,748</u>	<u>92,955</u>	<u>\$ 0.97</u>	<u>\$ 1.15</u>

The weighted-average number of shares outstanding used in the consolidated EPS calculation was adjusted retroactively for the issuance of stock dividends and stock bonuses (see consolidated statements of changes in shareholders' equity and Note 11). The retroactive adjustment caused the basic and diluted EPS after income tax for the year ended December 31, 2005 to decrease from NT\$1.23 to NT\$1.15.

16. DISCLOSURES FOR FINANCIAL INSTRUMENTS

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

	<u>December 31</u>			
	<u>2006</u>		<u>2005</u>	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Assets</u>				
Available-for-sale financial assets	\$ 180,215	\$ 180,215	\$ -	\$ -

- b. Methods and assumptions used in the determination of fair values of financial instruments
- 1) The aforementioned financial instruments do not include cash and cash equivalents, pledged time deposits, receivables, other financial assets, payables, and customer advances. The carrying amounts of these financial instruments approximate their fair values.
 - 2) The long-term investments do not have quoted market prices and their fair values can not be reliably measured; therefore, fair values for those long-term investments are not shown above.
 - 3) Fair values of the Company's long-term interest-free loans approximate their carrying amounts because their amount is immaterial. Fair values of other long-term payables are based on the present value of expected cash flows, which approximate their carrying amount.
- c. Gains recognized for the changes in fair value of trading financial assets estimated using valuation techniques were NT\$147 thousand and NT\$1,417 thousand for the years ended December 31, 2006 and 2005, respectively.
- d. As of December 31, 2006 and 2005, financial assets exposed to fair value interest rate risk were NT\$231,000 thousand and NT\$192,000 thousand, respectively, and financial assets exposed to cash flow interest rate risk were NT\$226,173 thousand and NT\$69,384 thousand, respectively.
- e. The Company recognized an unrealized gain of NT\$215 thousand in shareholders' equity for the changes in fair value of available-for-sale financial assets for the year ended December 31, 2006.
- f. The Company's exposures to market risk, credit risk, liquidity risk, cash flow risk and interest rate risk are not significant.

17. RELATED PARTY TRANSACTIONS

The Company engages in business transactions with the following related parties:

- a. TSMC, which directly owned 38% of the common shares of GUC at December 31, 2006 and had control over GUC
- b. TSMC-North America (TSMC-NA), a subsidiary of TSMC
- c. TSMC-Shanghai (TSMC-SH), a subsidiary of TSMC
- d. VentureTech Alliance Fund II, L.P. (VTAFII), TSMC owns 98% of the venture fund
- e. Vanguard International Semiconductor Corporation (VIS), an equity-method investee of TSMC
- f. VisEra Holding company (VisEra), an equity-method investee of TSMC

Transactions with the aforementioned parties, are summarized as follows:

	<u>2006</u>		<u>2005</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
<u>For the year</u>				
Sales				
TSMC	\$ 34,071	1	\$ 40,355	3
VIS	<u>909</u>	<u>-</u>	<u>33</u>	<u>-</u>
	<u>\$ 34,980</u>	<u>1</u>	<u>\$ 40,388</u>	<u>3</u>
Purchases				
TSMC-NA	\$ 920,045	60	\$ 266,372	49
TSMC	598,496	39	262,245	48
VIS	7,728	1	13,889	2
TSMC-SH	<u>2,459</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,528,728</u>	<u>100</u>	<u>\$ 542,506</u>	<u>99</u>
Manufacturing expenses				
TSMC-NA	\$ 330,129	22	\$ 345,064	54
TSMC	<u>157,640</u>	<u>10</u>	<u>82,796</u>	<u>13</u>
	<u>\$ 487,769</u>	<u>32</u>	<u>\$ 427,860</u>	<u>67</u>
Operating expenses				
TSMC-NA	\$ 19,999	4	\$ 3,333	1
TSMC	<u>-</u>	<u>-</u>	<u>1,005</u>	<u>-</u>
	<u>\$ 19,999</u>	<u>4</u>	<u>\$ 4,338</u>	<u>1</u>
Rental income				
TSMC	\$ 15,081	98	\$ 16,744	98
VTAF II	336	2	-	-
VisEra	<u>9</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 15,426</u>	<u>100</u>	<u>\$ 16,744</u>	<u>98</u>
<u>As of December 31</u>				
Receivables				
TSMC	\$ 2,117	-	\$ 27,311	8
VIS	<u>1</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,118</u>	<u>-</u>	<u>\$ 27,311</u>	<u>8</u>
Other receivables - recorded under other financial assets				
VisEra	<u>\$ 9</u>	<u>-</u>	<u>\$ -</u>	<u>-</u>

(Continued)

	<u>2006</u>		<u>2005</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Payables				
TSMC-NA	\$ 301,936	40	\$ 66,138	36
TSMC	155,094	20	48,710	27
VIS	<u>2,270</u>	<u>-</u>	<u>122</u>	<u>-</u>
	<u>\$ 459,300</u>	<u>60</u>	<u>\$ 114,970</u>	<u>63</u>
Rental income received in advance				
TSMC	<u>\$ 2,316</u>	<u>2</u>	<u>\$ 2,791</u>	<u>3</u>

(Concluded)

The terms of sales to related parties were not significantly different from those of sales to third parties. For other related party transactions, the terms of sales were determined in accordance with mutual agreements because there were no comparable terms for third-party transactions. The payment terms for related parties were 30 days after month-end or net 30 days after invoice date, while the payment terms for third parties were in general 45 days after month-end.

18. PLEDGED OR MORTGAGED ASSETS

As of December 31, 2006 and 2005, the Company had pledged time deposits of NT\$9,500 thousand and NT\$19,000 thousand, respectively, as the collaterals for customs clearance and SPA loans.

19. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

As of December 31, 2006, in addition to those shown in the consolidated financial statements or other notes, the Company had following significant commitments and contingencies:

- a. GUC has entered into a R&D agreement with the SPA to develop essential parts and products (an SoC and related platform for verification and testing). The SPA had provided GUC with a fund of NT\$13,923 thousand to develop new products during the project (from April 1, 2001 to September 30, 2002). GUC shall reimburse the fund to SPA after the project, and shall pay 2% of selling price of the developed products once per quarter, with a maximum of 60% of the fund in aggregate, to SPA within 3 years from the beginning of sale of the developed products.
- b. GUC has entered into license agreements with certain companies that own intellectual property rights. According to the agreements, GUC shall pay specific amount of money to obtain licenses of their intellectual property rights and shall pay royalties at specific percentage of selling price of certain products sold by GUC. Under one of the agreements, GUC shall pay at least US\$2,000 thousand to acquire certain licenses from the counter party.

20. SIGNIFICANT LONG-TERM LEASES

GUC leases a parcel of land from the SPA. The related operating lease agreement expires in December 2021 and can be renewed upon expiration. The annual rental payment aggregates NT\$1,997 thousand.

As of December 31, 2006, future rental payments were as follows:

Year	Amount
2007	\$ 1,997
2008	1,997
2009	1,997
2010	1,997
2011 and thereafter	<u>21,963</u>
	<u>\$ 29,951</u>

21. ADDITIONAL DISCLOSURES

Except for those disclosed below, the Company had no other significant transactions, investees or investments in Mainland China information for which additional disclosures are required by the SFB (all significant intercompany accounts and transactions have been eliminated upon consolidation):

- a. Marketable securities held: Please see Table 1 attached;
- b. Total purchases from or sales to related parties of at least NT\$100 million or 20% of the paid-in capital: Please see Table 2 attached;
- c. Names, locations, and related information of investees on which the Company exercises significant influence: Please see Table 3 attached;
- d. Intercompany relationships and significant intercompany transactions: Please see Table 4 attached.

22. SEGMENT FINANCIAL INFORMATION

- a. Industry financial information

The Company operates in one industry. Therefore, the disclosure of industry financial information is not applicable to the Company.

- b. Geographic information

The Company has no important oversea operating departments. Therefore, the disclosure of geographic information is not applicable to the Company.

- c. Export sales

The export sales were as follows:

Area	Years Ended December 31	
	2006	2005
North America	\$ 1,486,643	\$ 783,675
Asia	1,256,817	286,893
Europe	<u>137,747</u>	<u>66,790</u>
	<u>\$ 2,881,207</u>	<u>\$ 1,137,358</u>

d. Major customers representing at least 10% of net sales

	Years Ended December 31			
	2006		2005	
	Amount	%	Amount	%
Customer K	\$ 363,010	11	\$ -	-

GLOBAL UNICHIP CORP. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2006

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

Holding Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2006				Note
				Shares/Units	Carrying Amount	Percentage of Ownership	Market Value or Net Asset Value	
GUC	<u>Fund</u>							
	ABN AMRO Bond Fund	-	Available-for-sale financial assets	2,325,365	\$ 35,041	-	\$ 35,041	
	Ta Chong Bond Fund	-	Available-for-sale financial assets	2,306,362	30,037	-	30,037	
	Dresdner Bond DAM Fund	-	Available-for-sale financial assets	2,592,106	30,036	-	30,036	
	NITC Taiwan Bond Fund	-	Available-for-sale financial assets	2,131,817	30,035	-	30,035	
	AIG Taiwan Bond Fund	-	Available-for-sale financial assets	2,355,380	30,031	-	30,031	
	Fuh-Hwa Yu-Li Fund	-	Available-for-sale financial assets	2,017,577	25,035	-	25,035	
GUC	<u>Stock</u>							
	GUC-NA(common shares)	Subsidiary	Investments accounted for using equity method	100,000	6,396	100	6,396	Note 1
	GUC-Japan(common shares)	Subsidiary	Investments accounted for using equity method	200	2,681	100	2,681	Note 1

Note 1: Recognized on the basis of the unaudited financial statements for the same period.

Note 2: As of December 31, 2006, the above marketable securities had not been pledged, mortgaged or restricted by contracts.

GLOBAL UNICHIP CORP. AND SUBSIDIARIES

**TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2006
(In Thousands of New Taiwan Dollars)**

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchases/ Sales	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
GUC	TSMC TSMC-NA	The parent company of GUC The subsidiary of TSMC	Purchases	\$ 598,496	39	30 days after month-end Net 30 days after invoice date	Note 17	Note 17	\$ (155,094)	(20)	-
			Purchases	920,045	60		Note 17	Note 17	(301,936)	(40)	-

GLOBAL UNICHIP CORP. AND SUBSIDIARIES

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES

DECEMBER 31, 2006

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

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2006			Net Income (Loss) of the Investee	Investment Gain (Loss) (Note)	Note
				December 31, 2006	December 31, 2005	Shares	Percentage of Ownership (%)	Carrying Amount			
GUC	GUC-NA	U.S.A.	Products consulting service	US\$ 100 thousand	US\$ 100 thousand	100,000	100	\$ 6,396	\$ 1,715	\$ 1,715	Subsidiary
	GUC-Japan	Japan	Products consulting service	YEN 10,000 thousand	YEN 10,000 thousand	200	100	2,681	582	582	Subsidiary

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

GLOBAL UNICHIP CORP. AND SUBSIDIARIES

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
(In Thousands of New Taiwan Dollars)**

For the year ended December 31, 2006

Company Name	Counter Party	Nature of Relationship (Note 1)	Intercompany Transactions			
			Financial Statement Account	Amount	Terms (Note 2)	Percentage to Consolidated Total Gross Sales or Total Assets
GUC	GUC-NA	1	Operating expenses	\$ 41,984	-	1
			Accrued expenses	2,350	-	-
	GUC-Japan	1	Operating expenses	7,805	-	-
			Accrued expenses	2,023	-	-

Note 1: 1 represents downstream transactions.

Note 2: The terms of transactions between the parent company and subsidiaries were determined in accordance with mutual agreements because there were no comparable terms for third-party transactions.

For the year ended December 31, 2005

Company Name	Counter Party	Nature of Relationship (Note 1)	Intercompany Transactions			
			Financial Statement Account	Amount	Terms (Note 2)	Percentage to Consolidated Total Gross Sales or Total Assets
GUC	GUC-NA	1	Operating expenses	\$ 27,871	-	2
			Prepaid expenses	2,827	-	-
	GUC-Japan	1	Operating expenses	2,254	-	-
			Other receivables	546	-	-
			Accrued expenses	2,237	-	-

Note 1: 1 represents downstream transactions.

Note 2: The terms of transactions between the parent company and subsidiaries were determined in accordance with mutual agreements because there were no comparable terms for third-party transactions.