

Global Unichip Corp. and Subsidiaries

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

REPRESENTATION LETTER

The entities that are required to be included in the combined financial statements of Global Unichip Corp. as of and for the year ended December 31, 2007 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the revised Statement of Financial Accounting Standards No. 7, "Consolidated Financial Statements". In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Global Unichip Corp. and Subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

GLOBAL UNICHIP CORP.

By

DR. F. C. TSENG
Chairman

January 10, 2008

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, 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 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, 2007 and 2006, 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 with respect to financial accounting standards, and accounting principles generally accepted in the Republic of China.

January 10, 2008

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, 2007 AND 2006

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

ASSETS	2007		2006		LIABILITIES AND SHAREHOLDERS' EQUITY	2007		2006	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash	\$ 1,012,764	28	\$ 514,805	18	Accounts payable	\$ 657,002	18	\$ 304,522	11
Available-for-sale financial assets (Notes 2 and 4)	-	-	180,215	6	Payables to related parties (Note 18)	220,142	6	459,300	17
Notes and accounts receivable (Note 2)	817,776	22	778,527	28	Income tax payable	52,495	2	10,074	-
Allowance for doubtful receivables (Notes 2 and 5)	(8,612)	-	(7,487)	-	Accrued expenses and other current liabilities				
Receivables from related parties (Note 18)	7,323	-	2,118	-	(Notes 10, 18 and 20)	150,917	4	119,179	4
Other financial assets	1,121	-	3,642	-	Payables to contractors and equipment suppliers	13,234	-	11,485	1
Inventories, net (Notes 2 and 6)	836,151	23	631,799	23	Customer advances	207,800	6	121,606	4
Deferred income tax assets, net (Notes 2 and 14)	69,807	2	22,869	1	Current portion of long-term bank loans (Note 9)	2,089	-	4,137	-
Prepaid expenses and other current assets	94,963	3	27,901	1					
Total current assets	2,831,293	78	2,154,389	77	Total current liabilities	1,303,679	36	1,030,303	37
PROPERTY, PLANT AND EQUIPMENT (Notes 2 and 7)					LONG-TERM LIABILITIES				
Cost					Long-term bank loans (Note 9)	-	-	2,089	-
Buildings	242,372	7	213,713	8	Other long-term payables (Notes 10 and 20)	13,953	1	35,108	1
Machinery and equipment	17,669	-	17,669	1					
Research and development equipment	224,563	6	156,021	6	Total long-term liabilities	13,953	1	37,197	1
Transportation equipment	5,380	-	1,992	-	OTHER LIABILITIES				
Office equipment	18,355	1	15,609	-	Accrued pension cost (Notes 2 and 11)	7,843	-	9,944	1
Miscellaneous equipment	119,075	3	99,018	3					
	627,414	17	504,022	18	Total liabilities	1,325,475	37	1,077,444	39
Accumulated depreciation	(186,299)	(5)	(124,165)	(4)	SHAREHOLDERS' EQUITY (Note 12)				
Prepayments for equipment	7,928	-	-	-	Capital stock - \$10 par value				
Net property, plant and equipment	449,043	12	379,857	14	Authorized: 150,000 thousand shares				
					Issued: 114,935 thousand shares in 2007 and 108,917 thousand shares in 2006	1,149,360	32	1,089,176	39
OTHER ASSETS					Capital surplus				
Deferred charges, net (Notes 2 and 8)	335,797	9	213,210	8	Paid-in capital in excess of par	351,466	10	351,228	13
Assets leased to others, net (Notes 2 and 7)	192	-	27,510	1	Capital surplus from merger	16,621	-	16,621	-
Pledged time deposits (Note 19)	9,500	1	9,500	-	Retained earnings				
Refundable deposits	2,180	-	1,772	-	Appropriated as legal capital reserve	37,446	1	13,717	-
					Appropriated as special capital reserve	17	-	-	-
Total other assets	347,669	10	251,992	9	Unappropriated earnings	747,739	20	238,068	9
					Cumulative translation adjustments (Note 2)	(119)	-	(231)	-
					Unrealized gain on financial instruments (Notes 2 and 17)	-	-	215	-
TOTAL	\$ 3,628,005	100	\$ 2,786,238	100	Total shareholders' equity	2,302,530	63	1,708,794	61
					TOTAL	\$ 3,628,005	100	\$ 2,786,238	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, 2007 AND 2006

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

	2007		2006	
	Amount	%	Amount	%
GROSS SALES (Notes 2 and 18)	\$ 7,035,304		\$ 3,364,127	
SALES RETURNS AND ALLOWANCES	<u>46,364</u>		<u>5,380</u>	
NET SALES	6,988,940	100	3,358,747	100
COST OF SALES (Notes 15 and 18)	<u>5,508,628</u>	<u>79</u>	<u>2,579,109</u>	<u>77</u>
GROSS PROFIT	<u>1,480,312</u>	<u>21</u>	<u>779,638</u>	<u>23</u>
OPERATING EXPENSES (Notes 15 and 18)				
Sales and marketing	158,549	2	105,178	3
General and administrative	109,197	1	76,906	2
Research and development	<u>474,229</u>	<u>7</u>	<u>375,043</u>	<u>11</u>
Total operating expenses	<u>741,975</u>	<u>10</u>	<u>557,127</u>	<u>16</u>
INCOME FROM OPERATIONS	<u>738,337</u>	<u>11</u>	<u>222,511</u>	<u>7</u>
NON-OPERATING INCOME AND GAINS				
Interest income	14,574	-	6,544	-
Foreign exchange gain, net (Note 2)	10,424	-	5,552	-
Rental income (Notes 7 and 18)	8,800	-	15,426	1
Gain on settlement and disposal of financial instruments (Notes 2, 4 and 17)	3,142	-	416	-
Gain on disposal of property, plant and equipment (Note 2)	-	-	3,053	-
Others	<u>1,510</u>	<u>-</u>	<u>1,187</u>	<u>-</u>
Total non-operating income and gains	<u>38,450</u>	<u>-</u>	<u>32,178</u>	<u>1</u>
NON-OPERATING EXPENSES AND LOSSES				
Provision for loss on inventories (Notes 2 and 6)	33,355	1	12,402	1
Interest expense	79	-	-	-
Others (Notes 2 and 7)	<u>332</u>	<u>-</u>	<u>718</u>	<u>-</u>
Total non-operating expenses and losses	<u>33,766</u>	<u>1</u>	<u>13,120</u>	<u>1</u>
INCOME BEFORE INCOME TAX	743,021	10	241,569	7
INCOME TAX EXPENSE (Notes 2 and 14)	<u>10,436</u>	<u>-</u>	<u>4,274</u>	<u>-</u>
NET INCOME	<u>\$ 732,585</u>	<u>10</u>	<u>\$ 237,295</u>	<u>7</u>

(Continued)

GLOBAL UNICHIP CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

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

	2007		2006	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
CONSOLIDATED EARNINGS PER SHARE				
(Note 16)				
Basic earnings per share	\$ 6.50	\$ 6.41	\$ 2.39	\$ 2.35
Diluted earnings per share	\$ 6.17	\$ 6.08	\$ 2.31	\$ 2.27

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, 2007 AND 2006
(In Thousands of New Taiwan Dollars, Except Dividends Per Share)**

	Capital Stock		Capital Surplus			Retained Earnings				Others		Total Shareholders' Equity
	Shares (in Thousands)	Amount	Paid-in Capital in Excess of Par	Capital Surplus from Merger	Total	Legal Capital Reserve	Special Capital Reserve	Unappropriated Earnings	Total	Cumulative Translation Adjustments	Unrealized Gain on Financial Instruments	
BALANCE, JANUARY 1, 2006	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)	-	-	-	-
Bonus to employees - in stock	1,143	11,430	-	-	-	-	-	(11,430)	(11,430)	-	-	-
Bonus to employees - in cash	-	-	-	-	-	-	-	(2,858)	(2,858)	-	-	(2,858)
Stock dividends to shareholders - NT\$0.52 per share	4,745	47,455	-	-	-	-	-	(47,455)	(47,455)	-	-	-
Cash 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	108,917	1,089,176	351,228	16,621	367,849	13,717	-	238,068	251,785	(231)	215	1,708,794
Appropriations of prior year's earnings												
Legal capital reserve	-	-	-	-	-	23,729	-	(23,729)	-	-	-	-
Special capital reserve	-	-	-	-	-	-	17	(17)	-	-	-	-
Bonus to employees - in stock	970	9,700	-	-	-	-	-	(9,700)	(9,700)	-	-	-
Bonus to employees - in cash	-	-	-	-	-	-	-	(12,000)	(12,000)	-	-	(12,000)
Stock dividends to shareholders - NT\$0.32 per share	3,485	34,854	-	-	-	-	-	(34,854)	(34,854)	-	-	-
Cash dividends to shareholders - NT\$1.27 per share	-	-	-	-	-	-	-	(139,414)	(139,414)	-	-	(139,414)
Bonus to directors and supervisors	-	-	-	-	-	-	-	(3,200)	(3,200)	-	-	(3,200)
Net income in 2007	-	-	-	-	-	-	-	732,585	732,585	-	-	732,585
Issuance of stock from exercising stock options	1,563	15,630	238	-	238	-	-	-	-	-	-	15,868
Adjustment in unrealized gain on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	(215)	(215)
Translation adjustments	-	-	-	-	-	-	-	-	-	112	-	112
BALANCE, DECEMBER 31, 2007	<u>114,935</u>	<u>\$ 1,149,360</u>	<u>\$ 351,466</u>	<u>\$ 16,621</u>	<u>\$ 368,087</u>	<u>\$ 37,446</u>	<u>\$ 17</u>	<u>\$ 747,739</u>	<u>\$ 785,202</u>	<u>\$ (119)</u>	<u>\$ -</u>	<u>\$ 2,302,530</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, 2007 AND 2006 (In Thousands of New Taiwan Dollars)

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 732,585	\$ 237,295
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	60,796	42,224
Amortization	137,253	97,461
Property, plant and equipment changed to other loss	-	708
Deferred charges changed to expense	-	3,369
Gain on disposal of property, plant and equipment	-	(3,053)
Deferred income tax	(46,938)	(6,123)
Gain on settlement and disposal of financial instruments	(3,142)	-
Net changes in operating assets and liabilities:		
Decrease (increase) in:		
Notes and accounts receivable	(38,124)	(476,894)
Receivables from related parties	(5,205)	25,193
Other financial assets	2,521	(3,275)
Inventories, net	(204,352)	(465,598)
Prepaid expenses and other current assets	(67,062)	25,083
Increase (decrease) in:		
Accounts payable	352,480	238,430
Payables to related parties	(239,158)	344,330
Customer advances	86,194	13,422
Income tax payable	42,421	10,064
Accrued expenses and other current liabilities	17,413	(992)
Accrued pension cost	(2,101)	(2,605)
Net cash provided by operating activities	<u>825,581</u>	<u>79,039</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Available-for-sale financial assets	(947,000)	(180,000)
Property, plant and equipment	(100,942)	(84,726)
Proceeds from disposal of:		
Available-for-sale financial assets	1,130,142	-
Property, plant and equipment	-	4,500
Increase in refundable deposits	(408)	(648)
Increase in deferred charges	(266,670)	(96,975)
Decrease in pledged time deposits	-	9,500
Net cash used in investing activities	<u>(184,878)</u>	<u>(348,349)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long-term bank loans	(4,137)	(5,489)
Cash bonus paid to employees	(12,000)	(2,858)
Cash dividends	(139,414)	(31,637)

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GLOBAL UNICHIP CORP. AND SUBSIDIARIES

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

	2007	2006
Bonus to directors and supervisors	\$ (3,200)	\$ (1,921)
Proceeds from:		
Issuance of capital stock for cash	-	459,317
Exercise of employee stock options	<u>15,868</u>	<u>30,051</u>
Net cash (used in) provided by financing activities	<u>(142,883)</u>	<u>447,463</u>
EFFECT OF EXCHANGE RATE CHANGES	<u>139</u>	<u>(73)</u>
NET INCREASE IN CASH	497,959	178,080
CASH, BEGINNING OF YEAR	<u>514,805</u>	<u>336,725</u>
CASH, END OF YEAR	<u>\$ 1,012,764</u>	<u>\$ 514,805</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Interest paid	<u>\$ 79</u>	<u>\$ -</u>
Income tax paid	<u>\$ 20,673</u>	<u>\$ 333</u>
NONCASH INVESTING AND FINANCING ACTIVITIES		
Current portion of long-term bank loans	<u>\$ 2,089</u>	<u>\$ 4,137</u>
Current portion of other long-term payables (under accrued expenses and other current liabilities)	<u>\$ 62,693</u>	<u>\$ 48,368</u>
Assets leased to others reclassified to property, plant and equipment	<u>\$ 26,986</u>	<u>\$ 6,517</u>
INVESTING ACTIVITIES AFFECTING BOTH CASH AND NON-CASH ITEMS		
Acquisition of property, plant and equipment	\$ 102,691	\$ 96,211
Increase in payables to contractors and equipment suppliers	<u>(1,749)</u>	<u>(11,485)</u>
Cash paid	<u>\$ 100,942</u>	<u>\$ 84,726</u>
Increase in deferred charges	\$ 259,840	\$ 129,249
Decrease (increase) in other long-term payables	<u>6,830</u>	<u>(32,274)</u>
Cash paid	<u>\$ 266,670</u>	<u>\$ 96,975</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, 2007 AND 2006

(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, 2007 and 2006, Taiwan Semiconductor Manufacturing Company Limited (TSMC) owned 37% and 38%, respectively, of GUC's common shares.

As of December 31, 2007 and 2006, GUC and its subsidiaries had 391 and 285 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 sales returns; allowance for doubtful receivables; loss on inventories; depreciation of property, plant and equipment; amortization of intangible assets; impairment loss on assets, and 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 as of December 31, 2007 and 2006</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 include cash, and assets expected to be converted to cash, sold or consumed within one year from the balance sheet date. Current liabilities are 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.

Financial Assets at Fair Value Through Profit or Loss

Financial instruments classified as financial assets at fair value through profit or loss include financial assets held for trading. Financial instruments at fair value through profit or loss are initially measured at fair value, with transaction costs expensed as incurred. At each balance sheet date subsequent to initial recognition, financial assets or financial liabilities at fair value through profit or loss are remeasured at fair value, with changes in fair value recognized directly in profit or loss in the year in which they arise. A regular way purchase or sale of financial assets is accounted for using settlement date accounting.

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.

Allowance for Doubtful Receivables

An allowance for doubtful receivables is provided based on a review of the collectibility of notes and accounts receivable. The Company determines the collectibility of the notes and accounts receivable by examining the aging analysis of outstanding notes and accounts receivable and economical environments.

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. Property, plant and equipment and assets leased to others still in use beyond their original estimated useful lives are further depreciated over their newly estimated useful lives.

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 software, technology license fees and patents. The amounts are amortized over the following periods: software - 2 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.

Effective January 1, 2007, the Company adopted the newly released Statement of Financial Accounting Standards No. 37, "Accounting for Intangible Assets" (SFAS No. 37). Expenditure on research activities is recognized as an expense when incurred. An internally-generated intangible asset arising from development activities is capitalized and then amortized on a straight-line basis over its useful life if the recognition criteria for an intangible asset have been met; otherwise, the development expenditure is recognized as an expense when incurred.

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 and Allowance for Sales Returns and Others

The Company recognizes revenue when evidence of an arrangement exists, shipment is made, price is fixed or determinable, and collectibility is reasonably assured. Provisions for sales returns are recorded based on the estimated amount to be incurred.

Sales prices are determined using the fair 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 purchases of machinery, equipment and technology, research and development expenditures, and personnel training expenditures 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 tax exempt income 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 of the R.O.C. 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 of 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.

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 presentation of the consolidated financial statements as of and for the year ended December 31, 2007.

3. ACCOUNTING CHANGES

Adoption of New Standards

On January 1, 2007, the Company adopted the newly released SFAS No. 37 and reassessed the useful lives of and the amortization method for its recognized intangible assets as of the same date. The adoption of the newly released SFAS had no significant effect on the Company's consolidated financial statements as of and for the year ended December 31, 2007.

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". 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.

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. 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. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	<u>December 31</u>	
	2007	2006
Open-end mutual funds	\$ _____ -	\$ <u>180,215</u>

5. ALLOWANCE FOR DOUBTFUL RECEIVABLES

Movements of the allowance for doubtful receivables were as follows:

	<u>Years Ended</u> <u>December 31</u>	
	2007	2006
Balance, beginning of year	\$ 7,487	\$ 896
Provision for doubtful receivables	<u>1,125</u>	<u>6,591</u>
Balance, end of year	<u>\$ 8,612</u>	<u>\$ 7,487</u>

6. INVENTORIES, NET

	<u>December 31</u>	
	2007	2006
Finished goods	\$ 195,921	\$ 127,773
Work in process	570,623	515,399
Raw materials	<u>117,818</u>	<u>3,483</u>
	884,362	646,655
Allowance for losses	<u>48,211</u>	<u>14,856</u>
	<u>\$ 836,151</u>	<u>\$ 631,799</u>

7. PROPERTY, PLANT AND EQUIPMENT, NET

	Year Ended December 31, 2007							
	Buildings	Machinery and Equipment	Research and Development Equipment	Transportation Equipment	Office Equipment	Miscellaneous Equipment	Prepayments for Equipment	Total
Cost								
Balance, beginning of year	\$213,713	\$ 17,669	\$156,021	\$ 1,992	\$ 15,609	\$ 99,018	\$ -	\$504,022
Additions	-	-	68,542	3,388	2,786	20,047	7,928	102,691
Reclassification	28,659	-	-	-	-	-	-	28,659
Translation adjustment	-	-	-	-	(40)	10	-	(30)
Balance, end of year	<u>242,372</u>	<u>17,669</u>	<u>224,563</u>	<u>5,380</u>	<u>18,355</u>	<u>119,075</u>	<u>7,928</u>	<u>635,342</u>
Accumulated depreciation								
Balance, beginning of year	10,031	16,853	67,634	1,265	7,114	21,268	-	124,165
Additions	4,427	670	38,518	512	3,197	13,140	-	60,464
Reclassification	1,673	-	-	-	-	-	-	1,673
Translation adjustment	-	-	-	-	(8)	5	-	(3)
Balance, end of year	<u>16,131</u>	<u>17,523</u>	<u>106,152</u>	<u>1,777</u>	<u>10,303</u>	<u>34,413</u>	<u>-</u>	<u>186,299</u>
Net book value, end of year	<u>\$226,241</u>	<u>\$ 146</u>	<u>\$118,411</u>	<u>\$ 3,603</u>	<u>\$ 8,052</u>	<u>\$ 84,662</u>	<u>\$ 7,928</u>	<u>\$449,043</u>

	Year Ended December 31, 2006							
	Buildings	Machinery and Equipment	Research and Development Equipment	Transportation Equipment	Office Equipment	Miscellaneous Equipment	Total	
Cost								
Balance, beginning of year	\$ 206,945	\$ 38,507	\$ 72,340	\$ 1,945	\$ 15,722	\$ 76,626	\$ 412,085	
Additions	-	-	74,317	-	573	21,321	96,211	
Disposals	-	(20,838)	-	-	-	(178)	(21,016)	
Reclassification	6,768	-	9,364	47	(670)	1,249	16,758	
Translation adjustment	-	-	-	-	(16)	-	(16)	
Balance, end of year	<u>213,713</u>	<u>17,669</u>	<u>156,021</u>	<u>1,992</u>	<u>15,609</u>	<u>99,018</u>	<u>504,022</u>	
Accumulated depreciation								
Balance, beginning of year	5,654	31,275	38,587	894	3,981	10,803	91,194	
Additions	4,126	4,969	19,683	324	3,096	9,394	41,592	
Disposals	-	(19,391)	-	-	-	(178)	(19,569)	
Reclassification	251	-	9,364	47	38	1,249	10,949	
Translation adjustment	-	-	-	-	(1)	-	(1)	
Balance, end of year	<u>10,031</u>	<u>16,853</u>	<u>67,634</u>	<u>1,265</u>	<u>7,114</u>	<u>21,268</u>	<u>124,165</u>	
Net book value, end of year	<u>\$ 203,682</u>	<u>\$ 816</u>	<u>\$ 88,387</u>	<u>\$ 727</u>	<u>\$ 8,495</u>	<u>\$ 77,750</u>	<u>\$ 379,857</u>	

The Company rents 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.

8. DEFERRED CHARGES, NET

	Year Ended December 31, 2007			
	Technology License			Total
	Software	Fees	Patents	Total
Balance, beginning of year	\$ 119,125	\$ 93,651	\$ 434	\$ 213,210
Additions	79,330	180,510	-	259,840
Amortization	<u>(81,040)</u>	<u>(56,185)</u>	<u>(28)</u>	<u>(137,253)</u>
Balance, end of year	<u>\$ 117,415</u>	<u>\$ 217,976</u>	<u>\$ 406</u>	<u>\$ 335,797</u>

	Year Ended December 31, 2006			
	Technology License			
	Software	Fees	Patents	Total
Balance, beginning of year	\$ 70,907	\$ 113,421	\$ 463	\$ 184,791
Additions	100,303	28,946	-	129,249
Amortization	(52,085)	(45,347)	(29)	(97,461)
Reclassification	-	(3,369)	-	(3,369)
Balance, end of year	<u>\$ 119,125</u>	<u>\$ 93,651</u>	<u>\$ 434</u>	<u>\$ 213,210</u>

9. LONG-TERM BANK LOANS

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

As of December 31, 2007, future repayments of the long-term loans were as follows:

Year of Repayment	Amount
2008	<u>\$ 2,089</u>

10. OTHER LONG-TERM PAYABLES

The payables were primarily attributable to several agreements that the Company entered into for certain technology license and software. As of December 31, 2007, future payments for other long-term payables were as follows:

Year of Payment	Amount
2008 (under accrued expenses and other current liabilities)	\$ 62,693
2009	<u>13,953</u>
	<u>\$ 76,646</u>

11. 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, and recognized pension costs of NT\$15,301 thousand and NT\$10,935 thousand for the years ended December 31, 2007 and 2006, 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 for the six months before 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 (the Committee) and deposited in the Committee's name in the Bank of Taiwan (originally the Central Trust of China, which was merged into the Bank of Taiwan on July 1, 2007).

Information about the defined benefit plan is summarized as follows:

a. Components of net periodic pension cost for the year

	Years Ended	
	December 31	
	2007	2006
Service cost	\$ 43	\$ 28
Interest cost	525	428
Projected return on plan assets	(353)	(284)
Amortization	<u>(130)</u>	<u>(243)</u>
Net periodic pension cost	<u>\$ 85</u>	<u>\$ (71)</u>

b. Reconciliation of funded status of the plan and accrued pension cost at December 31, 2007 and 2006

	2007	2006
Benefit obligation		
Vested benefit obligation	\$ -	\$ -
Nonvested benefit obligation	<u>11,977</u>	<u>10,105</u>
Accumulated benefit obligation	11,977	10,105
Additional benefits based on future salaries	<u>5,617</u>	<u>4,907</u>
Projected benefit obligation	17,594	15,012
Fair value of plan assets	<u>(15,590)</u>	<u>(13,023)</u>
Funded status	2,004	1,989
Unrecognized net transition obligation	(1,982)	(2,229)
Unrecognized net gain	<u>7,821</u>	<u>10,184</u>
Accrued pension cost	<u>\$ 7,843</u>	<u>\$ 9,944</u>
Vested benefit	<u>\$ -</u>	<u>\$ -</u>

c. Actuarial assumptions at December 31, 2007 and 2006

Discount rate used in determining present values	3.0%	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>\$ 2,185</u>	<u>\$ 2,534</u>
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e. Payments from the Fund for the year

<u>\$ -</u>	<u>\$ -</u>
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12. SHAREHOLDERS' EQUITY

Capital surplus can only be used to offset a deficit under the Company Law. However, the capital surplus arising from 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, until the accumulated legal capital reserve has equaled GUC's paid-in capital;
- b. Special capital reserve in accordance with the resolution of the shareholders' meeting;
- c. Bonus to directors and supervisors of not more than 2% of the remainder after setting aside a and b above;
- d. Bonus to employees of not less than 10% of the remainder after setting 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 or by the person duly authorized by the Board of Directors;
- e. Any balance left over shall be allocated according to the resolution of the shareholders' meeting.

GUC at present is at a business growth stage. The proportion of dividends that will be paid in cash will depend on future expansion plans 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 2006 and 2005 had been approved in the shareholders' meetings held on May 24, 2007 and June 30, 2006, 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 2006</u>	<u>For Fiscal</u> <u>Year 2005</u>	<u>For Fiscal</u> <u>Year 2006</u>	<u>For Fiscal</u> <u>Year 2005</u>
Legal capital reserve	\$ 23,729	\$ 10,674		
Special capital reserve	17	-		
Bonus to employees - in stock	9,700	11,430		
Bonus to employees - in cash	12,000	2,858		
Stock dividends to shareholders	34,854	47,455	\$ 0.32	\$ 0.52
Cash dividends to shareholders	139,414	31,637	1.27	0.35
Bonus to directors and supervisors	3,200	1,921		
	<u>\$ 222,914</u>	<u>\$ 105,975</u>		

The amounts of the above appropriations of earnings for 2006 and 2005 are consistent with the resolutions of the meetings of the Board of Directors held on February 8, 2007 and February 16, 2006, respectively. If the above bonus to employees, directors and supervisors had been paid entirely in cash and charged to earnings of 2006 and 2005, the basic earnings per share (after income tax) for the years ended December 31, 2006 and 2005 shown in the respective financial statements would have decreased from NT\$2.44 to NT\$2.19 and NT\$1.23 to NT\$1.04, respectively. The shares distributed as a bonus to employees represented 0.9% and 1.3% of GUC's total outstanding common shares as of December 31, 2006 and 2005, respectively.

The information about appropriations of the bonus to employees, directors and supervisors is available at the Market Observation Post System website.

As of January 10, 2008, the Board of Directors had not resolved the appropriation for earnings of 2007.

13. 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. The 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 2007 Plan, GUC 2006 Plan and GUC 2004 Plan were approved by the SFB on November 28, 2007, July 3, 2006 and August 16, 2004 to grant a maximum of 1,999 options, 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 2007 Plan and GUC 2004 Plan are valid for six years. Options of the three 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, 2007 and 2006 was as follows:

	Number of Options	Weighted- average Exercise Price (NT\$)
<u>Year ended December 31, 2007</u>		
Balance, beginning of year	7,342	\$ 14.04
Options granted	2,053	183.58
Options exercised	(1,563)	10.15
Options canceled	<u>(234)</u>	13.54
Balance, end of year	<u>7,598</u>	60.27
<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

The number of outstanding options and exercise prices have been adjusted to reflect the distribution of earnings by GUC in accordance with the plans. The options granted shown above included options resulting from the aforementioned adjustment and options newly granted in accordance with the plans.

As of December 31, 2007, 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\$)
\$9.6-\$10.5	2,247	0.58-3.75	\$ 9.97	850	\$ 10.23
17.7	3,418	3.67	17.70	-	-
194.0	<u>1,933</u>	6.00	194.00	<u>-</u>	-
	<u>7,598</u>		60.27	<u>850</u>	10.23

No compensation cost was recognized under the intrinsic value method for the years ended December 31, 2007 and 2006. Had the Company used the fair value based method to evaluate the options granted after January 1, 2004, using the Black-Scholes model, the assumptions and pro forma results of the Company would have been as follows:

Assumptions:	Years Ended December 31	
	2007	2006
Expected dividend yield	0%-0.6%	-
Expected volatility	22.65%-45.47%	22.65%-41.74%
Risk free interest rate	2.12%-2.56%	2.23%-2.56%
Expected life	3-6 years	3-6 years

	Years Ended December 31	
	2007	2006
Net income:		
As reported	\$ 732,585	\$ 237,295
Pro forma	725,002	232,115
Consolidated earnings per share (EPS) - after income tax (NT\$):		
Basic EPS as reported	\$6.41	\$2.35
Pro forma basic EPS	6.34	2.29
Diluted EPS as reported	6.08	2.27
Pro forma diluted EPS	6.02	2.22

14. 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	
	2007	2006
Income tax expense based on “income before income tax” at statutory rate	\$ 187,231	\$ 60,624
Tax effect of the following:		
Tax-exempt income	(54,347)	-
Temporary differences	7,401	3,809
Permanent differences	(786)	(104)
Loss carryforwards	(7,850)	(38,436)
Additional tax at 10% on unappropriated earnings	1,438	77
Investment tax credits used	<u>(79,121)</u>	<u>(15,573)</u>
Income tax currently payable	<u>\$ 53,966</u>	<u>\$ 10,397</u>

- b. Income tax expense consisted of the following:

	Years Ended December 31	
	2007	2006
Income tax currently payable	\$ 53,966	\$ 10,397
Other income tax adjustments	3,408	-
Net change in deferred income tax assets		
Investment tax credits	(36,772)	5,878
Net operating loss carryforwards	-	38,436
Temporary differences	(4,618)	(901)
Adjustments in valuation allowance	<u>(5,548)</u>	<u>(49,536)</u>
Income tax expense	<u>\$ 10,436</u>	<u>\$ 4,274</u>

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

	<u>December 31</u>	
	2007	2006
Current deferred income tax assets, net		
Investment tax credits	\$ 69,806	\$ 38,800
Temporary differences	11,849	6,669
Valuation allowance	<u>(11,848)</u>	<u>(22,600)</u>
	<u>\$ 69,807</u>	<u>\$ 22,869</u>
Non-current deferred income tax assets, net		
Investment tax credits	\$ 133,263	\$ 127,497
Temporary differences	(1,091)	(529)
Valuation allowance	<u>(132,172)</u>	<u>(126,968)</u>
	<u>\$ -</u>	<u>\$ -</u>

d. Integrated income tax information:

The balance of the imputation credit account as of December 31, 2007 was NT\$2,285 thousand. There was no imputation tax credit as of December 31, 2006.

The creditable ratio for distribution of earnings of 2007 and 2006 was 0.31% (estimated) and 5.64%, respectively.

The imputation credit allocated to shareholders is based on its balance as of the date of dividend distribution. The estimated creditable ratio may change when the actual distribution of imputation credit is made.

e. There was no earnings generated prior to December 31, 1997.

f. As of December 31, 2007, 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	\$ 514	\$ -	2008
		<u>918</u>	<u>918</u>	2011
		<u>\$ 1,432</u>	<u>\$ 918</u>	
Statute for Upgrading Industries	Research and development expenditures	\$ 38,618	\$ -	2007
		29,250	-	2008
		40,421	29,907	2009
		90,690	90,690	2010
		<u>80,000</u>	<u>80,000</u>	2011
		<u>\$ 278,979</u>	<u>\$ 200,597</u>	

(Continued)

Regulation	Item	Total Creditable Amount	Remaining Creditable Amount	Expiry Year
Statute for Upgrading Industries	Personnel training expenditures	\$ 182	\$ -	2007
		43	-	2008
		186	186	2009
		868	868	2010
		<u>500</u>	<u>500</u>	2011
		<u>\$ 1,779</u>	<u>\$ 1,554</u>	

(Concluded)

g. The profits generated from the following project are exempt from income tax for a five-year period:

Tax-Exemption Period

2003 plant expansion of GUC

2007 to 2011

h. The tax authorities have examined income tax returns of GUC through 2004.

15. LABOR COST, DEPRECIATION AND AMORTIZATION

	Year Ended December 31, 2007		
	Classified as Cost of Sales	Classified as Operating Expenses	Total
Labor cost			
Salary	\$ 55,976	\$ 321,952	\$ 377,928
Labor and health insurance	3,579	16,712	20,291
Pension	2,775	12,611	15,386
Meal	1,276	5,880	7,156
Welfare	1,429	6,443	7,872
Others	<u>270</u>	<u>11,806</u>	<u>12,076</u>
	<u>\$ 65,305</u>	<u>\$ 375,404</u>	<u>\$ 440,709</u>
Depreciation	<u>\$ 2,471</u>	<u>\$ 57,993</u>	<u>\$ 60,464</u>
Amortization	<u>\$ 519</u>	<u>\$ 136,734</u>	<u>\$ 137,253</u>

	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	417	5,122	5,539
	<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>

16. CONSOLIDATED EARNINGS PER SHARE

Consolidated EPS for the years ended December 31, 2007 and 2006 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, 2007</u>					
Consolidated basic EPS					
Income available to common shareholders of the parent	\$ 743,021	\$ 732,585	114,345	<u>\$ 6.50</u>	<u>\$ 6.41</u>
Effect of dilutive potential common stock - stock options	<u>-</u>	<u>-</u>	<u>6.076</u>		
Consolidated diluted EPS					
Income available to common shareholders of the parent (including effect of dilutive potential common stock)	<u>\$ 743,021</u>	<u>\$ 732,585</u>	<u>120,421</u>	<u>\$ 6.17</u>	<u>\$ 6.08</u>
<u>Year ended December 31, 2006</u>					
Consolidated basic EPS					
Income available to common shareholders of the parent	\$ 241,569	\$ 237,295	101,164	<u>\$ 2.39</u>	<u>\$ 2.35</u>
Effect of dilutive potential common stock - stock options	<u>-</u>	<u>-</u>	<u>3,355</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>104,519</u>	<u>\$ 2.31</u>	<u>\$ 2.27</u>

The weighted-average number of shares outstanding used in the consolidated EPS calculation was retroactively adjusted for the issuance of stock dividends and employee stock bonuses (see consolidated statements of changes in shareholders' equity and Note 12). This adjustment caused the consolidated basic and diluted after income tax EPS for the year ended December 31, 2006 to decrease from NT\$2.44 to NT\$2.35 and from NT\$2.36 to NT\$2.27, respectively.

17. DISCLOSURES FOR FINANCIAL INSTRUMENTS

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

	December 31			
	2007		2006	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Financial assets</u>				
Available-for-sale financial assets	\$ -	\$ -	\$ 180,215	\$ 180,215
<u>Financial liabilities</u>				
Payables to contractors and equipment suppliers	13,234	13,234	11,485	11,485
Long-term bank loans (including current portion)	2,089	2,089	6,226	6,226
Other long-term payables (including current portion)	76,646	76,646	83,476	83,476

- b. Methods and assumptions used in the estimation of fair values of financial instruments
- 1) The aforementioned financial instruments do not include cash, pledged time deposits, receivables, other financial assets, payables, and customer advances. The carrying amounts of these financial instruments approximate their fair values.
 - 2) Fair value of available-for-sale financial assets was based on quoted market prices.
 - 3) Fair values of the Company's payables to contractors and equipment suppliers and long-term interest-free bank loans approximate their carrying amounts because the amounts are immaterial. Fair value of other long-term payables is based on the present value of expected cash flows, which approximates their carrying amount.
- c. Gains recognized for the changes in fair value of trading financial assets estimated using valuation techniques were nil and NT\$147 thousand for the years ended December 31, 2007 and 2006, respectively.
- d. As of December 31, 2007 and 2006, financial assets exposed to fair value interest rate risk were NT\$573,500 thousand and NT\$231,000 thousand, respectively, and financial assets exposed to cash flow interest rate risk were NT\$147,321 thousand and NT\$226,173 thousand, respectively.
- e. The Company recognized directly 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, and recorded a gain of NT\$215 thousand which was removed from shareholders' equity and recognized in earnings for the year ended December 31, 2007.
- f. Information about financial risks
- 1) Market risk. Available-for-sale financial assets held by the Company are open-end bond funds. Therefore, there is no significant market risk.
 - 2) Credit risk. Credit risk represents the potential loss that would be incurred by the Company if the counter-parties breached contracts. Financial instruments with positive fair values at the balance sheet date are evaluated for credit risk. The counter-parties to the foregoing financial instruments are reputable financial institutions and business organizations. Management does not expect the Company's exposure to defaults by those parties to be significant.

- 3) Liquidity risk. The Company has sufficient operating capital to meet cash needs upon settlement of financial liabilities. Therefore, the liquidity risk is low.
- 4) Cash flow interest rate risk. The Company's long-term bank loans are interest-free. Therefore, cash flows are not expected to fluctuate significantly due to changes in market interest rates.

18. RELATED PARTY TRANSACTIONS

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

- a. TSMC, which directly owned 37% of the common shares of GUC at December 31, 2007 and had a controlling interest over GUC
- b. TSMC-North America (TSMC-NA), a subsidiary of TSMC
- c. TSMC-Shanghai (TSMC-SH), a subsidiary of TSMC
- d. Vanguard International Semiconductor Corporation (VIS), an equity-method investee of TSMC
- e. VisEra Holding company (VisEra), an equity-method indirect investee of TSMC
- f. Etron Technology, Inc. (Etron), Etron's chairman is the Board Director of GUC.

Transactions with the aforementioned parties are summarized as follows:

	2007		2006	
	Amount	%	Amount	%
<u>For the year</u>				
Sales				
TSMC	\$ 57,806	1	\$ 34,071	1
Others	<u>802</u>	<u>-</u>	<u>909</u>	<u>-</u>
	<u>\$ 58,608</u>	<u>1</u>	<u>\$ 34,980</u>	<u>1</u>
Purchases				
TSMC-NA	\$ 1,766,788	54	\$ 920,045	60
TSMC	576,663	18	598,496	39
Etron	118,358	4	-	-
Others	<u>18,734</u>	<u>-</u>	<u>10,187</u>	<u>1</u>
	<u>\$ 2,480,543</u>	<u>76</u>	<u>\$ 1,528,728</u>	<u>100</u>
Manufacturing expenses				
TSMC	\$ 203,781	8	\$ 157,640	10
TSMC-NA	189,410	8	330,129	22
VIS	<u>366</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 393,557</u>	<u>16</u>	<u>\$ 487,769</u>	<u>32</u>

	<u>2007</u>		<u>2006</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Operating expenses				
TSMC	\$ 13,009	2	\$ -	-
TSMC-NA	10,678	1	19,999	4
Others	<u>336</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 24,023</u>	<u>3</u>	<u>\$ 19,999</u>	<u>4</u>
Rental income				
TSMC	\$ 8,438	96	\$ 15,081	98
VisEra	<u>20</u>	<u>-</u>	<u>9</u>	<u>-</u>
	<u>\$ 8,458</u>	<u>96</u>	<u>\$ 15,090</u>	<u>98</u>
<u>As of December 31</u>				
Receivables from related parties				
TSMC	\$ 7,323	100	\$ 2,117	100
VIS	<u>-</u>	<u>-</u>	<u>1</u>	<u>-</u>
	<u>\$ 7,323</u>	<u>100</u>	<u>\$ 2,118</u>	<u>100</u>
Payables to related parties				
TSMC-NA	\$ 139,402	63	\$ 301,936	66
TSMC	74,000	34	155,094	34
Others	<u>6,740</u>	<u>3</u>	<u>2,270</u>	<u>-</u>
	<u>\$ 220,142</u>	<u>100</u>	<u>\$ 459,300</u>	<u>100</u>
Accrued expenses				
Etron	<u>\$ 152</u>	<u>-</u>	<u>\$ -</u>	<u>-</u>
Rental income received in advance (under accrued expenses and other current liabilities)				
TSMC	<u>\$ -</u>	<u>-</u>	<u>\$ 2,316</u>	<u>2</u>

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 transactions were determined in accordance with mutual agreement 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.

The Company rents out certain assets to related parties. The related rental income was classified under non-operating income. The lease terms were determined in accordance with mutual agreement.

19. PLEDGED OR MORTGAGED ASSETS

As of December 31, 2007 and 2006, the Company had pledged time deposits of NT\$9,500 thousand as collateral for customs clearance.

20. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

GUC has entered into license agreements with certain companies that own intellectual property rights. According to the agreements, GUC shall pay specific amounts of money to obtain licenses of their intellectual property rights and shall pay royalties at specific percentages of sales 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. Under another agreement, GUC shall pay at least US\$1,200 thousand to acquire certain licenses from the counter party in the period from March 2007 to March 2012.

21. SIGNIFICANT LONG-TERM LEASES

GUC leases a parcel of land from the SPA and the operating lease agreement expires in December 2021 and can be renewed upon expiration. The annual rental payment is NT\$2,087 thousand.

As of December 31, 2007, future rental payments were as follows:

Year	Amount
2008	\$ 2,087
2009	2,087
2010	2,087
2011	2,087
2012 and thereafter	<u>20,869</u>
	<u>\$ 29,217</u>

22. ADDITIONAL DISCLOSURES

Except for those disclosed below, the Company had no other significant transaction, investee or investment 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. Marketable securities acquired or disposed of at costs or prices of at least NT\$100 million or 20% of the paid-in capital: Please see Table 2 attached
- c. Total purchases from or sales to related parties of at least NT\$100 million or 20% of the paid-in capital: Please see Table 3 attached;
- d. Names, locations, and related information of investees on which the Company exercises significant influence: Please see Table 4 attached;
- e. Intercompany relationships and significant intercompany transactions: Please see Table 5 attached.

23. 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 overseas 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	
	2007	2006
North America	\$ 2,679,925	\$ 1,486,643
Asia	3,724,904	1,256,817
Europe	<u>199,529</u>	<u>137,747</u>
	<u>\$ 6,604,358</u>	<u>\$ 2,881,207</u>

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

	Years Ended December 31			
	2007		2006	
	Amount	%	Amount	%
Customer L	\$ 1,815,109	26	\$ 321,196	10
Customer E	722,111	10	(Note)	
Customer K	(Note)		363,010	11

Note: The sales amount to the customer did not exceed 10% of gross sales.

GLOBAL UNICHIP CORP. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2007

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

Holding Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2007				Note
				Shares/Units	Carrying Amount	Percentage of Ownership	Market Value or Net Asset Value	
GUC	<u>Stock</u>							
	GUC-NA (common shares)	Subsidiary	Investments accounted for using equity method	100,000	\$ 8,052	100	\$ 8,052	Note 1
	GUC-Japan (common shares)	Subsidiary	Investments accounted for using equity method	200	3,203	100	3,203	Note 2

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

Note 2: Recognized on the basis of the unaudited financial statements for the same period.

Note 3: As of December 31, 2007, the above marketable securities had not been pledged, mortgaged or restricted by contracts.

GLOBAL UNICHIP CORP. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2007

Holding Company	Marketable Securities Type and Name	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares/Units	Amount (in Thousands)	Shares/Units	Amount (in Thousands)	Shares/Units	Amount (in Thousands)	Carrying Amount (in Thousands)	Gain (Loss) on Disposal (in Thousands)	Shares/Units	Amount (in Thousands)
GUC	Mega Diamond Bond	Available-for-sale financial assets	-	-	-	\$ -	11,616,469	\$ 135,000	11,616,469	\$ 135,328	\$ 135,000	\$ 328	-	\$ -
	Polaris De-Bao Fund	Available-for-sale financial assets	-	-	-	-	10,719,030	120,000	10,719,030	120,299	120,000	299	-	-
	NITC Taiwan Bond Fund	Available-for-sale financial assets	-	-	2,131,817	30,035	5,270,252	75,000	7,402,069	105,311	105,000	311	-	-
	Dresdner Bond DAM Fund	Available-for-sale financial assets	-	-	2,592,106	30,036	5,998,433	70,000	8,590,539	100,261	100,000	261	-	-

Note : The beginning balance included the unrealized valuation gains on financial assets.

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, 2007
(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	The parent company of GUC	Purchases	\$ 576,663	18	30 days after month-end	Note 18	Note 18	\$ (74,000)	8	-
	TSMC-NA	A subsidiary of TSMC	Purchases	1,766,788	54	Net 30 days after invoice date	Note 18	Note 18	(139,402)	16	-
	Etron	A Board Director	Purchases	118,358	4	30 days after month-end	Note 18	Note 18	(6,237)	1	-

GLOBAL UNICHIP CORP. AND SUBSIDIARIES

**NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES
DECEMBER 31, 2007
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2007			Net Income (Loss) of the Investee	Investment Income (Loss) (Note)	Note
				December 31, 2007	December 31, 2006	Shares	Percentage of Ownership (%)	Carrying Amount			
GUC	GUC-NA	U.S.A.	Products consulting service	US\$ 100 thousand	US\$ 100 thousand	100,000	100	\$ 8,052	\$ 1,710	\$ 1,710	Subsidiary (Note 1)
	GUC-Japan	Japan	Products consulting service	YEN 10,000 thousand	YEN 10,000 thousand	200	100	3,203	356	356	Subsidiary (Note 2)

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

Note 2: 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, 2007 AND 2006
 (In Thousands of New Taiwan Dollars)**

For the year ended December 31, 2007

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	\$ 60,010	-	2
			Accrued expenses	3,832	-	-
	GUC-Japan	1	Operating expenses	17,124	-	-
			Accrued expenses	1,822	-	-

Note 1: Represents the transactions from parent company to subsidiaries.

Note 2: The terms of intercompany sales are no significant different from those to third parties. For other intercompany transactions, prices are determined in accordance with mutual agreements and no other similar transactions could be compared with.

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: Represents the transactions from parent company to subsidiaries.

Note 2: The terms of intercompany sales are no significant different from those to third parties. For other intercompany transactions, prices are determined in accordance with mutual agreements and no other similar transactions could be compared with.