

# **Global Unichip Corp. and Subsidiaries**

**Consolidated Financial Statements for the  
Years Ended December 31, 2008 and 2007 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, 2008 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

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DR. F. C. TSENG  
Chairman

January 16, 2009

## **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, 2008 and 2007, 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, 2008 and 2007, 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 and accounting principles generally accepted in the Republic of China.

As discussed in Note 3 to the consolidated financial statements, effective January 1, 2008, Global Unichip Corp. and subsidiaries adopted Interpretation 2007-052, “Accounting for Bonuses to Employees, Directors and Supervisors” issued by the Accounting Research and Development Foundation of the Republic of China and relevant requirements promulgated by the Financial Supervisory Commission of the Executive Yuan.

January 16, 2009

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

# GLOBAL UNICHIP CORP. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2008 AND 2007

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

ASSETS	2008		2007		LIABILITIES AND SHAREHOLDERS' EQUITY	2008		2007	
	Amount	%	Amount	%		Amount	%	Amount	%
<b>CURRENT ASSETS</b>					<b>CURRENT LIABILITIES</b>				
Cash	\$ 898,647	22	\$ 1,012,764	28	Accounts payable	\$ 486,625	12	\$ 657,002	18
Notes and accounts receivable (Note 2)	869,193	22	817,776	22	Payables to related parties (Note 17)	257,723	7	220,142	6
Allowance for doubtful receivables (Notes 2 and 4)	(14,590)	-	(8,612)	-	Income tax payable (Notes 2 and 13)	82,394	2	52,495	2
Receivables from related parties (Note 17)	6,905	-	7,323	-	Accrued expenses and other current liabilities (Notes 9, 17 and 19)	208,633	5	150,917	4
Other financial assets	1,756	-	1,121	-	Bonuses payable to employees, directors and supervisors (Note 11)	188,238	5	-	-
Inventories, net (Notes 2 and 5)	1,152,015	29	836,151	23	Payables to contractors and equipment suppliers	16,003	-	13,234	-
Deferred income tax assets (Notes 2 and 13)	95,768	2	69,807	2	Customer advances	87,134	2	207,800	6
Prepaid expenses and other current assets	<u>117,405</u>	<u>3</u>	<u>94,963</u>	<u>3</u>	Current portion of long-term bank loans (Note 8)	-	-	<u>2,089</u>	<u>-</u>
Total current assets	<u>3,127,099</u>	<u>78</u>	<u>2,831,293</u>	<u>78</u>	Total current liabilities	<u>1,326,750</u>	<u>33</u>	<u>1,303,679</u>	<u>36</u>
<b>PROPERTY, PLANT AND EQUIPMENT (Notes 2 and 6)</b>					<b>LONG-TERM LIABILITIES</b>				
Cost					Other long-term payables (Notes 9 and 19)	<u>37,247</u>	<u>1</u>	<u>13,953</u>	<u>1</u>
Buildings	242,718	6	242,372	7	<b>OTHER LIABILITIES</b>				
Machinery and equipment	17,790	1	17,669	-	Accrued pension cost (Notes 2 and 10)	5,814	-	7,843	-
Research and development equipment	289,884	7	224,563	6	Guarantee deposits	<u>3,035</u>	<u>-</u>	<u>-</u>	<u>-</u>
Transportation equipment	9,196	-	5,380	-	Total other liabilities	<u>8,849</u>	<u>-</u>	<u>7,843</u>	<u>-</u>
Office equipment	19,669	1	18,355	1	Total liabilities	<u>1,372,846</u>	<u>34</u>	<u>1,325,475</u>	<u>37</u>
Miscellaneous equipment	<u>171,125</u>	<u>4</u>	<u>119,075</u>	<u>3</u>	<b>SHAREHOLDERS' EQUITY (Note 11)</b>				
Accumulated depreciation	(259,370)	(7)	(186,299)	(5)	Capital stock - \$10 par value				
Prepayments for equipment	<u>-</u>	<u>-</u>	<u>7,928</u>	<u>-</u>	Authorized: 150,000 thousand shares				
Net property, plant and equipment	<u>491,012</u>	<u>12</u>	<u>449,043</u>	<u>12</u>	Issued: 124,698 thousand shares in 2008 and 114,936 thousand shares in 2007	1,246,985	31	1,149,360	32
<b>OTHER ASSETS</b>					Capital surplus				
Deferred charges, net (Notes 2 and 7)	365,786	9	335,797	9	Paid-in capital in excess of par	359,941	9	351,466	10
Assets leased to others, net (Notes 2 and 6)	188	-	192	-	Capital surplus from merger	16,621	1	16,621	-
Pledged time deposits (Note 18)	20,000	1	9,500	1	Retained earnings				
Refundable deposits (Note 17)	<u>7,656</u>	<u>-</u>	<u>2,180</u>	<u>-</u>	Appropriated as legal capital reserve	110,704	3	37,446	1
Total other assets	<u>393,630</u>	<u>10</u>	<u>347,669</u>	<u>10</u>	Appropriated as special capital reserve	119	-	17	-
					Unappropriated earnings	901,460	22	747,739	20
					Cumulative translation adjustments (Note 2)	<u>3,065</u>	<u>-</u>	<u>(119)</u>	<u>-</u>
					Total shareholders' equity	<u>2,638,895</u>	<u>66</u>	<u>2,302,530</u>	<u>63</u>
<b>TOTAL</b>	<u>\$4,011,741</u>	<u>100</u>	<u>\$ 3,628,005</u>	<u>100</u>	<b>TOTAL</b>	<u>\$4,011,741</u>	<u>100</u>	<u>\$ 3,628,005</u>	<u>100</u>

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

(With Deloitte & Touche audit report dated January 16, 2009)

## GLOBAL UNICHIP CORP. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

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

	2008		2007	
	Amount	%	Amount	%
GROSS SALES (Notes 2 and 17)	\$ 9,311,571		\$ 7,035,304	
SALES RETURNS AND ALLOWANCES (Note 2)	<u>29,508</u>		<u>46,364</u>	
NET SALES	9,282,063	100	6,988,940	100
COST OF SALES (Notes 14 and 17)	<u>7,373,824</u>	<u>79</u>	<u>5,508,628</u>	<u>79</u>
GROSS PROFIT	<u>1,908,239</u>	<u>21</u>	<u>1,480,312</u>	<u>21</u>
OPERATING EXPENSES (Notes 14 and 17)				
Sales and marketing	263,324	3	158,549	2
General and administrative	179,436	2	109,197	1
Research and development	<u>721,758</u>	<u>8</u>	<u>474,229</u>	<u>7</u>
Total operating expenses	<u>1,164,518</u>	<u>13</u>	<u>741,975</u>	<u>10</u>
INCOME FROM OPERATIONS	<u>743,721</u>	<u>8</u>	<u>738,337</u>	<u>11</u>
NON-OPERATING INCOME AND GAINS				
Foreign exchange gain, net (Note 2)	48,492	1	10,424	-
Interest income	17,160	-	14,574	-
Gain on settlement and disposal of financial instruments (Notes 2 and 16)	3,732	-	3,142	-
Rental income (Notes 6 and 17)	1,348	-	8,800	-
Others (Note 2)	<u>2,781</u>	<u>-</u>	<u>1,510</u>	<u>-</u>
Total non-operating income and gains	<u>73,513</u>	<u>1</u>	<u>38,450</u>	<u>-</u>
NON-OPERATING EXPENSES AND LOSSES				
Provision for loss on inventories (Notes 2 and 5)	8,800	-	33,355	1
Interest expense	-	-	79	-
Others (Notes 2 and 6)	<u>4</u>	<u>-</u>	<u>332</u>	<u>-</u>
Total non-operating expenses and losses	<u>8,804</u>	<u>-</u>	<u>33,766</u>	<u>1</u>
INCOME BEFORE INCOME TAX	808,430	9	743,021	10
INCOME TAX EXPENSE (Notes 2 and 13)	<u>61,381</u>	<u>1</u>	<u>10,436</u>	<u>-</u>
NET INCOME	<u>\$ 747,049</u>	<u>8</u>	<u>\$ 732,585</u>	<u>10</u>

(Continued)

# GLOBAL UNICHIP CORP. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

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

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	2008		2007	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
CONSOLIDATED EARNINGS PER SHARE				
(Note 15)				
Basic earnings per share	\$ 6.55	\$ 6.05	\$ 6.09	\$ 6.01
Diluted earnings per share	\$ 6.22	\$ 5.75	\$ 5.79	\$ 5.70

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

(With Deloitte & Touche audit report dated January 16, 2009)

(Concluded)

**GLOBAL UNICHIP CORP. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

(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, 2007	108,918	\$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 (loss) on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	(215)	(215)
Translation adjustments	-	-	-	-	-	-	-	-	-	112	-	112
BALANCE, DECEMBER 31, 2007	114,936	1,149,360	351,466	16,621	368,087	37,446	17	747,739	785,202	(119)	-	2,302,530
Appropriations of prior year's earnings												
Legal capital reserve	-	-	-	-	-	73,258	-	(73,258)	-	-	-	-
Special capital reserve	-	-	-	-	-	-	102	(102)	-	-	-	-
Bonus to employees - in stock	1,326	13,260	-	-	-	-	-	(13,260)	(13,260)	-	-	-
Bonus to employees - in cash	-	-	-	-	-	-	-	(53,000)	(53,000)	-	-	(53,000)
Stock dividends to shareholders - NT\$0.55 per share	6,321	63,215	-	-	-	-	-	(63,215)	(63,215)	-	-	-
Cash dividends to shareholders - NT\$3.29 per share	-	-	-	-	-	-	-	(379,289)	(379,289)	-	-	(379,289)
Bonus to directors and supervisors	-	-	-	-	-	-	-	(11,204)	(11,204)	-	-	(11,204)
Net income in 2008	-	-	-	-	-	-	-	747,049	747,049	-	-	747,049
Issuance of stock from exercising stock options	2,115	21,150	8,475	-	8,475	-	-	-	-	-	-	29,625
Translation adjustments	-	-	-	-	-	-	-	-	-	3,184	-	3,184
BALANCE, DECEMBER 31, 2008	<u>124,698</u>	<u>\$1,246,985</u>	<u>\$359,941</u>	<u>\$16,621</u>	<u>\$376,562</u>	<u>\$110,704</u>	<u>\$119</u>	<u>\$901,460</u>	<u>\$1,012,283</u>	<u>\$3,065</u>	<u>\$-</u>	<u>\$2,638,895</u>

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

(With Deloitte & Touche audit report dated January 16, 2009)

# GLOBAL UNICHIP CORP. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007 (In Thousands of New Taiwan Dollars)

	2008	2007
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 747,049	\$ 732,585
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	76,372	60,796
Amortization	187,407	137,253
Gain on disposal of property, plant and equipment	(413)	-
Deferred income tax	(25,961)	(46,938)
Gain on settlement and disposal of financial instruments	(3,732)	(3,142)
Accrued pension cost	(2,029)	(2,101)
Net changes in operating assets and liabilities:		
Decrease (increase) in:		
Notes and accounts receivable	(45,439)	(38,124)
Receivables from related parties	418	(5,205)
Other financial assets	(635)	2,521
Inventories	(315,864)	(204,352)
Prepaid expenses and other current assets	(22,442)	(67,062)
Increase (decrease) in:		
Accounts payable	(170,377)	352,480
Payables to related parties	37,581	(239,158)
Income tax payable	29,899	42,421
Accrued expenses and other current liabilities	20,278	17,413
Bonuses payable to employees, directors and supervisors	188,238	-
Customer advances	(120,666)	86,194
	<u>579,684</u>	<u>825,581</u>
Net cash provided by operating activities		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisitions of:		
Available-for-sale financial assets	(2,471,000)	(947,000)
Property, plant and equipment	(115,343)	(100,942)
Proceeds from disposal of:		
Available-for-sale financial assets	2,474,732	1,130,142
Property, plant and equipment	522	-
Increase in deferred charges	(156,670)	(266,670)
Increase in pledged time deposits	(10,500)	-
Increase in refundable deposits	(5,476)	(408)
	<u>(283,735)</u>	<u>(184,878)</u>
Net cash used in investing activities		

(Continued)

# GLOBAL UNICHIP CORP. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007 (In Thousands of New Taiwan Dollars)

	2008	2007
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in guarantee deposits	\$ 3,035	\$ -
Repayment of long-term bank loans	(2,089)	(4,137)
Proceeds from Exercise of employee stock options	29,625	15,868
Cash dividends	(379,283)	(139,414)
Cash bonus to directors, supervisors and employees	<u>(64,204)</u>	<u>(15,200)</u>
Net cash used in financing activities	<u>(412,916)</u>	<u>(142,883)</u>
NET INCREASE (DECREASE) IN CASH	(116,967)	497,820
EFFECT OF EXCHANGE RATE CHANGES	2,850	139
CASH, BEGINNING OF YEAR	<u>1,012,764</u>	<u>514,805</u>
CASH, END OF YEAR	<u>\$ 898,647</u>	<u>\$ 1,012,764</u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>		
Interest paid	<u>\$ -</u>	<u>\$ 79</u>
Income tax paid	<u>\$ 52,796</u>	<u>\$ 20,673</u>
<b>NONCASH INVESTING AND FINANCING ACTIVITIES</b>		
Current portion of long-term bank loans	<u>\$ -</u>	<u>\$ 2,089</u>
Current portion of other long-term payables (under accrued expenses and other current liabilities)	<u>\$ 100,125</u>	<u>\$ 62,693</u>
Assets leased to others reclassified to property, plant and equipment	<u>\$ -</u>	<u>\$ 26,986</u>
<b>INVESTING ACTIVITIES AFFECTING BOTH CASH AND NON-CASH ITEMS</b>		
Acquisition of property, plant and equipment	\$ 118,112	\$ 102,691
Increase in payables to contractors and equipment suppliers	(2,769)	(1,749)
Cash paid	<u>\$ 115,343</u>	<u>\$ 100,942</u>
Increase in deferred charges	\$ 217,396	\$ 259,840
Decrease (increase) in other long-term payables	(60,726)	6,830
Cash paid	<u>\$ 156,670</u>	<u>\$ 266,670</u>

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

(With Deloitte & Touche audit report dated January 16, 2009)

(Concluded)

# GLOBAL UNICHIP CORP. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

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

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### 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, production of, testing and sales of embedded memory and logic components for various application ICs, cell libraries for various application ICs, and EDA tools for various application ICs. On November 3, 2006, GUC's shares were listed on the Taiwan Stock Exchange (TSE). As of December 31, 2008 and 2007, Taiwan Semiconductor Manufacturing Company Limited (TSMC) owned 36% and 37%, respectively, of GUC's common shares.

As of December 31, 2008 and 2007, GUC and its subsidiaries had 486 and 391 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, and accounting principles generally accepted in the R.O.C. Under these guidelines 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 deferred charges; impairment loss on assets; pension; and bonuses to employees, directors and supervisors, etc. Actual results may differ from those estimated by management.

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:

Name of Investor	Name of Investee	Percentage of Ownership		Remark
		December 31		
		2008	2007	
GUC	Global Unichip Corp.-NA (GUC-NA)	100%	100%	-
	Global Unichip Japan Co., Ltd. (GUC-Japan)	100%	100%	-
	Global Unichip Corp. Europe B.V. (GUC-Europe)	100%	-	Newly established in 2008

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

### **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.

The difference between its carrying amount and the disposal amount is recognized in earnings.

If there is objective evidence which indicates that a financial asset is impaired, a loss is recognized. If in a subsequent period, the amount of the impairment loss decreases, for equity securities, the previously recognized impairment loss is reversed to the extent of the decrease and recorded as an adjustment to shareholder's equity; for debt securities, the amount of the decrease is recognized in earnings, provided that the decrease is clearly attributable to an event which occurred after the impairment loss was recognized.

Fair value of issued open-end mutual funds is determined by the financial institution using the 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 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 as well as other economic factors. The Company accrues an allowance for doubtful receivables based on the following percentages:

<b>Duration of Outstanding Notes and Accounts Receivable</b>	<b>Percentage of Allowance Accrued</b>
90-180 days	50%
>180 days	100%

### **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. For the aged items without moving over 180 days, the Company makes 100% allowance for losses. 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 an 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 and 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 and 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.

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, the rewards of ownership and significant risk of the goods has been transferred to the buyer, 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 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 options that were granted or modified in the period from January 1, 2004 to December 31, 2007 are accounted for by the interpretations issued by the Accounting Research and Development Foundation of the Republic of China. The Company adopted the intrinsic value method and any compensation cost determined using this method is recognized in earnings over the employee vesting period. Employee stock option plans that were granted or modified after December 31, 2007 are accounted for using the fair value method in accordance with Statement of Financial Accounting Standards No. 39, "Accounting for Share-based Payment". The Company has not granted or modified employee stock options since January 1, 2008.

### **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.

## **3. ACCOUNTING CHANGES**

### **Adoption of New Standards**

Effective January 1, 2008, the Company adopted Interpretation 2007-052, "Accounting for Bonuses to Employees, Directors and Supervisors" issued in March 2007 by the Accounting Research and Development Foundation (ARDF), which requires companies to record bonuses paid to employees, directors and supervisors as an expense rather than as an appropriation of earnings. The adoption of this interpretation resulted in a decrease in net income and earnings per share (after tax) of NT\$169,923 thousand and NT\$1.38, respectively, for the year ended December 31, 2008.

Effective January 1, 2008, the Company adopted Statement of Financial Accounting Standards (“SFAS”) No. 39, “Accounting for Share-based Payment”, which requires companies to record share-based payment transactions in the financial statements at fair value. Such a change in accounting principle did not have any effect on the Company’s financial statements as of and for the year ended December 31, 2008.

On January 1, 2007, the Company adopted the newly released SFAS No. 37, “Accounting for Intangible Assets” 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.

#### **Recent Accounting Pronouncements**

The ARDF of the R.O.C. revised SFAS 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 using either the specific identification, first-in, first-out or weighted average methods. The last-in, first-out method is no longer permitted. The revised SFAS No. 10 is effective for fiscal years beginning on or after January 1, 2009.

#### **4. ALLOWANCE FOR DOUBTFUL RECEIVABLES**

Movements of the allowance for doubtful receivables were as follows:

	<b><u>Years Ended December 31</u></b>	
	<b>2008</b>	<b>2007</b>
Balance, beginning of year	\$ 8,612	\$ 7,487
Provision for doubtful receivables	14,590	1,125
Amounts written off	<u>(8,612)</u>	<u>-</u>
Balance, end of year	<u>\$ 14,590</u>	<u>\$ 8,612</u>

#### **5. INVENTORIES, NET**

	<b><u>December 31</u></b>	
	<b>2008</b>	<b>2007</b>
Finished goods	\$ 357,909	\$ 195,921
Work in process	610,237	570,623
Raw materials	<u>227,597</u>	<u>117,818</u>
	1,195,743	884,362
Allowance for losses	<u>(43,728)</u>	<u>(48,211)</u>
	<u>\$ 1,152,015</u>	<u>\$ 836,151</u>

## 6. PROPERTY, PLANT AND EQUIPMENT, NET

	Year Ended December 31, 2008							Total
	Buildings	Machinery and Equipment	Research and Development Equipment	Transportation Equipment	Office Equipment	Miscellaneous Equipment	Prepayments for Equipment	
Cost								
Balance, beginning of year	\$ 242,372	\$ 17,669	\$ 224,563	\$ 5,380	\$ 18,355	\$ 119,075	\$ 7,928	\$ 635,342
Additions	346	121	62,242	4,690	1,644	46,742	2,327	118,112
Disposals	-	-	(2,280)	(874)	(390)	-	-	(3,544)
Reclassification	-	-	5,359	-	-	4,896	(10,255)	-
Translation adjustment	-	-	-	-	60	412	-	472
Balance, end of year	<u>242,718</u>	<u>17,790</u>	<u>289,884</u>	<u>9,196</u>	<u>19,669</u>	<u>171,125</u>	<u>-</u>	<u>750,382</u>
Accumulated depreciation								
Balance, beginning of year	16,131	17,523	106,152	1,777	10,303	34,413	-	186,299
Additions	4,755	147	44,590	1,219	3,794	21,863	-	76,368
Disposals	-	-	(2,280)	(765)	(390)	-	-	(3,435)
Reclassification	-	-	-	-	-	-	-	-
Translation adjustment	-	-	-	-	34	104	-	138
Balance, end of year	<u>20,886</u>	<u>17,670</u>	<u>148,462</u>	<u>2,231</u>	<u>13,741</u>	<u>56,380</u>	<u>-</u>	<u>259,370</u>
Net book value, end of year	<u>\$ 221,832</u>	<u>\$ 120</u>	<u>\$ 141,422</u>	<u>\$ 6,965</u>	<u>\$ 5,928</u>	<u>\$ 114,745</u>	<u>\$ -</u>	<u>\$ 491,012</u>

	Year Ended December 31, 2007							Total
	Buildings	Machinery and Equipment	Research and Development Equipment	Transportation Equipment	Office Equipment	Miscellaneous Equipment	Prepayments for Equipment	
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>

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.

## 7. DEFERRED CHARGES, NET

	Year Ended December 31, 2008			
	Technology License			
	Software	Fees	Patents	Total
Balance, beginning of year	\$ 117,415	\$ 217,976	\$ 406	\$ 335,797
Additions	208,140	9,256	-	217,396
Amortization	<u>(111,179)</u>	<u>(76,200)</u>	<u>(28)</u>	<u>(187,407)</u>
Balance, end of year	<u>\$ 214,376</u>	<u>\$ 151,032</u>	<u>\$ 378</u>	<u>\$ 365,786</u>

	Year Ended December 31, 2007			
	Technology License			
	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>

## 8. LONG-TERM BANK LOANS

	<b>December 31, 2007</b>
Science Park Administration (SPA) SOC loan, repayable by September 2008 in 20 payments, interest-free	\$ 2,089
Current portion	<u>2,089</u>
	<u>\$ -</u>

The Company repaid the above loan in July 2008. As such, as of December 31, 2008 the Company did not have any current portion of long-term debt outstanding.

## 9. 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, 2008, future payments for other long-term payables were as follows:

<b>Year of Payment</b>	<b>Amount</b>
2009 (under accrued expenses and other current liabilities)	\$ 100,125
2010	<u>37,247</u>
	<u>\$ 137,372</u>

## 10. PENSION PLANS

The pension mechanism under the Labor Pension Act is deemed a defined contribution plan. Pursuant to the Act, GUC have made monthly contributions equal to 6% of each employee's monthly salary to employees' pension accounts. Pursuant to the aforementioned Act, GUC recognized pension costs of NT\$20,433 thousand and NT\$15,301 thousand for the years ended December 31, 2008 and 2007, 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 of the last six months prior to retirement. GUC contributes an amount equal to 2% of salaries paid each month to a pension fund (the Fund), which is administered by the Labor Pension Fund Supervisory Committee (the Committee) and deposited in the Committee's name in the Bank of Taiwan (originally the Central Trust of China, which was dissolved after merge with the Bank of Taiwan in 2007). The Company recognized pension costs of NT\$135 thousand and NT\$85 thousand for the years ended December 31, 2008 and 2007, respectively.

Information about the defined benefit plan is summarized as follows:

a. Components of net periodic pension cost for the year

	<b>Years Ended December 31</b>	
	<b>2008</b>	<b>2007</b>
Service cost	\$ 53	\$ 43
Interest cost	528	525
Projected return on plan assets	(418)	(353)
Amortization	<u>(28)</u>	<u>(130)</u>
Net periodic pension cost	<u>\$ 135</u>	<u>\$ 85</u>

b. Reconciliation of funded status of the plan and accrued pension cost at December 31, 2008 and 2007

	<b>2008</b>	<b>2007</b>
Benefit obligation		
Vested benefit obligation	\$ -	\$ -
Nonvested benefit obligation	<u>17,491</u>	<u>11,977</u>
Accumulated benefit obligation	17,491	11,977
Additional benefits based on future salaries	<u>8,998</u>	<u>5,617</u>
Projected benefit obligation	26,489	17,594
Fair value of plan assets	<u>(18,337)</u>	<u>(15,590)</u>
Funded status	8,152	2,004
Unrecognized net transition obligation	(1,734)	(1,982)
Unrecognized net gain	<u>(604)</u>	<u>7,821</u>
Accrued pension cost	<u>\$ 5,814</u>	<u>\$ 7,843</u>
Vested benefit	<u>\$ -</u>	<u>\$ -</u>

c. Actuarial assumptions at December 31, 2008 and 2007

Discount rate used in determining present values	2.5%	3.0%
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>\$ 2,164</u>	<u>\$ 2,185</u>
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No payments were made from the Fund for the years ended December 31, 2008 and 2007.

## 11. 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 in 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.

The bonus to employees, which represents 23.8% of net income, and the bonus to directors and supervisors, which represents 1.5% of net income (after deducting the legal capital reserve and special capital reserve) were recognized for the year ended December 31, 2008. If the actual amounts subsequently resolved by the shareholders differ from the proposed amounts, the differences are recorded in the year of shareholders' resolution as a change in accounting estimate. If bonus shares are resolved to be distributed to employees, the number of shares is determined by dividing the amount of bonus by the closing price (after considering the effect of cash and stock dividends) of the shares of the day preceding the shareholders' meeting.

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 2007 and 2006 were approved in the shareholders' meetings held on June 11, 2008 and May 24, 2007, 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 2007</u>	<u>For Fiscal</u> <u>Year 2006</u>	<u>For Fiscal</u> <u>Year 2007</u>	<u>For Fiscal</u> <u>Year 2006</u>
Legal capital reserve	\$ 73,258	\$ 23,729		
Special capital reserve	102	17		
Bonus to employees - in stock	13,260	9,700		
Bonus to employees - in cash	53,000	12,000		
Stock dividends to shareholders	63,215	34,854	\$ 0.55	\$ 0.32
Cash dividends to shareholders	379,289	139,414	3.29	1.27
Bonus to directors and supervisors	<u>11,204</u>	<u>3,200</u>		
	<u>\$ 593,328</u>	<u>\$ 222,914</u>		

The amounts of the above appropriations of earnings for 2007 and 2006 are consistent with the resolutions of the meetings of the Board of Directors held on March 6, 2008 and February 8, 2007, respectively.

As of January 16, 2009, the Board of Directors has not resolved the appropriation for earnings of 2008.

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

During the shareholder's meeting held on June 11, 2008, GUC replaced the supervisors with a newly formed Audit Committee. The required duties of the former supervisors are now being fulfilled by the Audit Committee.

## 12. STOCK-BASED COMPENSATION PLANS

GUC's Employee Stock Option Plans, consisting of the GUC 2003 Plan and GUC 2002 Plan, were all 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, 2008 and 2007 was as follows:

	<b>Number of Options</b>	<b>Weighted- average Exercise Price (NT\$)</b>
<u>Year ended December 31, 2008</u>		
Balance, beginning of year	7,598	\$ 60.27
Options granted	284	14.84
Options exercised	(2,115)	14.01
Options canceled	<u>( 210)</u>	168.37
Balance, end of year	<u>5,557</u>	66.55
<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

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, 2008, 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\$)
\$8.90-\$10.50	1,450	2.75	\$ 9.17	343	\$ 9.93
16.40	2,361	2.67	16.40	528	16.40
182.00	<u>1,746</u>	5.00	182.00	-	-
	<u>5,557</u>		\$ 66.55	<u>871</u>	\$ 13.85

No compensation cost was recognized under the intrinsic value method for the years ended December 31, 2008 and 2007. Had the Company used the fair value based method to evaluate the options using the Black-Scholes model, the assumptions and pro forma results of the Company would have been as follows:

	Years Ended December 31	
	2008	2007
Assumptions:		
Expected dividend yield	0%-0.6%	0%-0.6%
Expected volatility	22.65%-45.47%	22.65%-45.47%
Risk free interest rate	2.12%-2.56%	2.12%-2.56%
Expected life	3-6 years	3-6 years
Net income:		
As reported	\$ 747,049	\$ 732,585
Pro forma	698,446	724,565
Consolidated earnings per share (EPS) - after income tax (NT\$):		
Basic EPS as reported	\$6.05	\$6.01
Pro forma basic EPS	5.66	5.94
Diluted EPS as reported	5.75	5.70
Pro forma diluted EPS	5.38	5.64

### 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	
	2008	2007
Income tax expense based on "income before income tax" at statutory rate	\$ 204,401	\$ 187,231
Tax effect of the following:		
Tax-exempt income	(59,565)	(54,347)
Temporary differences	7,147	7,401

(Continued)

	<b>Years Ended</b>	
	<b>December 31</b>	
	<b>2008</b>	<b>2007</b>
Permanent differences	\$ 515	\$ (786)
Loss carryforwards	-	(7,850)
Additional tax at 10% on unappropriated earnings	13,926	1,438
Investment tax credits used	<u>(81,676)</u>	<u>(79,121)</u>
Income tax currently payable	<u>\$ 84,748</u>	<u>\$ 53,966</u>
		(Concluded)

b. Income tax expense consisted of the following:

	<b>Years Ended</b>	
	<b>December 31</b>	
	<b>2008</b>	<b>2007</b>
Income tax currently payable	\$ 84,748	\$ 53,966
Other income tax adjustments	2,594	3,408
Net change in deferred income tax assets		
Investment tax credits	(128,204)	(36,772)
Temporary differences	(6,874)	(4,618)
Adjustments in valuation allowance	<u>109,117</u>	<u>(5,548)</u>
Income tax expense	<u>\$ 61,381</u>	<u>\$ 10,436</u>

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

	<b>December 31</b>	
	<b>2008</b>	<b>2007</b>
Current deferred income tax assets, net		
Investment tax credits	\$ 88,805	\$ 69,806
Temporary differences	19,778	11,849
Valuation allowance	<u>(12,815)</u>	<u>(11,848)</u>
	<u>\$ 95,768</u>	<u>\$ 69,807</u>
Non-current deferred income tax assets, net		
Investment tax credits	\$ 242,468	\$ 133,263
Temporary differences	(2,146)	(1,091)
Valuation allowance	<u>(240,322)</u>	<u>(132,172)</u>
	<u>\$ -</u>	<u>\$ -</u>

d. Integrated income tax information:

The balance of the imputation credit account of GUC as of December 31, 2008 and 2007 was NT\$11,719 thousand and NT\$2,285 thousand, respectively.

The creditable ratio for distribution of earnings of 2008 and 2007 was 1.30% (estimated) and 6.46%, 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. All of GUC's earnings generated prior to December 31, 1997 have been appropriated.
- f. As of December 31, 2008, the Company's investment tax credits consisted of the following:

<b>Regulation</b>	<b>Item</b>	<b>Total Creditable Amount</b>	<b>Remaining Creditable Amount</b>	<b>Expiry Year</b>
Statute for Upgrading Industries	Purchase of machinery and equipment	\$ 291	\$ -	2010
		628	628	2011
		<u>726</u>	<u>726</u>	2012
		<u>\$ 1,645</u>	<u>\$ 1,354</u>	
Statute for Upgrading Industries	Research and development expenditures	\$ 27,005	\$ -	2009
		90,284	36,694	2010
		122,682	122,682	2011
		<u>169,941</u>	<u>169,941</u>	2012
		<u>\$ 409,912</u>	<u>\$ 329,317</u>	
Statute for Upgrading Industries	Personnel training expenditures	\$ 183	\$ -	2009
		607	-	2010
		302	302	2011
		<u>300</u>	<u>300</u>	2012
		<u>\$ 1,392</u>	<u>\$ 602</u>	

- g. The profits generated from GUC's 2003 plant expansion project are exempt from income tax for a five-year period from 2007 to 2011.
- h. The tax authorities have examined GUC's income tax returns through 2006.

#### 14. LABOR COST, DEPRECIATION AND AMORTIZATION

	<b>Year Ended December 31, 2008</b>		
	<b>Classified as Cost of Sales</b>	<b>Classified as Operating Expenses</b>	<b>Total</b>
Labor cost			
Salary	\$ 108,319	\$ 598,920	\$ 707,239
Labor and health insurance	5,178	31,208	36,386
Pension	3,877	16,691	20,568
Meal	1,515	6,583	8,098
Welfare	1,931	8,162	10,093
Other	<u>540</u>	<u>11,147</u>	<u>11,687</u>
	<u>\$ 121,360</u>	<u>\$ 672,711</u>	<u>\$ 794,071</u>
Depreciation	<u>\$ 2,357</u>	<u>\$ 74,011</u>	<u>\$ 76,368</u>
Amortization	<u>\$ 773</u>	<u>\$ 186,634</u>	<u>\$ 187,407</u>

	<u>Year Ended December 31, 2007</u>		
	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
Other	<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>

## 15. CONSOLIDATED EARNINGS PER SHARE

Consolidated EPS for the years ended December 31, 2008 and 2007 were computed as follows:

	<u>Amounts (Numerator)</u>		Number of Shares (Denominator) (in Thousands)	<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, 2008</u>					
Consolidated basic EPS					
Income available to common shareholders of the parent	\$ 808,430	\$ 747,049	123,442	<u>\$ 6.55</u>	<u>\$ 6.05</u>
Effect of dilutive potential common stock					
Bonus to employees	-	-	1,535		
Stock options	<u>-</u>	<u>-</u>	<u>4,946</u>		
Consolidated diluted EPS					
Income available to common shareholders of the parent (including effect of dilutive potential common stock)	<u>\$ 808,430</u>	<u>\$ 747,049</u>	<u>129,923</u>	<u>\$ 6.22</u>	<u>\$ 5.75</u>
<u>Year ended December 31, 2007</u>					
Consolidated basic EPS					
Income available to common shareholders of the parent	\$ 743,021	\$ 732,585	121,934	<u>\$ 6.09</u>	<u>\$ 6.01</u>
Effect of dilutive potential common stock - stock options	<u>-</u>	<u>-</u>	<u>6,502</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>128,436</u>	<u>\$ 5.79</u>	<u>\$ 5.70</u>

Effective January 1, 2008, the Company adopted Interpretation 2007-052 that requires companies to record the bonus paid to employees as an expense rather than as an appropriation of earnings. If the Company may settle the bonus to employees by cash or shares, the Company should presume that the entire amount of the bonus will be settled in shares and the resulting potential shares should be included in the weighted average number of shares outstanding in the calculation of diluted EPS, if the shares have a dilutive effect. The number of shares is estimated by dividing the entire amount of the bonus by the closing price of the shares at the balance sheet date. The dilutive effect of the potential shares needs to be considered until the shares of employee bonus are resolved in the shareholders' meeting in the following year.

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 11). This adjustment caused the consolidated basic and diluted after income tax EPS for the year ended December 31, 2007 to decrease from NT\$6.41 to NT\$6.01 and from NT\$6.08 to NT\$5.70, respectively.

## 16. DISCLOSURES FOR FINANCIAL INSTRUMENTS

a. Fair values of financial instruments were as follows:

	<b>December 31</b>			
	<b>2008</b>		<b>2007</b>	
	<b>Carrying Amount</b>	<b>Fair Value</b>	<b>Carrying Amount</b>	<b>Fair Value</b>
<u>Financial liabilities</u>				
Payables to contractors and equipment suppliers	\$ 16,003	\$ 16,003	\$ 13,234	\$ 13,234
Long-term bank loans (including current portion)	-	-	2,089	2,089
Other long-term payables (including current portion)	137,372	137,372	76,646	76,646

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 values of issued available-for-sale financial assets is determined by the financial institution using the net assets value at the balance sheet date.
  - 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. No gains recognized for the changes in fair value of trading financial assets estimated using valuation techniques for the years ended December 31, 2008 and 2007, respectively.
- d. As of December 31, 2008 and 2007, financial assets exposed to fair value interest rate risk were NT\$453,000 thousand and NT\$573,500 thousand, respectively. Financial liabilities exposed to fair value interest rate risk amounted to nil and NT\$2,089 thousand, respectively. Financial assets exposed to cash flow interest rate risk were NT\$118,406 thousand and NT\$147,321 thousand, respectively.
- e. The Company recorded a gain of nil and NT\$215 thousand which was removed from shareholders' equity and recognized in earnings for the year ended December 31, 2008 and 2007, respectively.
- 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's operating capital are deemed sufficient to meet the cash demand, therefore, liquidity risk is not considered to be significant.

## 17. RELATED PARTY TRANSACTIONS

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

- a. TSMC, which directly owned 36% of the common shares of GUC at December 31, 2008 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. XinTec Inc. (XinTec), an equity-method investee of TSMC
- f. VisEra Holding company (VisEra), an equity-method indirect investee of TSMC
- g. Etron Technology, Inc. (Etron), which is the parent company of one of GUC's Board Directors

Transactions with the aforementioned parties are summarized as follows:

	2008		2007	
	Amount	%	Amount	%
<u>For the year</u>				
Sales				
TSMC	\$ 18,940	-	\$ 57,806	1
VIS	218	-	624	-
Etron	-	-	178	-
	<u>\$ 19,158</u>	<u>-</u>	<u>\$ 58,608</u>	<u>1</u>
Purchases				
TSMC-NA	\$ 1,747,488	41	\$ 1,766,788	54
TSMC	1,176,728	28	576,663	18
Etron	83,439	2	118,358	4
VIS	51,116	1	18,734	-
	<u>\$ 3,058,771</u>	<u>72</u>	<u>\$ 2,480,543</u>	<u>76</u>

	<b>2008</b>		<b>2007</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Manufacturing expenses				
TSMC	\$ 414,668	11	\$ 203,781	8
TSMC-NA	298,926	8	189,410	8
VIS	-	-	366	-
XinTec	201	-	-	-
	<u>\$ 713,795</u>	<u>19</u>	<u>\$ 393,557</u>	<u>16</u>
Operating expenses				
TSMC-NA	\$ 4,969	1	\$ 10,678	1
TSMC	4,938	-	13,009	2
Etron	1,872	-	152	-
TSMC-SH	-	-	184	-
	<u>\$ 11,779</u>	<u>1</u>	<u>\$ 24,023</u>	<u>3</u>
Rental income				
TSMC	\$ 1,000	74	\$ 8,438	96
VisEra	-	-	20	-
	<u>\$ 1,000</u>	<u>74</u>	<u>\$ 8,458</u>	<u>96</u>
<u>As of December 31</u>				
Receivables from related parties				
TSMC	<u>\$ 6,905</u>	<u>100</u>	<u>\$ 7,323</u>	<u>100</u>
Refundable deposits				
Etron	<u>\$ 305</u>	<u>4</u>	<u>\$ -</u>	<u>-</u>
Payables to related parties				
TSMC-NA	\$ 148,680	58	\$ 139,402	63
TSMC	107,015	41	74,000	34
Etron	1,598	1	6,237	3
VIS	399	-	503	-
XinTec	31	-	-	-
	<u>\$ 257,723</u>	<u>100</u>	<u>\$ 220,142</u>	<u>100</u>
Accrued expenses				
TSMC-NA	\$ 559	-	-	-
Etron	-	-	152	-
	<u>\$ 559</u>	<u>-</u>	<u>\$ 152</u>	<u>-</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 to 45 days after month-end or net 30 to 45 days after invoice date, while the payment terms for third parties were in general 45 to 60 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.

Compensation of directors and management personnel:

	<u>Years Ended December 31</u>	
	<u>2008</u>	<u>2007</u>
Salaries, incentives and compensation	\$ 31,220	\$ 26,937
Bonus	<u>35,525</u>	<u>60,165</u>
	<u>\$ 66,745</u>	<u>\$ 87,102</u>

The information about the compensation of directors and management personnel is available in the annual report for the shareholders' meeting. The total compensation for the year ended December 31, 2007 included the bonuses appropriated from earnings of 2007 which was approved by the shareholders in the annual meeting held in 2008. Total compensation expense for the year ended December 31, 2008 includes estimated bonuses to employees and directors of the Company that relate to 2008 but will be paid in the following year. The actual amount will be finalized and approved upon the resolution of the annual shareholders' meeting in 2009.

#### **18. PLEDGED OR MORTGAGED ASSETS**

As of December 31, 2008 and 2007, the Company had pledged time deposits of NT\$20,000 thousand and NT\$9,500 thousand as collateral for customs clearance, respectively.

#### **19. 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\$1,200 thousand to acquire certain licenses from the counter party in the period from March 2007 to March 2012. Under another agreement, GUC shall pay at least US\$1,215 thousand to acquire certain licenses from the counter party in the period from December 2007 to December 2010.

#### **20. SIGNIFICANT LONG-TERM LEASES**

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

As of December 31, 2008, future rental payments were as follows:

<b>Year</b>	<b>Amount</b>
2009	\$ 2,087
2010	2,087
2011	2,087
2012	2,087
2013 and thereafter	<u>18,782</u>
	<u>\$ 27,130</u>

## 21. ADDITIONAL DISCLOSURES

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

- a. Financings provided: None;
- b. Endorsements/guarantees provided: None;
- c. Marketable securities held: Please see Table 1 attached;
- d. 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;
- e. Acquisition of individual real estate at costs of at least NT\$100 million or 20% of the paid-in capital: None;
- f. Disposal of individual real estate at prices of at least NT\$100 million or 20% of the paid-in capital: None;
- g. 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;
- h. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None;
- i. Names, locations, and related information of investees over which the Company exercises significant influence: Please see Table 4 attached;
- j. Derivative transactions: None;
- k. Information of investments in Mainland China: None;
- l. Intercompany relationships and significant intercompany transactions: Please see Table 5 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 significant 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	
	2008	2007
North America	\$ 2,780,380	\$ 2,679,925
Asia	5,704,823	3,724,904
Europe	<u>224,519</u>	<u>199,529</u>
	<u>\$ 8,709,722</u>	<u>\$ 6,604,358</u>

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

	Years Ended December 31			
	2008		2007	
	Amount	%	Amount	%
Customer L	\$ 3,057,683	33	\$ 1,815,109	26
Customer E	Note		722,111	10

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

**GLOBAL UNICHIP CORP. AND SUBSIDIARIES**

**MARKETABLE SECURITIES HELD**

**DECEMBER 31, 2008**

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

Holding Company Name	Marketable Securities Type and Name Note 3	Relationship with the Company	Financial Statement Account	December 31, 2008				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	800,000	\$ 34,019	100	\$ 34,019	Note 1
	GUC-Japan (common shares)	Subsidiary	Investments accounted for using equity method	600	11,854	100	11,854	Note 2
	GUC-Europe (capital)	Subsidiary	Investments accounted for using equity method	-	2,563	100	2,563	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, 2008, 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, 2008  
(In Thousands of New Taiwan Dollars)

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	PCA Well Pool Fund	Available-for-sale financial assets	-	-	-	\$ -	19,653,590	\$ 252,000	19,653,590	\$ 252,536	\$ 252,000	\$ 536	-	\$ -
	Prudential Financial Bond Fund	Available-for-sale financial assets	-	-	-	-	18,087,067	271,000	18,087,067	271,331	271,000	331	-	-
	UNI-President James Bond Fund	Available-for-sale financial assets	-	-	-	-	17,429,934	275,000	17,429,934	275,390	275,000	390	-	-
	Cathay Bond Fund	Available-for-sale financial assets	-	-	-	-	16,095,627	190,000	16,095,627	190,077	190,000	77	-	-
	NITC Taiwan Bond Fund	Available-for-sale financial assets	-	-	-	-	15,574,962	225,000	15,574,962	225,206	225,000	206	-	-
	IBT 1699 Bond Fund	Available-for-sale financial assets	-	-	-	-	13,383,130	170,000	13,383,130	170,333	170,000	333	-	-
	ING Taiwan Bond Fund	Available-for-sale financial assets	-	-	-	-	13,261,976	205,000	13,261,976	205,393	205,000	393	-	-
	IBT Ta-Chong Bond Fund	Available-for-sale financial assets	-	-	-	-	11,630,773	155,000	11,630,773	155,255	155,000	255	-	-
	Fuh-Hwa Bond Fund	Available-for-sale financial assets	-	-	-	-	12,601,685	172,000	12,601,685	172,353	172,000	353	-	-
	Mega Diamond Bond Fund	Available-for-sale financial assets	-	-	-	-	12,484,344	147,000	12,484,344	147,117	147,000	117	-	-
	Polaris De-Li Fund	Available-for-sale financial assets	-	-	-	-	10,041,683	154,000	10,041,683	154,298	154,000	298	-	-
	NITC Bond Fund	Available-for-sale financial assets	-	-	-	-	795,777	135,000	795,777	135,133	135,000	133	-	-

**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, 2008**

**(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 A subsidiary of TSMC	Purchases	\$ 1,176,728	28	30 days after month-end	Note 17	Note 17	\$ (107,015)	14	-
			Purchases	1,747,488	41	Net 30 days after invoice date and 45 days after month-end	Note 17	Note 17	(148,680)	20	-

## GLOBAL UNICHIP CORP. AND SUBSIDIARIES

## NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE

DECEMBER 31, 2008

(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, 2008			Net Income (Loss) of the Investee	Investment Income (Loss) (Note)	Note
				December 31, 2008	December 31, 2007	Shares	Percentage of Ownership (%)	Carrying Amount			
GUC	GUC-NA	U.S.A.	Products consulting service	US\$ 800 thousand	US\$ 100 thousand	800,000	100	\$ 34,019	\$ 2,774	\$ 2,774	Subsidiary (Note 1)
	GUC-Japan	Japan	Products consulting service	YEN 30,000 thousand	YEN 10,000 thousand	600	100	11,854	459	459	Subsidiary (Note 2)
	GUC-Europe	Netherlands	Products consulting service	EUR 50 thousand	-	-	100	2,563	254	254	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, 2008 and 2007  
(In Thousands of New Taiwan Dollars)**

For the year ended December 31, 2008

Company Name	Counter Party	Nature of Relationship (Note 1)	Intercompany Transactions			Percentage to Consolidated Total Gross Sales or Total Assets
			Financial Statement Account	Amount	Terms (Note 2)	
GUC	GUC-NA	1	Operating expenses	\$105,444	-	1
			Accrued expenses	11,074	-	-
	GUC-Japan	1	Operating expenses	28,480	-	-
			Accrued expenses	2,260	-	-
	GUC-Europe	1	Operating expenses	5,140	-	-
			Accrued expenses	937	-	-

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

Note 2: The 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, 2007

Company Name	Counter Party	Nature of Relationship (Note 1)	Intercompany Transactions			Percentage to Consolidated Total Gross Sales or Total Assets
			Financial Statement Account	Amount	Terms (Note 2)	
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 intercompany transactions, prices are determined in accordance with mutual agreements and no other similar transactions could be compared with.