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Independent Auditors' Report

Provided by: GENESYSLOGIC, INC.
Financial year: Yearly

Provided by: Genesyslogic, Inc.
Independent Auditors ' Report
2007, the fourth quarter

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Name of CPA office: KPMG Certified Public Accountants
Name of CPA(1): Chung-Cheng Chien
Name of CPA(2): Chung-Hwa Wei
Date of audit or review report: March 17, 2008

Independent Auditors ' Report

The Board of Directors
Genesys Logic, Inc.:

We have audited the accompanying non-consolidated balance sheets of Genesys Logic, Inc. as of December 31, 2007 and 2006, and the related non-consolidated statements of income, of changes in stockholders' equity and of cash flows for the years then ended. The compilation and preparation of these financial statements are the Company management's responsibility. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of certain long-term investments accounted for under the equity method. These long-term equity investments amounted to NT\$36,283 and NT\$69,286 thousand as of December 31, 2007 and 2006, respectively, and their related net investment income amounted to NT\$6,571 and NT\$5,646 thousand for the years then ended. These statements were audited by other auditors whose reports thereon have been furnished to us and our opinion expressed herein, insofar as it relates to the amounts included in the financial statements and the information disclosed in Note 11(2) relative to these long-term investments, is based solely on the reports of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the Republic of China. Those 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 the management, as well as evaluating the overall financial statement presentation. We believe that our audits and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based upon our audits and the report of other auditors, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Genesys Logic, Inc. as of December 31, 2007 and 2006, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the Republic of China.

KPMG Certified Public Accountants

Taipei, Taiwan (the Republic of China)
March 17, 2008


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Financial Statement ? Balance Sheet

Provided by: GENESYSLOGIC, INC.
 Financial year: Yearly
 Unit: NT\$ thousand

Accounting Title	2007/12/31		2006/12/31	
	Amount	%	Amount	%
Assets				
Current Assets				
Cash and cash equivalents	551,529.00	27.66	297,393.00	16.46
Financial assets measured at fair value through profit or loss - current	107,924.00	5.41	297,142.00	16.45
Notes receivable - net	663.00	0.03	0.00	0.00
Accounts receivable - net	222,439.00	11.15	266,122.00	14.73
Accounts receivable - related parties - net	9,636.00	0.48	0.00	0.00
Other financial assets - current	9,727.00	0.48	3,726.00	0.20
Inventories	184,844.00	9.27	138,563.00	7.67
Other current assets	48,720.00	2.44	62,455.00	3.45
Current assets	1,135,482.00	56.94	1,065,401.00	58.98
Funds and Investments				
Financial assets carried at cost - non current	77,206.00	3.87	12,500.00	0.69
Equity investments under equity method	101,941.00	5.11	69,286.00	3.83
Investments	101,941.00	5.11	69,286.00	3.83
Funds and long-term investments	179,147.00	8.98	81,786.00	4.52
Fixed Assets				
Cost				
Land	248,513.00	12.46	248,513.00	13.75
Buildings and structures	307,023.00	15.39	307,023.00	16.99
Computer and telecommunication equipment	57,086.00	2.86	52,149.00	2.88
Testing equipment	72,785.00	3.65	65,083.00	3.60
Office equipment	10,772.00	0.54	8,793.00	0.48
Fixed assets cost	696,179.00	34.91	681,561.00	37.73
Accumulated depreciation	-143,815.00	-7.21	-122,564.00	-6.78
Construction in process and prepayment for equipments	9,187.00	0.46	0.00	0.00
Fixed assets	561,551.00	28.16	558,997.00	30.95
Intangible Assets				

Intangible assets	1,630.00	0.08	934.00	0.05
OtherAssets				
Guarantee deposits paid	30,184.00	1.51	30,183.00	1.67
Deferred charges	40,101.00	2.01	28,330.00	1.56
Deferred income tax assets - non current	39,699.00	1.99	40,446.00	2.23
Other assets - other	6,070.00	0.30	0.00	0.00
Other assets	116,054.00	5.82	98,959.00	5.47
Assets	1,993,864.00	100.00	1,806,077.00	100.00
Liabilities and Stockholders' Equity				
Liabilities				
Current Liabilities				
Notes payable	96,430.00	4.83	51,683.00	2.86
Accounts payable	107,522.00	5.39	133,248.00	7.37
Accounts payable - related parties	88,742.00	4.45	53,627.00	2.96
Accrued expenses	88,536.00	4.44	67,887.00	3.75
Current liabilities	381,230.00	19.12	306,445.00	16.96
Long term Liabilities				
Reserves				
Other Liabilities				
Pension reserve / accrued pension liability	42,849.00	2.14	42,790.00	2.36
Other liabilities	42,849.00	2.14	42,790.00	2.36
Liabilities	424,079.00	21.26	349,235.00	19.33
Stockholders' Equity				
Capital				
Common stock	797,689.00	40.00	759,137.00	42.03
Advance receipts for common stock	0.00	0.00	9,545.00	0.52
Capital Surplus				
Capital surplus - additional paid-in capital	536,710.00	26.91	536,710.00	29.71
Capital surplus - treasury stock transactions	657.00	0.03	838.00	0.04
Capital surplus - employee stock option	51,992.00	2.60	32,925.00	1.82
Capital surplus	589,359.00	29.55	570,473.00	31.58
Retained Earnings				
Legal reserve	95,597.00	4.79	86,284.00	4.77
Special reserve	3,337.00	0.16	2,744.00	0.15
Unappropriated retained earnings	171,205.00	8.58	93,129.00	5.15
Retained earnings	270,139.00	13.54	182,157.00	10.08
Stockholders' Equity and Other adjustmen				
Cumulative translation adjustments	-2,810.00	-0.14	-3,336.00	-0.18
Equity adjustments	-2,810.00	-0.14	-3,336.00	-0.18
Treasury stock	-84,592.00	-4.24	-61,134.00	-3.38
Stockholders' equity	1,569,785.00	78.73	1,456,842.00	80.66

Number of treasury stock acquired by the company and subsidiaries (unit: share)	1,200,000.00	60.18	3,156,000.00	174.74
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Financial Statement ? Income Statement

Provided by: GENESYSLOGIC, INC.
 Financial year: Yearly
 Unit: NT\$ thousand

Accounting Title	2007/12/31		2006/12/31	
	Amount	%	Amount	%
Sales	1,796,768.00	97.49	1,453,423.00	97.28
Sales returns	1,167.00	0.06	9,806.00	0.65
Sales discounts and allowances	4,055.00	0.22	714.00	0.04
Sales	1,791,546.00	97.21	1,442,903.00	96.58
Service revenue	26,228.00	1.42	22,513.00	1.50
Other service revenue	0.00	0.00	197.00	0.01
Service revenue	26,228.00	1.42	22,710.00	1.52
Other operating revenue	25,173.00	1.36	28,376.00	1.89
Operating income	1,842,947.00	100.00	1,493,989.00	100.00
Cost of sales	1,196,031.00	64.89	972,878.00	65.11
Operating costs	1,196,031.00	64.89	972,878.00	65.11
Gross profit (loss) from operations	646,916.00	35.10	521,111.00	34.88
Selling expense	84,381.00	4.57	73,359.00	4.91
General and administrative expenses	81,398.00	4.41	78,818.00	5.27
Research and development expenses	305,758.00	16.59	278,229.00	18.62
Operating expenses	471,537.00	25.58	430,406.00	28.80
Operating income (loss)	175,379.00	9.51	90,705.00	6.07
Non-Operating Income				
Interest income	13,090.00	0.71	9,368.00	0.62
Revaluation gain on financial assets	9,560.00	0.51	21,750.00	1.45
Miscellaneous income	13,925.00	0.75	8,568.00	0.57
Non-operating revenues and gains	36,575.00	1.98	39,686.00	2.65
Non-Operating Expenses				
Losses from long-term equity investments under the equity method	16,182.00	0.87	5,646.00	0.37
Investment loss	16,182.00	0.87	5,646.00	0.37
Loss on inventory valuation and obsolescence	9,372.00	0.50	22,893.00	1.53
Impairment loss on assets	0.00	0.00	2,500.00	0.16
Miscellaneous disbursements	2,300.00	0.12	3,292.00	0.22
Non-operating expenses and losses	27,854.00	1.51	34,331.00	2.29

Income from continuing operations before income tax	184,100.00	9.98	96,060.00	6.42
Income tax expense (benefit)	12,895.00	0.69	3,392.00	0.22
Income from continuing operations	171,205.00	9.28	92,668.00	6.20
Cumulative effect of changes in accounting principle	0.00	0.00	461.00	0.03
Net income (loss)	171,205.00	9.28	93,129.00	6.23
Primary Earnings per Share				
Income (loss) from continuing operations	2.21	0.00	1.29	0.00
Cumulative effect of changes in accounting principle	0.00	0.00	0.01	0.00
Primary earnings per share	2.21	0.00	1.30	0.00
Diluted earnings per share				
Income (loss) from continuing operations	2.18	0.00	1.24	0.00
Cumulative effect of changes in accounting principle	0.00	0.00	0.01	0.00
Diluted earnings per share	2.18	0.00	1.25	0.00



Statements of Cash Flows

Provided by: GENESYSLOGIC, INC.
 Financial year: Yearly
 Unit : NT\$ thousand

		Statements of Cash Flows	
		2007	2006
Genesyslogic, Inc.			
Years ended December 31, 2007 and 2006 (Expressed in thousands of New Taiwan dollars)			

Cash flows from operating activities:			
Net income		\$ 171,205	93,129
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and Amortization		43,574	47,298
Gain on valuation of financial asset	(9,560)	(21,750)	
Equity in loss of affiliates, net	16,182	5,646	
Allowance for doubtful accounts and inventory	9,017	23,180	
Loss on fair Value of Financial assets devaluation	-	2,500	
Deferred income tax expense	2,772	7,413	
Net decrease(increase) of Financial assets held for trading	198,778	(204,841)	
Decrease (increase) in notes and accounts receivable (including related parties)		33,739	(22,847)
(Increase) in inventories	(55,653)	(18,721)	
(Increase) in other current assets	(361)	(7,568)	
Increase (decrease) in notes and accounts payable (including related parties)		54,136	(10,517)
Increase (decrease) in accrued expenses and other current liabilities		20,649	(394)
Increase (decrease) in pension liabilities	59	(296)	
Others		(1,626)	(106)
Cash provided by (used in) operating activities	482,911	(107,874)	
Cash flows from investing activities:			
Increase in long-term investments at equity	(71,564)	(26,160)	
Capital reduction of the Company received by its subsidiaries	26,648	-	
Additions to property, plant and equipment		(24,884)	(19,326)
Sale of long-term investments	10,500	-	
Financial asset at cost-noncurrent	(77,206)	-	
Increase in deferred expenses	(33,981)	(4,661)	
Others	500	1,506	
Cash provided by investing activities	(169,987)	(48,641)	
Cash flows from financing activities :			
Treasury stock transferred	60,954	38,916	
Employee stock option transferred to common stock		15,391	34,276
(Increase) in treasury stock	(84,592)	-	
Directors' remuneration, employees' bonuses and cash dividends paid		(50,541)	(40,376)
Cash provided by (used in) financing activities	(58,788)	32,816	
Net increase (decrease) in cash		254,136	(123,699)
Cash at beginning of year	297,393	421,092	
Cash at end of year	\$ 551,529	297,393	
Supplemental disclosures of cash flow information:			
Income taxes	\$ 2,014	4,741	
Supplemental disclosures of noncash investing activities:			
Financial assets under the cost method - noncurrent classified to long-term investments at equity	\$ 12,500	-	