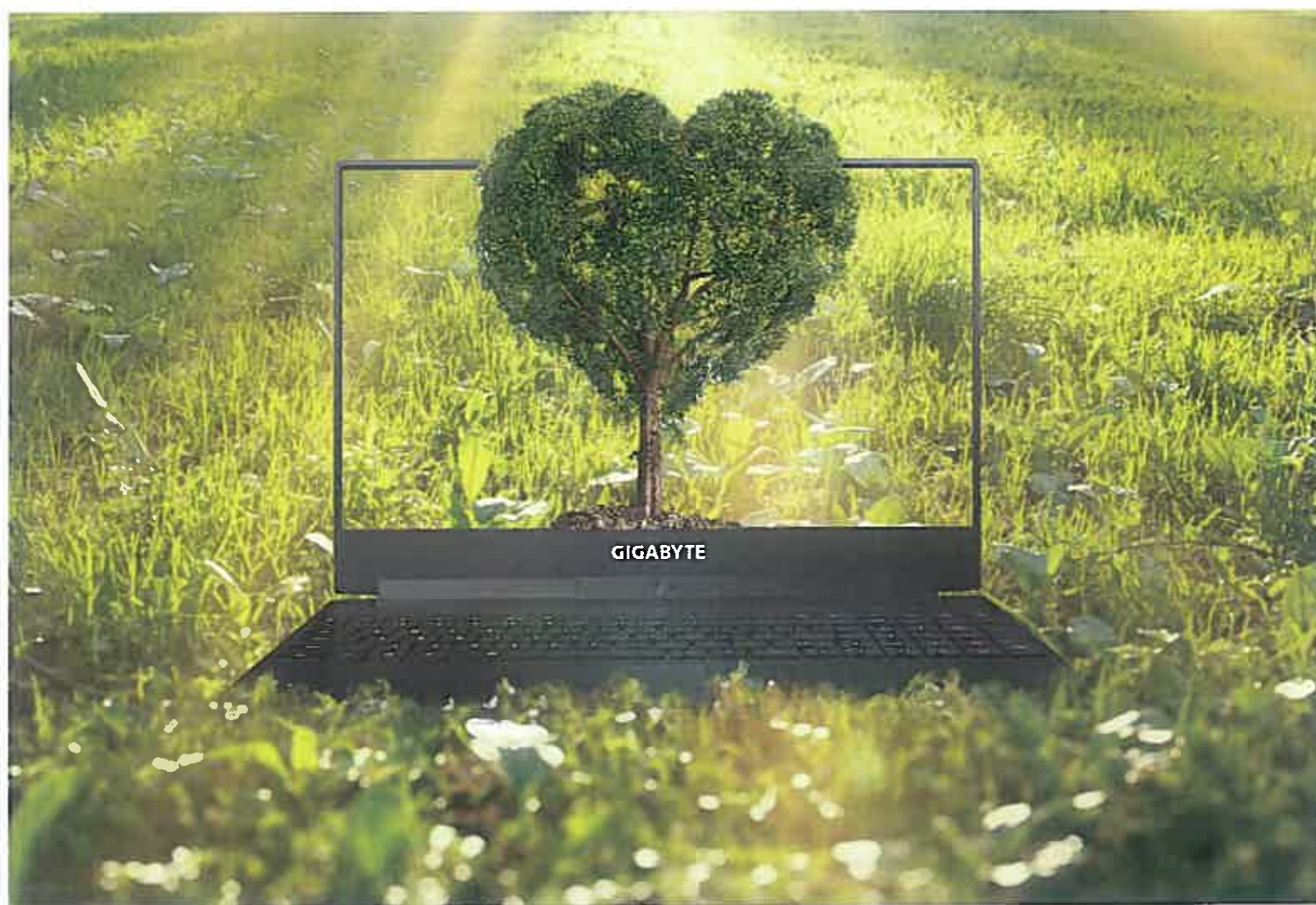


GIGABYTE™

GIGA-BYTE TECHNOLOGY CO., LTD. ANNUAL REPORT, 2016



Motherboard



Graphics Card



Peripherals



Notebook



Tablet



Desktop PC



PC Components



Server / Storage

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One. Report to Shareholders

Dear Shareholders:

Global economic performance was less than desirable in 2016, as witnessed by a growth rate lower than that of the previous year. Despite a sign of recovery in Q2, the EU referendum and Brexit in June took the global economy back to obscurity. In addition, the Indian banknote demonetization, political unrest in Latin America, and China's low economic development have all affected our regional sales. Overall, the sales performance in these regions declined year over year, thus limiting the 2016 sales growth to a very small scale. As a result, revenues increased by only 2.99% and profit after tax by 18.77% YoY.

The 2016 operating outcomes and the summary of 2017 business plan are described as follows:

I. 2016 Business Highlights

(1) Financial and operating highlights

Unit: NT\$100 million

Item	2016	2015	Difference	Percentage of Difference (%)
Operating income	523.47	508.29	+15.18	+2.99 %
Gross profit	90.70	87.61	+3.09	+3.53 %
Net profit after tax	22.84	19.23	+3.61	+18.77 %

Item		2016	2015
Financial structure (%)	Debt to total assets (%)	36.59	32.15
	Long-term capital to property & equipment (%)	599.60	574.06
Solvency (%)	Current ratio (%)	244.69	274.81
	Quick ratio (%)	167.91	176.00
Profitability (%)	Return on assets (%)	6.84	5.74
	Return on equity (%)	10.11	8.51
	Profit margin (%)	4.38	3.78
	Basic EPS (NT\$)	3.64	3.05

(2) New RD/technology innovation outcomes

1. World's top motherboards

In 2016, we launched the brand new professional X99 and Z170 platforms for the Ultra Gaming series to provide gamers with the most realistic experience virtual reality (VR) and 4K display with more innovative designs. Both platforms also perfectly support Intel's first deca-core (10-core) CPU for gamers to build the ultimate high-performance gaming platforms.

2. Market-leading graphics cards

Inheriting the DNA of Gigabyte's XTREME GAMING series, we launched the GeForce® GTX 1080 XTREME GAMING WATERFORCE WB open water-cooling graphics card with the next-generation Pascal featuring extremely powerful performance along with Gigabyte's brand-new unitary "water block, WB". Apart from offering the highest cooling efficiency, it brings gamers a gaming experience combining ultimate comfort and extreme performance. Equipped with the carefully selected GPUs for XTREME GAMING, the graphics card provides optimal energy efficiency rate (EER) and the lowest power consumption for gamers to enjoy a smooth extreme gaming experience. The exclusive Xtreme VR Link function tailored for VR application facilitate gamers connect VR devices with the two additional native HDMI ports on the card while connecting monitors over the original HDMI ports for gamers to freely enjoy a smooth gaming experience.

3. Innovation-leading servers

In 2016, we also developed innovation-leading cloud servers and launched OpenRack total solutions ahead of competitors. The high-efficiency and low-cost thermal solution offers waste heat recovery to significantly enhance the cooling performance of open racks for maximum stability and maximum system computing performance at the least power consumption. It is also equipped with the rack management system corresponding to the big data datacenter solution to lead the future datacenter revolution.

As a manufacturer dedicated to continual innovation of general-purpose computing on graphics processing units (GPGPUs), Gigabyte integrates the most advanced GPUs in the market and successfully applies them to big data transfer and image data streaming solutions. In addition, Gigabyte develops new application platforms through close cooperation with Intel and introduces hardware solutions corresponding to artificial intelligence (AI) and deep learning to build high-performance GPGPU servers that support up to eight GPU cards with the highest density design for collaborating computing, so as to bring new possibilities to high-performance computing (HPC).

To pursue power management capacity with the highest performance and highest computing density integrating execution performance, energy conservation, and carbon reduction, Gigabyte co-developed with 3M the latest thermal solution for the highest-end servers using 3M's Novec™ engineered fluids and provides custom

application services to render more flexible options with perfect support for customer application platforms.

4. Gaming laptops with unrivalled performance

New gaming laptops equipped with the latest NVIDIA® GeForce® GTX 10 GPU include two main series: advanced gaming and ultrathin gaming series. Both series are equipped with the new-generation Pascal™ to significantly enhance display performance. Along with the 6th generation Intel® Core™ i7 quad-core CPU, each model supports VR games with ease for gamers to enjoy a smooth gaming experience at 4K resolution. The advanced gaming laptops P55 and P57 are equipped with NVIDIA® GeForce® GTX GPUs in a unique design inspired by streamlined appearance of super sports cars, and with dual hard drive storage using M.2 PCIe SSDs for speed storage in override and the next-generation DDR4 memory module. Other features include ghosting backlit keyboard supporting 30-key rollover. In addition, the P57 is equipped with a swappable bay for ODD/extendable storage slot to fulfill the need for large storage and extreme speed at the same time. The model has been the first choice of gaming laptop of gamers since launch.

5. Mini PC system champion—Brix™

With performance comparable to traditional desktops, the brand-new BRIX™ Gaming UHD mini PC system is equipped with the powerful Intel® CPU, NVIDIA GeForce GTX950 GPU, two M.2 (2280) SSD slots, and two 2.5” HDD slots to fulfill home PC, business PC, and education PC needs at the same time. The new-generation BRIX™ is equipped with the 7th generation Intel® CPUs with a new microarchitecture featuring higher power efficiency which achieves dynamic control of GPU performance and power management with the Turbo Boost 2.0 technology for greater performance or energy saving effect, so as to demonstrate extraordinary user experience.

6. Award-winning gaming peripherals

In the gaming peripheral range, Gigabyte launched the XK700 keyboard equipped with the Superior CHERRY MX mechanical key-switch to provide quiet and smooth tactile feel and support full-range NKPO for gamers to ensure commands are accurately executed in intense operations.

The XH300 gaming headset, bringing live stereo sound effects, has a lightweight ergonomic design for comfortable wearing for long-period use. The XC700W full-tower case has a spacious interior space and excellent cooling performance to provide DIY gamers with perfect platform-building flexibility for whatever CPU coolers or liquid cooling systems. To build an ultimate gaming environment for gamers, Gigabyte launched the first Xtreme Gaming chair featuring a high racing seatback with a large reclining angle and multiple adjustments for ergonomics to provide full cervical and lumber support for gamers to challenge their extreme.

II. Summary of 2017 Business Plan

(1) Market

The gaming market boom in recent years has raised ongoing demand for high-performance gaming products. We have thus invested more resources in this domain and marketed the premium gaming product brand AORUS. By combining the essential gaming elements, we build exclusive epic-grade gaming products for professional gamers and lead the market trend of the premium gaming products. Meanwhile, we will spare no effort to develop Gigabyte products featuring high performance, high quality, and ultra-durability to fulfill the demand for high quality and high performance of comprehensive users. With the support of the AORUS brand, we aim to become a potent gaming computer brand and a leading computer brand.

(2) Product

At Gigabyte, premium quality, innovation, and R&D are the unchanged policy, and most products have been recognized by a number of international awards. Apart from insisting on premium quality, ultra-durability, and high performance, by following high-standard intelligent energy saving and electronic safety specifications, we start product design with and energy-saving design right at the beginning to provide customers with the best green products. When launching new products, we coordinate with safety protection, intelligent energy-saving service, and carbon footprint disclosure to fulfil the needs of different users across the world. We will uphold brand integrity and product performance and value to create space for making more profit.

(3) Marketing

With innovative and differentiated marketing and by teaming up with world-leading suppliers (e.g. Intel, AMD, NVIDIA, etc.) and launching horizontal alliance with strong brands (e.g. software developers), we will practice cross marketing to increase brand exposure and enhance brand awareness.

(4) Channel deployment

We will strengthen cooperation with distributors and implement adaptive marketing strategies. We will also progressively integrate virtual and physical channels to strengthen on-the-spot marketing and provide appropriate services and support to improve brand and sales strength.

(5) Manufacture

In view of the annually rising wage and the unfriendly taxation environment in China, we will focus on developing process automation and optimal distribution of self-production.

(6) Service

In the new information age, omni-channel service featuring online to offline (O2O) services will be more effective to interact with customers, establish long-lasting customer relationship, and thereby raise customer satisfaction and spread the committed value more quickly.

III. Influence of the external competition environment, legal environment, and macroeconomic environment on future corporate development strategy

1. Factors favoring business operations and development

Looking to 2017, it is expected that slow economic development and low interest rates will end across the world, and a moderate recovery will emerge. According to the IMF's World Economic Outlook for 2017, global economic growth will be 3.4%, up 10% from last year, and the global economy will be moderate and expand. In addition, the other two factors favoring business growth include: (a) A stable oil price after the oil cut agreement between OPEC and Russia; and (b) corrections and recoveries of commodity prices as a result of the increasing commodity demand for new infrastructure projects in the USA and the reformation and stable growth of commodity supply in China. The recovery of these major markets will benefit Gigabyte's sales achievements.

2. Unfavorable conditions

- (1) Drastic exchange rate volatility: A drastic and unpredictable change was seen in the exchange rate between New Taiwan Dollar and US Dollar in early 2017 due to the uncertainty of the Trump administration. The high rise of New Taiwan Dollar is unfavorable to export-oriented companies.
- (2) The rise of protectionism in the USA will be unfavorable to export-oriented Gigabyte.
- (3) Water and power shortages in Taiwan are unfavorable to production and business operations.
- (4) Policy changes, such as the new foreign worker policy, one fixed day off and one flexible rest day policy, and so on, will increase operating cost for the inflexibility of policies.

3. Future development strategy

(1) Branding "AORUS" into a world-leading gaming brand

As an independent motherboard developer, manufacturer, and supplier distributing Gigabyte branded products for three decades or so, we have a well-organized R&D team, well-established independent manufacturing capacity, and well-developed global marketing network. In view of the rise of the gaming industry and for the effective integration and utilization of corporate resources, we began integrating premium gaming motherboards, gaming graphics cards, and gaming PCs and laptops and distributing them under the brand of "AORUS" at the end of 2016. In addition to high performance and ultra-durability, we have inoculated essential gaming elements in these epic-grade gaming products tailored for professional gamers to become the invincible "AORUS".

(2) Continuous investments in the R&D and innovation of ICT products

At a press conference, the Industrial Economics & Knowledge Center (IEK) of the Industrial Technology Research Institute (ITRI) announced that the ICT industry will extend from the IoT to AI. According to the IEK, the acceleration of IA industry development in 2017 has driven the re-organization of industry chains such as image

recognition and machine vision, and the reformation of solutions and application services, such as deep learning algorithm required by all kinds of applications, processors fit for neural computing, and the fusion of sensors and machine vision. It is expected that AI terminal products will began to thrive this year.

While the progress of the ICT industry never stops, and R&D and innovation are the only keys to success, Gigabyte has formed a well-organized ICT R&D team and invests every year plentiful resources and labor in the innovation and development of ICT products. For AI and the IoT, we have already developed multipurpose commercial and industrial servers that combine wireless communication and commercial robots to provide facial recognition, human-machine interaction, and multilingual translation functions. With such, we aim to start a new trend for AI solutions.

In the future, we will uphold the “Upgrade Your Life” brand spirit, we will continue to develop industry-ahead core technologies and launch comprehensive innovation-leading products to create profit for the Company, share with shareholders, benefit humankind, and contribute to society.

Wish You Health and Happiness.

Dandy Yeh
Chairman

Chairman: Pei-Cheng Yeh

CEO: Ming-Hsiung Liu

CFO: Chun-Ying Chen

Two. The Company

I. Date established: April 30, 1986

II. Company History

March 1986	Gigabyte Industrial Co., Ltd. established with NT\$700,000 in paid-in capital. Commenced manufacturing and sale of motherboards.
September 1986	Capital increased to NT\$5 million; relocated to Xinyi Road in Taipei.
August 1987	R&D and international sales departments established for proper control of product R&D and expansion of global marketing network. Relocated to Ren-ai Rd. Sec. 4.
November 1987	Successfully developed the new 2MB EMS card product. Focus now on the development of high value-added products.
March 1989	Successfully developed the new 8MB EMS card product. In-house R&D capability recognized by the market.
May 1989	Entered into agreement with AMI, a US company, on the 386 BIOS. The improvement to hardware and software integration helped increase future market share.
June 1989	Company name changed to "Gigabyte Corporation".
September 1989	Purchased and relocated to new plant site at 4F No. 3 4F Alley 6, Lane 45, Baoxing Rd., Xindian City.
March 1992	Purchased additional workshop space on 4F and 5F of No. 9, Alley 6, Lane 45, Baoxing Rd., Xindian City, to accommodate new production capacity.
July 1993	Joint venture with Intel for the development of Pentium motherboards. R&D capacity recognized by the industry again.
March 1994	Signed agreement with Award Software Inc., a US company, for the right to use its BIOS.
October 1994	Our Pentium motherboard was recommended by PC Magazine in the US as the Editor's Choice. This represented recognition by the international media on the reliability of our product.
March 1996	Passed ISO-9002 quality system certification by RWTUV of Germany.
July 1996	Public offering of company stock approved.
December 1996	Xindian plant relocated to Pingzhen City in Taoyuan County and commenced operations. The new site has 9,585m ² of floor space and the latest automated production equipment.
November 1997	Presented with the "6th Fine Product of Taiwan Award" by CETRA.
August 1998	Approval granted for investing in a new plant in China by the Board of Investment of Ministry of Economic Affairs.
September 1998	Successfully listed on the TSE at NT\$172.5 per share.
November 1998	Presented with the "Fine Product of Taiwan Award" for a second time. This was the first time that the award had ever been presented a second time to the same company for the same product.
November 1998	Dongguan Gigabyte Electronics Co., Ltd. established for the manufacturing of computer/IT products and parts.

January 1999	Revolutionized the motherboard industry with the launch of patented Dual BIOS technology.
June 1999	Ranked 41 by the US <i>Business Week</i> magazine among the world's top 100 IT companies.
September 1999	GA-BX2000 and GA-660 ranked No. 1 by the PC Magazine in the Netherlands.
April 2000	New corporate headquarters at No. 6 Baoqiang Rd. in Xindian completed and put into service.
June 2000	Retained earnings were capitalized increasing paid-in capital to \$3,281,352,600.
July 2000	GDRs (30,000,000 shares of common stock) issued for cash capital increase. The GDRs were offered to the public in Luxemburg on July 17 and paid-in capital subsequently increased to \$3,581,352,600.
September 2000	Pingzheng 2nd Plant and Nanping Plant completed.
October 2000	Gigabyte formed a strategic alliance with Conventive Advance, a Linux vendor, and jointly announced the "Appliance Server" and "IU Rackmount Server" for the Linux platform. The two new products were designed to provide small and medium enterprise users as well as general users with powerful and highly efficient total network solutions.
March 2001	Successfully issued US\$115 million in ECB.
March 2001	Gigabyte Ningbo Co., Ltd. established for the manufacturing of computer and IT products.
June 2001	Presented with the "1st Outstanding Promotion of Fine Taiwan Product Award".
June 2001	Gigabyte Maintenance Ningbo Ltd. established for the maintenance of computer and IT products.
June 2001	Gigabyte International Trading Ningbo Co., Ltd. established for the importing and exporting of computer/IT products and parts.
September 2001	Won the Gold Mind Award at the "2001 National Inventions Exhibition".
September 2001	Gigabyte and the Legend Group of China set up a joint venture in Hong Kong to engage in Contract Electronics Manufacturing (CEM). This expanded our production capacity, reduced production costs and increased competitiveness.
January 2002	Gigabyte became the only motherboard maker in Taiwan to receive the "Fine Product of Award" for five consecutive years.
March 2002	GDRs converted by bearers into 291,886 common shares, increasing paid-in capital to NT\$4,594,133,440.
May 2002	Presented with the "National Product Image Award".
May 2002	Held new product conference for the announcement of P4, Maya display card, ZYGMA and IA products.
June 2002	Presented with a number of product awards from online media in New Zealand, Hungary, Russia, the U.S., Denmark, Singapore, the U.K., Germany and France.
January 2003	Wireless communications R&D team formed at Tainan Science-based Industrial Park.
March 2003	Established Russia Office in Moscow.
June 2003	Hosted joint conference announcing all of the products for 2003 from three business units.

June 2003	Set up Ningbo Zhongjia Technology & Trading Co., Ltd. to handle all sales in China.
October 2003	Ningbo plant completed and commissioned. The plant is used for motherboard manufacturing as well as IA and system assembly.
December 2003	Gigabyte voted the champion of the "Superior Products of the Year" for three consecutive years.
May 2004	Hosted product conference for the G-MAX series of new products that "Transcend the Limit".
May 2004	Gigabyte Communications Inc. established for R&D and sales of communications products.
July 2004	G-MAX NB-1401 won the "National Image Product Gold Award", the top industry award.
October 2004	Gigabyte was once again recognized by the industry at the 15th "National Quality Awards".
December 2004	Gigabyte award ceremony at the National Quality Awards.
January 2005	Gigabyte became the only company to achieve 100% win rate at the Taiwan Excellence Awards for 8 consecutive years.
March 2005	Launched the AirCruiser G Desktop Router, the world's first 54 Mbps PCI wireless router.
March 2005	Presented the first Gigabyte-designed streamlined cell phone at CeBIT 2005.
June 2005	Notebook computer and expandable wireless base station presented with the "13th National Product Image Award", making this the 4th consecutive year that Gigabyte has won this award.
December 2005	Gigabyte releases the Windows Mobile 5.0 PDA, the first to feature TV service.
December 2005	Launched the Gigabyte g-Cam, the first mobile phone with 7-Megapixel camera.
December 2005	First company to pass IECQ QC 080000 certification.
January 2006	Gigabyte, the leader in digital home motherboards, released the first motherboard in the world designed for Intel Viiv technology.
March 2006	Gigabyte's full product line-up attracted much attention at CeBIT 2006 in Hannover. For its 20th anniversary, the Company has successfully diversified into a variety of different fields.
March 2006	Gigabyte Communications partnered with Synergy Technology (Asia) to launch the g-Smart PDA running Windows Mobile 5.0 with TV support as well as the g-Cam, the first mobile phone with a 5-Megapixel CCD camera.
April 2006	New dual-core series of notebook products launched at Gigabyte product conference.
June 2006	The W251U notebook named Best Choice of Computex with its creative, user-friendly, slim and stylish design.
August 2006	Gigabyte presented with the 14th Gold Award Products of Taiwan special award for "Distinguished Performance Manufacturer --- with more than 100 Awards on Outstanding Products over the years". Five products also won the Silver Award, an unprecedented feat.
August 2006	Named "Outstanding Brand of Taiwan" by the Ministry of Economic Affairs for 2 consecutive years.
October 2006	Gigabyte won the National Design Award- Product Design Gold Award with its G-Pad, a cooling device for notebook PCs.

October 2006	Gigabyte won the Good Design Award in Japan with its g-Smart i and W251U.
November 2006	Successfully issued US\$100 million in ECB for a second time.
December 2006	Gigabyte Education Foundation held the 5th G-DESIGN Contest. The contest was officially renamed as the G-DESIGN Wild Thoughts Contests starting this year.
December 2006	Gigabyte United Inc. established. The new subsidiary takes over the existing Gigabyte branded channel desktop PC motherboard and display card business.
May 2007	Gigabyte's GV-NX76T256-RH graphics card won Best Choice at COMPUTEX Taipei 2007
June 2007	Gigabyte achieved a 100% win rate for 10 consecutive years at the 15th Taiwan Excellence Awards
July 2007	GIGABYTE named a Taiwan TOP 20 Global Brand for the 4th consecutive year
July 2007	GIGABYTE GSmart t600 PDA Phone won the Taiwan Excellence Gold Award
December 2007	GIGABYTE G-Pad, Roll Pad won the iF Product Design Award 2008.
April 2008	Gigabyte wins the 16th Taiwan Excellence Award for the 11th consecutive year.
May 2008	The Multi-Media IP-TV Box Glee Cube won the grand award in "Taiwan Golden Award 2008". Both the notebook cooler pad "Roll Pad" and smart phone "GSmart MS820" also won the "2008 Taiwan Excellence Award Silver Medal".
August 2008	Board Meeting approved the merger of "Gigabyte" motherboard and graphic card subsidiary "Gigabyte United Inc." effective from October 1.
October 2008	GA-EP45-UD 3P series P45 motherboard with "Ultra Durable 3" technology released.
November 2008	Strategic alliance of Gigabyte, Intel and Chunghwa Telecom launches the first MID (Mobile Internet Device) ---GIGABYTE M528.
April 2009	Gigabyte launched the Booktop M1022M, an innovative multi-purpose portable notebook that can be transformed into PC by using a plug and play dock.
April 2009	Gigabyte Intel X58 series motherboard authorized by n-Vidia to use SLI technology for increased graphical performance.
June 2009	Gigabyte ranked 19th in the "2009 Taiwan Info Tech 100" for its innovative value.
October 2009	Gigabyte's Booktop M1022 awarded the "2009 Golden Pin Design Award", making it the only laptop winner.
November 2009	Gigabyte is the first in the industry to roll out a USB 3.0 SATA 6 Gbps solution based on AMD platform.
December 2009	At 18th "Taiwan Excellence Award", Gigabyte achieved a 100% win rate for 12th consecutive years.
January 2010	Gigabyte's USB motherboard is the first to receive the USB-IF certification.
February 2010	Gigabyte rolls out its first P55 chipset UD7 mother board.
March 2010	Gigabyte rolls out the industry's lightest laptop and a Netbook powered by Intel's latest Pine Trail-M platform.

April 2010	Gigabyte is the first in the industry to roll out a mother board that possesses iPad USB power supply functionality.
July 2010	Gigabyte is the first in the industry to roll out a Mini-ITX motherboard featuring USB 3.0.
September 2010	Gigabyte ranked 17th in a survey of international Taiwanese brands value.
December 2010	At the 19th “Taiwan Excellence Award”, Gigabyte achieved a 100% win rate for the 13th consecutive year.
January 2011	Gigabyte rolls out new generation of motherboards that support Intel Core Duo (Sandy Bridge) processors.
February 2011	Gigabyte announced a new G1-Killer gaming motherboard, providing gamers superior graphics, superior audio, superior speed, and superior durability for ultimate performance.
March 2011	Gigabyte X58A-OC motherboard is the world’s first motherboard designed specifically for overclocking. Gigabyte K8100 gaming keyboard won the Red Dot design award in Germany.
April 2011	Gigabyte GA-X58A-UD9 won the “19th Taiwan Excellence Awards Silver Medal”.
May 2011	Gigabyte G1 Assassin won the "Innovation and Design Award" at the 2012 Taipei International Computer Show.
July 2011	GIGABYTE named one of the 100 major brands in Taiwan.
November 2011	Gigabyte Education Foundation recognized for service to social education by the Ministry of Education.
January 2012	At the 20th “Taiwan Excellence Award”, Gigabyte achieved a 100% win rate for the 14th consecutive year.
February 2012	GIGABYTE passed AEO certification.
October 2012	In the Survey on Taiwan’s International Brands (2012), conducted by Interbrand, managed by the Taiwan External Trade Development Council, and sponsored by the Ministry of Economic Affairs, Gigabyte proved its solid brand prestige, ranking 22nd among Taiwan’s international brands.
November 2012	Gigabyte participated in the Best Business Paradigm Award sponsored by the Taoyuan County Government and received “Sensible Workplace – Best Business Paradigm Award.”
December 2012	At the 21th “Taiwan Excellence Award”, Gigabyte achieved a 100% win rate for the 15th consecutive year.
December 2012	The Company was awarded the Corporate Sustainability Award of Industry Elite Award in the information products and services category by the Industrial Development Bureau, MOEA.
April 2013	Gigabyte’s Aivia Neon won Germany’s 2013 Red Dot Product Design Award.
April 2013	Gigabyte’s P2542G gaming notebook and GTX 680 performance display card won the Silver Medal at the 21st Taiwan Excellence Awards.
June 2013	Gigabyte won the Innovation Design Award at Computex 2013.
December 2013	At the 22nd “Taiwan Excellence Award”, Gigabyte achieved a 100% win rate for the 16th consecutive year.
December 2013	The Company received the “2013 Carbon Reduction Mark Superior Award” from the Environmental Protection Administration, Executive Yuan

April 2014	Gigabyte's BRIX super-micro PC system won the Silver Medal at the 22nd Taiwan Excellence Awards.
August 2014	Gigabyte won the New Star Award in the large-scale enterprise category in the 2014 <i>CommonWealth Magazine</i> "Corporate Citizenship Awards".
October 2014	Gigabyte won the Taoyuan County Government "8th Taoyuan Excellent Enterprise Award" and "2014 Excellent Employer Award".
November 2014	Gigabyte won the "Taiwan CSR Report Awards - Bronze Medal, Large Enterprises, Electronics Industry II" and "TCSA Climate Leadership Award".
December 2014	The "AORUS X3 Plus" 13" e-sports notebook and "GA-Z97X-Gaming G1 Multimedia Motherboard" were recognized at the 23rd Taiwan Excellence Awards.
March 2014	"AORUS Thunder K7 and M7" received the 2015 Red Dot Design Award in Germany
May 2015	Top 30 th enterprise and top 7 th enterprise in technology and traditional industries according to the CSR Survey by <i>Global View Magazine</i> .
June 2015	Excellence in the private sector category of the National Environmental Education Awards.
June 2015	"AORUS X5" won the COMPUTEX BC Award and D&I Award
December 2015	Perfect Score! 100% winning rate at the "Taiwan Excellence Awards".
January 2016	"AORUS X5 15-inch Gaming Laptop" and "AORUS X7 D.T. 17-inch Gaming Laptop" won the CES Innovation Award.
May 2016	Ranked Taiwan's top 40 th enterprise and top 16 th enterprise in the electronics industry in the CSR Survey by <i>Global View Magazine</i> .
December 2016	The AERO 14 and AROUS X7 DT gaming notebooks won the 25th Taiwan Excellence Awards. Total strike, perfect performance!
May 2017	The BRIX VR won the 2017 COMPUTEX d&i Award.
May 2017	Ranked Taiwan's top 40 th enterprise in the Model Enterprise in the electronics industry according to the CSR Survey by <i>Global View Magazine</i> .

(2) Major functional departments:

Office of the President	Coordinate the operation and management of the Company, map out and implement the objectives for corporate development and business plans.
Auditing Office	Investigate and evaluate the viability, reasonability and effectiveness of the Company control systems.
Group Resource Management Center	Responsible for the resource integration and the management of GIGABYTE brand, human resources and overseas subsidiaries.
Operations Management Center	Coordinate the functions of finance, accounting, share registration, budgeting, general affairs, legal affairs and the maintenance of computer system, software and hardware.
Manufacturing BU	Responsible for the production and manufacturing of computer mainboards, display cards and Internet products, and the assembly of PC systems.
Motherboard BU	Responsible for design and R&D and sales of motherboard.
Network & Comm. BU	BU Responsible for design and R&D and sales of Network and Communication products and ODM products.
Gaming Product BU	Responsible for design, R&D and marketing of multimedia and display card products.
Mobility Product BU	Responsible for design and R&D of notebook products.
Customer Service Center	Responsible for after-sales support and service of all products.
Best Yield BU	Responsible for overseas after-sales support and service for all products.

II. Profiles of directors, supervisors, the president, vice president, managers, heads of departments and branches
(I) Profiles of directors and supervisors (1)

April 16, 2017

Title (Note 1)	Nationality/ Register raikou	Name	Gender	Elected date (Note 2)	Term	Initial date of office	Shareholdings at the time of elected office		Current shareholdings		Shareholdings by spouse and underage children		Shareholdings under the title of a third party		Education and experience	Other positions in the Company or in other companies	Spouse or relative at the 2 nd level under the Civil Law who is also an executive, director, or supervisor of the Company		Relations hip
							Quantity	Proportion	Quantity	Proportion	Quantity	Proportion	Quantity	Proportion			Title	Name	
Chairman	Republic of China	Yeh, Pei-Chen	Male	June 17, 2015	3 years	April 30, 1986	28,531,237	4.54%	28,471,237	4.52%	5,821,063	0.92%	-	-	College graduate; Ming Hsin Engineering College Engineer at ITRI	President of Gigabyte Chairman of Chi-Ga Investment Chairman of Giga-Byte Communications INC. Director of G-Style Director of Gigatrend Technology Co., Ltd. Director of Giga-Trend International Management Group Ltd. Giga-Trend International Chairman of Investment Group Ltd. Chairman of PG Union Director of Walsin Technology Corporation Chairman of GIGAZONE	-	-	-
Vice chairman	Republic of China	Ming Wei Investment Co., Ltd. Representative: Lin, Ming-Hsiung	Male	June 17, 2015	3 years	April 12, 2006	14,062,200	2.24%	14,062,200	2.23%	4,592,370	0.73%	-	-	EMBA, College graduate; National Cheng Chi University Engineer at G-color Enterprise CO., Ltd	Executive VP at Gigabyte Director of Chi-Ga Investment Director of Giga-Byte Communications INC. Director of G-Style Chairman of Gigatrend Technology Co., Ltd. Chairman of Giga-Trend International Management Group Ltd. Director of Info-Tek Corp. Info-Tek Corporation Director of Giga-Trend International Investment Group Ltd. Director of Hui Yang Venture Capital Co., Ltd. Supervisor of GIGAZONE Director of JM Material Technology, Inc. Supervisor of Senyun Precise Optical Co., Ltd Chairman of Green Share Co., Ltd. Director Representative of QSan Technology, Inc. Director Representative of Yuncheng Ltd.	-	-	-

Title (Note 1)	Nationality/Registered jurisdiction	Name	Gender	Elected date (Note 2)	Tenure	Initial date of office	Shareholdings at the time of elected office		Current shareholdings		Representative Current shareholdings		Shareholdings by spouse and underage children		Shareholdings under the title of a third party		Education and experience	Other positions in the Company or in other companies	Spouse or relative at the 2 nd level under the Civil Law who is also an executive, director, or supervisor of the Company	
							Quantity	Proportion	Quantity	Proportion	Quantity	Proportion	Quantity	Proportion	Quantity	Proportion			Quantity	Proportion	Title	Name	Relationship
Director	Republic of China	Shi Jia Investment Co., Ltd. Representative: Ma, Meng-Ming	Male	June 17, 2015	3 years	April 12, 2006	3,959,725	0.63%	3,959,725	0.63%	23,620,024	3.75%	470,914	0.07%	-	-	University graduate; Electronic & Computer Engineering, National Taiwan University of Technology Engineer at Acer Systems	Gigabyte Executive VP Director of Chi-Ga Investment Director of Giga-Byte Communications INC. Chairman of G-Style Director of Gigatrend Technology Co., Ltd. Director of Giga-Trend International Investment Group Ltd. Director of GIGAZONE	-	-
Director	Republic of China	Yuei-yei Kai Fa Investment Limited. Representative: Tseng, Chun-Ming	Male	June 17, 2015	3 years	June 16, 2009	2,192,200	0.35%	2,192,200	0.35%	4,385,647	0.70%	288,846	0.05%	-	-	College graduate; Ming Hsin Engineering College General Manager at Upjohn	Gigabyte Executive VP Director of Giga-Byte Communications INC. Chairman, Intelligence Precision Co., Ltd.	-	-
Director	Republic of China	Shi Da Investment Limited. Representative: Ko, Tsung-Yuan	Male	June 17, 2015	3 years	June 18, 2012	17,289,000	2.75%	11,375,000	1.81%	-	-	184,197	0.03%	-	-	Master of Engineering Management, Tsinghua University	President of Alhatron technology CO.,LTD Supervisor of Chun electronics co., LTD.	-	-
Independent Director	Republic of China	Yang, Cheng-Li	Male	June 17, 2015	3 years	June 17, 2015	-	-	-	-	-	-	0	-	-	-	MBA Tulane University, USA. EMBA, National Chengchi University	Chairman of King Core Electronics Inc.	-	-
Independent Director	Republic of China	Chan, Ye-Hung	Male	June 17, 2015	3 years	June 17, 2015	-	-	-	-	-	-	1,102	0.00%	-	-	California State University, Fullerton EMBA, National Chengchi University	Supervisor, INFO-TEK Corporation	-	-
Independent Director	Republic of China	Huang, Wen-lie	Male	June 15, 2016	2 years	June 15, 2016	-	-	-	-	-	-	-	-	-	-	Department of Electronics, Ming Hsin Engineering College	Chairman, Pharmally International Holding Co., Ltd. Chairman, M Development Limited (SGX-N14), Singapore Chairman, Xiamen Sharing Group Co., Ltd. Chairman, Hong Kong Liyi Electronics Co., Ltd.	-	-

The Name of institutional shareholders	Major shareholder	Proportion
Ming Wei Investment Co., Ltd.	Yang, Hsueh-Ching	30.00%
	Liu, Ming-Hsiung	29.97%
Shi Jia Investment Co., Ltd.	Cheng, Ching-Chih	18.00%
	Ma, Meng-Ming	80.65%
Xi Wei Investment Co., Ltd.	Tsai, Li-Mei	27.50%
	Yeh, Pei-Chen	27.50%
Yuueyeh Development Investment Limited.	Tseng, Chun-Ming	95.00%
Shi Da Investment Limited	Ko, Tsung-Yuan	80.00%

Profiles of Directors and Supervisors (2)

April 16, 2017

Name (Note 1)	Qualification	Have more than 5 years of experience and the following professional qualifications			Status of independence (Note 2)										As independent director to other IPO companies
		Lecturer of the above in commerce, law, finance, accounting or subjects required by the business of the Company in public or private colleges or universities	Passed the qualification examination with proper licensing by the national government as court judge, prosecutor, lawyers, certified public accountant or other professional designations required by the business of the Company	Commerce, law, finance or as required by the Company	1	2	3	4	5	6	7	8	9	10	
Yeh, Pei-Chen			✓				✓	✓	✓	✓	✓	✓	✓	✓	
Ming Wei Investment Co., Ltd. Representative: Liu, Ming-Hsiung			✓				✓	✓	✓	✓	✓	✓	✓		
Shi Jia Investment Co., Ltd. Representative: Ma, Meng-Ming			✓				✓	✓	✓	✓	✓	✓			
Yuei Yei Development Investment Ltd. Representative: Tseng, Chun-Ming			✓				✓	✓	✓	✓	✓	✓			
Shi Da Investment Limited Representative: Ko, Tsung-Yuan			✓		✓	✓	✓	✓	✓	✓	✓	✓	✓		
Yang, Cheng-Li			✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
Chan, Yi-Hung			✓		✓	✓	✓	✓	✓	✓	✓	✓	✓		
Huang, Wen-lie			✓		✓	✓	✓	✓	✓	✓	✓	✓	✓		

Note 1: Independent Director Zhao, Sheng resigned on April 15, 2016.

Note 2: The number of fields may be adjusted depending on the content.

Note 3: Respective director and supervisor who meet the following qualifications 2 years before assumption of office or at the time of assumption office shall put a "✓" in the appropriate space.

- (1) Not an employee of the Company or its affiliates.
- (2) Not a director or supervisor of an affiliate of the company (except for independent directors of the company or its parent company or a subsidiary established in accordance with this Act or the local laws).
- (3) Not a natural person itself, spouse, underage children, or under the title of a third party who holds more than 1% of the outstanding shares issued by the bank or among the top 10 natural person shareholders.
- (4) Not a spouse, kindred at the second tier under the Civil Code, or the next of kin within the fifth tier under the Civil Code as specified in (1) through (3).
- (5) Not a director, supervisor or employee of an institutional shareholder who holds more than 5% of the outstanding shares issued by the bank, or a director, supervisor or employee of an institutional shareholder who is among the top 5 shareholders.
- (6) Not a director, supervisor, manager or shareholder holding more than 5% of the outstanding shares of a specific company or institution in business or financial relation with the bank.
- (7) Not a professional, owner, partner, director, supervisor, manager of proprietorship, partnership, company or institution that provide business, legal, financial and accounting services to the bank or a spouse to the aforementioned persons. However, members of remuneration committee who perform their duties according to Article 7 of Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter are exempt.
- (8) Not a spouse or kindred at the second tier under the Civil Code to any other director.
- (9) Not under any of the categories stated in Article 30 of the Company Act.
- (10) Not being elected as representative to the government or an institution under Article 27 of the Company Act.

(II) Profiles of the managers

April 16 2017

Title	Nationality	Name	Gender	Date of office	Shareholdings		Shareholdings by spouse and underage children		Shareholdings under the title of a third party		Education and experience	Other positions in the Company	Manager who is a spouse or relative at the 2 nd level under the Civil Law		
					Quantity	Proportion	Quantity	Proportion	Quantity	Proportion			Quantity	Proportion	Quantity
President of Gigabyte	Republic of China	Yeh, Pei-Chen	Male	Mar. 15, 1986	28,471,237	4.52%	5,821,063	0.92%	-	-	College graduate, engineer at ITRI	Chairman, Chi-Ga Investment Chairman, Giga-Byte Communications INC. Director Representative, G-Style Director Representative, Gigatrend Technology Co., Ltd. Director Representative, Giga-Trend International Management Group Ltd. Chairman, Giga-Trend International Investment Group Ltd. Chairman, PG Union Director Representative, Walsin Technology Corporation Director, Gigazone	-	-	-
Executive VP of Gigabyte Executive VP and President of e-Sports BU	Republic of China	Liu, Ming-Hsiung	Male	Mar. 15, 1986	41,168,918	6.54%	4,592,370	0.73%	-	-	EMBA, College graduate, engineer G-COLOR ENTERPRISE CO., LTD.	Director Representative, Chi-Ga Investment Director Representative, Giga-Byte Communications INC. Director Representative, G-Style Chairman, Gigatrend Technology Co., Ltd. Chairman, Giga-Trend International Management Group Ltd. Director, Info-Tek Corp. Director Representative, Giga-Trend International Investment Group Ltd. Director Representative, Hui Yang Venture Capital Co., Ltd. Supervisor representative, GIGAZONE Director Representative, JM Material Technology, Inc. Supervisor representative, Senyun Precise Optical Co., Ltd. Chairman of Green Share Co., Ltd. Director Representative of QSan Technology, Inc. Director Representative of Yuncheng Ltd.	-	-	-
Executive VP of Gigabyte Senior VP and President of Mobile Product BU	Republic of China	Ma, Meng-Ming	Male	Mar. 26, 1988	23,620,024	3.75%	470,914	0.07%	-	-	University graduate, engineer at Acer Systems	Director Representative, Chi-Ga Investment Director Representative, Giga-Byte Communications INC. Director of G-Style Director Representative, Gigatrend Technology Co., Ltd. Director Representative, Gigatrend International Investment Group Ltd. Director Representative, Gigazone	-	-	-

Title	Nationality	Name	Gender	Date of office	Shareholdings		Shareholdings by spouse and underage children		Shareholdings under the title of a third party		Education and experience	Other positions in the Company	Manager, who is a spouse or relative at the 2 nd level under the Civil Law	
					Quantity	Proportion	Quantity	Proportion	Quantity	Proportion			Quantity	Proportion
Senior VP of Gigabyte Manufacturing Business Unit	Republic of China	Tseng, Chun-Min	Male	Jun. 1, 1993	4,385,647	0.70%	288,846	0.05%	-	-	College graduate, General Manager at Jpjohn	Director of Giga-Byte Communications INC.	-	-
Senior VP of Gigabyte Senior VP and President of Channel & Motherboard Business Unit	Republic of China	Lin, Huo-Yuan	Male	Sep. 25, 1989	209,846	0.03%	-	-	-	-	University graduate, engineer at Li Hsin Enterprise Co., Ltd.	-	-	-
General Manager, Network & Comm. BU	Republic of China	Lee, Yi-Tai	Male	Apr. 24, 2000	6,062	0.00%	-	-	-	-	Master degree Manager at Intel, Engineer at Siemens, Engineer at Texas Instruments	-	-	-
General Manager, Manufacturing BU	Republic of China	Meng, Hsian-Min	Male	Oct. 2, 2000	54,432	0.01%	-	-	-	-	PhD, VP at D-Link Q-Run Corp. Director CTX USA Director	-	-	-
Channel & Motherboard Business Unit Senior Special Assistant	Republic of China	Hong, Wen-Chi	Male	Jun. 16, 1999	-	-	-	-	-	-	University graduate, SHIN TAI INDUSTRY CO., LTD. Manager, First International Computer	-	-	-
C.F.O., Finance and Accounting Division, Operation Center	Republic of China	Chen, Chun-Yin	Female	Apr. 6, 1994	22,191	0.00%	86,742	0.01%	-	-	University of South Australia MBA Senior Accountant, Chao Da Communications Technology Section Manager, SUPERWAVE ELECTRONIC CO., LTD.	Supervisor representative, Chi-Ga Investment Supervisor representative, Giga-Byte Communications INC. Supervisor representative, G-Style representative, Gigatrend Technology Co., Ltd. Supervisor, Giga-Trend International Management Group Ltd. Supervisor representative, Giga-Trend International Investment Group Ltd. Supervisor Representative, Senyun Precise Optical Co., Ltd Supervisor Representative, Yuncheng Ltd. Supervisor Representative, Intelligence Precision Co., Ltd.	-	-
Oversea management, Group Resource Mgmt. Center	Republic of China	Lu, Zheng-wei	Male	Jun. 1, 1990	-	-	-	-	-	-	Northrop University MBA	-	-	-

Title	Nationality	Name	Gender	Date of office	Shareholdings		Shareholdings by spouse and underage children		Shareholdings under the title of a third party		Education and experience	Other positions in the Company	Manager who is a spouse or relative at the 2 nd level under the Civil Law	
					Quantity	Proportion	Quantity	Proportion	Quantity	Proportion			Quantity	Proportion
C.I.O., Operation Management Center	Republic of China	Bai, Guang-Hua	Male	Apr. 1, 2005	101,849	0.02%	-	-	-	-	Master degree Supervisor, Huaxia Technology Consulting AVP, A-TREND TECHNOLOGY CO., LTD	Director Representative, Senyun Precise Optical Co., Ltd Director Representative, Green Share Co., Ltd. Director Representative, Yuncheng Ltd. Director Representative, Intelligence Precision Co., Ltd.	-	-
Group Resource Mgmt. Center VP. & Special Assistant to President	Republic of China	Chen, Jing-Ting	Female	Jun. 12, 2000	17,071	0.00%	-	-	-	-	Simon Fraser University Advanced Interpreter Program Benchmark Corp. Evergrace & Benly Intel	-	-	-
Network & Comm. BU, AVP	Republic of China	Chen, Zhang-Xiang	Male	Jun. 16, 1999	-	-	-	-	-	-	College graduate Manager, First International Computer MIRCO STAR INTERNATIONAL	-	-	-
President's office, manager special assistant	Republic of China	Chen, Shi-Cheng	Male	Nov. 27 2000	209	0.00%	-	-	-	-	Syracuse University computer engineer Engineer at BenQ Engineer at Motorola	Director Representative, QSan Technology, Inc.	-	-
Network and Communications Business Group, Senior AVP	Republic of China	Hou, Chih-Jen	Male	Apr. 14, 2000	30,291	0.00%	-	-	-	-	EECS - Northwestern University Senior Manager, Acer	-	-	-
Motherboard Business Unit, Service and Sales Marketing Center, Vice President	Republic of China	Kao, Han-Yu	Male	Feb. 1, 2001	-	-	-	-	-	-	University graduate SONY Taiwan IPO General Manager	-	-	-
Manager, Channel Sales cent & Motherboard BU	Republic of China	Chen, Shu-Chi	Male	Sep. 1, 2000	20,000	0.00%	-	-	-	-	University graduate Engineer, Nan Ya Technology Asst VP Phoenix Technologies Ltd.	-	-	-
Channel & Motherboard Business Unit, Service and Sales Marketing Center, North America Office, Senior AVP	Republic of China	Liao, Chi-Li	Male	Oct. 1, 1998	-	-	784	0.00%	-	-	Master degree ASUSTEK COMPUTER INC.	-	-	-
Motherboard Business Unit, Service and Sales Marketing Center, Non-EU Office, Non-EU Business Platform, Senior AVP	Republic of China	Hsiao, Wen-Ta	Male	Feb. 11, 1998	100,714	0.02%	-	-	-	-	University graduate D-LINK CORPORATION	-	-	-

Title	Nationality	Name	Gender	Date of office	Shareholdings		Shareholdings by spouse and underage children		Shareholdings under the title of a third party		Education and experience	Other positions in the Company	Manager who is a spouse or relative at the 2 nd level under the Civil Law		
					Quantity	Proportion	Quantity	Proportion	Quantity	Proportion			Quantity	Proportion	Quantity
Channel & Motherboard Business Unit, Service and Sales Marketing Center, ASEAN Office, Asia Business Platform, Senior AVP	Republic of China	Liu, Wen-Chung	Male	Apr. 1, 1999	300,000	0.05%	-	-	-	-	University graduate First International Computer, Inc	-	-	-	
Channel & Motherboard Business Unit, Innovation and creative value center, software office, AVP	Republic of China	Deng, Yi-Ming	Male	Mar. 11, 1997	50,000	0.01%	-	-	-	-	University graduate First International Computer Co., Ltd. BIOS section manager	-	-	-	
Channel & Motherboard Business Unit, Embedded Motherboard Planning Center Innovation and Firmware Office 2 creative value center, Senior AVP	Republic of China	Tseng, Wei-Wen	Male	Sep. 1, 2003	200,000	0.03%	-	-	-	-	University graduate Phoenix Tech. Senior AVP VIA TECHNOLOGIES, INC.	-	-	-	
Channel & Motherboard Business Unit, Innovation and creative value center, hardware office 1, AVP	Republic of China	Liao, Che-Hsien	Male	Jun. 16, 1997	32,000	0.01%	-	-	-	-	Master degree	-	-	-	
AVP, Mobile Product BU, Mobile Product Center Software R&D Network & Comm. BU Product Center, AVP	Republic of China	Lan, Jun Kun	Male	Nov 13, 2000	-	-	-	-	-	-	Master degree Manager at Intel	-	-	-	
BU Product Center, AVP	Republic of China	Chen, Yun Di	Male	May 2, 2000	56,031	0.01%	-	-	-	-	Master degree Manager at Siemens GTE	-	-	-	
AVP, Overseas Manufacturing Dongguan Gigabyte Ningbo Gigabyte	Republic of China	Ko, Wei-Di	Male	Jun. 26, 2000	-	-	-	-	-	-	EMBA Yuan Ze University Special assistant to the Vice President/Section manager at Gold Circuit Electronics Manager at Unimicron	-	-	-	
Senior AVP, Legal and IP Affairs Division, Operation Management Center	Republic of China	Chiu, Chih Peng	Male	Jan. 2, 2014	-	-	-	-	-	-	People's University China, Civil and Business Law (Doctor) Attorney at Law, Lin & Associates, Maritime Law Office AVP, Info-Tek Corporation	-	-	-	

Title	Nationality	Name	Gender	Date of office	Shareholdings		Shareholdings by spouse and underage children		Shareholdings under the title of a third party		Education and experience	Other positions in the Company	Manager who is a spouse or relative at the 2 nd level under the Civil Law		
					Quantity	Proportion	Quantity	Proportion	Quantity	Proportion			Quantity	Proportion	Quantity
Channel & Motherboard Business Unit Marketing & Sales Center China Business Platform AVP, China Division	Republic of China	Lan, Shao Wen	Male	Oct. 1, 2008	-	-	-	-	-	-	International MBA, National Taiwan University Vice President, Wuhan Triancho Technology Subsidiary Special assistant to the Chairman Xuyao Telecom	-	-	-	
AVP, Chief Engineering Division, Manufacturing Business Unit	Republic of China	Sun, Wu Hsiung	Male	Aug. 28, 2000	10,455	0.00%	-	-	-	-	Department of electronics, Yunlin Institute of Technology Vice manager of engineering technology at Chih Fu Corp. Department of Electronics Engineering, Taiwan Institute of Technology Engineer at First International Computer Manager at Shengchuan Technology Manager at Universal Scientific Industrial	-	-	-	
AVP, R&D Division, eSports Business Unit	Republic of China	Huang, Shun Chih	Male	Nov 20, 2003	-	-	-	-	-	-	MBA, National Chung Hsing University Vice manager at TUL Corporation Vice manager at Elitegroup Computer Systems	-	-	-	
AVP, Sales and Marketing Division, eSports Business Unit	Republic of China	Lin, Ying Yu	Male	Nov 3, 2003	-	-	-	-	-	-	Department of Electronics, Van Nung Institute of Industry Repair Technician, Lijoy Electronics Technology Ltd. Repair Engineer, Zenith Electronics	-	-	-	
AVP, Customer Service Center Best Yield BU	Republic of China	Lin, Chi-ching	Male	Jun 18, 1991	194	0.00%	-	-	-	-	Graduate Institute of Management Science, National Chiao Tung University Product Specialist, Accers Incorporated Product Manager, ASUSTeK Computer Inc. Manager, Pegatron Corporation	-	-	-	
AVP, Product Management Division, Mobile Product BU	Republic of China	Liu, Yu-chuan	Male	Apr. 1, 2010	-	-	-	-	-	-		-	-	-	

(III) Remuneration for the directors, supervisors, president, and vice presidents
 (1) Fees for the directors (including independent directors) (on the same scale and disclosed collectively)

December 31, 2016; Unit: NTD1,000/1,000 shares

Title	Name	The director may also be an employee										Ratio of the total ABCDEFG to the net earnings after tax (*10)		Related remuneration from investees other than the subsidiaries (*11)					
		Remuneration (A) (*2)		Pensions (B)		Remuneration to directors (C) (*3)		Expenses incurred for business purposes (D) (*4)		Ratio of the total ABCD to the net earnings after tax (*10)		Salaries, awards and special subsidies etc. (E) (*5)			Pensions (F)		Bonus to employees (G) (*6)		
		All firms covered I the consolidated financial statements (*7)	Giga-Byte	All firms covered I the consolidated financial statements (*7)	Giga-Byte	All firms covered I the consolidated financial statements (*7)	Giga-Byte	All firms covered I the consolidated financial statements (*7)	Giga-Byte	All firms covered I the consolidated financial statements (*7)	Giga-Byte	All firms covered I the consolidated financial statements (*7)	Giga-Byte	All firms covered I the consolidated financial statements (*7)	Giga-Byte	All firms covered I the consolidated financial statements (*7)	Giga-Byte	All firms covered I the consolidated financial statements (*7)	Giga-Byte
Chairman	Yeh, Pei-Chen	0		46,000	3,081	2.14%	70,508	0	0	0	0	0	0	0	0	0	0	0	0
Corporate representative, Ming Wei Investment Co., Ltd.	Liu, Ming-Hsiung	0		46,000	3,081	2.14%	70,508	0	0	0	0	0	0	0	0	0	0	0	0
Corporate representative, Shih Chia Investment Co., Ltd.	Ma, Meng-Ming	0		46,000	3,081	2.14%	70,508	0	0	0	0	0	0	0	0	0	0	0	0
Corporate representative, Yue Yeh Investment Co., Ltd.	Tseng, Chun-Ming	0		46,000	3,081	2.14%	70,508	0	0	0	0	0	0	0	0	0	0	0	0
Corporate representative, Shih Da Investment Co., Ltd.	Ko, Tsang-Yuan	0		46,000	3,081	2.14%	70,508	0	0	0	0	0	0	0	0	0	0	0	0
Independent Director	Yang, Cheng-Li	0		46,000	3,081	2.14%	70,508	0	0	0	0	0	0	0	0	0	0	0	0
Independent Director	Chan, Yi-Hung	0		46,000	3,081	2.14%	70,508	0	0	0	0	0	0	0	0	0	0	0	0
Independent Director	Huang, Wen-tie	0		46,000	3,081	2.14%	70,508	0	0	0	0	0	0	0	0	0	0	0	0
Independent Director	Chao, Sheng (note 12)	0		46,000	3,081	2.14%	70,508	0	0	0	0	0	0	0	0	0	0	0	0

In addition to the information disclosed in the above table, remuneration to directors for offering services (e.g. non-staff consultants) to all companies mentioned in the financial statement: None

Tiers of Remuneration

Scale of remuneration to Giga-Byte's directors	Number of directors			Sum of the First Seven Types of Remuneration(A+B+C+D+E+F+G) All firms covered I the consolidated financial statements (*9) I
	Sum of the First Four Types of Remuneration (A+B+C+D)		Giga-Byte (*8)	
	Our Company (Note 8)	All Companies in the Financial Statements (Note 9) H		
Below NTD2,000,000	Yang, Cheng-Li; Chan, Yi-Hung;Huang, Wen-lie, Jhao Sheng	Yang, Cheng-Li; Chan, Yi-Hung;Huang, Wen-lie, Jhao Sheng	Yang, Cheng-Li; Chan, Yi-Hung; Huang, Wen-lie, Jhao Sheng	Yang, Cheng-Li; Chan, Yi-Hung; Huang, Wen-lie, Jhao Sheng
NTD2,000,000~5,000,000	Ko, Tsung-Yuan	Ko, Tsung-Yuan	Ko, Tsung-Yuan	Ko, Tsung-Yuan
NTD5,000,000~10,000,000				
NTD10,000,000~15,000,000	Yeh, Pei-Chen, Liu, Ming-Hsiung, Ma Meng-Ming, Tseng, Chun-Ming	Yeh, Pei-Chen, Liu, Ming-Hsiung, Ma Meng-Ming, Tseng, Chun-Ming		
NTD15,000,000~30,000,000				
NTD30,000,000~50,000,000			Yeh, Pei-Chen, Liu, Ming-Hsiung, Ma Meng-Ming, Tseng, Chun-Ming	Yeh, Pei-Chen, Liu, Ming-Hsiung, Ma Meng-Ming, Tseng, Chun-Ming
NTD50,000,000~100,000,000				
Over NTD100,000,000				
Total				

Note 1: The name of each director shall be stated separately (the names of institutional shareholders and their representative have also been separately listed) and the amount of remuneration to each is disclosed in aggregate.

Note 2: The total amount of traveling subsidies and remuneration disbursed in the most recent year (including the salaries, subsidies, bonuses and awards).

Note 3: The amount of remuneration to directors for the most recent year resolved by the Board.

Note 4: This refers to the expenses incurred for business purposes by directors (including, traveling subsidy, special subsidy, all forms of subsidies, housing, company car and other subsidies in kind). It the Company provides housing, company car and other means of transportation or the spending is exclusive to a particular person, disclose the nature of the property and the cost, the actual rent or rent assessed with reference to fair market price, fuel subsidies and other payments. When drivers are assigned to directors, please specify the pay of such drivers. Such pay shall not be included in the remuneration to directors.

- Note 5: When a specific director may also be an employee (refers to the position of President, Vice President, manger or employee) the salaries, occupational subsidies, pensions, compensation on discharge, bonus, awards, traveling subsidy, special subsidies, different forms of subsidies, housing, company car and other means of transportation or the spending is exclusive to particular person, disclose the nature of the property and the cost, the actual rent or rent assessed with reference to fair market price, fuel subsidies and other payments. If a chauffeur is provided, specify the remuneration thereto but do not include as the remuneration to directors. In addition, the salary payment adopted under IFRS 2 "Share-based Payment" includes employee stock option certificates, restricted stock awards, and subscription of common stocks issued for cash. They shall be included in the compensation for employees.
- Note 6: Whenever directors are also employees (including serving as the president, vice president, other managers, and regular employees) and receive employee compensation (including stock and cash) in the most recent year, the Company must disclose the proposed amount of employee compensation approved by the Board resolution in the most recent year. If the compensation cannot be estimated, the Company calculates the proposed distribution balance this year based on the amount of actual distribution last year.
- Note 7: Disclose the total remuneration to all directors of the Company from all companies stated in the consolidated financial statement (including the Company).
- Note 8: The number of directors at each bracket of the remuneration scale. For remuneration to institutional directors, divide the remuneration by the number of representatives appointed. If the Company is willing to disclose the names of directors in all brackets on a list, Change the name of the field marked "number of directors" to "names of directors".
- Note 9: The number of directors at each bracket of the remuneration scale paid by companies included in the consolidated financial statements (including the Company). If the Company is willing to disclose the names of directors in all brackets on a list, Change the name of the field marked "number of directors" to "names of directors".
- Note 10: Net profit after tax refers to the net profit after tax in the most recent year. For entities that have adopted IFRSs, net profit after tax refers to the entity's or the individual financial statement's net profit after tax in the most recent year.
- Note 11:
- a. Explicitly state if the directors of the Company "have" or "have not" receive related remuneration from investees other than the subsidiaries.
 - b. If received from a subsidiary company directors investees other than those related to compensation, should be transferred outside the Company directors in the investment business by the subsidiary to receive remuneration, remuneration levels from the table into the J Field, and Change the field name As "all reinvestments."
 - c. Remuneration shall be referred to the rewards, wages (including employee compensation and remuneration for directors and supervisors) and income for business operation and related payments to the directors in their roles with the subsidiaries as directors, supervisors or managers.
- Note 12 Independent Director Chao, Sheng resigned on 15 April 2015.
- * The content of remuneration disclosed in this table may vary with the concept of remuneration as applied to Tax Code. As such, information contained in the table is only for disclosure and not intended for income tax purposes.

(2) Fees for the supervisors: None

(3) Remuneration for General Managers and the Vice General Managers (on the same scale and disclosed collectively)

December 31, 2016 Unit: NTD1,000/1,000 shares

Title	Name	Salary (A) (*2)		Pensions (B)		Award, special subsidy and other subsidy in kind (C) (*3)		Compensation for Employees (D) (*4)				Ratio of the total ABCD to the net earnings after tax (%) (*8)		Related remuneration from investees other than the subsidiaries (*9)		
		All firms covered I the consolidated financial statements (*5)	Giga-Byte	All firms covered I the consolidated financial statements (*5)	Giga-Byte	All firms covered I the consolidated financial statements (*5)	Giga-Byte	All firms covered I the consolidated financial statements (*5)	Cash dividends	Stock dividends	Giga-Byte	All firms covered I the consolidated financial statements (*5)				
President	Yeh, Pei-Chen															
Senior VP	Ma, Meng-Ming															
Senior VP	Liu, Ming-Hsiung															
Senior VP	Tseng, Chun-Ming															
Senior VP	Lin, Huo-Yuan															
General Manager of BU	Lee, Yi-Tai															
General Manager of BU	Meng, Hsian-Ming															
Vice General Manager of the US Platform	Lu, Zheng-wei	38,629	38,629	892	892	99,534	99,894	92,000	0	10.08%	10.09%				None	
Vice General Manager and Special Assistant to Chairman of Center	Chen, Jin-Ting															
Business Unit Vice President	Kao, Han-Yu															
Business Unit Vice President	Chen, Chen-Shun															
C.E.O.	Bai, Guang-Hua															
C.F.O.	Chen, Chun-Ying															
General Manager of subsidiary	Ye, Lin-da															

* regardless of title, where the position equivalent to president, vice president (for example: President, CEO, Director, ... etc.), all should be exposed.

Tiers of Remuneration

Scale of remuneration to Giga-Byte's General Managers and the Vice General Managers	Name of GM & Vice GM	
	Giga-Byte (*6)	All firms covered I the consolidated financial statements (*7) E
Below NTD2,000,000		
NTD 2,000,000~5,000,000	Lu, Zheng-wei	Ye, Lin-da
NTD 5,000,000~10,000,000	Chen, Jin-Ting, Chen, Chun-Ying, Bai Guang-Hua, Meng, Hsian-Ming, Lee, Yi-Tai, Chen, Chen-Shun, Chen, Chen-Shun,	Chen, Jin-Ting, Chen, Chun-Ying, Bai Guang-Hua, Meng, Hsian-Ming, Lee, Yi-Tai, Chen, Chen-Shun,
NTD 10,000,000~15,000,000		Lee, Yi-Tai
NTD 15,000,000~30,000,000	Yeh, Pei-Chen, Liu Ming-Hsiun, Ma, Meng-Ming, Tseng Chun-Ming, Lin Huo-Yuan, Kao, Han-Yu	Lin Huo-Yuan, Kao, Han-Yu
NTD 30,000,000~50,000,000		Yeh, Pei-Chen, Liu Ming-Hsiun, Ma, Meng-Ming, Tseng Chun-Ming,
NTD 50,000,000~100,000,000		
Over NTD 100,000,000		
Total		

Note 1: The name of each General Manager(GM) and the Vice General Manager (Vice GM) shall be stated separately and the amount of remuneration to each is disclosed in aggregate.

Note 2: The total amount of traveling subsidies and remuneration disbursed in the most recent year (including the salaries, subsidies, bonus and awards).

Note 3 This refers to the expenses incurred for business purposes by GMs or Vice GMs (including, traveling subsidy, special subsidy, all forms of subsidies, housing, company car and other subsidies in kind). It the Company provides housing, company car and other means of transportation or the spending is exclusive to a particular person, disclose the nature of the property and the cost, the actual rent or rent assessed with reference to fair market price, fuel subsidies and other payments. When drivers are assigned to directors, please specify the pay of such drivers. Such pay shall not be included in the remuneration to directors. In addition, the salary payment adopted under IFRS 2 "Share-based Payment" includes employee stock option certificates, restricted stock awards, and subscription of common stocks issued for cash. They shall be included in the compensation for employees.

- Note 4: The Company must fill out the employee compensation (including stock and cash) proposed to be distributed to the GM and Vice GM that is approved by the Board in the most recent year before the shareholders' meeting. If this value cannot be estimated, the ratio of actual distribution from the last year is used for the calculation of proposed distribution this year.
- Note 5: Disclose the total remuneration to all GMs or Vice GMs of the Company from all companies stated in the consolidated financial statement (including the Company).
- Note 6: The number of GMs and Vice GMs at each bracket of the remuneration scale. For remuneration to institutional directors, divide the remuneration by the number of representatives appointed. If the Company is willing to disclose the names of GMs and Vice GMs in all brackets on a list, Change the name of the field marked "number of GMs and Vice GMs" to "names of GMs and Vice GMs".
- Note 7: The number of GMs and Vice GMs at each bracket of the remuneration scale paid by companies included in the consolidated financial statements (including the Company). If the Company is willing to disclose the names of GMs and Vice GMs in all brackets on a list, Change the name of the field marked "number of GMs and Vice GMs" to "names of GMs and Vice GMs".
- Note 8: Net profit after tax refers to the net profit after tax in the most recent year. For entities that have adopted IFRSs, net profit after tax refers to the entity's or the individual financial statement's net profit after tax in the most recent year.
- Note 9: a. Explicitly state if GMs and Vice GMs of the Company "have" or "have not" receive related remuneration from investees other than the subsidiaries.
b. If received from a subsidiary company directors investees other than those related to compensation, should be transferred outside the Company directors in the investment business by the subsidiary to receive remuneration, remuneration levels from the table into the J Field, and Change the field name As "all reinvestments."
c. Remuneration shall be referred to the rewards, wages (including employee compensation and remuneration for directors and supervisors) and income for business operation and related payments to GMs and Vice GMs in their roles with the subsidiaries as directors, supervisors or managers.
- * The content of remuneration disclosed in this table may vary with the concept of remuneration as applied to Tax Code. As such, information contained in the table is only for disclosure and not intended for income tax purposes.

(4) Compensation for Managers

December 31, 2016; Unit: NTD1,000/1,000 shares

	Title (*1)	Name (*1)	Stock dividends	Cash dividends	TOTAL	Ratio of the total to the net earnings after tax(%)
Manager	President	Yeh, Pei-Chen	0	92,000	92,000	4.01%
	Senior VP	Ma, Meng-Ming				
	Senior VP	Liu, Ming-Hsiung				
	Senior VP	Tseng, Chun-Ming				
	Senior VP	Lin, Huo-Yuan				
	General Manager of BU	Lee, Yi-Tai				
	General Manager of BU	Meng, Hsian-Ming				
	Vice General Manager of the US Platform	Lu, Zheng-wei				
	Vice General Manager and Special Assistant to Chairman of Center	Chen, Jin-Ting				
	Business Unit Vice President	Kao, Han-Yu				
	Business Unit Vice President	Chen, Chen-Shun				
	C.E.O.	Bai, Guang-Hua				
	C.F.O.	Chen, Chun-Ying				
	General Manager of Subsidiary	Ye, Lin-da				

Note 1: This refers to the scheduled profit (including stock and cash) to be allocated to managers that was approved by the board meeting before surplus is allocated to the shareholders, if, however, the allocation cannot be estimated, the allocation should then be calculated based on last year's actual distribution percentage. The stock of TWSE and TPEX companies should be calculated based on the fair value regulated by the Guidelines Governing the Preparation of Financial Reports by Securities Issuers. The surplus of non-TWSE and TPEX companies is calculated based on the net value of the closing day of the current accounting period. Net profit after tax refers to the net profit after tax in the most recent year. For entities that have adopted IFRSs, net profit after tax refers to the entity's or the individual financial statement's net profit after tax in the most recent year.

The name and title of each individual manager should be disclosed respectively, while surplus can be disclosed in summary.

According to the Taiwan-Finance-Securities-III-0920001301 issued on March 27, 2003, the applicable scope of the managers is as follows:

- (1) General Manager and equivalent level;
- (2) Vice General Manager and equivalent level;
- (3) Director and equivalent level;
- (4) Financial supervisor;
- (5) Accounting supervisor;
- (6) Other managers and authorized personnel.

- (IV) A comparative description with analysis on the ratio taken by the gross total of remuneration paid by Giga-Byte and all firms covered in the consolidated financial statements to Giga-Byte's directors, president and vice presidents to the net earnings after tax over the past two years. Please describe as well the policies, criteria and composition of remuneration, procedures to fix remuneration, their interrelationship with Giga-Byte's business performance and future risks.

Title and Description	2015 the ratio taken by the gross total of remuneration paid by Giga-Byte and all firms covered in the consolidated financial statements to Giga-Byte's directors, president and vice presidents to the net earnings after tax		2016 the ratio taken by the gross total of remuneration paid by Giga-Byte and all firms covered in the consolidated financial statements to Giga-Byte's directors, president and vice presidents to the net earnings after tax	
	Giga-Byte	All firms covered the consolidated financial statements	Giga-Byte	All firms covered the consolidated financial statements
Directors	14.84%	14.86%	12.22%	12.23%
GM & Vice GM				

Description	The remuneration of directors	The remuneration of president and vice presidents
1.Policies of remuneration	The remuneration of directors is calculated according to the Company's articles of incorporation. The approval of the meeting of shareholders is required, should there be any additional allocation and changes to remuneration to directors and supervisors.	Carried out in accordance with the Company's Remuneration Management Regulations, Employee Performance Review Regulations, Business Unit Financial Performance Calculation and Review Principles, and the Performance Bonus Evaluation and Distribution Rules.
2.Criteria and composition of remuneration	Based on the weight allocation of the business responsibility and guarantee responsibility of directors.	Includes base salary, living allowance, food allowance, duty allowance, travel allowance, holiday bonuses and performance bonuses.
3.Procedures to fix remuneration	The appropriation of surplus is proceeded in accordance with the Articles of Incorporation, resolved by the board meeting, and approved by the general meeting of shareholders.	Their salaries are fixed based on their educational and professional backgrounds, performance and service seniority and approved in accordance with the Company's delegation of authorization.
4.Interrelationship with Giga-Byte's business performance and future risks	Based on the Company's performance and profitability. Fulfilling business operation supervision responsibilities, detailing business operation direction, transforming crisis into new business opportunities.	Remuneration is paid based on target achievement rate, performance, profitability and contribution of the respective BU. Strengthening employees' loyalty to achieve the common goal of balancing gains and losses between employers and employees and tide over the risky economic landscape together.

III. Corporate Governance

(I) The operation of BOD

In 2016, BOD held 7 meeting (A), the attendance of the directors is as follows.

Title	Name(Note 1)	Actual attending B	Authorized attending	Ratio of actual attending (%) [B/A] (Note 2)	Remark
Chairman	Yeh, Pei-Chen	7	0	100%	Successive June 17, 2015 Re-election
Vice Chairman	Ming Wei Investment Co., Ltd. Representative: Liu, Ming-Hsiung	7	0	100%	Successive June 17, 2015 Re-election
Director	Shi Jia Investment Co., Ltd. Representative: Ma, Meng-Ming	6	1	85.71%	Successive June 17, 2015 Re-election
Director	Yuei-yei Kai Fa Investment Ltd. Representative: Tseng, Chun-Ming	6	1	85.71%	Successive June 17, 2015 Re-election
Director	Shi Da Investment Limited Representative: Ko, Tsung-Yuan	7	0	100%	New June 17, 2015 Re-election
Independent Director	Yang, Cheng-Li	7	0	100%	New June 17, 2015 Re-election
Independent Director	Chan, Yi-Hung	7	0	100%	New June 17, 2015 Re-election
Independent Director	Huang, Wen-lie	3	0	100%	New June 15, 2016 Election
Independent Director	Jhao, Sheng	3	0	100%	Resigned April 15, 2016

Important notice

I. When BOD is under any one of the following circumstances, the date, session, and proposal of board meeting; the opinion of independent directors; and the BOD's response to such opinions shall be specified:

(I) Matters specified in Article 14-3 of the Securities and Exchange Act

Date of Meeting	Proposal	Opinions of Independent Directors and BOD Response
105/11/14 Nov 14, 2016	Subsidiary Chi-Ga Investment's subscription of the common stocks issued by Senyun Precise Optical Co., Ltd. for cash.	Approved by all independent directors without objection.

(II) Other BOD resolutions for the records or written statements regarding the objection or qualified opinion of independent directors: None

II. Status of directors' avoidance of conflicts of interest in relevant proposals:

Boad meeting dated Nov 14, 2016

Proposal: Subsidiary Chi-Ga Investment's subscription of the common stocks issued by Senyun Precise Optical Co., Ltd. for cash

Reasons for avoidance of conflicts of interests and participation in voting: Referring to Article 206 of the Company Act, Liu, Ming-hsiung, Gigabyte representative at Mingwei Investments, should be recused from voting. All other attending directors approved without objection.

III. An evaluation on the goal of improving the functions of the Board in the current year and the most recent year (such as forming an audit committee and improving information transparency) and its implementation: See below

(1) Targets for improving the competency of the Board of Directors

a. The BOD of this Company formed the Audit Committee on June 17, 2015 to replace the duty of supervisors. The committee is formed by three independent directors and holds a committee meeting at least once a quarter. The major duties and functions of the Audit Committee are as follows:

Audit the presentation adequacy of the Company's financial statements, selection (dismissal) and independency and performance of CPAs, the effectiveness of implementation of the Company's internal control, the Company's compliance with relevant laws and regulations and rules; and the Company's control of existing and potential risks.

b. The BOD of this Company established the Remuneration Committee in December 2011 and re-elected members of the third term on June 17, 2015. Mr. Yang Cheng-Li was reelected as the chairman of the Remuneration Committee of the third term. The major duties and functions the Remuneration Committee are as follows:

* Regularly evaluate and advise on the policy, system, standards and structure of the annual and long-term performance targets and remuneration of Gigabyte directors, supervisors and executives.

* Evaluate and advise on the meeting of performance targets by Gigabyte directors, supervisors and executives as well as the content and amount of individual remuneration.

c. The BOD of this Company established the "Internal Material Information Processing SOP" in October, 2011.

(2) Evaluation of execution

* The Remuneration Committee is functioning well.

* Gigabyte's disclosure of important information follows a principle of honesty and integrity.

Disclosure has been accurate, timely and fair.

Note 1: For institutional directors, disclose the names and the names of their representatives.

Note 2: (1) If directors leave their positions before the end of the year, the service termination day should be stated in the remarks section. The actual attendance rate (%) is calculated with the number of times the Board meets when they are on the Board and the actual number of times that member attends.

(2) Before the end of the year, if there is an election of the Board, the names of new and old directors should both be filled out, and whether a director is old, new, or re-elected should be filled out in the remarks section in the remarks section, as should the re-election date. The actual attendance rate (%) is calculated with the number of times the Board meets when they are on the Board and the actual number of times that member attends.

(II) The operation of the Audit Committee or supervisors' involvement in BOD operation

1. The operation of Audit Committee..

In 2016, the Audit Committee held 3 committee meetings (A), and the attendance of independent directors is as follows:

Title	Name	Actual attendance (B)	Proxy attendance	Actual attendance rate (%) [B/A] (note)	Remarks
Independent Director	Yang, Cheng-Li	3	0	100%	New June 17, 2015 Re-election
Independent Director	Chan, Yi-Hung	3	0	100%	New June 17, 2015 Re-election
Independent Director	Huang, Wen-lie	2	0	100%	New June 15, 2016 Election
Independent Director	Jhao, Sheng	1	0	100%	Resigned April 15, 2016

1. This Company formed the Audit Committee on June 17, 2015 to audit:
 - (1) the adequacy of presentation of the Company's financial statements,
 - (2) the selection (dismissal) and independency and performance of CPAs,
 - (3) the effectiveness of implementation of the Company's internal control,
 - (4) the Company's compliance with relevant laws and regulations and rules; and
 - (5) the Company's control of existing and potential risks. °
2. The duties and functions of the Audit Committee include:
 - (1) Establishment or amendment of an internal control system according to Article 14-1 of the Securities and Exchange Act.
 - (2) Evaluation of the internal control system.
 - (3) Establishment or amendment of operating procedures for financial or operational actions of material significance, such as acquisition or disposal of assets, derivatives trading, extension of monetary loans to others, or endorsements or guarantees for others, according to Article 36-1 of the Securities and Exchange Act.
 - (4) Matters involving the personal interest of a director.
 - (5) Transactions of material assets or derivatives.
 - (6) A material monetary loan, endorsement, or provision of guarantee.
 - (7) The offering, issuance, or private placement of any equity-type securities.
 - (8) The appointment or dismissal of CPAs, or their compensation.
 - (9) The appointment or discharge of financial, accounting, or internal auditing officers.
 - (10) Annual financial statements or biannual financial statements.
 - (11) Any other material matter specified by the Company or competent authorities.
3. Other information to disclose:
 - (1) When the Audit Committee is under any one of the following circumstances, the date, session, and proposal of committee meeting; the opinion of committee members; and the committee's response to such opinions shall be specified:
 - (I) Matters specified in Article 14-5 of the Securities and Exchange Act

Date of Meeting	Proposal	Opinions of Committee Members and Committee Response
2016/3/15	1. Individual financial statements and consolidated financial statements of 2015. 2. 2015 statement on the internal audit system.	All committee members approved without objection
2016/8/12	2016 Q2 consolidated financial statements of the Company.	
2016/11/14	Independence evaluation of CPAs of the Company	

(II) Matters other the above unapproved by the Audit Committee but resolved by over two thirds of all directors: None

- (2) Specify the name of independent directors, proposal content, reasons for the need of avoidance of conflicts of interest, and involvement in voting for implementation of the avoidance of conflicts of interest in independent directors: None.
- (3) Communication between independent directors and the internal chief auditor and accountant (shall include communication on the company's material financial and sales affairs, including the topics, methods, and results of communication):
 - 1) Apart from submitting the audit report to each independent director for review each month, the chief auditor will report material issues found in the audit to the BOD or board members.
 - 2) When auditing or reviewing quarterly consolidated statements (annual and including individual financial statements) of this Company at the planning and completing stages, CPAs consolidate information and communicate with the Audit Committee in writing or face to face according to SAS No. 39 "Communications with Those Charged with Governance" and Letter Tai-Cai-Zheng-Liu-Zi No. 0930105373 issued by the Securities and Futures Bureau dated March 11, 2004.

- Note: (1) When there are independent directors resign before the end of a fiscal year, the service termination day should be stated in the remarks section. The actual attendance rate (%) is calculated based on the number of Audit Committee meetings that have been held in that year and the actual number of meetings that have attended .
- (2) Before the end of a fiscal year, if there is a re-election of independent directors, the names of new and current independent directors should both be listed in the remarks column and their status: current, new, or re-elected, and the date of re-election shall be specified. The actual attendance rate (%) is calculated based on the number of Audit Committee meetings that have been held in that year and the actual number of meetings that have attended.

(III) The Status of Corporate Governance to be enforced by listed companies, the variations and the causes of variations

Indicator	Status		Variation from Corporate Governance Best Practice Principles, and Reason
	Yes	No	
1. Has the Company defined and disclosed its corporate governance best practice principles in accordance with the "Corporate Governance Best-Practice Principles for TWSE/GTSM-Listed Companies"?	✓		Our Company has defined explicit regulations that encompass the content of the corporate governance principles that were subsequently passed the BOD. Their contents conform to the spirit of the Corporate Governance Best-Practice Principles. Further regulations can be defined to satisfy statutory or actual requirements.
2. Structure of shareholdings and shareholder's equity (1) Does the Company have and enforce internal procedures for handling shareholder suggestions, questions, disputes and litigation? (2) Does the Company keep an effective list of its dominant shareholders and the parties with ultimate control over its dominant shareholders? (3) Has the Company established and enforced a risk control mechanism and firewall between its affiliates? (4) Does the Company have internal rules in place to prevent insider trading?	✓		(1) Our PR Office and Investor Services personnel are assigned to handle shareholder suggestions or disputes. (2) Our Investor Services personnel work closely with the "Transfer Agency Department of ChinaTrust Securities" to effectively track the list of dominant shareholders and the parties with ultimate control over the dominant shareholders. (3) Our Company has defined regulations for "Supervision and Management of Subsidiaries" and "Management of Transactions with Group Companies, Designated Companies and Stakeholders". These establish an appropriate risk control mechanism and firewall between affiliates. (4) The BOD passed the "Internal Procedure for Major Disclosure" in October 2011, to establish an appropriate risk control mechanism.
3. The Organization and functions of the board of directors (1) Is there a defined diversification policy for the Board membership and is it enforced? (2) In addition to the Remuneration Committee and Audit Committee required by law, has the Company voluntarily established any other functional committees? (3) Does the Company have a defined method for evaluating Board performance with annual performance evaluations conducted every year? (4) Does the Company regularly evaluate the	✓		(1) Our Company elected three independent directors at the annual meeting of shareholders on June 17, 2015. Members of the BOD have different specialties, including experts from different industries. (2) Our Company established the Remuneration Committee on December 15, 2011 and the Audit Committee on June 17, 2015. Other functional committees will be established as necessary in the future. (3) Our Company has defined the "Board of Director

Indicator	Status		Summary	Variation from Corporate Governance Best Practice Principles, and Reason
	Yes	No		
independence of the public auditors?			Management Rules" to manage the running of the Board. (4) When appointing CPAs and reviewing their compensation each year, the BOD evaluates the independence of these CPAs.	
4. Has a public company established a dedicated (concurrent) governance unit or individual to take charge of organization's governance affairs (including but not limited to providing directors and supervisors with the data required for business operations, handling affairs relating to holding a board meeting or general meeting of shareholders, processing company registration and change registration, and producing minutes for board meetings and general meetings of shareholders)?			At Gigabyte, personnel of the financial unit take charge of the organization's government affairs concurrently.	Conforms with the Corporate Governance Best-Practice Principles
5. Has the Company established channels for stakeholder (including but not limited to shareholders, employees, customers, and suppliers) communication, set up a stakeholder section in the corporate website, and responded appropriately to important CSR issues material to shareholders?	✓		Our Company has a spokesperson system in place for communication with shareholders. The Stakeholder section on the corporate website is expected to be completed by the end of 2015 to respond appropriately to important CSR issues material to stakeholders.	Conforms to the Corporate Governance Best-practice Principles
6. Has the Company appointed a transfer agency for organizing shareholder meetings?	✓		Our Company has appointed the "Transfer Agency Department of CTBC Securities" as the organizer of shareholder meetings.	Conforms to the Corporate Governance Best-practice Principles
7. Disclosed information (1) Has the Company set up a website to disclose its financial information and the status of corporate governance. (2) Are there other means for the Company on disclosure (such as English website, designated personnel to gather and disclose relevant information on the Company, effective implementation of the spokesperson system, and the online broadcast of institutional investor conferences)?	✓		Our corporate website http://www.gigabyte.com/index.aspx is available in Chinese and English. It provides timely disclosure of company information including company profile, investor relations, CSR, products, services and current events for shareholders and consumers.	Conforms to the Corporate Governance Best-practice Principles
8. Are there any other important information that will help	✓		(1) Employee benefits and employee care: Incentive schemes/ company facilities/company	Conforms to the Corporate Governance Best-practice Principles

Indicator	Status		Variation from Corporate Governance Best Practice Principles, and Reason
	Yes	No	
with understanding corporate governance practices at the Company (including but not limited to employee rights, employee care, supplier relations, stakeholder rights, continuing education for directors and supervisors, the implementation of risk management policy and risk measurement measures, the implementation of customer policy, and the purchase of liability insurance for directors and supervisors)?			<p>Organization and Services/Talent development investor relations: The Gigabyte website provides a disclosure platform that investors can access for financial information/ corporate governance / shareholder meeting/ shareholder services.</p> <p>(2) Supplier relations: Gigabyte received AEO certification as a quality enterprise in February, 2012. We have signed the Declaration of Supply Chain Safety with our suppliers and use external audits of suppliers to ensure conformity.</p> <p>(3) Stakeholder rights: Our Company has avoided conflicts of interest with stakeholders in accordance with the law.</p> <p>(4) Further education status of directors, accounting chiefs, and audit chiefs: These personnel have completed further education at the regulatory length. Please refer to the annex (Note) for details.</p> <p>(5) Risk management policy: Gigabyte has risk management policies in place for inventory, equipment, buildings and receivables. We are also insured against any potential losses.</p> <p>(6) Liability insurance for directors and supervisors: This Company buys liability insurance for all directors and supervisors by the Company.</p> <p>(7)</p>
9. Please specify the status of improvements and prioritized improvements with reference to the Corporate Governance Evaluation results announced by the Corporate Governance Center of the Taiwan Stock Exchange Corporation in the previous year. Completed improvements: Governance information disclosed on the corporate website includes at least the organization structure and management team of this Company; notices of annual general meeting (AGM) of shareholders, AGM manuals, annual reports, and minutes of meetings are completely disclosed in English earlier than the regulatory disclosure standard; directors completed further education at the regulatory length; and BOD held at least two investor conferences. Prioritized improvements: Establishment and publishing on the corporate website governance-related rules and internal regulations.			

Note: Status of further education of directors, accounting chiefs, and audit chiefs in 2016.

Title	Name	Date	Course	Hours
Chairman	Yeh, Pei-Chen	Aug 12, 2016	Legal Liabilities of Directors and Supervisors for Financial Report Fraud and Risk Control: A Case Study Approach	3
Vice Chairman	Liu, Ming-Hsiung, Institutional Representative of Mingwei Investment Co., Ltd.	Nov 14, 2016	Ethical Corporate Management, Corporate Governance, and Social Responsibility: Theory and Practice	3
Director	Ma, Meng-Ming Institutional Representative of Shih-Chia Investment Co., Ltd.	Aug 12, 2016	Legal Liabilities of Directors and Supervisors for Financial Report Fraud and Risk Control: A Case Study Approach	3
Director	Tseng, Chun-Ming Institutional Representative of Yuei-yei Kai Fa Investment Ltd.	Nov 14, 2016	Ethical Corporate Management, Corporate Governance, and Social Responsibility: Theory and Practice	3
Director	Ko, Tsung-Yuan Institutional Representative of Shih Dah Investment Co., Ltd.	Aug 12, 2016	Legal Liabilities of Directors and Supervisors for Financial Report Fraud and Risk Control: A Case Study Approach	3
Independent Director	Yang, Cheng-Li	Dec 14, 2016	How Can Enterprises Prevent Corruptions: Case Study	3
Independent Director	Chan, Yi-Hung	Aug 12, 2016	Legal Liabilities of Directors and Supervisors for Financial Report Fraud and Risk Control: A Case Study Approach	3
Independent Director	Huang, Wen-lic	Aug 12, 2016	Audit Committee Operations Practice	3
CFO	Chen, Chun-ying	Jul 6, 2016	Advanced Seminar for Director and Supervisor Practice: Human Resources in Business Mergers and Acquisitions and Issues on Merger and Acquisition Integration	3
Audit Chief	Ting, Yu-chii	Aug 12, 2016	Legal Liabilities of Directors and Supervisors for Financial Report Fraud and Risk Control: A Case Study Approach	3
		Nov 14, 2016	Ethical Corporate Management, Corporate Governance, and Social Responsibility: Theory and Practice	3
		Jun 13, 2016	Legal Liabilities for Insider Trading: Patterns of Corruptions and Case Study	6
		May 23-24, 2016	Further Education Course for Accounting Chiefs of Issuers, Securities Companies, and Stock Exchanges	12
		Mar 11, 2016	Preemptive Actions for Employee Corruptions	6
		Aug 31, 2016	ERP: Practical Internal Audit and Internal Control for Transaction Cycle	6

- IV) Composition, Duties, and Operations of the Remuneration Committee:
The Company's Board established the Compensation Committee in December 2011 and elected members for the third term of the committee on June 17, 2015. Mr. Yang Cheng-Li was consecutively elected to a second term of the chairman of the Compensation Committee.

1. Information on the members of the Compensation Committee

Identity Category (Note 1)	Qualification	Have more than 5 years of experience and the following professional qualifications			Status of independence (Note 2)								As independent director to other IPO companies	Remark
		Lecturer of the above in commerce, law, finance, accounting or subjects required by the business of the Company in public or private colleges or universities	Passed the qualification examination with proper licensing by the national government as court judge, prosecutor, lawyers, certified public accountant or other professional designations required by the business of the Company	Commerce, law, finance or as required by the Company	1	2	3	4	5	6	7	8		
Independent Director	Yang, Cheng-Li			✓	✓	✓	✓	✓	✓	✓	✓	✓	None	Successive June 17, 2015 Re-election
Other	Cai, Zheng-Zhe			✓	✓	✓	✓	✓	✓	✓	✓	✓	None	Successive June 17, 2015 Re-election
Other	Wu, Jie-Xin			✓	✓	✓	✓	✓	✓	✓	✓	✓	None	Successive June 17, 2015 Re-election

Note 1: Please fill out Department of directors, independent directors or other

Note 2: Respective director and supervisor who meet the following qualifications 2 years before assumption of office or at the time of assumption of office shall put a "✓" in the appropriate space.

- (1) Not an employee of a bank or its affiliates.
- (2) Not a director or supervisor of an affiliate of the company (except for independent directors of the company or its parent company or a subsidiary established in accordance with this Act or the local laws)
- (3) Not a natural person itself, spouse, underage children, or under the title of a third party who holds more than 1% of the outstanding shares issued by the bank or among the top 10 natural person shareholders.
- (4) Not a spouse, kindred at the second tier under the Civil Code, or the next of kin within the fifth tier under the Civil Code as specified in (1) through (3).
- (5) Not a director, supervisor or employee of an institutional shareholder who holds more than 5% of the outstanding shares issued by the bank, or a director, supervisor or employee of an institutional shareholder who is among the top 5 shareholders.
- (6) Not a director, supervisor, manager or shareholder holding more than 5% of the outstanding shares of a specific company or institution in business or financial relation with the bank.
- (7) Not a professional, owner, partner, director, supervisor, manager of proprietorship, partnership, company or institution that provide business, legal, financial and accounting services to the bank or a spouse to the aforementioned persons.
- (8) Not under any of the categories stated in Article 30 of the Company Act.

2. The powers and jurisdiction of the Compensation Committee

- * On a regular basis, evaluate and recommend on the Company's policies, institutions, standards, and structure of the annual and long-term performance targets and compensation for directors, supervisors, and managers.
- * Evaluate and recommend on the level of performance of the Company's directors, supervisors, and managers, and the nature and amount of their compensation

3. The operation of the Compensation Committee

- (1) The Company's Compensation Committee consists of three members.
- (2) The duration of this term: June 17, 2015 to June 16, 2018. In 2016, the Compensation Committee held five committee meetings (A). The attendance record of members is as follows

Title	Name	Actual attending B	Authorized attending	Ratio of actual attending (%) [B/A] (Note)	Remark
Convener	Yang, Cheng-Li	5	0	100%	Successive June 17, 2015 Re-election
Committee	Cai, Zheng-Zhe	5	0	100%	Successive June 17, 2015 Re-election
Committee	Wu, Jie-Xin	5	0	100%	Successive June 17, 2015 Re-election

Other matters that should be documented:

- I. Recommendations of the Compensation Committee rejected or modified by the Board: None
- II. Resolutions of the Compensation Committee that met opposition or reservation from members and have been documented: None.

- Note:
- (1) Before the end of the year, if a member of the compensation committee leaves his position, his termination date should be noted in the remarks section. The actual attendance percentage is calculated according to the number of meetings and actual attendance during the term of the committee.
 - (2) Before the end of the year, if there is a re-election of the Compensation Committee, the former and current committee members should both be listed. In the remarks section, whether a member is newly elected or reelected should be noted, along with the election date. The actual attendance percentage is calculated according to the number of meetings and actual attendance during the term of the committee.

(V) Fulfillment of CSR (the system and measures adopted by the Company for environmental protection, community participation, social contribution, social service, social welfare, consumer rights, human rights, safety & health and other CSR activities as well as their execution):

After the UN Sustainable Development Goals (SDGs) was announced and the Accord de Paris was entered in 2015, the world has entered a new era, and low-carbon economy, environmental protection, and social responsibility have become the common directions of all enterprises. The sustainable development goals of over 1,000 enterprises across the world are consistent with the SDGs, suggesting enterprises will be the major promoter of global sustainable development. Upholding the core value “Upgrade Your Life”, Gigabyte will combine core value and competitiveness to fuse sustainable development with organizational strategies and operations.

“Realize clean production with solid technical capacity for low-carbon technology and zero pollution

Balance economic development with environmental conservation, technology and humanities, and opportunities across generations to upgrade your life.”

Through short-term, medium-term, and long-term strategies, we enable employees to gradually understand how a company’s business activities affect the environment and society and so return to the basic nature and concept of business in order to reduce negative impacts on the environment and society through organizational management.

In the future, we will proactively exert our core competencies to foster co-existence and co-prosperity with the environment and society and thereby promote sustainable development for the 21st century.

CSR Policy

1. Strive to improve the efficiency of our energy and resource use, eliminate hazardous substances, make zero waste and emissions our goal.
2. Implement clean production and strengthen green supply chain management to push for sustainable development based on the highest ethical standards and guidelines.
3. Develop low-carbon technologies and green products, promote green consumption, build a green brand.
4. Care for the environment and ecology and achieve symbiosis with planet Earth.
5. Care for culture and society

CSR goals and effectiveness

Term	Goals	Practice and Effectiveness
<ul style="list-style-type: none"> • Short 	<ul style="list-style-type: none"> • Optimize environmental and safety policies and commitments • Ensure compliance with customer and environmental requirements of products. • Strengthen employee awareness and the urgency of environmental protection and spread from the enterprise through the family to society from: Love for Earth with True Environmental Protection. 	<ul style="list-style-type: none"> • Passed ISO14000 and OHSAS 18001 certification and optimized environmental surveillance and employee work environment. • Focused on the R&D and innovation of green product and green technology and produced high-quality products to satisfy customers. • Activated the 2009 Green Action Plan for employees to fully understand the importance of sustainable environment • Established the Gigabyte to Green Club to proactively launch the “One Thousand Miles” volunteer campaign. A total of 588.8kg of plastic garbage has been collected so far.
<ul style="list-style-type: none"> • Medium 	<ul style="list-style-type: none"> • Promote business ethics and CSR • Establish the organization level GHG and product carbon footprint performance indicator system • Continuingly reduce the carbon emissions and environmental impacts of products. 	<ul style="list-style-type: none"> • Published the CSR report on an annual basis and the code of business conduct in 2010. • Began promoting ISO14064 GHG inventory in 2009. With 2009 as the base year, the Group has reduced emissions by 39.83% by 2015. • Expanded the scope of GHG inventory to Scope 3 in 2015. • Implemented LCA assessment on all products to develop a product EIA system and database.
<ul style="list-style-type: none"> • Long 	<ul style="list-style-type: none"> • Share value with society toward a social enterprise through “Upgrade Your Life” • Create customer value and eco-friendly products to build a green brand. 	<ul style="list-style-type: none"> • Completed the development of a green cloud platform to reduce energy and resource consumption with the supply chain and build Gigabyte’s sustainable value chain. • Promoted SROI assessment in 2016 to value Gigabyte’s social influence. • Promoted the Green Action Plan 2.0 to extend Gigabyte’s value sharing.

Major CSR Events:

- 2009 Established the Gigabyte Sustainable Development Committee to make commitments to promote sustainable development.
- 2009 Activated the “Green Action Plan from the Heart” to plan short-, medium-, and long-term strategies to confirm sustainable development goals.
- 2009 Organized the “Gigabyte Technology Environmental Policy Presentation” and held supplier conferences to explain Gigabyte’s environmental policy to work for environmental protection together with suppliers.
- 2009 Organized a conference on the “Promotion Procedure for Product Carbon Footprint Declaration”.
- 2010 Published Gigabyte’s first sustainability report to disclose ESG performance and demonstrate the company’s determination to promote sustainable development.
- 2011 Invited employees to make commitments to contribute to mitigate climate change.
- 2011 Organized the “Green Ideas” creativity activity to encourage total participation, multiple development, and energy saving education to disseminate sustainable development.

- 2012 Awarded the “Industrial Sustainable Excellence Award” at the 13th Industrial Sustainable Excellence Awards organized by the Industrial Development Bureau, Ministry of Economic Affairs.
- 2012 Developed the sustainable supply chain evaluation to extend CSR, environmental protection, labor rights, fair commercial practice, supply chain responsibility, and social and local contributions, so as to work for a sustainable future.
- 2012 Promoted the recycling of waste electrical and electronic equipment at all service locations regardless of brands to reduce load and hazards on the environment.
- 2013 Organized the “Green Product Innovation” activity to set the foundation toward sustainable development based on sustainability, innovation, and value.
- 2013 Pioneered the green roof on office buildings for protecting Earth and promoting employee health by growing trees to promote sustainability and environmental education.
- 2013 Formed the volunteer service team, Gigabyte Green Club, to promote enterprise volunteer service for the environment and society.
- 2013 Promoted the “eco working holiday” to contribute ourselves to realize environmental protection to protect our home.
- 2013 Awarded the “Excellence Award for Energy-Saving & Emission Reduction Mark” in the office category by the Environmental Protection Administration, Executive Yuan.
- 2014 Organized the “Meeting Green Happiness” serial activities: family guided tour, family painting competition, and eco-photography contest to indigenize environmental protection and sustainable development in daily life.
- 2014 Ranked the top 18th in the large enterprise category in the “Excellence in Corporate Social Responsibility Survey” organized by the *CommonWealth Magazine* and the TCSA Climate Leader Award.
- 2014 Awarded the “Excellence Award for Environmental Education in New Taipei City” in the private sector category.
- 2014 Organized the “Reducing Operational Risk in Green Supply Chain and the Waste of Resources” conference to emphasize product responsibility, so as to create a win-win situation with suppliers.
- 2014 Promoted the GMCP (Green Material Cloud Platform) with Green Share Technology to reduce the management risk of hazardous substances, enhance management efficiency, and cope with future legal trends.
- Organized the GMCP supplier conference to work for environmental protection with suppliers.
- 2015 Won the “Excellence Award” in the private sector category of the National Environmental Education Awards.
- 2015 Promoted the legislation of green roof and built the urban eco-corridor to reduce the urban heat island effect and relieve electricity consumption at summer peak hours to reduce the demand for nuclear energy.
- 2015 Rated as the top 30 in CSR in the CSR Survey conducted by the *Global View Magazine*.
- 2015 Ranked Taiwan’s top 36th enterprise and top 17th in the social aspect at the Excellence in Corporate Social Responsibility Award by *CommonWealth Magazine*.
- 2016 Ranked Taiwan’s top 40th enterprise and top 16th enterprise in the electronics industry in the CSR Survey by *Global View Magazine*.
- 2016 Ranked Taiwan’s top 32nd enterprise and top 14th in the environmental aspect at the Excellence in Corporate Social Responsibility Award by *CommonWealth Magazine*.
- 2016 10th Excellent Enterprise Award by the Taoyuan City Government

Gigabyte CSR Report: <http://csr.gigabyte.tw/Home>

Gigabyte Education Foundation

“Gigabyte Education Foundation aims to promote science and technology education, arts, and humanities; upgrade people’s life; create a harmonious and progressive society.” By promoting activities for science and technology education, innovation, arts, humanities, and the care for vulnerable groups, Gigabyte realizes its goal to contribute society. Gigabyte also encourages employees to engage in charity and social service so as to upgrade the life of people around us.

Talent cultivation: “Talents are the biggest assets of Taiwan.” In talent cultivation, we set different foci for different stages. Through visits, on-site tours, and technology to school PC-DIY, we enable students to explore computers. By organizing design contests, we improve Taiwan’s IT product design capacity and provide students who wish to become a designer in the future with a best practice experience for talents to demonstrate their value.

Community building: To Gigabyte, our responsibility is to voluntarily contribute to local communities and make the living environment better. Through activities including blood donation, thick clothes for winter, greenery and street adoption, and PC classes, we enable employees to feel the happiness to help others and upgrade the life of people around us because of our involvement.

Social donation: From Gigabyte, we extend the concept of “care for society and sustainable development” to society. Our social donations are comprehensive, such as the “Love from Gigabyte: Year-end Charitable Donation”, donations for serious disasters, medical donations, and computer equipment donations.

Arts and culture promotion: Gigabyte has been sponsoring art and cultural activities over time in various ways. Through activities such as the Upgrade Your Life Gallery, art appreciations, Upgrade Your Life Talk, and leisure literature, we encourage employees to subscribe and participate in various art and cultural activities.

Agricultural product subscription: Internally, we organize group buying activities of agricultural products directly from farmers from time to time to help them get rid of exploitation and thereby create a win-win model with them.

CSR Implementation:

Indicator	Implementation		Variation from Corporate Governance Best Practice Principles, and Reason
	Yes	No		Summary
<p>1. Implementation of corporate governance</p> <p>(1) Is there a defined corporate social responsibility policy or system in place, and reviews on the effectiveness of their implementation?</p> <p>(2) Does the Company organize regular CSR training?</p> <p>(3) Has the Company established a dedicated (concurrent) department for the implementation of corporate social responsibility? Does the top management have authorization from the Board to handle CSR matter and report on its implementation?</p> <p>(4) Does the Company have a reasonable remuneration policy, the employee performance valuation is integrated with the CSR policy, and a clear and effective system of rewards and penalties is in place?</p>	√		<p>Where regulatory requirements or actualities must be taken into consideration, the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies and other related laws and regulations shall apply.</p>
			<p>(1) Our Company has drafted a corporate social responsibility policy and guideline, which can be referenced in the corporate sustainable development report. (http://csr.gigabyte.tw/)</p> <p>(2) Our Company introduces sustainability training during "New Employee Training". A number of workshops on energy-saving, carbon reduction, sustainable corporate development and bio-diversity conservation are also held every year to enhance the CSR awareness and knowledge of employees.</p> <p>(3) Our Company has established a "Gigabyte Green Sustainability Development Committee" headed by the executive president for promoting corporate social responsibility policies. Monthly meetings are held to review results and conduct improvements. Progress is reported to three Board directors each week.</p> <p>(4) Our Company has established the "Remuneration Committee" to regularly evaluate and make recommendations on our company's annual and long-term performance targets as well as remuneration policy, systems, standards and structure. We have also published the "Employee Ethical Conduct Guideline" in Chinese and English and communicated it to suppliers at supplier conferences held from time to time. The Guideline covers the rules governing employee conduct, an equal and safe</p>

Indicator	Implementation		Variation from Corporate Governance Best Practice Principles, and Reason
	Yes	No	
<p>2. Development of sustainable environment</p> <p>(1) Is the Company dedicated to improving the utilization efficiency of resources and use of recycled materials that have low impact on the environment?</p> <p>(2) Has the Company established a suitable environmental management system based on the features of the industry?</p> <p>(3) Does the Company pay attention the influence of Climate Change on the operation of the Company, conduct GHG inventories, and has it drafted a policy for energy conservation, carbon reduction and GHG reduction?</p>	√	<p>work environment, protection of organizational assets, external business activities, legal compliance, and fulfillment of social responsibility to specify employee conduct. Moreover, we include the effectiveness of relevant education and training activities as part of employee evaluation to ensure fair reward and punishment for employees.</p> <p>(1) Right at the product design stage, our Company begins to consider probable environmental impacts and designs products from the viewpoint of “minimizing environmental load” to realize an eco-design from the source to end-users. Our Company is also committed to implementing factory waste reduction and recycling to reduce resource depletion. In 2016, non-recyclable waste measured 403.92 m.t., 6.58 m.t. less than 2015, and the recycling rate of packaging materials was 97.02%.</p> <p>(2) The Company passed ISO 14001 environmental management system certification in 2003. Up to now, the Company enforces control with PDCA regulations.</p> <p>(3) Our Company puts the mitigation and adaptation of climate change as part of enterprise sustainable operations and implements countermeasures in terms of product, GHG management, and routine operations to aggressively reduce environmental load and fulfill our corporate social responsibility. GHG reduction target:</p>	<p>Conforms to the Corporate Governance Best-Practice Principles.</p>

Indicator	Implementation		Variation from Corporate Governance Best Practice Principles, and Reason
	Yes	No	
		<p>Group-wide GHG emissions from internal activities by 40% in 2020 based on the 2009 level. In addition, we have launched the Operation Gigabyte 333 (waste reduction, emissions reduction, and water reduction) and teamed up with suppliers to continuously contribute to emissions reduction for Earth—the home of yours and us.</p>	
<p>3. Protection of social welfare (1) Has the Company drafted management policies and procedures in accordance with the relevant laws and international conventions on human rights? (2) Has the Company established employee grievance mechanisms and channels? Are complaints handled properly? (3) Does the Company provide employees with a safe and healthy work environment? Do employees receive regular safety and health education? (4) Has the Company established a mechanism for regular employee communications and does it notify employees of changes that may have a major impact on operations in a reasonable manner? (5) Has the Company established an effective career development plan for employees? (6) Has the Company drafted consumer protection policies and a grievance mechanism based on its R&D, purchasing, production, operating and service processes? (7) Does the Company conform to the relevant</p>	<p>√</p>	<p>(1) Gigabyte embraces the philosophy of "A happy workplace for a better life". We believe that every employee should be treated equally and with respect. We strive to uphold and respect internationally recognized human rights (including the UN Declaration of Human Rights, and the International Labor Organization's core labor standards) such as freedom from discrimination and abuse, illegal employment, and promises to abide by the highest ethical standards in our compliance with local laws and the EICC (Electronic Industry Code of Conduct). We also request suppliers to comply with the EICC code so as to fulfill CSR together. We have therefore defined various management policies and procedures including the "Employee Code of Conduct", salary & benefits, training & development, attendance system, business travel management, labor safety and more.</p> <p>(2) We operate employee forums, suggestion boxes, the chairman's mailbox and the CSR mailbox. Dedicated personnel are assigned to answer and</p>	<p>Conforms to the Corporate Governance Best-Practice Principles</p>

Indicator	Implementation		Variation from Corporate Governance Best Practice Principles, and Reason
	Yes	No		Summary
<p>international laws and standards on the marketing and labeling of products and services?</p> <p>(8) Does the Company evaluate the past environmental and social record of the suppliers it deals with?</p> <p>(9) Do the Company's contracts with its suppliers include clauses for immediately suspension or termination if the supplier violates its CSR policy, and has a significant impact on the environment and society?</p>			<p>process employee feedback to ensure smooth internal communications. In addition, our Company has established the Code of Employee Conduct, where unethical acts are detected, employees can direct report to the special reporting mailbox.</p> <p>(3) Gigabyte has passed ISO 14001 and OHSAS 18001 certification. Work environments are tested every 6 months to ensure work environment safety. The Company also arranges annual employee health exams and organizes occupational safety and first aid training, fire evacuation training, emergency response training, art and culture talks, as well as workshops on health topics conducted by experts to improve employee health awareness.</p> <p>(4) The Company conducts employer-employee communications through quarterly meetings. Performance evaluations are also conducted every 6 months, allowing managers and employees to review their performance and discuss any problems at work. All Company operations are in sound form with no major changes</p> <p>(5) Our employees are assigned to positions that suit their personal interests so they can develop in the most suitable manner. New employees receive 1-day of orientation training as well as other internal or external specialist training based on their job requirements. Managers also take part in the "Groups Consensus Conference"</p>

Indicator	Implementation		Variation from Corporate Governance Best Practice Principles, and Reason
	Yes	No	
		<p>and management competency courses every year so they can continue to strengthen their professional know-how and make the Company more competitive. These include: management competency, core competency, foreign languages, external training, the e-learning system and library.</p> <p>(6) Our Company follows a consumer-oriented business philosophy that starts with product development. The ultra-durable motherboards and display cards all use the best quality materials to guarantee product performance and stability over time; we offer 4-year warranty on all motherboards and have established a comprehensive worldwide service network to provide fast and supportive after-sales service. Consumers can give their feedback via e-mail or telephone, and there are dedicated departments in Taiwan, China and overseas for handling consumer product inquiries and complaints. Technical support hotline in Taiwan: 0800-079-800; service website in Taiwan: http://service.gigabyte.tw/.</p> <p>(7) Our Company has defined standard guidelines and rules governing our Corporate Identity (CI). All materials that make use of CI must be inspected by the responsible units whether they were produced internally or externally before being approved for distribution. The marketing and labeling for all products and services conform to the principle of honesty and</p>	

Indicator	Implementation		Variation from Corporate Governance Best Practice Principles, and Reason
	Yes	No	
		<p>disclosure as well as the relevant laws and international rules. This gives consumers a full understanding of our company's products and services.</p> <p>(8) We consider our suppliers to be our long-term partners in the building of a stable sustainable supply chain. Gigabyte Group requires Tier 1 suppliers to set up an environmental management system and all Tier-1 suppliers conform to Gigabyte's Eco Product Requirement as well as other international regulations such as the EU RoHS and REACH directives. The CSR dimension is also included in supplier evaluations to encourage them to respect internationally recognized human rights and care about environmental protection issues in order to minimize the environmental and social impact throughout the product lifecycle. Together, we work to build a sustainable supply chain and fulfill our CSR.</p> <p>(9) This clause is not explicitly included in our current supplier contracts but if a supplier is in violation of its CSR policy with significant environmental and social impacts, their rating will be reduced during routine supplier evaluations. Suppliers will be switched when they are rated grade "D" for three consecutive months and fail to pass the evaluation in the fourth month after our guidance. Suppliers causing severe damages to this Company for gross negligence will be disqualified after</p>	

Indicator	Implementation		Variation from Corporate Governance Best Practice Principles, and Reason
	Yes	No	
		discussions by the head of related units. A disqualified supplier cannot re-apply for a Gigabyte supplier in the next six months.	
4. Greater information disclosure (1) Does the Company disclose relevant and reliable CSR-related information on its website and the Market Observation Post System website?	√	(1) Our Company publishes the CSR report on a regular basis. We also disclose our progress on CSR promotion and sustainable development on the CSR website and Market Observation Post System website at different times.	Conforms to the Corporate Governance Best-Practice Principles.
5. If the Company has drafted its own corporate social responsibility guidelines according to "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX-Listed Companies," the Company should clarify the difference between its operation and the codified principle: Our Company has already codified the corporate social responsibility policies in our CSR report. In order to perform our duty as a corporate citizen and demonstrate our commitment to stakeholders including employees, shareholders, the government, customers, suppliers, communities and non-profit organizations, we strive to improve the efficiency of our energy and resource use, eliminate hazardous substances, produce zero waste and emissions as our goal, while also implementing clean production and strengthening sustainable supply chain management. We are continuing to push for sustainable development based on the highest ethical standards and guidelines. These include the development of low-carbon technology and green products with the goal of becoming a green brand. All employees are encouraged to embrace "technological innovation and reliable quality" in caring for the environment and ecology to achieve symbiosis with planet Earth. We therefore already conform to the requirements of the "CSR Best-Practice Principles for TWSE/GTSM-Listed Companies".			
6. Other pertinent information that helps the general public understand CSR operations: (1) Please visit our CSR website at http://csr.gigabyte.tw/Home for more information about our CSR practice and sustainable development.			
7. If the Company's products or the Corporate Social Responsibility Report have been certified by authoritative certification agencies, the certification should be disclosed: Our Corporate Sustainable Development Report was prepared in accordance with the Global Reporting Initiative (GRI) G4 Guidelines' Core Options. Our Company's commitment, strategy and the results of our management policy were disclosed in accordance with ISO 26000 and the UN Global Compact, and the United Nations Sustainable Development Goals (SDGs). The financial data disclosed in this report are publicly available through our audited annual reports. The ISO14064 organization level GHG inventory and reduction data, ISO 14001, OHSAS 18001, and QC080000 were all certified by SGS Taiwan. The indicators encompass our Xindian headquarters, Taoyuan Nanping plant, China Ningbo plant and China Dongguan plant as detailed in the report.			

(VI) Our Company's implementation of ethical corporate management

1. Our Company's management upholds our belief in prudent, sustainable management and accountability and has drafted management policies based on ethical practice. Our management is in compliance with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies.
2. Implementation of Ethical Practice:

Indicator	Operation		Variation from Corporate Governance Best Practice Principles, and Reason
	Yes	No	
<p>1. Codify Ethical Management Policies and Plans</p> <p>(1) Does the Company demonstrate its ethical management policies in its regulations and documents communicating with external parties, and do the Board and management actively fulfill their commitments through business policy?</p> <p>(2) Does the Company have safeguards against unethical behavior in place including clear procedures, code of conduct, penalties for violations and a grievance mechanism? Are these enforced?</p> <p>(3) Does the Company have safeguards against business activities identified as being at higher risk of unethical behavior in "Article 7 Paragraph 2 or other sections" of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies"?</p>	√		<p>The management follows ethical management principles and has codified policies based on ethics, ensuring that the Board, supervisors, and employees abide by the Company Act, Securities and Exchange Act, Business Entity Accounting Act, and laws that pertain to publicly traded companies, and other laws that govern business transaction, while discharging their duties.</p> <p>In compliance with "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies"</p>
<p>2. Implementing ethical management</p> <p>(1) Does the Company evaluate the ethical record of its transaction parties and explicitly include clauses on ethical behavior in contracts?</p> <p>(2) Does the Company have a dedicated corporate ethics unit that is overseen and regularly reports to the Board of Directors?</p> <p>(3) Does the Company have a conflict-of-interest prevention policy with suitable channels for reporting such conflicts, and enforces such a policy?</p> <p>(4) Does the Company have an effective accounting system and internal control system for ensuring ethical</p>	√		<p>(1) Our Company maintains a registry of all vendors we deal with. For key suppliers and customers we also inspect their credit profile to avoid losses due to breaches of contract.</p> <p>(2) Our Company does not yet have a dedicated (concurrent) unit for promoting ethical corporate management. This is currently performed by each department to the best of their ability.</p> <p>(3) Our Company completed the stakeholder section on our website at the end of 2015 to respond to</p> <p>In compliance with "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies"</p>

Indicator	Operation		Variation from Corporate Governance Best Practice Principles, and Reason
	Yes	No	
<p>management that is regularly audited by an internal audit unit or public auditor?</p> <p>(5) Does the Company regularly host internal and external training on ethical management?</p>		<p>important CSR issues material to our stakeholders.</p> <p>(4) Our Company's accounting system and internal control system both conform to the spirit of ethical management. Internal auditors also carry out audits in accordance with the law.</p> <p>(5) Our Company does not regularly host internal and external training on ethical management. Related courses will be organized as necessary in the future.</p>	
<p>3. Operation of the corporate whistleblower system</p> <p>(1) Does the Company have an explicit whistleblower and incentive scheme in place that protects whistleblowers and assigns appropriate personnel for investigating the target of the whistleblower complaint?</p> <p>(2) Does the Company have a standard operating procedure for investigating whistleblower complaints and the related mechanism for ensuring confidentiality?</p> <p>(3) Does the Company have measures to protect whistleblowers against retaliation?</p>	√	<p>(1) If any company personnel harms the Company's interests by violating the Company regulations or ethical principles, employees can report this through the proper channels to their direct manager, the internal audit manager or administrative unit. Disciplinary action will be taken by the decision-maker or Human Resources unit based on the severity of the offense.</p> <p>(2) Handled in accordance with the relevant HR management regulations.</p> <p>(3) Once a complaint is received by the head of the relevant unit, it is treated confidentially to protect the background of the whistleblower and the provided information.</p>	<p>In compliance with "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies"</p>
<p>4. Greater disclosure</p> <p>(1) Does the Company disclose its ethical management principles and progress on its promotion through its website or the Market Observation Post System website?</p>	√	<p>We have a corporate website on which we disclose any information we have related to ethical management.</p>	<p>In compliance with "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies"</p>

Indicator	Operation		Variation from Corporate Governance Best Practice Principles, and Reason
	Yes	No	
5. If the Company has drafted an ethical management principle according to "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies," the operation of the principle and the deviation from the principle should be clearly stated: Our Company has not drafted our own ethical management principles. If required by law or necessity, we will refer to the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies" and the relevant laws.		Summary	
6. Other material information that helps to understand the operation of the Company's ethical management (such as the Company's declaration of its resolve and policies to its business partners; the Company's invitation of training to its partners; and the Company's revision of its ethical management principles): None			

(VII) If the Company has codified corporate governance guidelines and applicable regulations, the Company should disclose the method by which such regulations can be accessed. If the Company has not yet codified corporate governance guidelines but there is a need for such regulations due to legal reasons or actual situations, the Company should follow "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies" and applicable laws.

(VIII) Other important information that is helpful for understanding the implementation status of corporate Governance may be disclosed together: None.

(IX) Status of Enforcement of Internal Control System:

Gigabyte Technology Co., Ltd.
Statement of Internal Control

Date: March 14, 2017

Gigabyte Technology Co., Ltd. has conducted an internal audit in accordance with its Internal Control Regulation covering the period from January 1 to December 31, 2015 and hereby declares as follows:

- I. The Company acknowledges and understands that, the establishment, enforcement and preservation of internal control system is the responsibility of the Board and the managers, and that the Company has already established such system. The purpose is to reasonably ensure the effect and efficiency of operation (including profitability, performance and security of assets), the reliability of financial reporting and the compliance with relevant legal rules
- II. There is limitation inherent to an internal control system, no matter how perfect the design. As such, effective internal control system may only reasonably ensure the achievement of the aforementioned goals. Further, the operation environment and situation may vary, and hence the effectiveness of the internal controls system. The internal control system of the Company features a self-monitoring mechanism. Once identified, any shortcoming will be corrected immediately.
- III. The Company judges the effectiveness of the internal control system in design and enforcement in accordance with the "Criteria for the Establishment of Internal Control System of Public Offering Companies" (hereinafter referred to as "the Criteria"). The Criteria is instituted for judging the effectiveness of the design and enforcement of the internal control system. There are five components of effective internal control as specified in the Criteria with which the procedure for effective internal control are composed by five elements, namely: 1. Control environment, 2. Risk Evaluation and feedback, 3. Control Operation, 4. Information and Communication, and 5. Monitoring. Each of the elements in turn contains certain audit items, and shall be referred to the Criteria for details.
- IV. The Company has adopted the aforementioned internal control system for internal audit on the effectiveness of the design and enforcement of the internal control system
- V. Based on the aforementioned audit findings, the Company holds that it has reasonably preserved the achievement of the aforementioned goals at December 31, 2016 (including the monitoring over the subsidiaries), including the effectiveness and efficiency in operation, reliability in financial reporting and compliance with relevant legal rules, and that the design and enforcement of internal control are effective.
- VI. This statement of declaration shall form an integral part of the annual report and prospectus on the Company and will be announced. If there is any fraud, concealment and unlawful practice discovered in the content of the aforementioned information, the Company shall be liable to legal consequences under Article 20, Article 32, Article 171 and Article 174 of the Securities and Exchange Act.
- VII. This statement of declaration has been approved unanimously by the Board in a session held on March 14, 2016 with the presence of eight directors (including proxies).

Gigabyte Technology Co., Ltd.

Chairman: Yeh, Pei-Chen

President: Liu, Ming-Hsiung

Note 1: For public companies, when there is a shortage in the design or implementation of the internal control system in any period of the year, companies should state and explain the shortage they noted in the 4th item in Statement of Internal Control by adding an explanatory paragraph and also state the plans and execution status before balance sheet date.

Note 2: The date of the statement will be the "the day the fiscal year ends".

2. Where the Company may be requested to conduct an audit on its internal control system by external auditors, is there any audit report for disclosure: None.
- (X) Any personnel of the Company sentenced by law, punished by internal regulation due to violation of internal control system, major shortcomings and status of corrective action in the most recent year to the day this report was printed: None.
- (XI) Important resolutions at the shareholders' meeting and the meeting of Board of Directors in recent years and in the current year (till printing of the annual report):
1. Significant Resolutions from Shareholders' General Meeting and Their Implementation

Date	Significant Agenda	Implementation
2016.06.15	Recognize our Company's business report and financial statements from 2015.	Approved.
	Recognize our Company's earnings distribution for 2015.	Approved. 2016.7.17 has been ratified as the stock dividend distribution date, and the cash dividend has been distributed on 2016.8.5
	Discussing the revision of our Company's internal regulations:	Approved. The agenda has been carried out as resolved in the shareholders' meeting.
	Election: Independent director re-election	Candidate Huang, Wen-lie was elected.

2. Important Resolutions of Meetings of the Board of Directors

Date	Important Resolution
2016.01.15	The Company's 2016 budget.
	Continuation of loan transactions with Beixin Branch, Chang Hwa Bank.
	Continuation of loan transactions with HSBC Bank (Taiwan) Limited.
2016.03.15	Proposal of the amendment of the Company's "Articles of Incorporation".
	Completion of the assessment of financial report self-production ability to exempt the establishment of the "Financial Statement Self-Production Ability Enhancement Plan".
	Proposal of the distribution of employee compensation and director remuneration of 2015.
	Approval of the individual financial statements and consolidated financial statements of 2015.
	Proposal of the independent director re-election.
	Approval of the list of independent director candidate proposed by BOD.
	Approval of the period of nomination, number of seats, and acceptance place of the independent director re-election.
	Determination of the date, place, and proposals of the 2016 AGM.
	2015 statement of compliance of the internal control system
2016.04.15	Approval of the 2015 profit distribution proposal.
	Nomination of candidates for independent directors by BOD.
2016.05.13	Continuation of loan transactions with CTBC Bank.
2016.06.15	Ex-dividend base date for 2016.
2016.08.12	Approval of the investment in Minth Autotronics Co., Ltd. by Ningpo G. B. T. TECH Trading.
2016.11.14	Determination of the base date for converting "Employee Stock Option Certificates issued in 2007 (First)" into common stocks issued for cash.
	Continuation of loan transactions with Xindian Branch of Mega International Commercial Bank.
	Continuation of loan transactions with Beixin Branch, Chang Hwa Bank.
	Approval of the independency assessment of the Company's CPAs.
	2017 Audit Plan
2017.01.13	Determination of the base date for converting "Employee Stock Option Certificates issued in 2007 (First)" into common stocks issued for cash.
	Continuation of loan transactions with HSBC Bank (Taiwan) Limited.
	Approval of the 2017 accountant assignment and remuneration review.

Date	Important Resolution
2017.03.14	The Company's 2017 budget.
	Approval of the 2016 employee compensation and director remuneration distribution.
	Approval of the 2016 individual financial statements.
	Approval of the 2016 consolidated financial statements.
	Amendment of the Company's "Asset Acquisition and Disposal Operation and Disposition Procedure".
	Amendment of the Company's "Endorsement and Guarantee Operating Procedure".
	Amendment of the Company's "Rules of Procedure for Shareholder Meetings".
	Determination of the date, place, and proposals of the 2017 AGM.
	Statement of compliance of the internal control system for 2016
2017.04.17	Approval of the Company's 2016 profit distribution proposal
	Approval of the Company's cash distribution with capital reserve
	The Company's 2016 business report.
	Approval of additional proposals for the 2017 AGM.

(XII) Dissents from directors or supervisors on major resolutions of the Board that have been recorded or provided with written statement in the most recent year and up to the publication date of the annual report: None.

(XIII) Resignation or discharge of personnel relating to financial reporting in the most recent year to the day this report was printed: None.

IV. Information regarding auditing fee:

In NTD 1,000

Scale	Items	Auditing Fee	Non-audit fee	Total
1	Below NTD2,000			
2	NTD2,000-NTD4,000		✓	3,362
3	NTD4,000-NTD6,000			
4	NTD6,000-NTD8,000			
5	NTD8,000-NTD10,000			
6	More than NTD10,000	✓		11,883

Fees paid to CPAs

In NTD 1,000

CPAs firm	CPAs name	Auditing fee	Non-auditing fee					Audit Period	Note
			System design	Registration with industrial and commercial administration authorities	Human Resources	Other (Note 2)	TOTAL		
PWC Public Accountants	Xiao, Chun-Yuan	11,883				3,362	3,362	January 2016	Tax advisory consulting and Transfer pricing fees
	Wang, Fang-yu							Whole Year	

Note 1: Replace the current year if the Company accountant or firm shall be requested during the audit were presented and the reasons for the replacement in the remarks column shows, and order disclosure of audit and non-audit fees and other information.

Note 2: Non-auditing fee should be listed out separately according to type of services; the content of services should be listed out in NOTE if the "other" item in non-auditing fees exceeds 25% of the total non-auditing fee.

V. Information regarding replacement of CPAs: None.

VI. Service by Giga-Byte's chairman, president, managerial officers in charge of finance or accounting having served with the office(s) or affiliate(s) of the auditing CPAs: None.

VII. Transfer of and lien on shares by directors, supervisors, managers and shareholders holding more than 10% of the outstanding shares in the most recent year until the date this report is printed:

Title	Name	2016		By April 16, 2017	
		Change in the quantity of shares held	Change in the quantity of shares under lien	Change in the quantity of shares held	Change in the quantity of shares under lien
Chairman and CEO, Gigabyte	Yeh, Pei-Chen	0	3,240,000 (6,000,000)	0 (60,000)	0
Vice Chairman	Ming Wei Investment Co., Ltd. Representative: Liu, Ming-Hsiung	0	0	0	0
Director	Yuei-yei Kai Fa Investment Ltd. Representative: Tseng, Chun-Ming	0	0	0	0
Director	Shih-Chia Investment Co., Ltd. corporate representative:Ma, Meng-Ming	0	0	0	0
Director	Shih Dah Investment Co., Ltd. corporate representative:Ko, Tsung-Yuan	0 (4,571,000)	6,500,000 (6,500,000)	0 (567,000)	0
Independent Director	Yang, Cheng-Li	0	0	0	0
Independent Director	Chan, Yi-Hung	0	0	0	0
Independent Director	Huang, Wen-lie	0	0	0	0
Gigabyte Senior Vice President Mobile Product BU Senior Vice President & President	Ma, Meng-Ming	0	0	0	0
Gigabyte Executive Vice President e-Sport BU Senior Vice President & President	Liu, Ming-Hsiung	0	0	0	0
Gigabyte Senior Vice President Manufacturing BU Senior Vice President & President	Cheng, Chun-Ming	0	0	0	0
Gigabyte Senior Vice President Channel & Motherboard BU Senior Vice President & President	Lin, Hua-Yuan	0	0	0	0
Network and Communications Business Unit President	Lee, Yi-Tai	0	0	0	0

Title	Name	2016		By April 16, 2017	
		Change in the quantity of shares held	Change in the quantity of shares under lien	Change in the quantity of shares held	Change in the quantity of shares under lien
Manufacturing Business Unit President	Meng, Hsian-Ming	0	0	0	0
Channel & Motherboard Business Unit Senior Special Assistant	Hong, Wen-Chi	0	0	0	0
CFO, Group Resource Mgmt. Center and Financial & Accounting HQ	Chen, Chun-ying	0	0	0	0
Group Resource Mgmt. Center	Lu, Zheng-Wei	0	0	0 (37,936)	0
Group Resource Management Center COO	Bai, Guang-Hua	101,849 0	0	0	0
Group Resource Mgmt. Center Vice President and Special Assistant to the CEO	Chen, Jin-Ting	0 (5,000)	0	0	0
Network and Communications Business Unit Product Center AVP	Chen, Zhang-Xiang	0	0	0	0
CEO's Office Special Assistant to the President	Chen, Shi-Cheng	0	0	0	0
Senior AVP, Network and Communications BU Product Center	Hou, Chi-ren	0	0	0	0
VP Channel & Motherboard BU Marketing & Service Center Quality & Delivery Center	Kao, Han-yu	0	0	0	0
VP Channel & Motherboard BU	Chen, Chen-shun	0	0	0	0
Channel & Motherboard Business Unit Service and Sales Marketing Center Senior AVP	Liao, Chi-Li	5,000 0	0	0 (5,000)	0

Title	Name	2016		By April 16, 2017	
		Change in the quantity of shares held	Change in the quantity of shares under lien	Change in the quantity of shares held	Change in the quantity of shares under lien
Channel & Motherboard Business Unit Service and Sales Marketing Center Non-EU Sales Dept., Non-EU Sales Platform Senior AVP	Hsiao, Wen-Ta	0	0	0	0
Channel & Motherboard Business Unit Service and Sales Marketing Center ASEAN Department, Asia Sales Platform Senior AVP ASEAN Department	Liu, Wen- Chung	0	0	300,000 0	0
Channel & Motherboard BU Software Division	Deng, Yi-Ming	50,000 0	0	0	0
Channel & Motherboard BU Embedded Motherboard Planning Center Firmware Division 2	Tseng, Wei-Wen	0	0	200,000 0	0
Channel & Motherboard BU Innovation and Creative Value Center AVP, Hardware Office 1	Liao, Che-Hsien	0	0	0	0
AVP Mobile Product BU Mobile Product Center	Lan, Jun-Kun	0	0	0	0
Network and Communications Business Unit Product Center AVP	Chen, Yun-Di	10,000 (34,000)	0	0	0
AVP Overseas Manufacturing Dongguan Gigabyte Ningbo Gigabyte	Ko, Wei-Ti	0	0	0	0

Title	Name	2016		By April 16, 2017	
		Change in the quantity of shares held	Change in the quantity of shares under lien	Change in the quantity of shares held	Change in the quantity of shares under lien
Operation Management Center Legal and IP Affairs Div. Senior AVP	Chiu, Chih-Peng	0	0	0	0
Channel & Motherboard Business Unit Marketing & Service Center China Sales Platform AVP	Lan, Shao-Wen	0	0	0	0
Manufacturing Business Unit Chief Engineering Division AVP	Sun, Wu-Hsiung	0	0	0	0
e-Sports Business Unit R&D Division AVP	Huang, Shun-Chih	0	0	0	0
e-Sports Business Unit Sales and Marketing & Sales Division AVP	Lin, Ying-Yu	0	0	0	0
AVP, Customer Service Center Best Yield BU	Lin, Chi-ching	0	0	0	0
AVP, Product Management Division, Mobile Product BU	Liu, Yu-chuan	0	0	0	0

Information on counterparties of share transfers or pledges who are related parties by directors, supervisors, managers, and shareholders owning more than 10% of shares outstanding: None.

VIII. Top ten shareholders and relationship between the shareholders

NAME (*1)	SHAREHOLDINGS BY SELF-OWNED		SHAREHOLDINGS BY SPOUSE AND UNDERAGE CHILDREN		SHAREHOLDINGS UNDER THE TITLE OF A THIRD PARTY		TOP 10 OF SHAREHOLDERS TO CONFORM TO THE ROC STATEMENT OF FINANCIAL ACCOUNTING STANDARDS NO. 3		REMARK
	Shares	Ratio	Shares	Ratio	Shares	Ratio	Name	Relationship	
Liu, Ming-Hsiung	41,168,918	6.54%	4,592,370	0.73%	-	-	Ming Wei Investment Co., Ltd.	Director	
Yeh, Pei-Chen	28,471,237	4.52%	5,821,063	0.92%	-	-	Ming Wei Investment Co., Ltd.	Director	
Ma, Meng-Ming	23,620,024	3.75%	470,914	0.07%	-	-	Ming Wei Investment Co., Ltd.	Supervisor	
Cathay Life Insurance Co., Ltd.	14,360,000	2.28%	-	-	-	-			
Representative: Tsai, Hong-tu	-	-	-	-	-	-			
Ming Wei Investment Co., Ltd.	14,062,200	2.23%	-	-	-	-	Liu, Ming-Hsiung	Director	
							Yeh, Pei-Chen	Director	
							Ma, Meng-Ming	Supervisor	
Representative: Yang, Xue-Qing	3,822,579	0.61%	41,938,709	6.66%	-	-	Ming Wei Investment Co., Ltd.	Chairman	
							Liu, Ming-Hsiung	Spouse	
Fubon Life Insurance Co.	13,200,000	2.10%	-	-	-	-			
Representative: Tsai, Ming-hsing	-	-	-	-	-	-			
Shi Da Investment Limited	11,375,000	1.81%	-	-	-	-			
Representative: Yang, Ya-Ting	9,000	0.00%	175,197	0.03%	-	-	Shi Da Investment Limited	Director	
Norway Central Bank Investment Custody Account at JPMorgan Chase Taipei	11,288,162	1.79%	-	-	-	-			
GMO Emerging Market Fund Custody Account at Standard Chartered Bank	10,646,200	1.69%	-	-	-	-			
Taiwan Life Insurance Co., Ltd.	9,510,000	1.51%	-	-	-	-			
Representative: Huang, Shi-kuo	-	-	-	-	-	-			

Note 1: All of the top ten shareholders should be listed. Names of the corporate shareholders and the representatives thereof should be listed separately.

Note 2: Ratio means the shareholding by self-owned, spouse and underage children, and the title of a third party as of total these three titles of shares.

Note 3: Relationship between shareholders listed above, including corporations and natural persons, should be disclosed.

IX. Companies directly or indirectly invested by the Company, the directors and supervisors of the Company, managers and the proportion and quantity of shareholdings on the same company

December 31, 2016/Unit: share; %

Invested companies	Invested by the Company		Invested by directors, supervisors, managers, or by direct or indirect subsidiaries		Total investment	
	Quantity of shares	Proportion of holdings	Quantity of shares	Proportion of holdings	Proportion of shares	Proportion of holdings
GB.T., Inc.	54,116	48.63%	57,169	51.37%	111,285	100%
GB.T. Technology Trading GmbH	0	100%	0	-	0	100%
Freedom International Group Ltd.	142,671,691.54	100%	0	-	142,671,691.54	100%
Charleston Investments Limited	0	-	57,032,141.68	100%	57,032,141.68	100%
Dongguan Gigabyte Electronics Co., Ltd.	0	-	0	100%	0	100%
GBT Tech. Co. Ltd.	800,000	100%	0	-	800,000	100%
Chi-Ga Investment Co., Ltd.	177,500,000	100%	0	-	177,500,000	100%
GB.T. LBN Inc.	0	-	0	100%	0	100%
Gigatrend Technology Co., Ltd.	0	-	17,500,000	100%	17,500,000	100%
Giga Future Limited	0	-	82,819,549.00	100%	82,819,549.00	100%
Ningbo Gigabyte Co., Ltd.	0	-	0	100%	0	100%
Ningbo Best-Yield Repair and Maintenance Co., Ltd.	0	-	0	100%	0	100%
Ningbo Gigabyte International Trading Co.	0	-	0	100%	0	100%
Giga-Byte Technology B.V.	8,500	100%	0	-	8,500	100%
Gigabyte Technology France	0	-	20,000	100%	20,000	100%
Giga-Trend International Investment Group Ltd.	0	-	65,268,000	100%	65,268,000	100%
Ningbo Zhong Jia Technology Trading Co., Ltd.	0	-	0	100%	0	100%
Gigabyte Technology Pty. Ltd.	400,000	100%	0	-	400,000	100%
Aorus Pte. Ltd.	0	-	3,073,000	100%	3,073,000	100%
Chi-Ga Communications Co., Ltd.	34,578,228	99.12%	0	-	34,578,228	99.12%
Giga-Trend International Management Group	0	-	600,000	60%	600,000	60%
Gigabyte Technology (India) Private Limited	4,600,000	100%	0	-	4,600,000	100%
G-Style	72,000,000	100%	0	-	72,000,000	100%
GIGAZONE Technology Co., Ltd.	14,000,000	100%	0	-	14,000,000	100%
Giga Advance (Labuan) Limited	0	-	10,000	100%	10,000	100%
Nippon Giga-Byte Corp.	1,000	100%	0	-	1,000	100%
Gigabyte Technology Poland SP Z.O.O.	0	-	100	100%	100	100%
Gigabyte Technology ESPANA S.L.U.	5,000	100%	0	-	5,000	100%
Gigabyte Global Business Corporation	1,000	100%	0	-	1,000	100%
Gigabyte Information Technology Commerce Limited Company	8,000	100%	0	-	8,000	100%
Gigazone Holdings Limited	0	-	34,500	100%	34,500	100%
Giga Zone Technology (Shenzhen) Limited	0	-	0	100%	0	100%
Gigabyte Technology LLC.	168,000	100%	0	-	168,000	100%
Gigabyte Trading Inc.	0	-	50,000	100%	50,000	100%
Senyun Precise Optical Co., Ltd.	0	-	39,892,298	68.53%	39,892,298	68.53%
Cloud Ride Limited	0	-	3,300,000	100%	3,300,000	100%
OGS Europe B.V.	0	-	3,000	100%	3,000	100%
Green Share Co., Ltd.	0	-	816,000	51%	816,000	51%
Shenzhen Best Yield Service Co., Ltd.	0	-	0	100%	0	100%
Intelligence Precision Co., Ltd.	0	-	5,000,000	100%	5,000,000	100.00%
SenYun Precision Optical (Dongguan) Co., Ltd.	0	-	0	100.00%	0	100.00%

Note 1: If the invested companies are limited liability companies, only the amount of investments and proportion of shareholdings are shown in the above table.

Four. Equity Capital and Shares

I. Equity capital and shares

(I) Sources of equity capital

Month and year	Issuing price	Authorized capital		Paid in capital		Amount	Sources of equity capital	Remarks	
		Quantity of shares	Amount	Quantity of shares	Amount			Utilization of assets other than cash for payment	Other
April 1986	\$1000/share	700	700,000	700	700,000	Initial capital	None	Apr. 30, 1986 Chien Yi Tze No.211834	
September 1986	\$1000/share	5,000	5,000,000	5,000	5,000,000	Issuing new shares amounted to \$4,300,000	None	Sep. 30, 1986 Chien Yi Tze No. 185285	
June 1991	\$1000/share	20,000	20,000,000	20,000	20,000,000	Issuing new shares amounted to \$15,000,000	None	Jun. 26, 1991 80Chien San Yi Tze No. 242795	
July 1995	\$1000/share	96,000	96,000,000	96,000	96,000,000	Issuing new shares amounted to \$76,000,000	None	Jul. 20, 1995 84Chien San Ren Tze No. 402912	
October 1996	\$10/share	30,600,000	306,000,000	30,600,000	306,000,000	Capitalization of retained earnings at \$60,000,000 Issuing new shares amounted to \$150,000,000	None	Jul. 06, 1996(85) Taiwan-Finance-Securities-I No. 41051	
July 1997	\$10/share	57,820,000	578,200,000	57,820,000	578,200,000	Capitalization of retained earnings at \$183,600,000, of capital surplus at \$30,600,000, and employee bonus at \$18,000,000 Issuing new shares amounted to \$40,000,000	None	May 21, 1997(86) Taiwan-Finance-Securities-I No. 40522	
April 1998	\$10/share	280,000,000	2,800,000,000	113,858,000	1,138,580,000	Capitalization of retained earnings at \$462,560,000, of capital surplus at \$57,820,000, and employee bonus at \$40,000,000	None	Apr. 04, 1998(87) Taiwan-Finance-Securities-I 29875	
October 1998	\$172.5/share	280,000,000	2,800,000,000	123,858,000	1,238,580,000	Issuing new shares amounted to \$100,000,000	None	Oct. 22, 1998(87) Taiwan-Finance-Securities-I No. 85746	

Month and year	Issuing price	Authorized capital		Paid in capital		Amount	Sources of equity capital	Remarks	
		Quantity of shares	Amount	Quantity of shares	Amount			Utilization of assets other than cash for payment	Other
July 1999	\$120/share	280,000,000	2,800,000,000	126,358,000	1,263,580,000		Issuing new shares amounted to 25,000,000	None	Jun. 16, 1999(88) Taiwan-Finance- Securities-I No. 57028
July 1999	\$10/share	280,000,000	2,800,000,000	220,158,600	2,201,586,000		Capitalization of retained earnings at \$867,006,000, and of employee bonus at \$71,000,000	None	May 29, 1999(88) Taiwan-Finance- Securities-I No. 50319
June 2000	\$10/share	460,000,000	4,600,000,000	328,135,260	3,281,352,600		Capitalization of retained earnings at \$770,555,100, of capital surplus at \$220,158,600 and employee bonus at \$89,052,900	None	May 18, 2000(89) Taiwan-Finance- Securities-I No. 42789
July 2000	\$129.25/share	460,000,000	4,600,000,000	358,135,260	3,581,352,600		Issuing new shares for the subsequent issuing of GDR amounted to \$300,000,000	None	Jun. 27, 2000(89) Taiwan-Finance- Securities-I No. 46526
July 2001	\$10/share	800,000,000	8,000,000,000	458,936,251	4,589,362,510		Capitalization of retained earnings at \$537,202,980, of capital surplus at \$358,135,260 and employee bonus at \$112,671,670	None	May 31, 2001(90) Taiwan-Finance- Securities-I No. 134160
January 2002	\$88.7/share	800,000,000	8,000,000,000	459,121,458	4,591,214,580		Issuing of ECB amounted to \$1,852,070	None	Feb. 21, 2001(90) Taiwan-Finance- Securities-I No. 105452
March 2002	\$88.7/share	800,000,000	8,000,000,000	459,413,344	4,594,133,440		Issuing of ECB amounted to \$2,918,860	None	Feb. 21, 2001(90) Taiwan-Finance- Securities-I No. 105452
September 2002	\$10/share	800,000,000	8,000,000,000	549,447,798	5,494,477,980		Capitalization of retained earnings at \$689,120,020 and of employee bonus at \$211,224,520	None	Jun. 19, 2002 Taiwan-Finance- Securities-I No. 0910133363

Month and year	Issuing price	Authorized capital		Paid in capital		Sources of equity capital	Remarks	
		Quantity of shares	Amount	Quantity of shares	Amount		Utilization of assets other than cash for payment	Other
September 2003	\$10/share	800,000,000	8,000,000,000	592,655,610	5,926,556,610	Capitalization of retained earnings at \$274,723,890 and of employee bonus at \$151,571,800 Issuing ECB amounted to \$5,782,940	None	Jul. 14, 2003 Taiwan-Finance-Securities-I No. 091021455
September 2004	\$10/share	950,000,000	9,500,000,000	624,509,332	6,245,093,320	Capitalization of retained earnings at \$289,772,330 and of employee bonus at \$159,874,380. Cancellation of treasury stocks amounting to \$131,110,000	None	Jul. 13, 2004 Financial-Supervisory Securities I-No. 0930131089
September 2005	\$10/share	950,000,000	9,500,000,000	671,885,898	6,718,858,980	Capitalization of retained earnings at \$312,254,660 and of employee bonus at \$161,511,000.	None	Jul. 7, 2005 Financial-Supervisory Securities No. 0940127429
September 2006	\$10/share	950,000,000	9,500,000,000	671,471,898	6,714,718,980	Cancellation of treasury stocks amounting to \$4,140,000 Employee bonus at \$46,308,407.	None	Aug. 24, 2006 Financial-Supervisory Securities No. 0950138850
December 2007	\$26.42/share	950,000,000	9,500,000,000	672,725,490	6,727,254,900	ECB 12,535,920	None	May 16, 2006 Financial-Supervisory Securities No. 0950115553
May 2008	\$10/share	950,000,000	9,500,000,000	644,755,490	6,447,554,900	Cancellation of treasury stocks amounting to \$279,700,000	None	May 7, 2008 Financial-Supervisory Securities III-No. 0970023166
October 2008	\$25.28/share	950,000,000	9,500,000,000	653,091,886	6,530,918,860	ECB 83,363,960	None	May 16, 2006 Financial-Supervisory Securities No. 0950115553

Month and year	Issuing price	Authorized capital		Paid in capital		Remarks		
		Quantity of shares	Amount	Quantity of shares	Amount	Sources of equity capital	Utilization of assets other than cash for payment	Other
December 2008	\$10/share	950,000,000	9,500,000,000	633,091,886	6,330,918,860	Cancellation of treasury stocks amounting to \$200,000,000	None	Oct. 20, 2008 Financial-Supervisory Securities III-No. 0970055414
July 2009	\$10/share	950,000,000	9,500,000,000	629,133,886	6,291,338,860	Cancellation of treasury stocks amounting to \$39,580,000	None	Apr. 22, 2009 Financial-Supervisory Securities III-No. 0980017260
January 2010	\$17.39/share	950,000,000	9,500,000,000	633,150,386	6,331,503,860	Exercise of 40,165,000 shares of employee stock option issued in 2007 (First)	None	Dec. 18, 2007 Financial-Supervisory Securities I-No. 0960070711
May 2011	\$17.39/share	950,000,000	9,500,000,000	642,565,886	6,425,658,860	Exercise of 94,155,000 shares of employee stock option issued in 2007 (First)	None	Dec. 18, 2007 Financial-Supervisory Securities I-No. 0960070711
August 2010	\$17.39/share	950,000,000	9,500,000,000	643,114,886	6,431,148,860	Exercise of 5,490,000 shares of employee stock option issued in 2007 (First)	None	Dec. 18, 2007 Financial-Supervisory Securities I-No. 0960070711
November 2010	\$17.39/share	950,000,000	9,500,000,000	633,719,886	6,337,198,860	Exercise of 2,050,000 shares of employee stock option issued in 2007 (First); Cancellation of treasury stocks amounting to \$96,000,000	None	Dec. 18, 2007 Financial-Supervisory Securities I-No. 0960070711
February 2010	\$16.10/share	950,000,000	9,500,000,000	634,610,386	6,346,103,860	Exercise of 8,905,000 shares of employee stock option issued in 2007 (First)	None	Dec. 18, 2007 Financial-Supervisory Securities I-No. 0960070711
April 2011	\$16.10/share	950,000,000	9,500,000,000	637,005,386	6,370,053,860	Exercise of 23,950,000 shares of employee stock option issued in 2007 (First)	None	Dec. 18, 2007 Financial-Supervisory Securities I-No. 0960070711
August 2011	\$16.10/share	950,000,000	9,500,000,000	637,413,386	6,374,133,860	Exercise of 4,080,000 shares of employee stock option issued in 2007 (First)	None	Dec. 18, 2007 Financial-Supervisory Securities I-No. 0960070711
November 2011	\$14.80/share	950,000,000	9,500,000,000	637,922,386	6,379,223,860	Exercise of 5,090,000 shares of employee stock option issued in 2007 (First)	None	Dec. 18, 2007 Financial-Supervisory Securities I-No. 0960070711

Month and year	Issuing price	Authorized capital		Paid in capital		Sources of equity capital	Remarks	
		Quantity of shares	Amount	Quantity of shares	Amount		Utilization of assets other than cash for payment	Other
February 2012	\$14.80/share	950,000,000	9,500,000,000	638,306,386	6,383,063,860	Exercise of 3,840,000 shares of employee stock option issued in 2007 (First)	None	Dec. 18, 2007 Financial-Supervisory Securities I-No. 0960070711
April 2012	\$14.80/share	950,000,000	9,500,000,000	624,060,386	6,240,603,860	Exercise of 33,140,000 shares of employee stock option issued in 2007 (First) ; Cancellation of treasury stocks amounting to \$175,600,000	None	Dec. 18, 2007 Financial-Supervisory Securities I-No. 0960070711
August 2012	\$14.80/share	950,000,000	9,500,000,000	624,548,386	6,245,483,860	Exercise of 488,000 shares of employee stock option issued in 2007 (First)	None	Dec. 18, 2007 Financial-Supervisory Securities I-No. 0960070711
November 2012	\$14.80 and \$13.68 per share	950,000,000	9,500,000,000	625,401,386	6,254,013,860	Exercise of 853,000 shares of employee stock option issued in 2007 (First)	None	Dec. 18, 2007 Financial-Supervisory Securities I-No. 0960070711
January 2013	\$13.68/share	950,000,000	9,500,000,000	625,891,386	6,258,913,860	Exercise of 490,000 shares of employee stock option issued in 2007 (First)	None	Dec. 18, 2007 Financial-Supervisory Securities I-No. 0960070711
April 2013	\$13.68/share	950,000,000	9,500,000,000	626,137,386	6,261,373,860	Exercise of 246,000 shares of employee stock option issued in 2007 (First)	None	Dec. 18, 2007 Financial-Supervisory Securities I-No. 0960070711
August 2013	\$13.68/share	950,000,000	9,500,000,000	626,253,386	6,262,533,860	Exercise of 116,000 shares of employee stock option issued in 2007 (First)	None	Dec. 18, 2007 Financial-Supervisory Securities -I No.0960070711
November 2013	\$12.70/share	950,000,000	9,500,000,000	626,323,386	6,263,233,860	Exercise of 70,000 shares of employee stock option issued in 2007 (First)	None	Dec. 18, 2007 Financial-Supervisory Securities -I No.0960070711
February 2014	\$12.70/share	950,000,000	9,500,000,000	626,571,386	6,265,713,860	Exercise of 248,000 shares of employee stock option issued in 2007 (First)	None	Dec. 18, 2007 Financial-Supervisory Securities -I No.0960070711
April 2014	\$12.70/share	950,000,000	9,500,000,000	626,822,886	6,268,228,860	Exercise of 251,500 shares of employee stock option issued in 2007 (First)	None	Dec. 18, 2007 Financial-Supervisory Securities -I No.0960070711

Month and year	Issuing price	Authorized capital		Paid in capital		Amount	Sources of equity capital	Remarks	
		Quantity of shares	Amount	Quantity of shares	Amount			Utilization of assets other than cash for payment	Other
November 2014	\$11.90/share	950,000,000	9,500,000,000	626,832,886	6,268,328,860	Exercise of 10,000 shares of employee stock option issued in 2007 (First)	None	None	Dec. 18, 2007 Financial-Supervisory Securities -I No.0960070711
February 2015	\$11.90/share	950,000,000	9,500,000,000	628,882,886	6,288,828,860	Exercise of 2,050,000 shares of employee stock option issued in 2007 (First)	None	None	Dec. 18, 2007 Financial-Supervisory Securities -I No.0960070711
April 2015	\$11.90/share	950,000,000	9,500,000,000	629,012,886	6,290,128,860	Exercise of 130,000 shares of employee stock option issued in 2007 (First)	None	None	Dec. 18, 2007 Financial-Supervisory Securities -I No.0960070711
September 2015	\$10.90/share	950,000,000	9,500,000,000	629,062,886	6,290,628,860	Exercise of 50,000 shares of employee stock option issued in 2007 (First)	None	None	Dec. 18, 2007 Financial-Supervisory Securities -I No.0960070711
November 2016	\$10.20/share	950,000,000	9,500,000,000	629,067,886	6,290,678,860	Exercise of 50,000 shares of employee stock option issued in 2007 (First)	None	None	Dec. 18, 2007 Financial-Supervisory Securities -I No.0960070711
January 2017	\$10.20/share	950,000,000	9,500,000,000	629,117,886	6,291,178,860	Exercise of 50,000 shares of employee stock option issued in 2007 (First)	None	None	Dec. 18, 2007 Financial-Supervisory Securities -I No.0960070711
April 2017	\$10.20/share	950,000,000	9,500,000,000	629,629,886	6,296,298,860	Exercise of 512,000 shares of employee stock option issued in 2007 (First) (change of registration pending)	None	None	Dec. 18, 2007 Financial-Supervisory Securities -I No.0960070711

Types of shares

Types of shares	Authorized capital (share)		Remarks
	Outstanding shares	Unissued shares	
Common shares	599,629,886	320,370,114	920,000,000
GDR	30,000,000	None	30,000,000

Information of overall declaration system: Nil.

(II)The structure of shareholdings

April 16, 2017

Shareholder	Government agencies	Financial institutions	Other institutional investors	FINI and FIDI	Natural persons	Treasury stock	Total
Quantity							
Number of shareholders	0	13	98	348	39,921	0	40,380
Quantity of shares held	0	48,362,347	87,603,485	229,275,966	264,388,088	0	629,629,886
Proportion of holdings	0.00%	7.68%	13.91%	36.41%	42.00%	0.00%	100.00%

(III)The diversification of shareholdings

Face amount at NTD10/share

April 16, 2017

Ranking of shareholding	Number of shareholders	Quantity of shares held	Proportion of holdings
1-999	15,664	2,744,624	0.44%
1,000-5,000	19,054	41,774,241	6.63%
5,001-10,000	3,019	23,077,982	3.67%
10,001-15,000	905	11,331,805	1.80%
15,001-20,000	481	8,939,314	1.42%
20,001-30,000	396	9,995,189	1.59%
30,001-40,000	187	6,719,108	1.07%
40,001-50,000	118	5,487,494	0.87%
50,001-100,000	200	14,493,534	2.30%
100,001-200,000	119	16,852,939	2.68%
200,001-400,000	75	21,343,040	3.39%
400,001-600,000	37	17,895,500	2.84%
600,001-800,000	14	9,662,582	1.53%
800,001-1,000,000	17	14,996,947	2.38%
1,000,001 and more	94	424,315,587	67.39%
Total	40,380	629,629,886	100.00%

(IV)List of dominant shareholders

April 16, 2017

Name of dominant shareholders	Shares	Quantity of shares held	Proportion of shareholdings
Liu, Ming-Hsiung		41,168,918	6.54%
Yeh, Pei-Chen		28,471,237	4.52%
Ma, Meng-Ming		23,620,024	3.75%
Cathay Life Insurance Co., Ltd.		14,360,000	2.28%
Ming Wei Investment Limited		14,062,200	2.23%
Fubon Life Insurance Co.		13,200,000	2.10%
Shi Da Investment Limited		11,375,000	1.81%
Norway Central Bank Investment Custody Account at JPMorgan Chase Taipei		11,288,162	1.79%
GMO Emerging Market Fund Custody Account at Standard Chartered Bank		10,646,200	1.69%
Taiwan Life Insurance Co., Ltd.		9,510,000	1.51%

(V) The market price, net value, earning and dividend per share and related information in the last two years

Subject		Year	2015	2016	By March 31, 2017
Market price per share (Note 1)	Highest		40.65	47.35	44.70
	Lowest		23.55	31.55	40.85
	Average		34.01	38.62	42.19
Net value per share (Note 2)	Cum-dividend		35.83	36.26	-
	Ex-dividend		33.33	(Note 8)	-
EPS	Weighed average number of shares		629,019,461	629,073,542	-
	EPS (Note 3)		3.05	3.64	-
Dividend per share	Cash dividend (Dollar)		2.50	2.60(註 4)	-
	Stock divided	From retained earnings	-	-	-
		From capital reserve	-	-	-
	Accumulated unpaid dividends(Note 4)		-	-	-
Analysis on ROI	P/E ratio(Note 5)		11.15	10.61	-
	P/P ratio(Note 6)		13.60	14.85	-
	Cash dividend yield(Note 7)		7.35%	6.73%	-

Note 1: The information comes from TWSE's after-market trading information.

Note 2: The basis is the number of shares already occurred in previous years and filled out according to the distribution resolved by the shareholders' meeting next year.

Note 3: If retrospective adjustments are required for share distribution without consideration, earnings per share before and after the adjustment should be listed.

Note 4: 2016 Dividend: BOD proposes NT\$1/share from capital reserve and NT\$1.6/share from retained earnings, for a total of NT\$2.6/share in cash.

Note 5: P/E Ratio = Average closing price per share over the year / earnings per share.

Note 6: Price / Dividend Ratio = Average closing price per share over the year / cash dividend per share.

Note 7: Cash Dividend Yield = Cash Dividend per Share / Average closing price per share over the year.

Note 8: To be determined after the resolution from shareholders' meeting.

(VI) Dividend policy and implementation

1. Dividend policy:

The Company is under an environment of keen competition in the industry and a high level of uncertainty. In addition, the enterprise is at the mature stage of the life cycle. In consideration of the capital requirement for operation and long-term financial planning and meeting the needs of the shareholders in cash inflow, the Company, as a matter of principle, will appropriate 5% to 80% of the accumulated unpaid income as dividend for the shareholders. Cash dividend will be paid at no less than 5% of the total amount of dividend to be paid out, and such proportion will be adjusted by the resolution of the General Meeting depending on the actual profit position and availability of capital. The proposal of dividend payment presented by the board will be based on the industry level in dividend payment for maintaining proper balance and stability. Stock dividend will

be paid out by the capitalization of capital surplus, and will be made in conjunction with cash dividend and in accordance with applicable legal rules.

2. The dividend payment plan as proposed in this General Meeting:

Unit: Share; NTD

Subject	New shares	Amount
Accumulated unpaid income (7,819,675,619)	-	390,983,781
5%	-	6,255,740,495
80%	-	1,007,407,818
Cash dividend from retain earnings (@\$1.6)	-	629,629,886
Cash dividend from capital reserve (@NT\$1)	-	1,637,037,704
Cash dividend combined (@NT\$2.6)	-	

(VII) The impact on the Company's operations and EPS of the stock dividend proposed by this shareholders' meeting: None.

As proposed at the present shareholders' meeting, cash dividend from retained earnings and capital reserve shall be distributed, without the issuance of bonus shares.

(VIII) Compensation for Employees and Fees for Directors and Supervisors

1. The percentage or range of compensation for employees and remuneration for directors stated in the Company's Articles of Incorporation:

If there is a profit after the annual closing of books, this Company shall appropriate 3-10% as compensation for employees and not more than 3% as remuneration for directors. If there are accumulative deficits, the amount for covering the losses of previous years shall first be retained. The compensation for employees described above shall be distributed in either stock or cash, and the remuneration for directors shall be distributed in cash. Compensation shall be approved by over half of the directors at a board meeting attended by two-third of the board members. In addition, the compensation for employees and directors shall be reported to the meeting of shareholders

2. Bases for estimating the compensation for employees and remuneration for directors this period, calculating compensation for employees in stock, and accounting solution for differences between actually distributed amount and estimated amount:

The compensation for employees and remuneration for directors and supervisors are estimated based on the balance from deducting accumulative losses in previous years from the income. If there is balance, this Company shall appropriate 3-10% as compensation for employees and not more than 3% as remuneration for directors.

The compensation for employees is calculated at the closing price one day before the date of the resolution made by the meeting of shareholders and in consideration of the impact on the ex-right and ex-dividend date.

There is no difference between the actual distribution amount of 2016 compensation for employees and remuneration for directors resolved by the BOD and the adopted estimates. Where there is a difference between the actual distribution amount and the estimates, the difference will be listed as a loss of the distribution year.

3. Information on the proposal on compensation for employees made by the board:

The board resolved in favor of the motion presented for the paid out of retained earnings for 2016 and the details are described as follows:

Unit: NTD/share

Subject	Quantity	Amount
Compensation for employee (10%): Compensation for employee -cash	-	319,977,651
Fees for directors (1.44%)	-	46,000,000

Note: The above amounts are the same as that estimates for 2016.

4. Retained earnings 2015 released as cash dividend to employees and fees for directors and supervisors:

Unit: NTD/share

Subject	Quantity	Amount
Compensation for employee (6%): Compensation for employee -cash	-	154,223,421
Fees for directors (2.24%)	-	57,700,000

Note: The actual distribution of cash bonus and remuneration for directors and supervisors resolved by the shareholders' meeting is different from the employee bonus of NT\$154,223 thousand and the remuneration for directors and supervisors of NT\$60,000 thousand listed in the (2015) financial statement by NT\$2,300 thousand. This figure has been factored into the net income of 2016.

(IX) Stock buyback

In 2016 and as of the publication date of the annual report, our company has not bought back treasury stock.

II. Corporate bonds

No corporate bonds that have not expired yet.

III. Status of preferred stock

None.

IV. Condition of GDRs

None

V. Employee Stock Options

1. Employee Stock Options:

April 30, 2017

Types of employee subscription warrants (Note 2)	First time Employee subscription warrants (Note 5)	Second time Employee subscription warrants (Note 5)
Date of approval from the competent authority	June 17, 2003	December 18, 2007
Date of issuance (Note 4)	-	December 19, 2007
Number of units issued	-	40,000
Subscribable shares issued / total shares issued (%)	-	5.95%
Duration of subscription	-	10 years
Way of exercise (Note 3)	-	Issuance of new shares
Limitation on subscription periods and percentage (%)	-	2 years after warrants granted, subscribable percentage :50% 3 years after warrants granted, subscribable percentage : 80% 4 years after warrants granted, subscribable percentage :100%
Number of subscribable shares exercised	-	27,656,000
Amount of subscribable shares exercised	-	438,521,680
Number of unexercised subscribable shares	-	9,472,000 shares (Note 6)
Original subscription price per share for unexercised subscribable shares	-	\$19 per share
Number of unexercised subscribable shares / Total shares issued (%)	-	1.50%
Effects on shareholders' equity	-	No significant dilution effect on original common shareholders' equity

Note 1: The progress of employee subscription warrants includes employee subscription warrants issued by public offering and private placement under processing. Public offering employee subscription warrants under processing are those that have become effective by the Board. Private placement employee subscription warrants under processing are those that have been approved by the general meeting of shareholders.

Note 2: The number of fields displayed depends on the number of processing times

Note 3: It should be specified that the shares delivered are shares issued or shares of new issuance.

Note 4: Different issuance dates should be stated separately.

Note 5: Private placement warrants should be marked specifically.

Note 6: After deducting 2,872,000 subscribable shares voided due to employees leaving the firm

2. Employee Stock Options Granted to Management Team and Top 10 Employees with the Highest Grant

April 16, 2017

Title (*1)	Name	Number of subscribed stock options	Percentage of number of stock options subscribed to number of total outstanding shares ⁴	Exercised			Unexercised					
				Number of stock options	Subscrip tion price ⁵	Subscription amount	Number of stock options subscribed to number of total outstanding shares ⁴	Number of stock options	Subscrip tion price ⁶	Subscription amount	Number of stock options subscribed to number of total outstanding shares ⁴	
Gigabyte President Chairman	Yeh, Pei-Chen											
Gigabyte, Senior Vice President Mobile Product BU Senior VP and President	Ma, Meng-Ming											
Gigabyte, Executive Vice President, e-Sports BU Executive VP & President	Liu, Ming-Hsiung				17.39、 16.10、 14.80、 13.68、 12.70、 11.90 10.90 10.20							
Gigabyte, Senior Vice President Manufacturing BU	Chen, Chun-Ming	23,460,000	3.73%	14,485,000		225,413,450	2.30%	8,975,000	10.20	91,545,000	1.43%	
Gigabyte, Senior Vice President, Channel & Motherboard BU Senior VP and President	Lin, Huo-Yuan											
Network and Communications BU, President	Lee, Yi-Tai											
Manufacturing BU, President	Meng, Hsian-Ming											
Channel & Motherboard Business Unit Senior Special Assistant	Hong, Wen-Chi											
Managers												

	Title (*1)	Name	Number of subscribed stock options	Percentage of number of stock options subscribed to number of total outstanding shares ⁴	Exercised				Unexercised				
					Number of stock options	Subscription price ⁵	Subscription amount	Number of stock options subscribed to number of total outstanding shares ⁴	Number of stock options	Subscription price ⁶	Subscription amount	Number of stock options subscribed to number of total outstanding shares ⁴	
Managers	Group Resource Mgmt. Center	Chen, Chun-Yi											
	Finance Division, CFO												
	Group Resource Mgmt. Center	Lu, Zheng-wei											
	Overseas Platform Management Division												
	US Platform VP												
	Operation Management Center, COO	Bai, Guang-Hua											
	Operation Management Center, Vice President and Special Assistant to the President	Chen, Jin-Ting											
	Network and Communications BU, Product Center, AVP	Chen, Zhang-Xiang											
	CEO Office	Chen, Shi-Cheng											
	Special Assistant to the President												
	Motherboard BU, Senior Product Center	Hou, Zhi-Ren											
	Senior AVP												
	Channel & Motherboard BU Service and Marketing Sales Center	Kao, Han-Yu											
	Vice President												
Channel & Motherboard BU, VP	Chen, Chen-Shun												
Channel & Motherboard BU, Service and Sales Marketing Center, Senior AVP, North America Office	Liao, Chi-Li												

	Title (*1)	Name	Number of subscribed stock options	Percentage of number of stock options subscribed to number of total outstanding shares ⁴	Exercised				Unexercised				
					Number of stock options	Subscrip tion price ⁵	Subscription amount	Number of stock options subscribed to number of total outstanding shares ⁴	Number of stock options	Subscrip tion price ⁶	Subscription amount	Number of stock options subscribed to number of total outstanding shares ⁴	
Managers	Channel & Motherboard BU, Service and Sales Marketing Center, Non-EU Sales Division, Non-EU Sales Platform Senior AVP,	Hsiao, Wen-Ta											
	Channel & Motherboard BU, Service and Sales Marketing Center, ASEAN Division, Asia Sales Platform Senior AVP,	Liu, Wen-Chung											
	Channel & Motherboard BU, Innovation and Creative Value Center, software office, AVP	Deng, Yi-Ming											
	Channel & Motherboard BU, Embedded Motherboard Center Innovation Creative Value Center, senior AVP, Firmware Division 2	Tseng, Wei Wen											
	Channel & Motherboard BU, Innovation and Creative Value Center, hardware office 1, AVP	Liao, Che Hsien											
	Mobile Product BU, Mobile Product Center AVP	Lan, Chun-Kun											
	Network and Communications BU, Platform Product Center, AVP	Chen, Yun-Ti											

	Title (*1)	Name	Number of subscribed stock options	Percentage of number of stock options subscribed to number of total outstanding shares ⁴	Exercised				Unexercised					
					Number of stock options	Subscrip tion price ⁵	Subscription amount	Number of stock options subscribed to number of total outstanding shares ⁴	Number of stock options	Subscrip tion price ⁶	Subscription amount	Number of stock options subscribed to number of total outstanding shares ⁴		
Managers	Overseas													
	Manufacturing	Ko, Wei-Ti												
	Dongguan Gigabyte													
	Ningbo Gigabyte AVP													
	Operation Management	Chiu, Chih Peng												
	Center Legal and IP Affairs Div. Senior AVP													
	Channel & Motherboard Business Unit	Lan, Shao-Wen												
	China Sales Platform AVP													
	Manufacturing Business Unit Chief	Sun, Wu-Hsiung												
	Engineering Division AVP													
Employees	e-Sports Business Unit R&D Division AVP	Huang, Shun-Chih												
	e-Sports Business Unit Sales and Marketing Division AVP	Lin, Ying-Yu												
	Employee	Li, Yi-Ju												
	Employee	Chen, Ching-Hui												
	Employee	Lin, Pin-Hsing												
	Employee	Chen, Yong-Hsing												
	Employee	Kao, Sheng-Liang												
	Employee	Lin Cheng-Lung												
	Employee	Kao, Hong-De												
	Employee	Chang, Gui-Shan												
Employee	Kao, Yong-SHun													
Employee	Chang, Shi-Pin													
Employee	Lo, Ching-Hsiang													
			3,630,000	0.58%	3,540,000	17.39、 16.10、 14.80、 13.68、 12.70、 11.90、 10.90、 10.20	56,886,380	0.56%	90,000	10.20	918,000	0.01%		

- 1: The name and title of individual managers and employees (resigned or deceased) shall be disclosed. The status of acquisition and subscription can be disclosed together.
- 2: The number of columns shall be adjusted in accordance with the frequency of issuance.
- 3: The top ten employees with the highest grant do not include managers.
- 4: The total number of shares issued refers to the shares registered in the change registration at the Ministry of Economic Affairs.
- 5: The price at the time of exercise of exercised employee stock options shall be disclosed.
- 6: The price adjusted according to the issuance regulations of unexercised employee stock options shall be disclosed.

VI. Issuance of New Restricted Stock for Employees
None

VII. Issuance of New Stock from Merger or Acquisition of Other Companies' Stock
Not Applicable

VIII. Status of Capital Utilization Plan
Not applicable

Five. Review of Operation

I. The business

(I) Scope of Operation

1. Content of business

- (1) Manufacturing of computers and related components
- (2) Information software services.
- (3) Machinery wholesaling.
- (4) Manufacturing of electronic parts and components.
- (5) Digital information supply services.
- (6) Manufacturing of wireless communications machines and devices.
- (7) Manufacturing of prohibited telecommunications transmitters and equipment.
- (8) Importing of prohibited telecommunications transmitters and equipment.
- (9) Information software wholesaling.
- (10) Computers and business machine and equipment wholesaling.
- (11) Telecommunication equipment wholesaling
- (12) Telecommunication equipment retailing.
- (14) Any other business not banned or restricted by law with the exception of business that required special permission.

2. Business distribution:

Unit: NTD1,000

Proportion Primary Products	2014		2015		2016	
	Sales value	%	Sales value	%	Sales value	%
Motherboards	31,306,900	57.40	28,914,499	56.89	26,798,980	51.19
Others	23,234,787	42.60	21,914,293	43.11	25,548,409	48.81
Total	54,541,687	100.00	50,828,792	100.00	52,347,389	100.00

Note 1: The above table shows net sales revenues.

3. Current products:

- (1) Ultra-durable and high performance computer mother boards
- (2) Ultra-durable and high performance 3D accelerator display cards
- (3) Laptop/ultra-lightweight laptops
- (4) Tablet PCs and devices
- (5) Advanced and multifunctional servers
- (6) Smart phones
- (7) Computer peripheral products
- (8) Network storage products Computer peripheral products
- (9) Broadband network device and wireless communication products

4. New product development plans:
 - (1) Launch of various motherboard series for the most advanced and newest platforms.
 - (2) Launch of advanced e-sports products to continue to build Gigabyte into a Taiwanese brand of excellence.
 - (3) Release peripherals for professional gaming computers.
 - (4) Release a new generation of WINDFORCE ultra-long-lasting professional graphics card.
 - (5) Launching of all-new smart lifestyle products to satisfy consumer needs.
 - (6) Rolling out various high expandability and high price/performance ratio multi-core high level server.

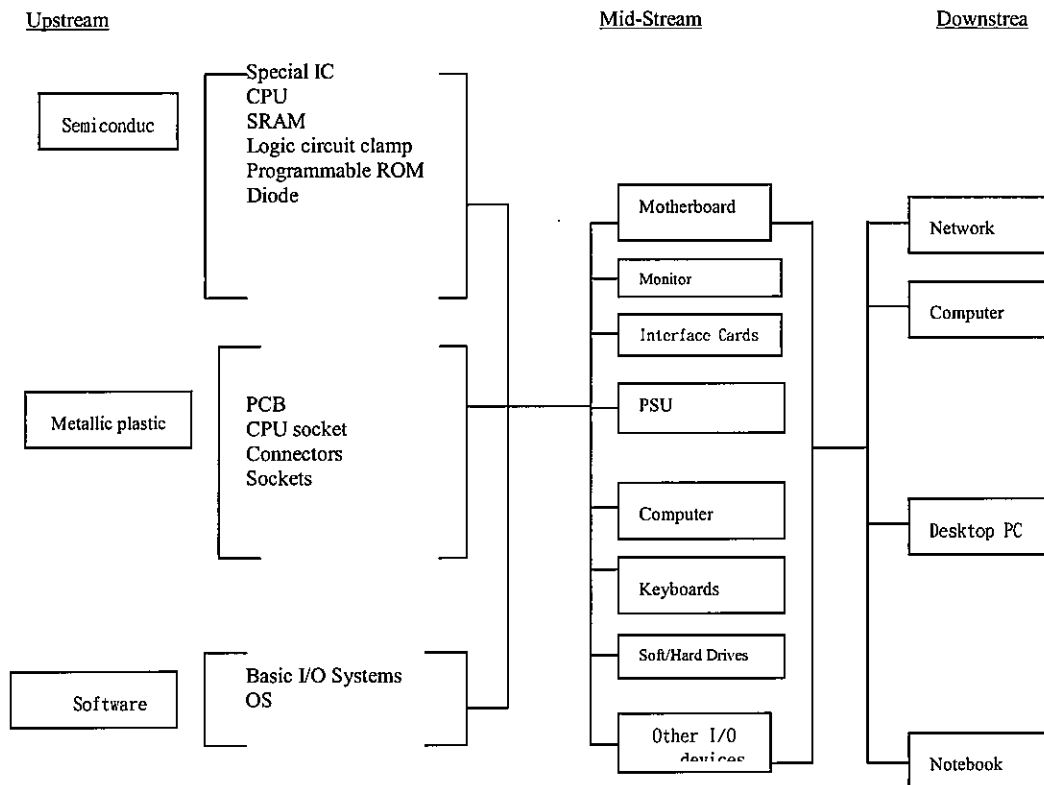
(II) Industry Overview:

1. Industry status and developments

According to the Gartner research, despite the 2016 rise of gaming PCs, a structural change is seen in the overall PC market, where technology upgrade cannot boost substantive market growth. As a result, the whole PC market has stagnated and product life cycle has extended. In addition, the depreciation of non-US currencies, the European and Indian financial problems, and the overall macroeconomic and macro-environmental problems in China have made the situation worse. Eventually, the global PC annual shipping volume has dropped by 6.2%.

In 2017, the global PC market will still be highly competitive and integrated, neither the Chinese nor emerging markets see apparent amelioration, a relative stability will probably be maintained in the PC market, and a gradual recovery is expected in demands and market opportunities as gaming and VR technologies mature. Market performance will be better. More steady shipping will be expected in the second half of the year after new product launches.

2. The associations of the upstream, mid-stream and downstream industries



Increased specialization in the supply chain of the IT manufacturing industry is leading to closer integration between all of its parts.

3. Product trends and competition

(1) Product development trend

Smart terminals with full scene experience were the main trend of 2016. While the innovation of terminal equipment of different sizes never stopped, the application of cloud integration diversified, and user-focus was the emphasis of market demands, PCs were thus indispensable to building a complete smart computing ecosystem. Dedicated to the development of innovation-leading, ultra-durable, and high-performance PCs over time, Gigabyte develops user-focus smart terminals with full scene experience and provides optimal product solutions by integrating cloud servers.

While creativity and innovation have been stimulated for hardware design and services, with the expertise of and through close cooperation with suppliers, we integrate hardware, software, and services with RD capacity ahead of competitors to launch innovative and energy-saving product solutions with unrivaled performance, minimal design, and convenience and ease of use. At Gigabyte, making personalized design in the best standard that surpasses user expectations among PC brands is our ultimate goal.

(2) Competition

Despite demand saturation, market competition is still keen. Apart from fulfilling different customer needs in the motherboard and graphics card domains with product uniqueness and segmentation, we have extended our successful experience to gaming accessories and cloud servers for business diversification so as to stand out from the crowd, fulfill customer expectations, and increase organizational profit and value.

(III) Technology and R&D:

Continuing research and development is a Gigabyte legacy. Every year, we appropriate at least three per cent of sales revenue to research and development to secure key hardware and software technology for future growth and devote product value innovation and brand sustainable development. In recent years, our efforts have been rewarded by numerous international awards, such as iF and Red Dot. Moreover, Gigabyte products have been exhibited in the President's Office of the Republic of China and Taoyuan International Airport to represent the achievements of Taiwan brands. All these show Gigabyte's solid technical capacity and R&D power.

1. Spending on research and development in the last two years until the date this report is printed:

Unit: NTD1,000

Subject	2015	2016	By March 31, 2017
R & D spending	1,646,777	1,723,214	427,524

Source: Consolidated financial report certified (audited) by CPA

2. Successful technologies or products developed over the two previous years up until the date of publication:

(1) 2015

- a. Gigabyte has continued to break its own world records in terms of advanced motherboard technologies, performance and quality. We released an all new motherboard series featuring exclusive all-new SOC technology and an innovative design that allows players to intuitively optimize the performance of their hardware. The new Gigabyte Z97 and X99 motherboards aimed to provide the ultra-durable quality, incomparable performance and breathtaking appearance that players want. Whether a gamer selects the G1™ gamer series, the SOC super-overclocker series, or Gigabyte's classic Ultra-durable series, they will be satisfied with the rich range of features such as M.2, SATA Express and Thunderbolt™ expansion slots that Gigabyte tailors to the needs of gamers, overclockers or computer professionals.
- b. Gigabyte introduces new innovations every year to meet gamer demands of their display cards! This year marked the launch of the Gigabyte WindForce and WaterForce cooling systems that deliver all new levels of single-card water-cooling performance and overcomes the bottleneck for multi-card air-cooling. Whether a player prefers air- or water-cooling, they can all see Gigabyte's latest and most outstanding design this year for themselves! WindForce features proprietary "Triangular Solid" cooling technology with hybrid heat pipes while for water-cooling there is the all new WaterForce cooling system. The system is designed for high-end gaming enthusiasts who want ultra-quiet and ultra-cool gaming environments. Gigabyte's proprietary one-piece self-contained water cooling technology cools the GPU, memory and MOSFET. The WaterForce set-top chiller with a stylish, understated design includes an intuitive OLED display for monitoring the status of all display cards. The temperature, fan and pump speeds can all be intuitively controlled through physical buttons, delivering not only powerful cooling performance but also outstandingly low noise.
- c. Gigabyte has finished developing a new generation of Cloud Service package including a new generation of server motherboards that support the Intel® Xeon® E5-2600/1600 V3 processors. To significant boost system processing power, we also pioneered the use of the latest and fastest DDR4 technology along with support for Intel® vPro dual-port Gigabit Ethernet controller. This can be used with virtualization technology to deliver excellent performance and green energy management functions that perfectly support client application platforms while delivering improved power-efficiency and system performance.

- d. Gigabyte notebooks have always had a reputation for high-performance products. This year we launched the P34G v2, the first notebook in the world to feature PlexTurbo technology that delivers the ultimate gaming experience with twice the industry transfer rate. This greatly reduces game loading times while also accelerating the reading of game maps and data. PlexTurbo is a smart SSD caching technology that combines system memory, SSD DRAM cache and SSD storage to deliver 2 ~ 14 times the performance of ordinary SSD. Apart from faster access speeds and longer FLASH memory service lives, PlexTurbo can also protect against data loss due to power shortages. The advanced memory access algorithms enable PlexTurbo to effectively increase transfer rates and reduce memory footprints for a silky-smooth lag-free user experience. To overcome the endurance problem in e-sports notebooks, Gigabyte has taken advantage of NVIDIA®'s new generation of GeForce® GTX 980M and GTX 970M discrete graphic cards to launch the 15.6" P35 and 14" P34 lightweight high-performance e-sports notebooks. The new high-end display cards are based on the 28nm Maxwell process that deliver breathtaking processing power and longer battery life. Support for Battery Boost 2.0 technology allows the notebook to consume less power while delivering the same FPS. Gigabyte has discerned the market demand for high-mobility, high-performance notebooks, The release of slim gaming notebooks is targeted at enthusiasts looking for extreme performance and there is no better choice for those looking for both mobility and performance.
- e. Extending the aurora of the best product award of professional PC review media Tom's Hardware and CES, Brix™ inherits Gigabyte's outstanding design concept and is equipped with the latest Intel® 6th generation i-Core™ processors. The range offers models with i3, i5, and i7 processors to provide users with more options. The new Brix™ supports M.2 SSDs to make it more mini and flexible. For users requiring larger storage space, we offer models supporting 2.5" SSD or HDD. To facilitate expansion with external devices, all new Brix™ models are equipped with more built-in USB3.0 ports and the HDMI and Display Port supporting up to three monitors to "broaden" the user's vision. The built-in Intel GbE controller assures smooth internet connection without lag. The latest Thunderbolt™ 3 technology offering bandwidth up to 40Gb/s through the USB Type-C™ interface doubles the bandwidth of the previous Thunderbolt™ technology. There are many other revolutionary features, such as the daisy chain architecture which supports connection of up to six external devices; Power Delivery 2.0 that provides quick charge of external devices; and DisplayPort 1.2 supporting true 4K resolution to showcase brilliant user experience.
- f. The new Raptor optical engine e-sports mouse is designed specifically for FPS and RTS gaming. It was also the winner of the "1st Gigabyte Make It Real! Mouse Design Contest". Three new Taiwanese designers created this masterpiece by combining ergonomics with the look of a raptor's talons. The design was praised by judges and given the chance to enter mass-production. The champion mouse no features 4000 dpi competition-grade optical tracking engine and hot key support for switching between 4 levels of DPI sensitivity to deliver high precision control and movement. Other features include the Omron micro-switches with an ultra durable service life of 10 million switching cycles and improved tactile feedback. Every button on the mouse can also be bound to specific keys or macros using the GHOST macro engine to provide players with even more flexibility on customization.

- g. Gigabyte released two new dual-card smart phones (GSmart GX2 and GSmart Mika M2) featuring the Qualcomm Snapdragon 400 chipset with a super-fast 1.6GHz quad-core CPU and 2GB RAM/8 GB ROM. Along with the 5" OGS display, the smart phone has even slimmer appearance, magnesium-aluminum alloy body and IPS screen for vivid colors. The smart phone offers the user an enhanced viewing and listening experience for movies, games or music.

(2) 2016

a. World's top motherboards

Through continual innovation in leading-edge technology and ultrahigh performance, we have launched the brand-new Ultra Gaming series motherboards using X99 and Z170 platforms for gamers to explore and experience true virtual reality (VR) and 4K display with more innovative designs and perfect support of Intel's first deca-core (10-core) processor for the consumer market, in order to help gamers to build gaming systems with ultimate performance. The brand-new Z170-Ultra Gaming range is equipped with built-in U.2 slots and multi-graphics support to deliver PCIe Gen3 x 4 bandwidth for the quick processing of huge data required for VR and 4K resolution games and the quick computing of special effects of a large quantity of images. Even the most demanding requirements, Z170-Ultra Gaming motherboards can manage. The integrated sound chip with professionally certified signal output from the earphone jack with an S/N ratio at 120dB+ reproduces live sound effects comparable to any discrete sound cards enables gamers to clearly hear whatever tiny sounds in any games to take the initiative. Both the X99 and Z170 ranges in the Ultra Gaming series are equipped with programmable LED modules for users to control the colors and display mode of LED lights with the Gigabyte's exclusive Ambient LED application. If more special effects are desired, Ultra Gaming motherboards are equipped with power supply for additional RGB LED stripes for gamers to make their systems look cooler. Gigabyte products always fulfill the needs of gamers, overclockers, and computer professionals.

b. Market-leading graphics cards

Inheriting the DNA—pursuit of ultimate performance—of the XTREME GAMING series, the GeForce® GTX 1080 XTREME GAMING WATERFORCE WB water-cooled graphics card combines the next-gen Pascal architecture with powerful performance and Gigabyte's Water Block, a brand-new all-in-one closed loop water cooling system. Covering up the whole card, the Water Head directly touches the GPU, memory chip, and other important components with a supersized copper base plate to provide extreme cooling efficiency with the guide of composite heat pipes. In order to bring gamers extremely high-performance gaming experience with extreme comfort, the optimized waterway design for fluent liquid flow efficiently exchanges the waste heat from major components at zero noise to maintain steady operation of the GPU and memory chip at a low temperature in overclocking state. The XTREME GAMING class GPU is equipped to ensure optimal energy efficiency and the least power consumption loss. By boosting frequency up to 1936MHz in the OC mode, gamers can recklessly turn on all special effects to enjoy extremely smooth gaming experience. The power supply featuring 12+2 power phases significantly enhances stability to stimulate the overclocking potential for XTREME GAMING. Top-quality ultradurable materials assures overall card performance. To meet the strong desire to build own gaming systems of water-cooling experts, this graphics card is equipped with true-color RGB

lighting effect emitting cool and shining light from the edge. Through the Xtreme Engine software, gamers can tailor a unique visual style for their own gaming systems from 16.8M customizable color options and numerous lighting effects. The glorious black metal back plate provides solid protection and makes the card more robust and look neatly. The aerospace-grade PCB coating provides protection from inside and out to effectively fortify the overall structure and assure moisture resistance, dust resistance, and corrosion resistance. The Xtreme VR Link tailored uniquely for VR application enables gamers to directly connect VR equipment on the two extra native HDMI ports in front of the card without the need of any adaptor while connecting screens on other HDMI ports to enjoy true VR effect in games. By fulfilling the need for multiple I/Os to connect VR equipment and multiple HDMI screens, the Xtreme VR Link allows gamers to recklessly enjoy the smoothness of extreme-speed games. The overclocking function also helps gamers challenge and conquer difficulties at different levels and find triumph with unrivalled performance.

c. Innovation-leading servers

We also developed innovation-leading cloud servers and launched OpenRack total solutions ahead of competitors. By combining Gigabyte's highest-end servers using 3M's Novec™ engineered fluids, we developed a thermal solution that can reduce energy consumption and related costs and provide high stability and maximum system computing performance at the least power consumption. This solution even starts the possibility of heat recovery on servers to realize the datacenter revolution and future technology solution! As a manufacturer dedicated to the continual innovation of general-purpose computing on graphics processing units (GPGPU), Gigabyte integrates the most advanced GPUs in the market to bring new possibilities to high-performance computing (HPC). Together with the virtualization technology, power management featuring execution performance and energy conservation, customization service, and perfect support for customer AP platforms, we provide customers with options of greater flexibility.

d. Gaming laptops with unrivalled performance

On the same day NVIDIA® announced the new-generation notebook GPUs, Gigabyte launched a number of major models in its advanced gaming laptop and slim gaming laptop ranges using the brand-new NVIDIA® GeForce® GTX 10 GPU. With the new-generation Pascal™ architecture, the discrete display performance is significantly enhanced, and along with the 6th generation Intel® Core™ i7 quad-core CPUs, all gaming laptops can easily support VR games and enable gamers to enjoy a smooth gaming experience at 4K resolution. The advanced gaming laptops include the 15-inch P55 and 17-inch P57 equipped with the NVIDIA® GeForce® GTX GPU. The unique body design is inspired by the streamlined appearance and powerful muscle contour of super sports cars and decorated by the classic cool orange color. The dual hard drive storage is equipped with M.2 PCIe SSDs for speed storage in override and the next-generation DDR4 memory modules. Other features include ghosting backlit keyboard supporting 30-key rollover to ensure no miss in any dreadful fight. In addition, the P57 is equipped with a swappable bay for ODD/extendable storage slot to fulfill the need for large storage and extreme speed at the same time, making it the first option of gamers since it was launched. The P55 gaming laptop is tailored for gamers. The keyboard with a high key travel at 2.2mm

provides a hitting effect rarely found in laptops. Together with the cool backlight, gamers can enjoy great fun in games even in the dark! All gaming laptops are equipped with the internationally renowned professional live broadcast software XSplit Gamecaster and Broadcaster for gamers to easily broadcast their exciting engagements live on Twitch at any time. Gigabyte also equips laptops with the automatic background removal software TriDef® SmartCam ahead of competitors. The exclusive algorithm can automatically detect and remove the background of the gamer's location in a live broadcast session for gamers to get rid of struggling with the green curtain for professional background removal and thereby make a live session more professional. With insistence on high quality, ultra-durability, and high performance, Gigabyte successfully builds beyond-compare gaming laptops ahead of competitors to fulfill the desire for supreme performance of gamers, making Gigabyte gaming laptops the first choice and the most powerful for gaming.

e. Mini PC system champion—Brix™

The brand-new BRIX™ Gaming UHD mini PC system creates an unprecedented appearance and definition to change the definition and value of gaming PC. With a mini, compact, and fashionable appearance, the Brix™ is equipped with the powerful Intel® CPU and discrete NVIDIA GeForce GTX950 GPU in available space to significantly enhance display capacity. Thanks to the improvement of the NVIDIA Maxwell™ core architecture, the display performance has been enhanced by three times of the previous generation, making it comparable to any desktops and capable of handling majority games at 1080p resolution. The two M.2 (2280) SSD slots, and two 2.5" HDD slots fulfill the needs of home PCs, business PCs, and education PCs at the same time. The new-generation BRIX™ continues the excellent design tradition of its predecessors. Equipped with the 7th generation Intel® CPUs with a new microarchitecture featuring higher power efficiency and an optimal chip process for better performance than the previous generation. The dynamic control of GPU performance and power management is achieved by Turbo Boost 2.0 technology for greater performance or energy saving effect based on different needs to support the latest multimedia standards and boost graphics performance at 10% higher than the previous generation for gamers to experience more details. The new-generation Intel® HD graphics provides HEVC 10-bit hardware acceleration for better and more stable computing in 4K video playback or editing than the previous generation to demonstrate extraordinary user experience.

f. Award-winning gaming peripherals

Gigabyte launched the XK700 keyboard equipped with the Superior CHERRY MX mechanical key-switch to provide quiet and smooth tactile feel and support full-range NKRO for gamers to ensure all attack commands are accurately executed. The step-less bottom supports allow gamers to adjust to the desired height by turning. Large-area non-slippery rubber cushions firmly secure the keyboard in place in any dreadful operations. The unique shiny silver metal plate and 16.8M colors backlit keys for free adjustments are for gamers to show off in any arenas.

The XH300 gaming headset is equipped with a 50mm supersized full-range unit to deliver live stereo sound effect. The universally bendable microphone allows gamers to adjust to the best pick-up position to ensure

interference-free communication among teammates. The comfortable ergonomic structure combining with lightweight design assures prolonged gaming. The 16.8M customizable RGB lighting on both sides allows gamers to customize their own styles.

The XC700W full-tower case has spacious interior space and excellent cooling performance to provide DIY gamers with perfect platform-building flexibility for whatever CPU coolers or liquid cooling systems. On the minimalist metal appearance design, a anodized aluminum cover provides robust protection and enhances overall rigidity. The 4mm-thick panoramic side window is made of smoked tempered glass for gamers to see the interior. Along with the 16.8M customizable RGB lighting, gamers can always build a unique personal gaming system.

The XTC700 is equipped with three sets of pure copper direct-touch heat pipes and dual 12cm PWM fans to effectively discharge waste heat from the CPU at very low noise. The patented blade with 3D stripe curve enhances airflow by 23% at the same speed. The 2-ball bearing design assures stable performance in prolonged gaming. The XTREME GAMING token is equipped with 16.8M customizable RGB lighting for gamers to customize light colors to add delight to their system.

To build an ultimate gaming environment for gamers, Gigabyte launched the first Xtreme Gaming chair featuring a high racing seatback with a large backward angle and multiple adjustments that meet ergonomic needs for gamers to make adjustments according to their physique for the best operation or resting position in a game. It also designed to relieve musculoskeletal stress for prolonged gaming. The extra headrest cushion and lumbar cushion provide full cervical and lumber support for gamers to challenge the extreme in games.

(3) By the report publication date

a. Technology-leading motherboards

Committed to providing users with top-level desktop products, Gigabyte has launched the 200 Series AORUS motherboards supporting the latest 6th and 7th generations Intel Core CPUs. AORUS is Gigabyte's top gaming brand aiming to build omni-faceted gaming products for maniac gamers. AORUS motherboards support liquid cooling, multi-zone and 16.8M color fully customizable RGB LED lighting, smart temperature-control Smart Fan 5, and other novel features. The escalation of the demand for system personalization in recent years has given birth to AORUS motherboards dedicated to fulfill the gaming demands and characterization needs of gamers. To top gamers, professionals asking for performance, or armatures playing online games for leisure, AORUS will be the perfect choice of ultimate motherboards.

We have also launched AORUS and Gigabyte Gaming motherboards for the AMD Ryzen architecture, including AM4 platforms equipped with X370, B350, and A320 chipsets to supply all AMD Ryzen™ CPUs. We have also optimized products for AMD's latest 8 cores /16 threads AM4 processors for gamers to feel the enhanced performance and all features of AORUS's AM4 motherboards. Gigabyte's unique features: RGB Fusion and Smart Fan 5 are also found on these AORUS AM4 motherboards. The exclusive built-in dual 120dB high S/N ratio ALC 1220 sound chip even brings gamers ultimate sound experience.

All 200 Series AORUS motherboards are ready for Intel® Optane™. By way of memory cache, Intel Optane Memory enables access to commonly used

applications and data at a speed superior to both mechanical drives and solid state drives for gamers to combine high-efficiency and high-capacity storage in one system and explore the brand new performance of AORUS motherboards.

b. Superior AORUS graphics cards

All advanced graphics cards from the hottest gaming brand AORUS are tailored for gamers. They are equipped the most powerful graphic functions required for 4K display and VR application. The independently developed cooling system is equipped with the patented WINDFORCE Stack fans and innovative copper back plate to significantly enhance cooling performance. The patented AORUS VR Link offers the industry-unique triple DisplayPort and triple HDMI ports to support all kinds of output combinations. AORUS VR Link is also equipped with front-loading swappable VR ports for gamers to enjoy VR at any time. The 16.8M customizable RGB lighting enables gamers to recklessly build their gaming system in own style to enjoy VR games and multimedia entertainments with more delights.

c. High-performance energy-saving servers

Dedicated to the research and development of business IT products, we provide integrated products from user terminals to computer centers. Apart from excellent product compatibility, we persistently apply innovative technologies in product design and keep close cooperation with chipset suppliers to launch new products.

Besides products supporting the latest Intel® Xeon® E3-1200 v6 processor, we introduced the Atom® SoC server platform in Q2. These two platforms covering server motherboards and rack servers provide entry-level workstations, storage servers, and web servers. We will also launch Purley server products to support the Intel® Xeon® E5 v5 processor with the brand-new Omni-Path high-speed IoT technology and six-channel DDR4 modules. They will surely be the products integrating all server technologies over the years.

Attracting incessant attention since the launch of the Zen-architecture products last year, AMD has won critical acclaim for the Ryzen processor launched in Q1. As Zen for servers will be launched in Q2, we will introduce Zen-platform server products at the same time. They will include single-processor and dual-processor motherboards and rack servers to provide users with another x86 product option.

As the first to develop ARM v8 server products in the industry, we will continue to provide R&D service for the reference design of chipset supplier Cavium's ThunderX II to extend the scope of service of ARM servers from co-location and storage to high-performance computing. At the same time, we will continue to assist partners on developing an application environment for ARM products.

d. Slim and ultra-performance Aero14

Gigabyte Laptop is devoted to excellent research and development, instance on high-end performance, and product reformation based on market demands in order to bring stunning products. Facing head-to-head competition in the gaming laptop market, Gigabyte launches the brand-new 15-inch P56XT based on the major models P55 (15 inches) and P57 (17 inches). The P56XT is equipped with top core performance and edgy peripheral specifications including Thunderbolt 3 and HDMI 2.0 to provide the best entertainment solution for mainstream gamers at a more affordable price.

High specifications, high prices, and high replacement rate are common in today's gaming laptop market, forming a huge obstacle to the potential development of gamers. By introducing a brand-new gaming laptop brand Sabre, Gigabyte hopes to start a trend of budget gaming laptops with reliable hardware specifications and outstanding performance, so as to bring new growth momentum to the market.

In view of the potential demand for high-end hardware in the business market, Gigabyte is determined to build a professional performance-based laptop brand and will launch this May the AERO 15. Inheriting the slim body, high performance, and long battery life features of the AERO 14, the AERO 15 has a narrow-frame 15-inch screen design to effectively provide space and bring better viewing. As a big step forward for Gigabyte laptops, Gigabyte equips the first Pantone-certified panel on the AERO 15. Every panel has been certified by professional instruments from the international color certification authority Pantone Inc., before shipping to ensure the truest color performance in order to fulfill the objective visual demand of professionals.

Gigabyte fully understands that slimmness and performance together will be the future trend of the PC market. Taking the long-standing technological advantage, we introduce products with high-end performance, higher stability, and more competitive prices. Following the launch of new product lines, Gigabyte laptops will enter a brand new stage this year. Gigabyte will provide the best laptop options for both professionals and gamers.

e.AORUS gaming peripherals

Aiming to provide products meeting the true needs of gamers, AORUS will launch a wide variety of gaming peripherals and computer accessories, such as mice, keyboards, and headsets, tailored for gamers. With optimal specifications and quality and the toughest and most stylish appearance design, we provide perfect gaming experience from inside out and build an integral and multifaceted AORUS gaming sphere for professional gamers.

(IV) Long- and short-term business development plan:

1. OBM

Short-term plan:

- (1) The demand for high-end performance gaming products keeps rising with the gaming market rise in recent years. This Company will invest more resources to develop the top gaming brand AORUS and build epic-class gaming products with the most essential gaming elements for gamers. Apart from leading the top gaming market, we will continue to develop Gigabyte products featuring high performance, high quality, and ultra-durability to fulfill the demand for high quality and high performance of all user groups. With the support of a top gaming brand, we aim to become the most competitive and leading game brand in the market.
- (2) Product: At Gigabyte, premium quality, innovation, and R&D are an unchanging policy, and most products have been recognized by numbers of international awards. Apart from insisting on premium quality, ultra-durability, and high performance, by following high-standard intelligent energy saving and electronic safety specifications, we start product design with eco-design, and energy-saving design right at the beginning to provide customers with the best green products. When releasing new products, we coordinate with safety protection, environmental and safety inspections, intelligent energy-saving service, and carbon footprint disclosure to fulfill the needs of different user groups across the

world. We will uphold brand integrity and product performance and value to create more space for profit.

- (3)Marketing: Gigabyte will adopt innovative and differentiated marketing while also forming alliances with major international companies (such as Intel, AMD, NVIDIA) and leading brands in other industries (such as software vendors) in joint marketing campaigns to increase brand exposure and recognition.
- (4)Channel deployment: We will strengthen cooperation with distributors and implement adaptive marketing strategies. We will also progressively integrate virtual and physical channels to strengthen on-the-spot marketing and provide appropriate services and support to improve brand and sales strength.
- (5)Service: In the new information age, omni-channel service featuring online to offline (O2O) services will be more effective to interact with customers, establish long-lasting customer relationship, and thereby raise customer satisfaction and spread the committed value more quickly.

Long-term plan:

- (1) With the brand ethos of “Revolutionize Technology, Beautify Life,” Gigabyte continues to launch attractive and competitive products and further expands product lines and market positions.
- (2) With cloud technology and the trend of personalized digital lifestyle, Gigabyte seeks newer and more diversified innovative products to explore market opportunities in different areas. This way, Gigabyte can expand the size of the market and broaden the customer base, producing revenue and profit growth for the Company in the long run.
- (3) Gigabyte is specialized in the R&D of products with high quality, ultra-durability, and high performance and the development of green products and green technologies in a hope to turn green products and technologies into the customer’s trust in Gigabyte and thereby to enable greater growth for the company.

II. Market and Sales

(I) Market Analysis

1. Main product (service) market regions:

To further expand company’s performance, improve channel management and strengthen customers’ satisfactions, we have service sites all around the globe including Western Europe, Eastern Europe, China, Northeast Asia, Southeast Asia, Australia, India, Middle East, North America, South America and Australia in order to provide after-sales, product and consulting services.

Sales volume and value over the last three years:

Unit: NT\$1,000

Region \ Year	2014		2015		2016	
	Amount	%	Amount	%	Amount	%
Asia	26,036,670	47.74	26,597,668	52.33	25,318,233	48.36
Europe	15,779,293	28.93	10,954,415	21.55	12,063,750	23.05
North America	7,822,318	14.34	7,119,292	14.01	9,221,220	17.62
Other regions	1,984,359	3.64	3,904,849	7.68	3,271,558	6.25
Domestic sales	2,919,047	5.35	2,252,568	4.43	2,472,628	4.72
Total	54,541,687	100.00	50,828,792	100.00	52,347,389	100.00

2. Market share, future supply & demand in the market, and growth potential:
- (1) We are committed to channel development and marketing, with motherboards and graphics cards ranking at the top or second in the market. In addition, we are a market leader in customer satisfaction, quality, performance, and services. With innovative products and the best supply chain, we will provide the most competitive products and services to create better performance and more profit!

(2) Future Supply and Demand in the Market

a. Market Demand

In 2016, the PC market did not grow as Windows 10 operating system was launched. Although the gaming market thrived as AMD and NVIDIA launched new products, the China market and some other markets were burdened by the macro environment. According to the IDC report, the global PC market shrank by 5.7% in 2016 and will recover in 2017. The PC plays a leading role in the currently well-developed smart computing ecosystem, and it will be the major character in the gaming market requiring high-end performance. The maturity of the VR technology will stimulate the rise of a new hardware specification and upgrade demand. Gigabyte will lead the market demand across 2017.

b. Market Supply

Market competition is still keen this year. The new-generation Intel® platform was launched late and unable to stimulate market growth. We have launched various new products in adverse climates. By teaming up with the supply chain, we could maintain leadership in the motherboard market with the channel advantage. We also completed our gaming market deployment by launching various gaming peripherals tailored for gamers to build an ultimate gaming sphere with full XTREME GAMING product ranges. We also provide the latest cloud application solutions. As a manufacturer dedicated to the continual innovation of GPGPU, we integrate the most advanced GPUs in the market with virtualization technology and power management featuring execution performance and energy conservation, customization service, and perfect support for customers to embrace with the new cloud era and continue to create value and profit.

3. Competition Niche; Advantageous and Disadvantageous Factors for the Prospects of Development; and Responding Strategies

a. Industry development and vision

Favorable Factors	Unfavorable Factors	Countermeasures
<ul style="list-style-type: none"> ●PC still plays a leading role to meet the market demand in the launch of new platforms, new architectures, new technologies, and new functions ●Build a green brand and green competitiveness by combining environmental protection and smart computing in products with 	<ul style="list-style-type: none"> ●Market demand complicates and diversifies when user habits shift from PCs to slim smart devices ●The implementation of green regulations and policies across the world will extend the high standards, requirements and electronics safety specifications for smart, 	<ul style="list-style-type: none"> ●Provide differentiated high-quality products and services and dedicated solutions for different target customer groups to fulfill market demand. ●Start eco-design, environmental design, and energy-saving design at the beginning of product design to provide customers with

Favorable Factors	Unfavorable Factors	Countermeasures
the highest standards.	energy-saving products to the supply chain, materials for parts and components, production, collection, and recycling.	the best green products featuring maximum safety, maximum performance, and maximum energy efficiency. Gigabyte will continue the righteousness, performance, and value of branded products to create more space for profit.

b. Product development and operational management

Favorable Factors	Unfavorable Factors	Countermeasures
<ul style="list-style-type: none"> ● Industry-leading R&D capacity, continuous launch of comprehensive top innovative products, market leadership, and product standard maker. ● Turning R&D and product advantages into brand and channel competitiveness to secure market dominance. 	<ul style="list-style-type: none"> ● Potential competitors from other industries due to rapid market change. ● Shorter product life cycle and faster price changes 	<ul style="list-style-type: none"> ● Focus on the development of market and product trends and maintain leadership in technology and specifications to quickly respond to and capture market changes and fulfill market demand. ● Recruit outstanding talents and implement a well-established management system to efficiently implement channel and marketing activities and reduce operating cost to create more profit.

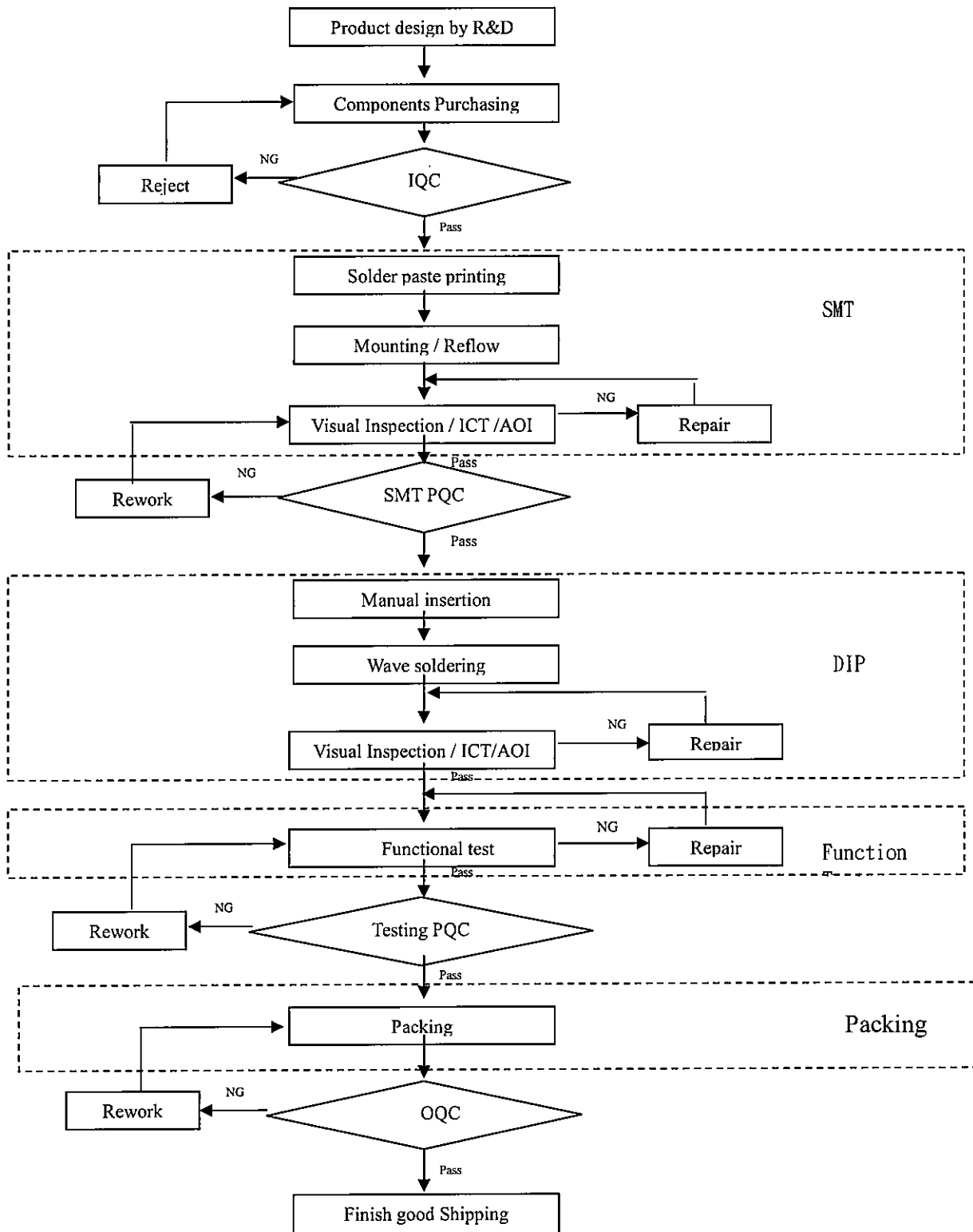
c. Marketing

Favorable Factors	Unfavorable Factors	Countermeasures
<ul style="list-style-type: none"> ● Turning R&D and product advantages into brand and channel competitiveness in the diversifying market to secure market dominance. ● Product leadership in many countries and regions facilitate further market cultivation. 	<ul style="list-style-type: none"> ● Export-oriented practice prone to Forex volatility 	<ul style="list-style-type: none"> ● Pay close attention to Forex volatility and timely adjust Forex position to minimize exchange risk.

(II) Primary use and production process of premium products:

1. Primary functions of major products: Motherboards and graphics cards, and barebones are components for assembling a PC and the “platform” for computing; while servers are computers with better computing ability and provide various services for multiple network users, and they are indispensable to a network environment.

2. Production Process:



(III) The supply of key materials:

Name of product	Name of key materials	Primary source of supply	
		Primary source of supply	Status
Mother board & Graphic card	Chipset & IC	INTEL	Stable
		NVIDIA	Stable
		AMD	Stable
	Other key components	GLOBAL BRANDS MANUFACTURE LTD.	Stable
		Foxconn Interconnect Technology Ltd.	Stable
		LOTES CO., LTD	Stable
		Golden Elite Technology (Shenzhen) Ltd.	Stable

(IV) List of customers or suppliers representing more than 10% of the total purchase or sales in any of the last two years:

- List of customers that have imported an annual total of at least 10% of Gigabyte's sales volume in either year of the last two years:

Unit: NTD 1,000

No.	2015				2016				2017 Q1			
	Name	Amount	Percentage to annual purchase (%)	Relationship with the Company	Name	Amount	Percentage to annual purchase (%)	Relationship with the Company	Name	Amount	Percentage to annual purchase (%)	Relationship with the Company
1	INTEL	10,597,401	25.46	None	INTEL	10,337,743	23.83	None	INTEL	1,702,518	17.21	None
2	Nvidia	9,691,718	23.28	None	Nvidia	13,225,390	30.49	None	Nvidia	2,865,524	28.96	None
	Other	21,339,346	51.26		Other	19,810,085	45.68		Other	5,325,971	53.83	
	Total purchase	41,628,465	100.00		Total purchase	43,373,218	100.00		Total purchase	9,894,013	100.00	

Given the Change in the product portfolios and market environment, there are Changes in the suppliers, buyers, amount and proportions to total purchase and sales.

- List of buyers representing more than 10% of the total sales in any of the last two years: None.

(V) Production volume and value over the last two years:

Unit: 1,000 pieces; NTD million

Product	Production volume and value	2015			2016		
		Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
Motherboards		17,253	17,150	22,619	14,843	14,970	20,870
Others		4,797	5,447	21,771	5,562	6,112	26,066
Total		22,050	22,597	44,390	20,405	21,082	46,936

(VI) Sales volume and value over the last two years

Unit: 1,000 pieces; NTD million

Product	Sales value and volume		2015				2016			
			Domestic sales		Export		Domestic sales		Export	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value		
Motherboards	357	762	16,543	28,152	298	712	14,701	26,087		
Others		1,280		20,635		1,555		23,993		
Total		2,042		48,787		2,267		50,080		

Note: This table lists net sales

III. Profiles on employees over the last two years as of the date of publication

March 31, 2017

Year		2015	2016	2017 March 31
Number of employees	Line personnel	822	841	827
	Supporting personnel	1,972	1874	1,890
	Total	2,794	2,715	2,717
Average age		36.6	37	37.8
Average year of service		7.47	8.8	8.9
Education (%)	Doctorate	0.15%	0.3%	0.3%
	Master	12.50%	13.3%	13.5%
	University	69.80%	69.3%	69.1%
	High school	13.00%	13%	13.2%
	High school below	4.55%	4.1%	3.9%

Source: Statistical data compiled by Gigabyte

IV. Information on environmental protection expenditure in the most recent year and up to the publication date of the annual report

- (I) Losses and fines due to pollution in the most recent year: None.
- (II) Future responding strategies and possible expenditure:

In 2015, GHG exceeded 400ppm, global average temperature kept rising and climate change intensified. Between January and June 2015, Taiwan experienced the severest ever drought since 1947. In its 2015 research report, UNU indicated that the volume of electronic waste created a new record in history last year, at 41.80 million tons. Countries in the world have thus tightened their environmental regulation. Every year the EU increases the substances of very high concern (SVHC) in REACH and adds to RoHS2 four controlled items for plasticizer that will take effect on July 22, 2019. Environmental and social issues have always been our concerns. To effectively mitigate and address to environmental and regulatory impacts, we began conducting assessments on supply chain sustainability in 2012. Apart from assessing and advising our existing suppliers on quality, punctuality, service, cost and hazardous substance management, we also require suppliers to conform to the EICC and non-use of conflict minerals. In addition, we will promote energy saving, emission reduction, water saving, and waste reduction to protect Earth together with suppliers in pursuit of sustainable development and increased competitiveness.

Projected environmental protection spending three years ahead:

Currency: in NTD 1,000

	2014	2015	2016	2017
A. The content of anti-pollution equipment planned to procure or spending	1.Continue with ISO 14064 Greenhouse Gas Audit; Seek IECQ QC 080000, ISO14001, OHS18001 certification. 2.Continue to introduce green design, green purchase, clean production, etc. 3.Engage in product life cycle and environmental impact studies. 4.Conduct product life cycle and environmental impact assessments.	1. Continue with ISO 14064 Greenhouse Gas Audit; Seek IECQ QC 080000, ISO14001, OHS18001 certification. 2. Continue to introduce green	Continue to implement ISO 14064 GHG emission verification and promote the Gigabyte 333 waste reduction, water	1.Continue to promote the Operation Gigabyte 333 and team up with suppliers to continuously reduce product emissions reduction for Earth—our home 2.Complete the

	2014	2015	2016	2017
		design, green purchase and clean production. NT\$18 million will be invested towards the updating of obsolete equipment and air-conditioning to reduce GHG emissions and energy in 2015 consumption. 3. Continue to conduct product life cycle and environmental impact assessments to reduce impact on the environment.	reduction, and emission reduction program. Develop the product lifecycle and environmental impact assessment system to work for environmental protection together with suppliers. Continue eco-design, green procurement, green production and marketing to turn Gigabyte into a green brand to fulfill CSR.	product life cycle and EIA system to reduce product carbon emissions. 3. Optimize the energy on-line monitoring system, improve the VFD pump of the central air-conditioning system, development PV generation, and update the cooling equipment of the cooling tower.
B. Expected improvement	Begin with green products and resource saving; reduce the usage of resources; achieve sustainable development.	2014 GHG emissions were down 18240.68 tons (37.26%) compared to 2009, reducing on dependence on energy resources and environmental impact.	Enhance the efficiency rate of energy and resources; eliminate hazardous substances; and strengthen sustainable supply chain management, to co-exist with Earth.	Effectively reduce waste quantity and carbon emissions, and enhance energy and resource efficiency.
C. Amount - environmental protection spending - procurement of equipment for environmental protection process	30,817 -	31,919 -	35,812	37,235 -

(III) The Impact of Environmental-Protection-Related Expenditure on the Company:

1. Impact on Net Profit

Promoting eco-design and sustainable development is our Company's established policy and a global trend. Our Company considers the complete lifecycle of products covering raw material acquisition; product design, manufacture, and use; and recycling, to reduce environmental impact and environmental load, provide customers with high-quality and high-efficiency products, extend product lifespan, and reduce electronic waste. While pursuing environmental protection, we also improve product competitiveness. All Gigabyte products comply with our Harmful Chemical Substances Requirements (HCSR) to reduce the potential risks of products and pursue sustainable development for the enterprise and environment. Although implementing eco-design and sustainable development did not increase our Company's production capacity but reduced our Company's net profit, they enable our Company to secure market share and promote brand image.

2. Impact on our Status in the Competition

Eco-design, environmental protection, energy saving, and emission reduction have become global trends and universal values. In recent years, we have been promoting eco-design, elimination of hazardous substances, and ISO 14064. In response to the tightening international environmental regulations, we work together with suppliers through supplier management and supplier guidance. We also observe local laws and the EICC Code of Conduct at a high moral standard. We also request suppliers on the supply chain to comply with environmental protection, safety and health, labor rights, and labor condition standards, including "Conflict-Mineral-Free" policy; respect for employees; fair treatment of female and male employees; accountability toward production process and the environment. Besides improving organizational competitiveness, such awareness will be beneficial to enhance the global market share of Taiwan's 3C industries, so as to prevent measures to promote environmental protection and sustainable development from reducing our global competitiveness.

3. Impact on the Company's Image

Since 2010, we have voluntarily published the "Gigabyte Sustainability Report" according to the Global Reporting Initiative (GRI) in both Chinese and English to report to all stakeholders Gigabyte's efforts, determination, and achievements in sustainable development. After winning in 2014 the Excellence in National Environmental Education from New Taipei City, we won in 2015 again the Excellence in National Environmental Education in the private sector category, which recognized our efforts in realizing environmental protection. In the future, we will continue to our efforts in environmental protection and put environmental protection our own responsibility.

(IV) Our Company's Committed Environmental Protection Expenditures and Our Response to EU Environmental Guidelines Are Listed as Follows:

1. Committed Significant Environmental Protection Expenditures:

- (1) Our Company has passed ISO 14001 environmental management system certification, requiring first level suppliers to install environmental management systems. Currently, all first level suppliers of Gigabyte have earned the ISO 14001 certification and are striving for pollution prevention and clean production.
- (2) In 2005, our company became the first system brand company in the world that received the IECQ QC 080000 standard certification. Our products went through a lead-free manufacturing process. We also introduced green material

management system and established a green supply chain. Through Green Supply Chain Management (GSCM), we coordinated systematically with suppliers and connect ourselves to relevant standard evaluation and recognition processes. We effectively communicate with suppliers. We trace, manage, and even eliminate components that contain restricted or banned chemical substances.

- (3) Our Company has passed the OHSAS 18001 audit and is committed to improve our Company's safety and health system. We aim to prevent and control the occurrence of accidents, delivering sustainable management with zero occupational hazard.
- (4) The lifecycle carbon emission audit based on PAS 2050 carbon footprint standard has been completed for MD-300 Set-Top Box, one of our Company's Chennel sales products. The British Standard Institute (BSI) has issued a certificate of product carbon footprint verification for this audit engagement.
- (5) Our Company promotes green design and recycling processes that are in compliance with all international environmental regulations.
- (6) Apart from developing the clean production mechanism, developing energy-saving products, improving production process, and enhancing efficiency, we specifically implemented the ISO14064 GHG inventory system to disclose the GHG inventory and management information of this Company with the GHG report, so as to exactly capture the sources of GHG emissions, promote total participation and consensus, and continuously promote GHG emissions, mitigate global warming, and fulfill CSR.
- (7) We activated the "Green Action Program" in 2009 to organize celebrity talks, environmental education, outdoor environmental checkup, and pro bono activities for over 55,000 participants. With these activities, we have enabled employees to understand the importance of environmental protection, improved their awareness of environmental protection, and equipped them with the basic knowledge, attitude, and skill for environmental protection. By blending these to work and daily life, we have established the Gigabyte Green Action Culture and promoted the eco-design concept to all employees to create new value for green products and pursue sustainable development for the enterprise and environment.
- (8) We organized the "Green Product Innovation Activity: Innovation · Value · Sustainability". Based on the main theme "going green is free", we encourage employees to design green product with "Innovation · Value · Sustainability". As long as we are on the right track, "going green is free!"
- (9) We put the mitigation and adaptation of climate change as part of enterprise sustainable operations and implement countermeasures in terms of GHG management and routine operations. We also build the eco-design-focus "G-Home Sustainable Eco-Roof" and promote it through industry-government-academia cooperation in order to provide a reference for an integrated, multifunctional solution for the mitigation and adaptation of climate change, aggressively reduce environmental load, and fulfill corporate social responsibility.
- (10) For continuous reduction of product carbon emissions, we activated the carbon footprint calculation system for all products in 2016. By implementing this system, we hope to simplify the calculation of process of product carbon emissions and review the carbon emissions of products at each stage of the product life cycle. Apart from comparing the environmental impacts of each raw material and production process and finding opportunities and methods to reduce carbon emissions, we hope to provide a reference for developing eco-friendly products.

- (11) By analyzing the effects and benefits of “G-Home Sustainable Eco-Roof” and “One Thousand Miles” of Gigabyte to Green Club with SROI, we found that both projects can bring positive social and environmental effects. In terms of benefits, we found that every NT\$1 spent on “G-Home Sustainable Eco-Roof” can yield NT\$5 back; and every NT\$1 spent on “One Thousand Miles” can yield NT\$2.41 back. (Please refer to the SORI section in Gigabyte’s 2014 CSR Report for more details.)
2. The Company sell its products directly and indirectly to EU, or areas governed by RoHS.
 3. The compliance of the Company with RoHS is 100%.
 4. The Company has been granted by the following companies or agencies the green product accreditation on environmental protection and ODM customer accreditation rate: 100%.
 - (1) The first company in Taiwan being accredited the SGS IECQ QC080000 RoHS green product.
 - (2) Approved by MOEA for a grant for supervision in Green Project in 2006, and complete the establishment and adaptation of GP system in 2007.
 - (3) Recognition by international giant firms: Lenovo (IBM), Fujitsu, Hitachi, NEC, Toshiba, Samsung, LG, Acer, HP.
 - (4) Equipment, production process, inspection standards and points of control are in place. There are also the ODM Mass Production and inspection for delivery locations with yield rate meeting the requirements of the customers.
 - (5) By the end of Q1 2006, the Company has attuned to full compliance with RoHS and has met the requirement of EU as early as July 2006.
 - (6) Complete the process and product evaluation of Halogen Free in 2008 to respond to the requirement of future environment protection law.
 - (7). As global warming becomes more and more serious, the EU has unveiled its newest target for greenhouse gas reduction in the following statement: *carbon dioxide emissions by 2020 should be reduced to 20% of 1990 levels, and increase renewable energy sources proportion to 20%*. Hence, since 2009, Gigabyte has begun undergoing ISO 14064 greenhouse gas inventory check. By July 2010, we have completed greenhouse gas emission checks for 2007-2009 at our Xindian Headquarters and Nanping Plant. In 2009, the checks were performed at Dongguan Gigabyte Electronics Co., Ltd. and Ningbo Gigabyte Co., Ltd., with results of 2007 and 2009 designated as the standard reference and objectives for Taiwan and Mainland China sites respectively. In 2013, the total greenhouse gas emission of the Gigabyte Group was 32,554.65 tons, which was 16,402.49 tons less than the 48,957.14 tons produced in 2009, representing a 33.5% decrease from internal activities. In other words, we have already achieved the EU 2020 target ahead of schedule, which led to a readjustment of our targets in 2013: "By 2020, the Gigabyte Group will reduce its carbon emissions from internal activities by 40% compared to the baseline year of 2009". In the future, the Gigabyte Group shall continue to strive for carbon reduction and contribute to the efforts of saving our planet.
 - (8) As the first company in the world, we passed the third-party certification (BSI) of carbon footprint inventory with our STB (MD-300) according to PAS2050 on September 29, 2010. We also cooperated with 15 suppliers to arrange carbon footprint and inventory training for (raw) materials with the purpose of understanding the impact of the product on the environment at each phase of its life cycle. We also hope to build a basic database and use it

as a basis for the development of green products to reduce impact on the environment and fulfill our responsibility to society.

- (9) After launching the “Green Movement Plan” in 2010, Gigabyte organized more than 40 celebrity lectures, environment education classes, outdoor environmental experiences and charity events attended by more than 10,000 people. Through the activities, employees' environmental awareness as well as the knowledge, attitudes and skills required for environmental protection can be enhanced and incorporated into their work and everyday life. The Green Movement Plan represents the new Gigabyte culture, promotes the concept of Eco-Design to all employees, creates new value from green products and supports the search for sustainable business and environmental development.
- (10) Gigabyte sponsored “Green Product Innovation - Innovation · Value · Sustainability.” The theme of the activity is “Going green is free.” The Company encourages employees to design green products with “Innovation, Value, Sustainability” features, proving that green design does not cost much, as long as the approach and mindset are correct!

V. Labor-Management Relation in the most recent year until the date this report is printed

- (I) The status of employee welfare, continuing education, training, retirement system and others, and the agreement between the labor and the management and protection of employee benefits and rights:

1. Employee insurance:

In addition to labor insurance and health insurance for employees and their dependents, we take out group insurance for each employee including life insurance, accident insurance, hospitalization insurance and medical payment for accidents and cancer as well as overseas travel insurance to protect the lives of employees and their families.

2. Annual wage adjustment and bonus:

The wage adjustment will be implemented in accordance with annual price index, the wage adjustment ratio of the civil servant, the wage adjustment standard in the industry and the performance appraisal result. In addition, there is a bonus when sales targets are achieved.

3. Holiday bonuses

Gigabyte provides employees with holiday bonuses ever Duanwu Festival and Mid-autumn Festival as well as end-of-year bonuses before the Chinese Lunar New Year.

4. Fringe benefits provided by the employee welfare committee

The employee welfare committee of the Company is organized under law and by elected representatives of the employees. They will be responsible for the planning and execution of employee welfare. Examples are the organization for local and overseas traveling trips, gifts for the three major festivals, birthday gift vouchers, subsidized for matrimonial, celebration and funeral occasions, scholarships for the children of employees, special offers by participating shops, recreation and entertainments, social functions, language training programs, and the Company will subsidize employees in taking local or overseas trips for pleasure. The amount of subsidy will vary with the years of service

5. Training and development of employees: according to the training system of the career development

Develop training development system using core career as mainstream and emphasis on the cultivation of professional management, at the same time, host

arts and humanity seminars irregularly to widen employees' views and balance out career and life. Establish e-learning platform to provide an irregular learning environment. Our scheduled training includes educational training for newcomers, professional management training, pre career training, specialized skill training, product enhancement training, general training, English language lessons and e-learning program.

6. Employee stock ownership program

Since 2010, Gigabyte has provided stock ownership for employees above a certain rank. These employees may convert a percentage of their monthly salaries or bonuses to a trust to acquire company shares. Gigabyte will also provide additional funds for encouragement so that employees can also benefit from the Company's profits and strengthen the loyalty and bond with the employees.

7. Employee share subscription warrant

Since 2007, Gigabyte has implemented a program for employee share subscription warrants, allocating share subscription warrants to employees based on their performance and contributions to this company so that they may also benefit from the Company's profits.

8. Reward for innovation

Any new idea for positive contribution to the Company proposed by employees will be rewarded, including management, marketing planning, research and development and production.

9. Feedback:

The opinion of staff is important. Therefore, the suggestion box and message board are used to find out the opinion of staff on the management system, executive leadership, welfare system and work environment for good labor relations. There has never been a labor dispute in the history of our company.

10. After July 2005, the employer contributes labor pension that is six percent of monthly wages of the employee into the individual account of the employee at Labor Insurance Bureau due the change in policy that requires individual retirement account. The retirement system of the Company has been instituted in accordance with the Labor Standards Law. The Company hires an actuarial expert to work on the job, and appropriate 2% to 15% of the total salaries disbursed for each month as a contribution to the pension fund liability at the approval of the Taipei County Government. Such contribution, which is 2% for current period, will be deposited at the trustee account at the Bank of Taiwan under the title of the Pension Fund Supervisory Committee.

- (II) Loss caused by labor-management dispute in the most recent year until the date this report is printed, the estimated amount of loss in the future, and measures to deal with the problem: The labor-management relation has been harmonious since the establishment of the Company in 1986. No loss has ever been inflicted from this cause.

VI. Major agreements

- (I) Agreements expiring within one year: None.

- (II) Agreements still in force:

Type of contract	Contracting parties	Term of agreements	Content	Restriction
License Agreement	QUALCOMM Incorporated	2006/7/21- indefinite	Patent authorization	Prohibition on assignment of rights
License Agreement	HDMI Licensing, LLC	2006/8/9- expiry of every patent	Patent authorization	Prohibition on assignment of rights
License Agreement	DTS , Inc.	2014/4/24- expiry of every patent	Patent authorization	Prohibition on assignment of rights
License Agreement	AMI, Taiwan Branch	2014/10/1- 2017/9/30	Patent authorization	Prohibition on assignment of rights

Six. Financial Position

I. Condensed balance sheet, income statement and auditors' opinions covering the period of last five years

(1) Condensed Balance Sheet and Statement of Comprehensive Income -IFRS Condensed Balance Sheet (Entity) - IFRS

Unit: NT\$1000

Year		Financial information covering the last five years (Note1)				
		2012	2013	2014	2015	2016
Item						
Current assets		18,943,538	18,647,719	20,338,014	21,437,954	24,821,408
Property, plant and equipment(Note2)		2,175,990	2,148,656	2,237,019	2,259,952	2,213,725
Intangible assets		53,716	26,050	33,245	23,648	27,774
Other assets(Note2)		8,518,820	10,754,450	10,355,510	8,767,128	8,210,714
Total assets		29,692,064	31,576,875	32,963,788	32,488,682	35,273,621
Current liabilities	Cum-dividend	8,990,191	9,337,813	9,993,677	9,440,375	11,914,724
	Ex-dividend	10,242,644	11,218,282	11,692,012	11,013,032	Not distributed yet
Non-current liabilities		402,096	400,377	410,009	509,339	548,392
Total liabilities	Cum-dividend	9,392,287	9,738,190	10,403,686	9,949,714	12,463,116
	Ex-dividend	10,644,740	11,618,659	12,102,021	11,522,371	Not distributed yet
Equity attributable to owners of the parent		20,299,777	21,838,685	22,560,102	22,538,968	22,810,505
Equity		6,258,914	6,265,714	6,288,829	6,290,629	6,291,179
Capital surplus		4,585,372	4,587,562	4,592,155	4,601,581	4,602,046
Retained earnings	Cum-dividend	9,603,315	10,718,290	11,243,132	11,399,606	12,092,633
	Ex-dividend	8,350,862	8,837,821	9,544,797	9,826,949	Not distributed yet
Other Equity		-147,824	267,119	435,986	247,152	-175,353
Treasury stock		0	0	0	0	0
Non control Equity		0	0	0	0	0
Total equity	Cum-dividend	20,299,777	21,838,685	22,560,102	22,538,968	22,810,505
	Ex-dividend	19,047,324	19,958,216	20,861,767	20,966,311	Not distributed yet

* If the Company compiles financial statements on an entity basis, the Company should additionally compile the entities' condensed balance sheets and consolidated profit & loss statements for the last 5 years.

* For companies that have adopted IFRSs for less than five years, the companies should also compile the following table (2) under ROC GAAP.

Note 1: Years during which the financial statements have not been audited by CPAs should be noted.

Note 2: If the Company has performed asset revaluation in the current year, the Company should state the date when the revaluation was performed and the revaluation gain amount.

Note 3: The figures after the aforementioned distribution are based on the shareholders' meeting resolution in the following year.

Note 4: If the financial information have been revised or compiled as directed by the competent authorities, list the amended or re-compiled data with clear annotations and explanation.

Condensed Statement of Comprehensive Income (Entity) - IFRS

Unit: 1000 NTD

Item \ Year	Financial Information covering the last five years (Note 1)				
	2012	2013	2014	2015	2016
Revenue	42,142,326	46,717,780	50,505,531	47,662,757	49,735,072
Gross profit	6,326,427	7,213,403	7,702,355	6,996,041	7,314,934
Operating income	1,446,629	1,941,156	1,894,367	1,476,134	1,934,481
Non-operating income & expenses	222,920	691,000	927,704	880,033	899,318
Pre-tax profit	1,669,549	2,632,156	2,822,071	2,356,167	2,833,799
Net Income from continuing operations	—	—	—	—	—
Earning of discontinued operation	—	—	—	—	—
Net income (loss)	1,548,707	2,355,536	2,397,618	1,920,065	2,292,864
Other comprehensive income (net after tax)	-263,882	426,835	176,559	-254,090	-449,685
Total comprehensive income for the period	1,284,825	2,782,371	2,574,177	1,665,975	1,843,179
Net profit attributable to owner of parent	1,548,707	2,355,536	2,397,618	1,920,065	2,292,864
Net profit attributable to non-controlling interests	0	0	0	0	0
Total comprehensive income attributable to owner of parent	1,284,825	2,782,371	2,574,177	1,665,975	1,843,179
Total comprehensive income attributable to non-controlling interests	0	0	0	0	0
EPS (\$)	2.48	3.76	3.82	3.05	3.64

* If the Company compiles financial statements on an entity basis, the Company should additionally compile the entities' condensed balance sheets and consolidated profit & loss statements for the last 5 years.

* For companies that have adopted IFRSs for less than five years, the companies should also compile the following table (2) under ROC GAAP.

Note 1: CPAs have audited the consolidated financial information in previous years referred to above.

Note 2: Losses from discontinued units are shown as net earnings after deduction of income tax.

Note 3: If the financial information have been revised or compiled as directed by the competent authorities, list the amended or re-compiled data with clear annotations and explanation.

Condensed Balance Sheet (Consolidated) - IFRS

Unit: 1000 NTD

Item	Year	Financial information covering the last five years (Note 1)					Financial information as of March 31, 2016 (Note 3)
		2012	2013	2014	2015	2016	
Current assets		24,134,968	27,198,448	26,841,912	27,846,683	30,955,717	28,738,465
Property, plant and equipment(Note2)		4,411,796	4,212,396	4,231,520	4,022,766	3,905,043	3,848,184
Intangible assets		83,839	45,002	49,730	34,144	54,230	73,137
Other assets(Note2)		2,005,242	3,541,556	2,569,464	1,337,040	1,309,060	1,198,645
Total assets		30,635,845	34,997,402	33,692,626	33,240,633	36,224,050	33,858,431
Current liabilities	Cum-dividend	9,901,457	12,680,871	10,653,629	10,132,956	12,651,024	10,219,942
	Ex-dividend	11,153,910	14,561,340	12,351,964	11,705,613	Not distributed yet	Not distributed yet
Non-current liabilities		425,814	466,829	460,883	554,258	604,083	586,362
Total liabilities	Cum-dividend	10,327,271	13,147,700	11,114,512	10,687,214	13,255,107	10,806,304
	Ex-dividend	11,579,724	15,028,169	12,812,847	12,259,871	Not distributed yet	Not distributed yet
Equity attributable to owners of the parent		20,299,777	21,838,685	22,560,102	22,538,968	22,810,505	22,911,489
Equity		6,258,914	6,265,714	6,288,829	6,290,629	6,291,179	6,291,179
Capital surplus		4,585,372	4,587,562	4,592,155	4,601,581	4,602,046	4,600,080
Retained earnings	Cum-dividend	9,603,315	10,718,290	11,243,132	11,399,606	12,092,633	12,360,467
	Ex-dividend	8,350,862	8,837,821	9,544,797	12,972,263	Not distributed yet	Not distributed yet
Other Equity		-147,824	267,119	435,986	247,152	-175,353	-340,237
Treasury stock		0	0	0	0	0	0
Non control Equity		8,797	11,017	18,012	14,451	158,438	140,638
Total shareholder's equity	Cum-dividend	20,308,574	21,849,702	22,578,114	22,553,419	22,968,943	23,052,127
	Ex-dividend	19,056,121	19,969,233	20,879,779	20,980,762	Not distributed yet	Not distributed yet

* If the Company compiles financial statements on an entity basis, the Company should additionally compile the entities' condensed balance sheets and consolidated profit & loss statements for the last 5 years.

* For companies that have adopted IFRSs for less than five years, the companies should also compile the following table (2) under ROC GAAP.

Note 1: Years during which the financial statements have not been audited by CPAs should be noted.

Note 2: If the Company has performed asset revaluation in the current year, the Company should state the date when the revaluation was performed and the revaluation gain amount.

Note 3: CPAs have reviewed the consolidated financial information in the current quarter referred to above.

Note 4: The figures after the aforementioned distribution are based on the shareholders' meeting resolution in the following year.

Note 5: If the financial information have been revised or compiled as directed by the competent authorities, list the amended or re-compiled data with clear annotations and explanation.

Condensed Statement of Comprehensive Income (Consolidated) - IFRS

Unit: 1000 NTD

Item \ Year	Financial information covering the last five years (Note 1)					Financial information as of March 31, 2017 (Note 2)
	2012	2013	2014	2015	2016	
Revenue	45,797,658	51,118,994	54,541,687	50,828,792	52,347,389	13,328,965
Gross profit	7,879,492	9,149,206	9,468,383	8,761,412	9,069,697	2,069,866
Operating income	1,230,772	1,804,169	1,805,536	1,251,738	1,688,998	345,895
Non-operating income & expenses	542,080	928,188	1,138,810	1,419,921	1,273,323	-2,681
Pre-tax profit	1,772,852	2,732,357	2,944,346	2,671,659	2,962,321	343,214
Net Income from counting operations	-	-	-	-	-	-
Earning of discontinued operation	-	-	-	-	-	-
Net income(loss)	1,550,622	2,359,480	2,400,322	1,922,700	2,284,350	250,053
Other comprehensive income(net of tax)	-263,882	426,835	176,559	-254,090	-449,685	-164,884
Total comprehensive income for the period	1,286,740	2,786,315	2,576,881	1,668,610	1,834,665	85,169
Net profit attributable to owner of parent	1,548,707	2,355,536	2,397,618	1,920,065	2,292,864	267,834
Net profit attributable to non-controlling interests	1,915	3,944	2,704	2,635	-8,514	-17,781
Total comprehensive income attributable to owner of parent	1,284,825	2,782,371	2,574,177	1,665,975	1,843,179	102,969
Total comprehensive income attributable to non-controlling interests	1,915	3,944	2,704	2,635	-8,514	-17,800
EPS (\$)	2.48	3.76	3.82	3.05	3.64	0.43

* If the Company compiles financial statements on an entity basis, the Company should additionally compile the entities' condensed balance sheets and consolidated profit & loss statements for the last 5 years.

* For companies that have adopted IFRSs for less than five years, the companies should also compile the following table (2) under ROC GAAP.

Note 1: CPAs have audited the consolidated financial information in previous years referred to above.

Note 2: CPAs have reviewed the consolidated financial information in the current quarter referred to above

Note 3: Losses from discontinued units are shown as net earnings after deduction of income tax.

Note 4: If the financial information have been revised or compiled as directed by the competent authorities, list the amended or re-compiled data with clear annotations and explanation.

(2) Condensed Balance Sheet and Profit & Loss Statement - ROC GAAP
Condensed Balance Sheet (Entity)-ROC GAAP

Unit: 1000 NTD

Item	Year	Financial information covering the last five years (Note)
		2012
Current assets		19,146,521
Funds and long-term investments		8,007,150
Fixed assets		2,175,990
Intangible assets		53,716
Other assets		310,158
Total assets		29,693,535
Current liabilities	Cum-dividend	8,939,074
	Ex-dividend	10,191,527
Long-term liabilities		—
Other liabilities		168,000
Total liabilities	Cum-dividend	9,107,074
	Ex-dividend	10,359,527
Equity		6,258,914
Capital surplus		4,588,342
Retained earnings	Cum-dividend	9,272,527
	Ex-dividend	8,020,074
Unrealized revaluation gain		5,382
Unrealized loss from long-term investment in equity		-10,466
Conversion adjustment		471,762
Unrecognized net loss as pension cost		—
Treasury stock		—
Total shareholder's equity	Cum-dividend	20,586,461
	Ex-dividend	19,334,008

Note: The financial information in previous years referred to above was prepared in accordance with ROC GAAP and audited by CPAs.

Condensed Income Statement (Entity) - ROC GAAP

Unit: 1000 NTD

Item	Year	Financial information covering the last five years (Note 1)
		2012
Revenue		42,142,326
Gross profit		6,325,618
Operating income		1,446,230
Non-operating income		308,461
Non-operating expenses (Note 2)		81,279
EBT of sustained operation		1,673,412
Earning (loss) of sustained operation		1,552,570
Earning of discontinued operation		—
Contingent earning		—
Effect of Change in accounting principle		—
Earning current period		1,552,570
EPS (\$)	Cum-dividend	2.48
	Ex-dividend	2.48

Note 1: The financial information in previous years referred to above was prepared in accordance with ROC GAAP and audited by CPAs.

Note 2: There has been no capitalized interest in the most recent five years.

Condensed Balance Sheet(Consolidated) - ROC GAAP

Unit: 1000 NTD

Item	Year	Financial information covering the last five years (Note 1)
		2012
Current assets		24,361,064
Funds and long-term investments		1,445,453
Fixed assets		4,411,796
Intangible assets		136,601
Other assets		275,833
Total assets		30,630,747
Current liabilities	Cum-dividend	9,844,111
	Ex-dividend	11,096,564
Long-term liabilities		—
Other liabilities		191,378
Total liabilities	Cum-dividend	10,035,489
	Ex-dividend	11,287,942
Equity		6,258,914
Capital surplus		4,588,342
Retained earnings	Cum-dividend	9,272,527
	Ex-dividend	8,020,074
Unrealized revaluation gain		5,382
Unrealized loss from long-term investment in equity		-10,466
Conversion adjustment		471,762
Unrecognized net loss as pension cost		—
Treasury stock		—
Minority shareholdings		8,797
Shareholder Equity	Cum-dividend	20,595,258
Total Equity	Ex-dividend	19,342,805

Note: The financial information in previous years referred to above was prepared in accordance with ROC GAAP and audited by CPAs.

Condensed Income Statement (Consolidated) - ROC GAAP

Unit: 1000 NTD

Item	Year	Financial information covering the last five years (Note 1)
		2012
Revenue		45,797,658
Gross profit		7,881,590
Operating income		1,233,921
Non-operating income		570,036
Non-operating expenses (Note 2)		27,242
EBT of sustained operation		1,776,715
Earning (loss) of sustained operation		1,554,485
Earning of discontinued operation		—
Contingent earning		—
Effect of Change in accounting principle		—
Consolidated total income		1,554,485
Consolidated net income		1,552,570
Minority interest income		1,915
EPS (\$)	Cum-dividend	2.48
	Ex-dividend	2.48

Note 1: The financial information in previous years referred to above was prepared in accordance with ROC GAAP and audited by CPAs.

Note 2: There has been no capitalized interest in the most recent five years.

(III) Name of Public Accountants in the last five years and opinions:

Year	Public auditors	Opinion
2011	Chen Mei-Chi; Lin, Se-Kai	Modified unqualified
2012	Xiao, Chun-Yuan; Lin, Se-Kai(Note 2)	Modified unqualified
2013	Xiao, Chun-Yuan; Lin, Se-Kai	Modified unqualified
2014	Xiao, Chun-Yuan; Lin, Se-Kai	Modified unqualified
2015	Xiao, Chun-Yuan; Wang, Fang-yu	Modified unqualified
2016	Xiao, Chun-Yuan; Wang, Fang-yu	Unqualified opinion with explanatory paragraph

Note 1: There has been reorganization of the PWC Public Accountants. Therefore, Chen Mei-Chi, CPA and Lin, Se-Kai, CPA were reassigned, and Xiao, Chun-Yuan, CPA and Lin, Se-Kai, CPA were assigned as the public auditors to the Company in 2010

Note 2: There has been reorganization of the PWC Public Accountants. Therefore, Xiao, Chun-Yuan, CPA and Lin, Se-Kai, CPA were reassigned, and Xiao, Chun-Yuan, CPA and Wang, Fang-yu, CPA were assigned as the public auditors to the Company in 2015.

II. Financial analysis for the past five years

(1) Financial Analysis (Entity) - IFRS

Year (Note 1)		Financial analysis for the past five years				
		2012	2013	2014	2015	2016
Subject (Note 3)						
Financial structure	Liabilities to assets ratio (%)	31.63	30.84	31.56	30.63	35.33
	Long-term capital to Property, plant and equipment ratio (%)	951.38	1035.02	1,026.82	1,019.86	1,055.19
Ability to repay debt	Current ratio (%)	210.71	199.70	203.51	227.09	208.33
	Quick ratio (%)	122.09	112.30	113.20	135.47	129.86
	Debt service coverage ratio	4,882.55	3,548.21	4,695.42	7,960.85	8,120.60
Utility	A/R turnover (time)	9.50	9.67	10.11	9.70	9.82
	Average days of payment	38	38	36	38	37
	Inventory turnover (time)	5.27	5.11	5.09	4.75	4.83
	A/P turnover (time)	6.14	6.57	7.60	7.35	6.37
	Average daily sales	69	71	72	77	76
	Property, plant and equipment turnover (time)	19.73	21.61	23.03	21.20	22.23
	Total assets turnover (time)	1.44	1.53	1.57	1.46	1.47
Profitability	Return on Assets (%)	5.29	7.69	7.43	5.87	6.77
	Return on equity (%)	7.59	11.18	10.80	8.51	10.11
	Net income before tax as a percentage of paid-in capital (%) (Note 7)	26.67	42.01	44.86	37.46	45.04
	Net profit rate (%)	3.67	5.04	4.75	4.03	4.61
	EPS (\$)	2.48	3.76	3.82	3.05	3.64
Cash flow	Cash flow ratio (%)	13.36	17.20	23.50	36.71	29.60
	Cash flow adequacy ratio (%)	118.78	106.00	92.86	85.39	93.79
	Cash reinvestment ratio (%)	-0.21	1.48	1.90	7.15	7.79
Leverage	Operation leverage	1.18	1.15	1.16	1.22	1.18
	Financial leverage	1.00	1.00	1.00	1.00	1.00
Reasons for Changes in financial ratios in the last 2 years: (for changes of 20% or more)						
1. Ability to repay debt: Interest coverage ratio rose from the previous period mainly due to profitability growth.						

* If the Company compiles financial statements on an entity basis, the Company should compile a separate financial analysis for each entity.

* For companies that have adopted IFRSs for less than five years, the companies should also compile the following table (2) under ROC GAAP.

Note 1: CPAs have audited financial information for the years listed above.

Note 2: Publicly traded companies or companies whose stocks are traded over the counter of securities dealers should also include the current year financial information as of the quarter before the publication date of the annual report in the analysis.

Note3: The equation for calculation shall be stated at the end of this table in the annual report.

1. Financial structure
 - (1) Liabilities to assets ratio = total liabilities/ total assets.
 - (2) Long-term capital to Property, plant and equipment ratio = (Gross shareholder's equity + Non-current liabilities)/ Net Property, plant and equipment.
2. Ability to repay debt
 - (1) Current ratio = current assets/current liabilities
 - (2) Quick ratio = (current assets- inventory – prepayments)/current liabilities
 - (3) Debt service coverage ratio=EBIT/interest expense for current period.
3. Utility
 - (1) Account receivable (including account receivable and note receivable from business) turnover = net sales/average balance of account receivable (including account receivable and note receivable from operation).
 - (2) Average daily payment=365/account receivable turnover
 - (3) Inventory turnover= cost of goods sold/average inventory
 - (4) Account payable (including account payable and note payable from operation) turnover = cost of goods sold/average balance of account payable (including account payable and note payable from operation).
 - (5) Average daily sales = 365/inventory turnover
 - (6) Property, plant and equipment turnover = net sales /Average Net Property, plant and equipment.
 - (7) Total assets turnover = net sales/ Average total assets.
4. Profitability
 - (1) Return on Assets = [Earning + interest expenses x (1-tax rate)]/average total assets.
 - (2) Return on Equity = Earning /average net equity
 - (3) Net profit rate = Earning/net sales
 - (4) Earning per share = (Equity attributable to owners of the parent – dividend from preferred shares)/weighed average number of outstanding shares (Note 4).
5. Cash Flow
 - (1) Cash flow ratio = (net sales – variable cost and expenses from operation)/operating income.
 - (2) Cash flow adequacy ratio = net cash flow from operation over the last five years/(capital spending +addition to inventory + cash dividend) over the last five years.
 - (3) Cash reinvestment ratio = (net cash flow from operation – cash dividend)/ (gross Property, plant and equipment + long-term investment + other Non-current assets + working capital) (Note 5).
6. Leverage:
 - (1) Operation leverage= (net sales – variable cost and expenses from operation)/operating income (Note 6).
 - (2) Financial leverage= operating income/(operating income-operating expenses).

Note 4. While evaluating the formulas for EPS mentioned above, the following factors must be taken into consideration:

1. The number of common shares shall be based on the weighed average method and not the outstanding shares as of the end of the year.
2. Where there may be additional capital raised from the issuance of new shares or may be treasury shares trade, the outstanding period of the shares shall be considered in calculating the weighed average number of outstanding shares.
3. Where there may be the capitalization of retained earnings or of capital surplus, adjustment shall be made in proportion to the amount capitalized when calculating the earning per share for the previous year and the interim period. The term of the capitalization of retained earnings or capital surplus for new capital is not required for consideration.
4. If the preferred shares are non-convertible accumulated preferred shares, the dividend for current period (whether or not being paid out) should be deducted from earning or added to earning. If the preferred shares are not accumulative, dividend for preferred shares should be deducted from earning if there is a surplus. If there is loss after taxation, no adjustment is required.

Note 5: When conducting analysis on cash flow, pay attention to the followings:

1. Cash flow from operation shall be referred to the net cash inflow from operation as stated in the statement of cash flow.
2. Capital spending shall be referred to cash outflow for capital investment each year.
3. Addition to inventory shall be referred to the value at the end of the ending period is greater than that of the beginning period. If there is decrease in inventory, put a zero.
4. Cash dividend includes cash dividend for common and preferred stocks.
5. The gross amount of property, plant, and equipment is the total balance of property, plant, and equipment before subtracting accumulated depreciation.

Note 6: The securities issuer should classify operating costs and operating expenses as fixed or variable. If estimates or subjective judgment is involved in such classification, the accounting staff must pay attention to the reasonableness and maintain the consistency of such classification.

Note 7: If the stocks of the Company do not have par value of have par values other than NT\$10, the calculation of percentage of paid-in capital is calculated with the ratio of equity attributable to the parent company in the balance sheet.

Financial Analysis (Consolidated) - IFRS

Year (Note 1)		Financial analysis for the past five years					Financial analysis as of March 31, 2016 (Note 2)
		2012	2013	2014	2015	2016	
Subject (Note 3)							
Financial structure	Liabilities to assets ratio (%)	33.71	37.57	32.99	32.15	36.59	31.92
	Long-term capital to Property, plant and equipment ratio (%)	469.78	529.52	544.04	574.06	599.6	610.62
Ability to repay debt	Current ratio (%)	243.75	214.48	251.95	274.81	244.69	281.20
	Quick ratio (%)	158.62	123.59	161.03	176.00	167.91	197.67
	Debt service coverage ratio	753.31	105.49	160.17	1,858.73	30.92	419.89
Utility	A/R turnover (time)	10.88	9.82	9.45	8.99	9.86	9.85
	Average days of payment	34	37	39	41	37	37
	Inventory turnover (time)	5.27	5.29	5.23	4.87	4.81	5.02
	A/P turnover (time)	6.67	7.07	8.20	7.97	6.69	6.83
	Average daily sales	69	69	70	75	76	73
	Property, plant and equipment turnover (time)	10.15	11.85	12.92	12.32	13.21	13.75
	Total assets turnover (time)	1.52	1.56	1.59	1.52	1.51	1.52
Profitability	Return on Assets (%)	5.16	7.26	7.02	5.74	6.84	3.07
	Return on equity (%)	7.60	11.20	10.80	8.51	10.11	4.69
	Net income before tax as a percentage of paid-in capital (%) (Note 7)	28.33	43.61	46.82	42.47	47.09	21.82
	Net profit rate (%)	3.39	4.62	4.39	3.78	4.38	2.01
	EPS (\$)	2.48	3.76	3.82	3.05	3.64	0.43
Cash flow	Cash flow ratio (%)	15.71	14.22	26.72	34.55	33.22	-9.68
	Cash flow adequacy ratio (%)	143.97	128.03	131.46	113.52	116.98	130.89
	Cash reinvestment ratio (%)	1.25	2.09	3.55	6.58	9.50	-3.57
Leverage	Operation leverage	1.54	1.39	1.38	1.59	1.43	1.58
	Financial leverage	1.00	1.01	1.01	1.00	1.06	1.00
Reasons for Changes in financial ratios in the last 2 years: (for changes of 20% or more)							
1. Ability to repay debt: Interest coverage ratio fell from the previous period mainly due to the interest fee increase of subsidiaries in China.							

* If the Company compiles financial statements on an entity basis, the Company should compile a separate financial analysis for each entity.

* For companies that have adopted IFRSs for less than five years, the companies should also compile the following table (2) under ROC GAAP.

Note 1: CPAs have audited financial information for the years listed above.

Note 2: Publicly traded companies or companies whose stocks are traded over the counter of securities dealers should also include the current year financial information as of the quarter before the publication date of the annual report in the analysis.

Note3: The equation for calculation shall be stated at the end of this table in the annual report.

1. Financial structure
 - (1) Liabilities to assets ratio = total liabilities/ total assets.
 - (2) Long-term capital to Property, plant and equipment ratio = (Gross shareholder's equity + Non-current liabilities)/ Net Property, plant and equipment.
2. Ability to repay debt
 - (1) Current ratio = current assets/current liabilities
 - (2) Quick ratio = (current assets- inventory – prepayments)/current liabilities
 - (3) Debt service coverage ratio=EBIT/interest expense for current period.
3. Utility
 - (1) Account receivable (including account receivable and note receivable from business) turnover = net sales/average balance of account receivable (including account receivable and note receivable from operation).
 - (2) Average daily payment=365/account receivable turnover
 - (3) Inventory turnover= cost of goods sold/average inventory
 - (4) Account payable (including account payable and note payable from operation) turnover = cost of goods sold/average balance of account payable (including account payable and note payable from operation).
 - (5) Average daily sales = 365/inventory turnover
 - (6) Property, plant and equipment turnover = net sales /Average Net Property, plant and equipment.
 - (7) Total assets turnover = net sales/ Average total assets.
4. Profitability
 - (1) Return on Assets = [Earning + interest expenses x (1-tax rate)]/average total assets.
 - (2) Return on Equity = Earning /average net equity
 - (3) Net profit rate = Earning/net sales
 - (4) Earning per share = (Equity attributable to owners of the parent – dividend from preferred shares)/weighed average number of outstanding shares (Note 4).
5. Cash Flow
 - (1) Cash flow ratio = (net sales – variable cost and expenses from operation)/operating income.
 - (2) Cash flow adequacy ratio = net cash flow from operation over the last five years/(capital spending +addition to inventory + cash dividend) over the last five years.
 - (3) Cash reinvestment ratio = (net cash flow from operation – cash dividend)/ (gross Property, plant and equipment + long-term investment + other Non-current assets + working capital) (Note 5).
6. Leverage:
 - (1) Operation leverage= (net sales – variable cost and expenses from operation)/operating income (Note 6).
 - (2) Financial leverage= operating income/(operating income-operating expenses).

Note 4. While evaluating the formulas for EPS mentioned above, the following factors must be taken into consideration:

1. The number of common shares shall be based on the weighed average method and not the outstanding shares as of the end of the year.
2. Where there may be additional capital raised from the issuance of new shares or may be treasury shares trade, the outstanding period of the shares shall be considered in calculating the weighed average number of outstanding shares.
3. Where there may be the capitalization of retained earnings or of capital surplus, adjustment shall be made in proportion to the amount capitalized when calculating the earning per share for the previous year and the interim period. The term of the capitalization of retained earnings or capital surplus for new capital is not required for consideration.
4. If the preferred shares are non-convertible accumulated preferred shares, the dividend for current period (whether or not being paid out) should be deducted from earning or added to earning. If the preferred shares are not accumulative, dividend for preferred shares should be deducted from earning if there is a surplus. If there is loss after taxation, no adjustment is required.

Note 5: When conducting analysis on cash flow, pay attention to the followings:

1. Cash flow from operation shall be referred to the net cash inflow from operation as stated in the statement of cash flow.
2. Capital spending shall be referred to cash outflow for capital investment each year.
3. Addition to inventory shall be referred to the value at the end of the ending period is greater than that of the beginning period. If there is decrease in inventory, put a zero.
4. Cash dividend includes cash dividend for common and preferred stocks.
5. The gross amount of property, plant, and equipment is the total balance of property, plant, and equipment before subtracting accumulated depreciation.

Note 6: The securities issuer should classify operating costs and operating expenses as fixed or variable. If estimates or subjective judgment is involved in such classification, the accounting staff must pay attention to the reasonableness and maintain the consistency of such classification.

Note 7:If the stocks of the Company do not have par value of have par values other than NT\$10, the calculation of percentage of paid-in capital is calculated with the ratio of equity attributable to the parent company in the balance sheet.

(2)Financial Analysis - ROC GAAP (Entity)

Subject (Note 2)		Year (Note 1)	Financial Analysis covering the last five years
			2012
Financial structure	Liabilities to assets ratio (%)		30.67
	Long-term capital to fixed assets ratio (%)		946.07
Ability to repay debt	Current ratio (%)		214.19
	Quick ratio (%)		130.61
	Debt service coverage ratio		4,893.85
Utility	A/R turnover (time)		9.50
	Average days of payment		38
	Inventory turnover (time)		5.27
	A/P turnover (time)		6.14
	Average daily sales		69
	Fixed assets turnover (time)		19.73
	Total assets turnover (time)		1.44
Profitability	Return on Assets (%)		5.30
	Return on equity (%)		7.52
	Ratio to be paid in capital (%)	Operating income	23.11
		EBT	26.74
	Net profit rate (%)		3.68
	EPS (\$)	Cum-dividend	2.48
		Ex-dividend	2.48
Cash flow	Cash flow ratio (%)		13.43
	Cash flow adequacy ratio (%)		128.53
	Cash reinvestment ratio (%)		-0.21
Leverage	Operation leverage		1.18
	Financial leverage		1.00
Reasons for Changes in financial ratios in the last 2 years: (Skip for changes under of 20% or more)			

(3) Financial Analysis - ROC GAAP (Consolidated)

Subject (Note 2)		Year (Note 1)	Financial Analysis covering the last five years
			2012
Financial structure	Liabilities to assets ratio (%)		32.76
	Long-term capital to fixed assets ratio (%)		471.16
Ability to repay debt	Current ratio (%)		247.47
	Quick ratio (%)		166.66
	Debt service coverage ratio		754.95
Utility	A/R turnover (time)		8.06
	Average days of payment		45
	Inventory turnover (time)		5.11
	A/P turnover (time)		6.67
	Average daily sales		71
	Fixed assets turnover (time)		10.15
	Total assets turnover (time)		1.52
Profitability	Return on Assets (%)		5.17
	Return on equity (%)		7.53
	Ratio to be paid in capital (%)	Operating income	19.71
		EBT	28.39
	Net profit rate (%)		3.39
	EPS (\$)	Cum-dividend	2.48
Ex-dividend		2.48	
Cash flow	Cash flow ratio (%)		16.55
	Cash flow adequacy ratio (%)		145.00
	Cash reinvestment ratio (%)		1.53
Leverage	Operation leverage		1.45
	Financial leverage		1.00
Reasons for Changes in financial ratios in the last 2 years: (Skip for changes under of 20% or more)			

Note 1: The financial information in the years listed above has been prepared with ROC GAAP and audited by CPAs.

Note 2: The equation for calculation shall be stated at the end of this table in the annual report.

1. Financial structure
 - (1) Liabilities to assets ratio = total liabilities/ total assets.
 - (2) Long-term capital to Property, plant and equipment ratio = (Net shareholder's equity + Non-current liabilities)/ Net Property, plant and equipment.
2. Ability to repay debt
 - (1) Current ratio = current assets/current liabilities
 - (2) Quick ratio = (current assets- inventory – prepayments)/current liabilities
 - (3) Debt service coverage ratio=EBIT/interest expense for current period.
3. Utility
 - (1) Account receivable (including account receivable and note receivable from business) turnover = net sales/average balance of account receivable (including account receivable and note receivable from operation).
 - (2) Average daily payment=365/account receivable turnover
 - (3) Inventory turnover= cost of goods sold/average inventory
 - (4) Account payable (including account payable and note payable from operation) turnover = cost of goods sold/average balance of account payable (including account payable and note payable from operation).
 - (5) Average daily sales = 365/inventory turnover
 - (6) Property, plant and equipment turnover = net sales /Average Net Property, plant and equipment.
 - (7) Total assets turnover = net sales/ Average total assets.
4. Profitability
 - (1) Return on Assets = [Earning + interest expenses x (1-tax rate)]/average total assets.
 - (2) Return on Equity = Earning /average net equity
 - (3) Net profit rate = Earning/net sales
 - (4) Earning per share = (Equity attributable to owners of the parent – dividend from preferred shares)/weighted average number of outstanding shares (Note 4).
5. Cash Flow
 - (1) Cash flow ratio = (net sales – variable cost and expenses from operation)/operating income.
 - (2) Cash flow adequacy ratio = net cash flow from operation over the last five years/(capital spending +addition to inventory + cash dividend) over the last five years.
 - (3) Cash reinvestment ratio = (net cash flow from operation – cash dividend)/ (gross Property, plant and equipment + long-term investment + other Non-current assets + working capital) (Note 5).
6. Leverage:
 - (1) Operation leverage= (net sales – variable cost and expenses from operation)/operating income (Note 6).
 - (2) Financial leverage= operating income/(operating income-operating expenses).

Note 3: When using the aforementioned equations for the calculation of earnings per share, pay attention to the following:

1. The number of common shares shall be based on the weighted average method and not the outstanding shares as of the end of the year.
2. Where there may be additional capital raised from the issuance of new shares or may be transactions in treasury shares, the outstanding period of the shares shall be considered in calculating the weighted average number of outstanding shares.
3. Where there may be the capitalization of retained earnings or of capital surplus, adjustment shall be made in proportion to the amount capitalized when calculating the earnings per share for the previous year and the interim period. The term of the capitalization of retained earnings or capital surplus for new capital is not required for consideration.
4. If the preferred shares are non-convertible accumulated preferred shares, the dividend for current period (whether or not it is paid out) should be deducted from earnings or added to earnings. If the preferred shares are not accumulative, dividend for preferred shares should be deducted from earning if there is a surplus. If there is loss after tax, no adjustment is required

Note 4: When conducting analysis on cash flow, pay attention to the followings:

1. Cash flow from operation shall be referred to the net cash inflow from operation as stated in the statement of cash flow.
2. Capital spending shall be referred to cash outflow for capital investment each year.
3. Addition to inventory shall be referred to the value at the end of the ending period is greater than that of the beginning period. If there is decrease in inventory, put a zero.
4. Cash dividend shall be referred to the cash dividends for common shares and preferred shares.
5. Gross Property, plant and equipment refers to total property, plant and equipment before subtracting accumulated depreciation.

Note 5: The issuer should classify operating costs and expenses as fixed or variable based on their nature. If estimates or subjective judgment is involved in the classification, the reasonableness in the process should require special attention and the consistency of the process must be maintained.

III. Audit Committee's Review Report on 2016 Financial Statement

Audit Committee Approval/Audit Report

This Audit Committee has approved the individual financial statements of the Company and the consolidated financial statements of the Group for fiscal year 2016 that have been passed by the Board of Directors. The CPA firm PwC Taiwan was then retained to audit such statements by CPAs Chun-yuan Xiao and Fang-yu Wang and issued the "unqualified opinion with explanatory paragraph" audit report. These statements have been reviewed and determined to be compliant with all relevant laws and regulations. In addition, this Audit Committee has audited the business report and earnings allocation proposal of fiscal year 2016 passed by the Board of Directors and determined they have complied with relevant laws and regulations. This report is thus issued in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

To

Annual Meeting of Shareholders of GIGA-BYTE TECHNOLOGY CO., LTD.

Cheng-li Yang
Convener
Audit Committee

17 April 2017

IV. Audited Unconsolidated Financial Statements in the most recent year

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders of Giga-Byte Technology Co., Ltd.

Opinion

We have audited the accompanying parent company only balance sheets of Giga-Byte Technology Co., Ltd. as at December 31, 2016 and 2015, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of the other independent accountants, as described in the *Other matters* section of our report, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as at December 31, 2016 and 2015, and its parent company only financial performance and its parent company only cash flows for the years then ended in accordance with the “Regulations Governing the Preparations of Financial Reports by Securities Issuers”.

Basis for opinion

We conducted our audits in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Parent company only Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements of the current period. These matters were addressed in the context of our audit of the parent company only financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Occurrence of the revenue

Description

Please refer to Note 4(28) to the parent company only financial statements for the accounting policies on revenue recognition. For the year ended December 31, 2016, the parent company only operating revenue amounted to NT\$49,735,072 thousand.

The Company has various customers across the world and there has no revenue from a single customer exceeds 10% of parent company only operating revenue. Given verifying the existence of the transaction counterparty is critical to the revenue recognition, the occurrence of the revenue from significant new counterparty was identified as a key audit matter.

How our audit addressed the matter

Our key audit procedures performed in respect of the above included the following:

1. Interviewed with management and obtained understanding of the revenue recognition policy, and the consistency of the policy application during the financial reporting periods.
2. Obtained understanding and tested credit check procedures for significant new counterparty. Verified the transaction with significant new counterparty has been properly approved and agreed with supporting documentation, which include searching transaction counterparty's related information.
3. Obtained understanding and tested the selling price and credit term of significant new counterparty.
4. Interviewed with management and obtained understanding for the reason of accounts receivable overdue from significant new counterparty in order to evaluate the reasonableness.
5. Sampled and tested detailed revenue schedule of significant new counterparty and verified the original supporting documentation.
6. Issued accounts receivable confirmation letter to significant new counterparty.

Assessment of allowance for valuation of inventory loss

Description

Please refer to Note 4(13) to the parent company only financial statements for the accounting policies on evaluation of inventories; Note 5(2) parent company only for uncertainty of accounting estimates and assumption on inventory evaluation; and Note 6(5) parent company only for the details of the inventories. As of December 31, 2016, the inventories and allowance for valuation loss amounted to NT\$9,428,672 thousand and NT\$164,160 thousand, respectively.

The Company is primarily engaged in manufacturing and selling of computer hardware equipment and related components. Due to the short life cycle of electronic products and the price is highly subject to market fluctuation, the risk of incurring inventory valuation losses or having obsolete inventory are relatively high. Inventories held for sale in the ordinary course of business are stated at the lower of cost and net realisable value; Valuation loss are recognized for those inventories which exceed certain aging period or individually identified as obsolete inventories based on its net realisable value.

Given inventories amount are significant and individually identified the net realisable value of obsolete inventories has uncertainty based on prior industrial experience, the evaluation of the allowance for valuation loss was identified as a key audit matter.

How our audit addressed the matter

Our key audit procedures performed in respect of the above included the following:

1. Interviewed with management and obtained understanding of the policy and process on evaluation of the allowance for valuation loss, and the consistency of the policy and process application during the financial reporting periods.
2. Obtained understanding of the warehouse management procedures, reviewed annual physical inventory count plan and participated the annual inventory count. Evaluated the effectiveness of management control on identifying and managing obsolete inventories.
3. Tested the appropriateness of system logic in inventory aging report which management adopt for inventories valuation purpose, and verified obsolete inventories which exceeds certain aging periods were included in the report..
4. Evaluated the reasonableness of obsolete or damaged inventory items which identified by management, reviewed related supporting documentation, and compared to the result obtained from observation of physical inventory count.
5. For inventories which exceed certain period of aging and individually obsolete and damaged, discussed with management and obtained supporting documentation of the evaluation on net realisable value, and performed recalculation.

Other matter – Report of the other independent accountants

We did not audit the financial statements of certain parent company only subsidiaries and investments accounted for using the equity method. Those financial statements were audited by the other independent accountants, whose reports thereon have been furnished to us, and our opinion expressed

herein, in so far as it relates to the amounts included in the financial statements was based solely on the reports of the other independent accountants. The aforementioned equity investments were \$78,782 thousand and \$77,481 thousand, representing 0.22% and 0.24% of total parent company only assets as of December 31, 2016 and 2015, respectively, and total net comprehensive loss were \$36,783 thousand and \$12,498 thousand, representing (2.00%) and (0.75%) of total parent company only comprehensive loss for the years then ended, respectively.

Responsibilities of management and those charged with governance for the parent company only financial statements

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the “Regulations Governing the Preparations of Financial Reports by Securities Issuers”, and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company only financial statements, management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including audit committee, are responsible for overseeing the Company’s financial reporting process.

Auditor’s responsibilities for the audit of the parent company only financial statements

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ROC GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company only financial statements.

As part of an audit in accordance with ROC GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one

resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements of the current

period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Chun-Yuan Hsiao Fang-Yu Wang
For and on behalf of PricewaterhouseCoopers, Taiwan
March 14, 2017

The accompanying parent company only financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying parent company only financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers, Taiwan cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

GIGA-BYTE TECHNOLOGY CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2016 AND 2015
(Expressed in thousands of New Taiwan dollars)

	Assets	Notes	December 31, 2016		December 31, 2015	
			Amount	%	Amount	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 9,307,785	26	\$ 7,357,726	23
1110	Financial assets at fair value through profit or loss - current	6(2)	460,599	1	280,001	1
1130	Held-to-maturity financial assets-current	6(3)	-	-	150,990	-
1150	Notes receivable-net		8,408	-	5,798	-
1170	Accounts receivable-net	6(4)	3,094,347	9	3,016,596	9
1180	Accounts receivable-related parties-net	7	2,325,325	7	1,681,182	5
1200	Other receivables		276,231	1	296,265	1
130X	Inventories-net	6(5)	9,264,512	26	8,292,440	26
1470	Other current assets	6(6)	84,561	-	356,956	1
11XX	Total current assets		<u>24,821,408</u>	<u>70</u>	<u>21,437,954</u>	<u>66</u>
Non-current assets						
1550	Investments accounted for under equity method	6(7)	7,586,732	22	8,218,642	25
1600	Property, plant and equipment-net	6(8)	2,213,725	6	2,259,952	7
1760	Investment property-net	6(9)	210,891	1	122,410	-
1780	Intangible assets		27,774	-	23,648	-
1840	Deferred income tax assets	6(22)	235,905	1	245,354	1
1900	Other non-current assets	6(10) and 8	177,186	-	180,722	1
15XX	Total non-current assets		<u>10,452,213</u>	<u>30</u>	<u>11,050,728</u>	<u>34</u>
1XXX	Total assets		<u>\$ 35,273,621</u>	<u>100</u>	<u>\$ 33,488,682</u>	<u>100</u>

(Continued)

GIGA-BYTE TECHNOLOGY CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2016 AND 2015
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity	Notes	December 31, 2016		December 31, 2015	
		Amount	%	Amount	%
Liabilities					
Current liabilities					
2150	Notes payable	\$ 29,869	-	\$ 35,215	-
2170	Accounts payable	7,459,360	21	4,920,517	15
2180	Accounts payable-related parties	7 451,863	1	416,540	1
2200	Other payables	6(11) 2,743,958	8	2,762,549	9
2230	Current income tax liabilities	6(22) 318,097	1	237,081	1
2250	Provisions for liabilities - current	6(12) 443,832	1	444,850	1
2300	Other current liabilities	7 467,745	2	623,623	2
21XX	Total current liabilities	<u>11,914,724</u>	<u>34</u>	<u>9,440,375</u>	<u>29</u>
Non-current liabilities					
2570	Deferred income tax liabilities	6(22) 10,328	-	17,534	-
2600	Other non-current liabilities	6(7)(13) 538,064	1	491,805	2
25XX	Total non-current liabilities	<u>548,392</u>	<u>1</u>	<u>509,339</u>	<u>2</u>
2XXX	Total liabilities	<u>12,463,116</u>	<u>35</u>	<u>9,949,714</u>	<u>31</u>
Equity					
Capital stock					
3110	Common stock	6(14)(15) 6,291,179	18	6,290,629	19
Capital surplus					
3200	Capital surplus	6(16) 4,602,046	13	4,601,581	14
Retained earnings					
3310	Legal reserve	6(17) 3,617,317	10	3,425,311	11
3320	Special reserve	426,354	1	426,354	1
3350	Unappropriated retained earnings	6(22) 8,048,962	23	7,547,941	23
Other equity					
3400	Other equity	(175,353)	-	247,152	1
3XXX	Total equity	<u>22,810,505</u>	<u>65</u>	<u>22,538,968</u>	<u>69</u>
3X2X	Total liabilities and equity	<u>\$ 35,273,621</u>	<u>100</u>	<u>\$ 32,488,682</u>	<u>100</u>

The accompanying notes are an integral part of these financial statements.

GIGA-BYTE TECHNOLOGY CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(Expressed in thousands of New Taiwan dollars, except for earnings per share)

Items	Notes	2016		2015	
		Amount	%	Amount	%
4000 Operating revenue	7	\$ 49,735,072	100	\$ 47,662,757	100
5000 Operating costs	6(5)(20)(21) and 7	(42,420,138)	(85)	(40,666,716)	(85)
5900 Gross profit		<u>7,314,934</u>	<u>15</u>	<u>6,996,041</u>	<u>15</u>
Operating expenses	6(20)(21) and 7				
6100 Selling expenses	7	(2,687,687)	(6)	(2,719,851)	(6)
6200 General & administrative expenses		(1,069,263)	(2)	(1,164,318)	(3)
6300 Research and development expense		(1,623,503)	(3)	(1,635,738)	(3)
6000 Total operating expenses		<u>(5,380,453)</u>	<u>(11)</u>	<u>(5,519,907)</u>	<u>(12)</u>
6900 Operating profit		<u>1,934,481</u>	<u>4</u>	<u>1,476,134</u>	<u>3</u>
Non-operating revenue and expenses					
7010 Other income	6(9)(18)	1,195,414	3	1,085,328	2
7020 Other gains and losses	6(19)	53,111	-	329,564	1
7050 Finance costs		(349)	-	(296)	-
7070 Share of profit of subsidiaries, associates and joint ventures accounted for under the equity method	6(7)	(348,858)	(1)	(534,563)	(1)
7000 Total non-operating revenue and expenses		<u>899,318</u>	<u>2</u>	<u>880,033</u>	<u>2</u>
7900 Profit before income tax		<u>2,833,799</u>	<u>6</u>	<u>2,356,167</u>	<u>5</u>
7950 Income tax expense	6(22)	(540,935)	(1)	(436,102)	(1)
8200 Profit for the year		<u>\$ 2,292,864</u>	<u>5</u>	<u>\$ 1,920,065</u>	<u>4</u>
Other comprehensive income-net					
Components of other comprehensive income that will not be reclassified to profit or loss					
8311 Remeasurements of defined benefit plans	6(13)	(\$ 32,747)	-	(\$ 78,621)	-
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(22)	<u>5,567</u>	<u>-</u>	<u>13,365</u>	<u>-</u>
8310 Components of other comprehensive loss that will not be reclassified to profit or loss		<u>(27,180)</u>	<u>-</u>	<u>(65,256)</u>	<u>-</u>
Components of other comprehensive income that will subsequently be reclassified to profit or loss					
8361 Currency translation differences		(464,646)	(1)	(95,939)	-
8380 Share of other comprehensive loss of subsidiaries, associates and joint ventures accounted for under the equity method, components of other comprehensive income that will be reclassified to profit or loss		<u>42,141</u>	<u>-</u>	<u>(92,895)</u>	<u>-</u>
8360 Components of other comprehensive loss that will be reclassified to profit or loss		<u>(422,505)</u>	<u>(1)</u>	<u>(188,834)</u>	<u>-</u>
8300 Other comprehensive loss for the year, net		<u>(\$ 449,685)</u>	<u>(1)</u>	<u>(\$ 254,090)</u>	<u>-</u>
8500 Total comprehensive income for the year		<u>\$ 1,843,179</u>	<u>4</u>	<u>\$ 1,665,975</u>	<u>4</u>
9750 Basic earnings per share	6(23)	\$ 3.64		\$ 3.05	
9850 Diluted earnings per share		\$ 3.56		\$ 3.00	

The accompanying notes are an integral part of these financial statements.

GIGA-BYTE TECHNOLOGY CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

(Expressed in thousands of New Taiwan dollars)

	Note	Common stock	Retained earnings				Other equity		Total equity
			Capital reserve	Legal reserve	Special reserve	Unappropriated retained earnings	Currency translation differences	Unrealised gain (loss) on valuation of available-for-sale financial assets	
Year 2015									
Balance at January 1, 2015		\$ 6,288,829	\$ 4,592,155	\$ 3,185,601	\$ 426,354	\$ 7,631,177	\$ 348,045	\$ 87,941	\$ 22,560,102
Appropriations of 2014 earnings:	6(17)	-	-	239,710	-	(239,710)	-	-	-
Legal reserve		-	-	-	-	(1,698,335)	-	-	(1,698,335)
Cash dividends		1,800	342	-	-	-	-	-	2,142
Share-based payment	6(14)	-	-	-	-	-	-	-	-
Changes in net equity of associates accounted for under the equity method		-	9,084	-	-	-	-	-	9,084
Profit for the year		-	-	-	-	1,920,065	-	-	1,920,065
Other comprehensive loss for the year		-	-	-	-	(65,256)	(95,939)	(92,895)	(254,090)
Balance at December 31, 2015		\$ 6,290,629	\$ 4,601,581	\$ 3,425,311	\$ 426,354	\$ 7,547,941	\$ 252,106	(\$ 4,954)	\$ 22,538,968
Year 2016									
Balance at January 1, 2016		\$ 6,290,629	\$ 4,601,581	\$ 3,425,311	\$ 426,354	\$ 7,547,941	\$ 252,106	(\$ 4,954)	\$ 22,538,968
Appropriations of 2015 earnings:	6(17)	-	-	192,006	-	(192,006)	-	-	-
Legal reserve		-	-	-	-	(1,572,657)	-	-	(1,572,657)
Cash dividends		-	-	-	-	-	-	-	-
Share-based payment	6(14)	550	11	-	-	-	-	-	561
Changes in net equity of associates accounted for under the equity method		-	454	-	-	-	-	-	454
Profit for the year		-	-	-	-	2,292,864	-	-	2,292,864
Other comprehensive income (loss) for the year		-	-	-	-	(27,180)	(464,646)	42,141	(499,685)
Balance at December 31, 2016		\$ 6,291,179	\$ 4,602,046	\$ 3,617,317	\$ 426,354	\$ 8,048,962	(\$ 212,540)	\$ 37,187	\$ 22,810,505

The accompanying notes are an integral part of these financial statements.

GIGA-BYTE TECHNOLOGY CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(Expressed in thousands of New Taiwan dollars)

	<u>Notes</u>	<u>2016</u>	<u>2015</u>
<u>Cash flows from operating activities</u>			
Profit before income tax		\$ 2,833,799	\$ 2,356,167
Adjustments to reconcile profit before income tax to net cash provided by operating activities			
Income and expenses having no effect on cash flows			
Depreciation	6(8)(20)	118,893	108,834
Depreciation charge on investment property	6(9)	1,643	1,040
Amortization	6(20)	153,099	170,744
Provision for doubtful accounts	6(4)	(10,576)	13,307
Net gain on financial assets at fair value through profit or loss	6(2)(19)	18,449	1,800
Interest expense		349	296
Interest income	6(18)	(56,229)	(66,619)
Share of loss of subsidiaries and associates accounted for under the equity method	6(7)	348,858	534,563
(Gain) loss on disposal of property, plant and equipment	6(8)(19)	(1,233)	1,969
Exchange differences on held-to-maturity financial assets		-	2,490
Changes in assets/liabilities relating to operating activities			
Net changes in assets relating to operating activities			
Financial assets at fair value through profit or loss		(199,047)	91,267
Notes receivable		(2,250)	(126)
Accounts receivable		(711,318)	403,949
Other receivables		20,108	68,821
Inventories		(972,072)	207,586
Other current assets		(17,605)	458,485
Net changes in liabilities relating to operating activities			
Notes payable		(5,346)	(12,050)
Accounts payable		2,574,166	(307,710)
Other payables		(18,591)	(99,167)
Provisions for liabilities		(1,018)	(644)
Other current liabilities		(155,878)	(146,052)
Other non-current liabilities		4,404	10,958
Cash generated from operations		3,922,605	3,799,908
Interest received		56,155	76,746
Interest paid		(349)	(296)
Income tax paid		(452,109)	(410,457)
Net cash provided by operating activities		<u>3,526,302</u>	<u>3,465,901</u>

(Continued)

GIGA-BYTE TECHNOLOGY CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(Expressed in thousands of New Taiwan dollars)

	<u>Notes</u>	<u>2016</u>	<u>2015</u>
<u>Cash flows from investing activities</u>			
Proceeds from disposal of held-to-maturity financial assets		\$ 150,990	\$ -
Acquisition of investments accounted for under equity method		(140,000)	(300,000)
Acquisition of property, plant and equipment	6(8)	(171,131)	(107,946)
Proceeds from disposal of property, plant and equipment	6(8)	9,574	1,934
Increase in refundable deposits		(1,863)	(6,421)
Acquisition of intangible assets		(156,597)	(48,460)
Decrease in other financial assets		290,000	700,000
Decrease (increase) in other non-current assets		<u>4,771</u>	<u>(99,651)</u>
Net cash (used in) provided by investing activities		<u>(14,256)</u>	<u>139,456</u>
<u>Cash flows from financing activities</u>			
Increase in deposits received		10,109	5,002
Cash dividends paid	6(17)	(1,572,657)	(1,698,335)
Employee stock options exercised	6(14)	<u>561</u>	<u>2,142</u>
Net cash used in financing activities		<u>(1,561,987)</u>	<u>(1,691,191)</u>
Increase in cash and cash equivalents		1,950,059	1,914,166
Cash and cash equivalents at beginning of year		<u>7,357,726</u>	<u>5,443,560</u>
Cash and cash equivalents at end of year		<u>\$ 9,307,785</u>	<u>\$ 7,357,726</u>

The accompanying notes are an integral part of these financial statements.

GIGA-BYTE TECHNOLOGY CO., LTD.
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANIZATION

Giga-Byte Technology Co., Ltd. (the "Company") was incorporated as a company limited by shares under the provisions of the Company Law of the Republic of China (R.O.C.). The address of the Company's registered office is No.6, Baoqiang Rd., Xindian Dist., New Taipei City, Taiwan (R.O.C.). The Company is engaged in the manufacture, processing and trading of computer peripheral and component parts. The Company's shares have been traded on the Taiwan Stock Exchange since September 24, 1998.

2. THE DATE OF AUTHORIZATION FOR ISSUANCE OF THE PARENT COMPANY ONLY FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

These parent company only financial statements were authorized for issuance by the Board of Directors on March 14, 2017.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards ("IFRS") as endorsed by the Financial Supervisory Commission ("FSC")

None.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Company

New standards, interpretations and amendments endorsed by FSC effective from 2017 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective Date by International Accounting Standards Board</u>
Investment entities: applying the consolidation exception (amendments to IFRS 10, IFRS 12 and IAS 28)	January 1, 2016
Accounting for acquisition of interests in joint operations (amendments to IFRS 11)	January 1, 2016
IFRS 14, 'Regulatory deferral accounts'	January 1, 2016
Disclosure initiative (amendments to IAS 1)	January 1, 2016
Clarification of acceptable methods of depreciation and amortization (amendments to IAS 16 and IAS 38)	January 1, 2016
Agriculture: bearer plants (amendments to IAS 16 and IAS 41)	January 1, 2016
Defined benefit plans: employee contributions (amendments to IAS 19R)	July 1, 2014

<u>New Standards, Interpretations and Amendments</u>	<u>Effective Date by International Accounting Standards Board</u>
Equity method in separate financial statements (amendments to IAS 27)	January 1, 2016
Recoverable amount disclosures for non-financial assets (amendments to IAS 36)	January 1, 2014
Novation of derivatives and continuation of hedge accounting (amendments to IAS 39)	January 1, 2014
IFRIC 21, 'Levies'	January 1, 2014
Improvements to IFRSs 2010-2012	July 1, 2014
Improvements to IFRSs 2011-2013	July 1, 2014
Improvements to IFRSs 2012-2014	January 1, 2016

The above standards and interpretations have no significant impact to the Company's financial condition and operating result based on the Company's assessment.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs endorsed by the FSC effective from 2017 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective Date by International Accounting Standards Board</u>
Classification and measurement of share-based payment transactions (amendments to IFRS 2)	January 1, 2018
Applying IFRS 9 'Financial instruments' with IFRS 4 'Insurance contracts' (amendments to IFRS 4)	January 1, 2018
IFRS 9, 'Financial instruments'	January 1, 2018
Sale or contribution of assets between an investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	To be determined by International Accounting Standards Board
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
Clarifications to IFRS 15, 'Revenue from contracts with customers' (amendments to IFRS 15)	January 1, 2018
IFRS 16, 'Leases'	January 1, 2019
Disclosure initiative (amendments to IAS 7)	January 1, 2017
Recognition of deferred tax assets for unrealised losses (amendments to IAS 12)	January 1, 2017
Transfers of investment property (amendments to IAS 40)	January 1, 2018
IFRIC 22, 'Foreign currency transactions and advance consideration'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IFRS 1, 'First-time adoption of International Financial Reporting	January 1, 2018

<u>New Standards, Interpretations and Amendments Standards'</u>	<u>Effective Date by International Accounting Standards Board</u>
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IFRS 12, 'Disclosure of interests in other entities'	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IAS 28, 'Investments in associates and joint ventures'	January 1, 2018

Except for the following, the above standards and interpretations have no significant impact to the Company's financial condition and operating result based on the Company's assessment. The quantitative impact will be disclosed when the assessment is complete

C. IFRS 9, 'Financial instruments'

- (a) Classification of debt instruments is driven by the entity's business model and the contractual cash flow characteristics of the financial assets, which would be classified as financial asset at fair value through profit or loss, financial asset measured at fair value through other comprehensive income. Equity instruments would be classified as financial asset at fair value through profit or loss, unless an entity makes an irrevocable election at inception to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading.
- (b) The impairment losses of debt instruments are assessed using an 'expected credit loss' approach. An entity assesses at each balance sheet date whether there has been a significant increase in credit risk on that instrument since initial recognition to recognise 12-month expected credit losses or lifetime expected credit losses (interest revenue would be calculated on the gross carrying amount of the asset before impairment losses occurred); or if the instrument that has objective evidence of impairment, interest revenue after the impairment would be calculated on the book value of net carrying amount (i.e. net of credit allowance). The Company shall always measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables that do not contain a significant financing component.

E. IFRS 15, 'Revenue from contracts with customers'

IFRS 15, 'Revenue from contracts with customers' replaces IAS 11 'Construction contracts', IAS 18 'Revenue' and relevant interpretations. According to IFRS 15, revenue is recognised when a customer obtains control of promised goods or services. A customer obtains control of goods or services when a customer has the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset.

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

Step 1: Identify contracts with customer.

Step 2: Identify separate performance obligations in the contract(s).

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price.

Step 5: Recognise revenue when the performance obligation is satisfied.

Further, IFRS 15 includes a set of comprehensive disclosure requirements that requires an entity to disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these parent company only financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The parent company only financial statements were prepared in accordance with the ‘Regulations Governing the Preparation of Financial Reports by Securities Issuers’.

(2) Basis of preparation

A. Except for the following items, these parent company only financial statements have been prepared under the historical cost convention:

- (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
- (b) Available-for-sale financial assets measured at fair value.
- (c) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the parent company only financial statements are disclosed in Note 5.

(3) Foreign currency translation

Items included in the financial statements of each of the Company’s entities are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The parent company only financial statements are presented in NT dollars, which is the Company’s functional currency.

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange

rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.

- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) All other foreign exchange gains and losses based on the nature of those transactions are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

- (a) The operating results and financial position of all the Company entities and associates that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
 - i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
 - ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
 - iii. All resulting exchange differences are recognised in other comprehensive income.
- (b) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even when the Company still retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.

(4) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

- (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
- (b) Assets held mainly for trading purposes;
- (c) Assets that are expected to be realised within twelve months from the balance sheet date;

(d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

(a) Liabilities that are expected to be settled within the normal operating cycle;

(b) Liabilities arising mainly from trading activities;

(c) Liabilities that are to be settled within twelve months from the balance sheet date;

(d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(5) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents. The Company's time deposits with short-term maturity (three months after the acquisition date) are classified as cash equivalents; time deposits that do not meet the definition of short-term are classified as current assets or non-current assets based on their maturity.

(6) Financial assets at fair value through profit or loss

A. Financial assets at fair value through profit or loss are financial assets held for trading. Financial assets are classified in this category of held for trading if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as financial assets held for trading unless they are designated as hedges.

B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using settlement date accounting.

C. Financial assets at fair value through profit or loss are initially recognised at fair value. Related transaction costs are expensed in profit or loss. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognised in profit or loss.

(7) Available-for-sale financial assets

A. Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. On a regular way purchase or sale basis, available-for-sale financial assets are recognised and derecognised using trade date accounting.

B. Available-for-sale financial assets are initially recognised at fair value plus transaction costs. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognised in other comprehensive income.

(8) Held-to-maturity financial assets

- A. Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturity date that the Company has the positive intention and ability to hold to maturity other than those that meet the definition of loans and receivables and those that are designated as at fair value through profit or loss or as available-for-sale on initial recognition.
- B. On a regular way purchase or sale basis, held-to-maturity financial assets are recognised and derecognised using settlement date accounting.
- C. Held-to-maturity financial assets are initially recognised at fair value on the trade date plus transaction costs and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Amortisation of a premium or a discount on such assets is recognised in profit or loss.

(9) Accounts receivable

Accounts receivable are loans and receivables originated by the entity. They are created by the entity by selling goods or providing services to customers in the ordinary course of business. Accounts receivable are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. However, short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as effect of discounting is immaterial.

(10) Impairment of financial assets

- A. The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.
- B. The criteria that the Company uses to determine whether there is objective evidence of an impairment loss is as follows:
 - (a) Significant financial difficulty of the issuer or debtor;
 - (b) A breach of contract, such as a default or delinquency in interest or principal payments;
 - (c) The Company, for economic or legal reasons relating to the borrower's financial difficulty, granted the borrower a concession that a lender would not otherwise consider;
 - (d) It becomes probable that the borrower will enter bankruptcy or other financial reorganization ;
 - (e) The disappearance of an active market for that financial asset because of financial difficulties;
 - (f) Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered; or
 - (g) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

C. When the Company assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made as follows according to the category of financial assets:

(a) Financial assets measured at amortised cost

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate, and is recognised in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortised cost that would have been at the date of reversal had the impairment loss not been recognised previously. Impairment loss is recognised and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(b) Available-for-sale financial assets

The amount of the impairment loss is measured as the difference between the asset's acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, and is reclassified from 'other comprehensive income' to 'profit or loss'. If, in a subsequent period, the fair value of an investment in a debt instrument increases, and the increase can be related objectively to an event occurring after the impairment loss was recognised, then such impairment loss is reversed through profit or loss. Impairment loss of an investment in an equity instrument recognised in profit or loss shall not be reversed through profit or loss. Impairment loss is recognised and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(11) Derecognition of financial assets

The Company derecognises a financial asset when one of the following conditions is met:

- A. The contractual rights to receive the cash flows from the financial asset expire.
- B. The contractual rights to receive cash flows of the financial asset have been transferred and the Company has transferred substantially all risks and rewards of ownership of the financial asset.
- C. The contractual rights to receive cash flows of the financial asset have been transferred; however, the Company has not retained control of the financial asset.

(12) Lease receivables/ operating leases (lessor)

Lease income from an operating lease (net of any incentives given to the lessee) is recognised in profit or loss on a straight-line basis over the lease term.

(13) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw

materials, direct labour, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(14) Investments accounted for using equity method / subsidiaries

- A. Subsidiaries are all entities (including structured entities) controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.
- B. Unrealised profit (loss) occurred from the transactions between the Company and subsidiaries have been offset. The accounting policies of the subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
- C. The Company's share of its subsidiaries' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Company continues to recognise losses proportionate to its ownership.
- D. Pursuant to the "Regulations Governing the Preparation of Financial Reports by Securities Issuers," profit (loss) of the current period and other comprehensive income in the un-consolidated financial statements shall equal to the amount attributable to owners of the parent in the consolidated financial statements. Owners' equity in the un-consolidated financial statements shall equal to equity attributable to owners of the parent in the consolidated financial statements.

(15) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is

accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings	3~55 years
Machinery and equipment	2~ 9 years
Research and development equipment	2~ 8 years
Office equipment	3~ 6 years
Other tangible operating assets	3~10 years

(16) Operating leases (lessee)

Payments made under an operating lease (net of any incentives received from the lessor) are recognised in profit or loss on a straight-line basis over the lease term.

(17) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 50 years.

(18) Intangible assets

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 1 to 3 years.

(19) Impairment of non-financial assets

The Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

(20) Notes and accounts payable

Notes and accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. However, short-term accounts payable without bearing interest are subsequently measured at initial invoice amount as effect of discounting is immaterial.

(21) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability specified in the contract is discharged or cancelled or expires.

(22) Provisions

Warranty provisions are recognised when the Company has a present legal or constructive

obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognised as interest expense. Provisions are not recognised for future operating losses.

(23) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised as expenses in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognised as pension expenses when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised past service costs. The defined benefit net obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.

ii. Remeasurement arising on defined benefit plans is recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.

iii. Past service costs are recognised immediately in profit or loss.

C. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Company's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of redundancy benefits in exchange for the termination of employment. The Company recognises expense as it can no longer withdraw an offer of termination benefits or it recognises relating restructuring costs, whichever is earlier. Benefits that are expected to be

due more than 12 months after balance sheet date shall be discounted to their present value.

D. Employees' compensation, directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognised as expenses and liabilities, provided that such recognition is required under legal obligation or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is distributed by shares, the Company calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(24) Employee share-based payment

For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-market vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. And ultimately, the amount of compensation cost recognised is based on the number of equity instruments that eventually vest. The aforementioned grant date represents the grant date resolved by the Board of Directors.

(25) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. An additional 10% tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred income tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the parent company only balance sheet. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the

balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

D. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred income tax assets are reassessed.

(26) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

(27) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are approved by the Company's shareholders. Cash dividends are recorded as liabilities.

(28) Revenue recognition

A. The Company manufactures and sells computer peripheral and component parts products. Revenue is measured at the fair value of the consideration received or receivable taking into account of value-added tax, returns, rebates and discounts for the sale of goods to external customers in the ordinary course of the Company's activities.

B. The Company offers customers volume discounts and right of return for defective products. The Company estimates such discounts and returns based on historical experience. Allowance accounts for such liabilities are recorded when the sales are recognised.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these parent company only financial statements requires management to make critical judgements in applying the Company's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

(1) Critical judgements in applying the Company accounting policies

None.

(2) Critical accounting estimates and assumptions

Evaluation of inventories

Inventories are stated at the lower of cost and net realizable value. For inventory which is saleable and obsolete inventory that is checked item by item, the net realizable value are determined based on past experience on industry. Management's judgement on determining net realizable value involves material judgement.

6.DETAILS OF SIGNIFICANT ACCOUNTS

(1)Cash

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Cash on hand and petty cash	\$ 2,323	\$ 2,499
Checking accounts and demand deposits	3,650,382	2,364,437
Time deposits	<u>5,655,080</u>	<u>4,990,790</u>
	<u>\$ 9,307,785</u>	<u>\$ 7,357,726</u>

A.The Company transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B.The Company has no cash and cash equivalents pledged to others.

(2)Current financial assets at fair value through profit or loss

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
<u>Financial assets held for trading</u>		
Open-end funds-Domestic	\$ 240,000	\$ 119,000
Open-end funds-Overseas	14,818	20,654
Corporate bonds	64,256	118,448
Government bonds	<u>144,357</u>	<u>16,298</u>
	463,431	274,400
Valuation adjustment	(<u>2,832</u>)	<u>5,601</u>
	<u>\$ 460,599</u>	<u>\$ 280,001</u>

A. The Company recognised net loss of \$18,449 and gain of \$5,534 on financial assets held for trading for the years ended December 31, 2016 and 2015, respectively.

B. The counterparties of the Company's debt instrument investments have credit quality ratings above "investment grade".

C. The Company has no financial assets at fair value through profit or loss pledged to others.

(3)Held-to-maturity financial assets

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
<u>Current items</u>		
Financing debentures	<u>\$ -</u>	<u>\$ 150,990</u>

A.The counterparties of the Company's debt instrument investments have credit quality ratings above "investment grade".

B.As of December 31, 2016 and 2015, no held-to-maturity financial assets held by the Company were pledged to others.

(4) Accounts receivable - net

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Accounts receivable – third parties	\$ 3,141,440	\$ 3,079,715
Less: Allowance for doubtful accounts	(47,093)	(63,119)
Accounts receivable - net	<u>\$ 3,094,347</u>	<u>\$ 3,016,596</u>

- A. The Company's credit quality for accounts receivable is assessed in accordance with the customer's credit rating and the collection period for the calculation basis of impairment loss. The Company has an internal credit valuation policy for its customers and the Company's finance department routinely or randomly reevaluates whether the credit ratings are still appropriate and makes adjustments when necessary in order to ascertain the latest condition of the customers. The credit rating for customers is based on the scale of the industry operations, profit-generating conditions, and the credit rating given by financial institutions as references for assessment.
- B. The ageing analysis was based on past due date. The Company did not hold any financial assets that were past due but not impaired.
- C. Movement analysis of the allowance for bad debts of financial assets that were impaired is as follows:

	<u>2016</u>		
	<u>Individual provision</u>	<u>Group provision</u>	<u>Total</u>
At January 1	\$ -	\$ 63,119	\$ 63,119
Reversal of impairment	-	(10,576)	(10,576)
Write-offs during the period	-	(5,450)	(5,450)
At December 31,	<u>\$ -</u>	<u>\$ 47,093</u>	<u>\$ 47,093</u>

	<u>2015</u>		
	<u>Individual provision</u>	<u>Group provision</u>	<u>Total</u>
At January 1	\$ 6,370	\$ 43,907	\$ 50,277
Provision for impairment	-	13,307	13,307
Write-offs during the period	(465)	-	(465)
At December 31,	<u>\$ 5,905</u>	<u>\$ 57,214</u>	<u>\$ 63,119</u>

- D. The Company does not hold any collateral as security.

(5) Inventories

	December 31, 2016		
	<u>Cost</u>	<u>Allowance for valuation loss</u>	<u>Book value</u>
Raw materials and supplies	\$ 2,833,908	(\$ 72,028)	\$ 2,761,880
Work in process	911,765	(3,858)	907,907
Finished goods and merchandise inventories	<u>5,682,999</u>	<u>(88,274)</u>	<u>5,594,725</u>
	<u>\$ 9,428,672</u>	<u>(\$ 164,160)</u>	<u>\$ 9,264,512</u>

	December 31, 2015		
	<u>Cost</u>	<u>Allowance for valuation loss</u>	<u>Book value</u>
Raw materials and supplies	\$ 1,929,381	(\$ 69,957)	\$ 1,859,424
Work in process	1,362,737	(545)	1,362,192
Finished goods and merchandise inventories	<u>5,172,961</u>	<u>(102,137)</u>	<u>5,070,824</u>
	<u>\$ 8,465,079</u>	<u>(\$ 172,639)</u>	<u>\$ 8,292,440</u>

The cost of inventories recognized as expense for the period:

	Years ended December 31,	
	<u>2016</u>	<u>2015</u>
Cost of inventories sold	\$ 42,164,819	\$ 40,381,730
Cost of warranty	263,786	286,394
Gain from price recovery of inventory	(8,479)	(1,415)
Loss on physical inventory	<u>12</u>	<u>7</u>
	<u>\$ 42,420,138</u>	<u>\$ 40,666,716</u>

For the years ended December 31, 2016 and 2015, the Company reversed from a previous inventory write-down and accounted for as reduction of cost of goods sold because of the sale of part of its inventories which were declining in market value.

(6) Other current assets

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Other financial assets	\$ -	\$ 290,000
Others	<u>84,561</u>	<u>66,956</u>
	<u>\$ 84,561</u>	<u>\$ 356,956</u>

Other financial assets are the Company's financial investments.

(7) Investments accounted for using the equity method

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
<u>Subsidiaries</u>		
Freedom International Group Ltd.	\$ 4,948,827	\$ 5,560,442
Chi-Ga Investments Corp.	1,842,482	1,781,053
G-Style Co., Ltd.	442,594	569,849
Giga-Byte Technology B.V.	121,893	108,800
G.B.T. Inc.	93,298	35,796
G.B.T. Technology Trading GmbH	51,634	50,895
Giga-Byte Communication Inc.	4,041	30,182
Giga-Zone International Co., Ltd.	(10,103)	(11,104)
G.B.T. Technology LLC others	<u>81,963</u>	<u>81,625</u>
	7,576,629	8,207,538
Add: Reclassified to other non-current liabilities	<u>10,103</u>	<u>11,104</u>
	<u>\$ 7,586,732</u>	<u>\$ 8,218,642</u>

- A. Please refer to Note 4(3) in the consolidated financial statements for the year ended December 31, 2016 for more information on the Company's subsidiary.
- B. The investment loss of \$348,858 and \$534,563 were accounted for under the equity method based on the audited financial statements of the investee companies for the years ended December 31, 2016 and 2015, respectively, except as stated in the following paragraph.
- C. The Company continued to account for the operating losses of its subsidiary, Giga-Zone International Co., Ltd. under investment losses. As of December 31, 2016 and 2015, the credit balance of the carrying amount of investments recognised under the equity method was reclassified to other non-current liabilities.

(8) Property, plant and equipment

	<u>Land</u>	<u>Buildings</u>	<u>Machinery</u>	<u>Others</u>	<u>Total</u>
<u>At January 1, 2016</u>					
Cost	\$ 953,993	\$ 1,575,059	\$ 1,130,230	\$ 680,653	\$ 4,339,935
Accumulated depreciation	-	(531,232)	(967,130)	(581,621)	(2,079,983)
	<u>\$ 953,993</u>	<u>\$ 1,043,827</u>	<u>\$ 163,100</u>	<u>\$ 99,032</u>	<u>\$ 2,259,952</u>
<u>2016</u>					
Opening net book amount	\$ 953,993	\$ 1,043,827	\$ 163,100	\$ 99,032	\$ 2,259,952
Additions	-	8,265	112,254	50,612	171,131
Disposals	-	-	(691)	(7,650)	(8,341)
Reclassifications	(56,789)	(31,928)	96	(1,503)	(90,124)
Depreciation charge	-	(32,643)	(41,779)	(44,471)	(118,893)
Closing net book amount	<u>\$ 897,204</u>	<u>\$ 987,521</u>	<u>\$ 232,980</u>	<u>\$ 96,020</u>	<u>\$ 2,213,725</u>
<u>At December 31, 2016</u>					
Cost	\$ 897,204	\$ 1,537,298	\$ 1,104,000	\$ 646,811	\$ 4,185,313
Accumulated depreciation	-	(549,777)	(871,020)	(550,791)	(1,971,588)
	<u>\$ 897,204</u>	<u>\$ 987,521</u>	<u>\$ 232,980</u>	<u>\$ 96,020</u>	<u>\$ 2,213,725</u>
	<u>Land</u>	<u>Buildings</u>	<u>Machinery</u>	<u>Others</u>	<u>Total</u>
<u>At January 1, 2015</u>					
Cost	\$ 935,677	\$ 1,531,676	\$ 1,153,202	\$ 659,319	\$ 4,279,874
Accumulated depreciation	-	(503,543)	(972,624)	(566,688)	(2,042,855)
	<u>\$ 935,677</u>	<u>\$ 1,028,133</u>	<u>\$ 180,578</u>	<u>\$ 92,631</u>	<u>\$ 2,237,019</u>
<u>2015</u>					
Opening net book amount	\$ 935,677	\$ 1,028,133	\$ 180,578	\$ 92,631	\$ 2,237,019
Additions	-	41,407	18,955	47,584	107,946
Disposals	-	(944)	(1,067)	(1,892)	(3,903)
Reclassifications	18,316	7,668	1,007	733	27,724
Depreciation charge	-	(32,437)	(36,373)	(40,024)	(108,834)
Closing net book amount	<u>\$ 953,993</u>	<u>\$ 1,043,827</u>	<u>\$ 163,100</u>	<u>\$ 99,032</u>	<u>\$ 2,259,952</u>
<u>At December 31, 2015</u>					
Cost	\$ 953,993	\$ 1,575,059	\$ 1,130,230	\$ 680,653	\$ 4,339,935
Accumulated depreciation	-	(531,232)	(967,130)	(581,621)	(2,079,983)
	<u>\$ 953,993</u>	<u>\$ 1,043,827</u>	<u>\$ 163,100</u>	<u>\$ 99,032</u>	<u>\$ 2,259,952</u>

The significant components of buildings include main plants and renovation projects, which are depreciated over 50 and 10 years, respectively.

(9) Investment property

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
<u>At January 1, 2016</u>			
Cost	\$ 81,019	\$ 45,316	\$ 126,335
Accumulated depreciation	-	(3,925)	(3,925)
	<u>\$ 81,019</u>	<u>\$ 41,391</u>	<u>\$ 122,410</u>
<u>2016</u>			
Opening net book amount	\$ 81,019	\$ 41,391	\$ 122,410
Reclassifications	56,789	33,335	90,124
Depreciation charge	-	(1,643)	(1,643)
Closing net book amount	<u>\$ 137,808</u>	<u>\$ 73,083</u>	<u>\$ 210,891</u>
<u>At December 31, 2016</u>			
Cost	\$ 137,808	\$ 90,848	\$ 228,656
Accumulated depreciation	-	(17,765)	(17,765)
	<u>\$ 137,808</u>	<u>\$ 73,083</u>	<u>\$ 210,891</u>
	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
<u>At January 1, 2015</u>			
Cost	\$ 99,335	\$ 55,561	\$ 154,896
Accumulated depreciation	-	(3,722)	(3,722)
	<u>\$ 99,335</u>	<u>\$ 51,839</u>	<u>\$ 151,174</u>
<u>2015</u>			
Opening net book amount	\$ 99,335	\$ 51,839	\$ 151,174
Reclassifications	(18,316)	(9,408)	(27,724)
Depreciation charge	-	(1,040)	(1,040)
Closing net book amount	<u>\$ 81,019</u>	<u>\$ 41,391</u>	<u>\$ 122,410</u>
<u>At December 31, 2015</u>			
Cost	\$ 81,019	\$ 45,316	\$ 126,335
Accumulated depreciation	-	(3,925)	(3,925)
	<u>\$ 81,019</u>	<u>\$ 41,391</u>	<u>\$ 122,410</u>

A. Rental income from investment property and direct operating expenses arising from the investment property are shown below:

	<u>Years ended December 31,</u>	
	<u>2016</u>	<u>2015</u>
Rental income from investment property	\$ <u>12,452</u>	\$ <u>7,274</u>
Direct operating expenses arising from the investment property that generated rental income during the period	\$ <u>1,643</u>	\$ <u>1,040</u>

B. The fair value of the investment property held by the Company as at December 31, 2016 and 2015 was \$267,441 and \$147,311, respectively, which was valued with reference to the future rental income and the related discounted cash flows. Key assumptions are as follows:

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Discount rate	1.845%	1.985%

(10) Other non-current assets

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Pledged assets	\$ 40,816	\$ 40,722
Refundable deposits	23,337	21,474
Others	<u>113,033</u>	<u>118,526</u>
	<u>\$ 177,186</u>	<u>\$ 180,722</u>

Information about the restricted assets that were pledged to others as collateral is provided in Note 8.

(11) Other payables

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Salary and bonus payable	\$ 1,911,388	\$ 1,844,151
Employees' compensation and directors' and supervisors' remuneration payable	365,978	214,223
Royalties payable	86,892	156,313
Shipping and freight-in payable	102,509	100,674
Others	<u>277,191</u>	<u>447,188</u>
	<u>\$ 2,743,958</u>	<u>\$ 2,762,549</u>

(12) Provisions

A. Movement analysis of the provision for warranty is as follows:

	<u>2016</u>	<u>2015</u>
At January 1	\$ 444,850	\$ 445,494
Additional provisions	263,786	286,394
Used during the period	(264,804)	(287,038)
At December 31	<u>\$ 443,832</u>	<u>\$ 444,850</u>

B. The Company gives warranties on the peripherals and accessories of computer hardware sold. Provision for warranty is estimated based on the historical repair records of the product.

(13) Pensions

A. The Company has a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by the end of December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method, to the employees expected to be qualified for retirement next year, the Company will make contributions to cover the deficit by next March.

(a) The amounts recognised in the balance sheet are determined as follows:

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Present value of defined benefit obligations	(\$ 738,594)	(\$ 715,011)
Fair value of plan assets	<u>228,745</u>	<u>242,313</u>
Net defined benefit liability	<u>(\$ 509,849)</u>	<u>(\$ 472,698)</u>

(b) Movements in net defined benefit liabilities are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2016			
Balance at January 1	(\$ 715,011)	\$ 242,313	(\$ 472,698)
Current service cost	(4,976)	-	(4,976)
Interest (expense) income	(10,683)	3,697	(6,986)
Past service cost	409	-	409
	<u>(730,261)</u>	<u>246,010</u>	<u>(484,251)</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)		- (2,035)	(2,035)
Change in demographic assumptions	(21,343)	-	(21,343)
Change in financial assumptions	-	-	-
Experience adjustments	(9,369)	-	(9,369)
	<u>(30,712)</u>	<u>(2,035)</u>	<u>(32,747)</u>
Pension fund contribution	-	7,149	7,149
Paid pension	22,379	(22,379)	-
Balance at December 31	<u>(\$ 738,594)</u>	<u>\$ 228,745</u>	<u>(\$ 509,849)</u>
Year ended December 31, 2015			
Balance at January 1	(\$ 626,700)	\$ 243,579	(\$ 383,121)
Current service cost	(6,111)	-	(6,111)
Interest (expense) income	(12,499)	4,975	(7,524)
Past service cost	2,108	-	2,108
	<u>(643,202)</u>	<u>248,554</u>	<u>(394,648)</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)		- 1,582	1,582
Change in demographic assumptions	(5,532)	-	(5,532)
Change in financial assumptions	(49,161)	-	(49,161)
Experience adjustments	(25,510)	-	(25,510)
	<u>(80,203)</u>	<u>1,582</u>	<u>(78,621)</u>
Pension fund contribution	-	571	571
Paid pension	8,394	(8,394)	-
Balance at December 31	<u>(\$ 715,011)</u>	<u>\$ 242,313</u>	<u>(\$ 472,698)</u>

(c) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2016 and 2015 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

(d) The principal actuarial assumptions used were as follows:

	<u>Years ended December 31,</u>	
	<u>2016</u>	<u>2015</u>
Discount rate	<u>1.50%</u>	<u>1.50%</u>
Future salary increases	<u>3.00%</u>	<u>3.00%</u>

Future mortality rate was estimated based on the 5th Taiwan Standard Ordinary Experience Mortality Table.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	<u>Discount rate</u>		<u>Future salary increases</u>	
	<u>Increase 0.25%</u>	<u>Decrease 0.25%</u>	<u>Increase 0.25%</u>	<u>Decrease 0.25%</u>
December 31, 2016				
Effect on present value of defined benefit obligation	(\$ <u>25,330</u>)	<u>\$ 26,516</u>	<u>\$ 20,056</u>	(\$ <u>25,029</u>)
December 31, 2015				
Effect on present value of defined benefit obligation	(\$ <u>25,306</u>)	<u>\$ 26,526</u>	<u>\$ 26,066</u>	(\$ <u>25,006</u>)

The sensitivity analysis above is based on other conditions that are unchanged but only one assumption is changed. In practice, more than one assumption may change all at once. The

method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

The method and assumptions used for the preparation of sensitivity analysis during 2015 and during 2014 are the same.

(e) Expected contributions to the defined benefit pension plans of the Company for the year ending December 31, 2017 amounts to \$13,896.

(f) As of December 31, 2016, the weighted average duration of that retirement plan is 13 years. The analysis of timing of the future pension payment was as follows:

Within 1 year	\$	5,007
1-2 year(s)		9,704
2-5 years		53,414
Over 5 years		<u>880,211</u>
	\$	<u>948,336</u>

B. Effective July 1, 2005, the Company has established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The pension costs under the defined contribution pension plans of the Company for the years ended December 31, 2016 and 2015 were \$75,912 and \$77,626, respectively.

(14) Share-based payment

A. As of December 31, 2016, the Company's share-based payment transactions are set forth below:

<u>Type of arrangement</u>	<u>Grant date</u>	<u>Quantity granted</u>	<u>Contract period</u>	<u>Vesting conditions</u>
Employee stock options	2007.12.19	40,000,000 shares	10 years	2~4 years' service vested immediately

B. Details of the share-based payment arrangements are as follows:

	<u>2016</u>		<u>2015</u>	
	<u>No. of options</u>	<u>Weighted-average</u>	<u>No. of options</u>	<u>Weighted-average</u>
	<u>(in thousands)</u>	<u>exercise price</u>	<u>(in thousands)</u>	<u>exercise price</u>
		<u>(in dollars)</u>		<u>(in dollars)</u>
Options outstanding opening balance at January 1	10,039	\$ 10.90	10,219	\$ 11.90
Options exercised	<u>(55)</u>	10.20	<u>(180)</u>	11.90
Options outstanding at December 31	<u>9,984</u>	10.20	<u>10,039</u>	10.90
Options exercisable at December 31	<u>9,984</u>		<u>10,039</u>	

- C. The weighted-average stock price of stock options at exercise date of 2016 and 2015 was \$33.53~\$43.43 and \$26.04~\$39.33 (in dollars), respectively.
- D. As of December 31, 2016 and 2015, the range of exercise price of stock options outstanding was \$10.20 and \$10.90, respectively, and the weighted-average remaining vesting period was 0.97 years and 1.97 years, respectively.
- E. For the stock options granted by the Company with the compensation cost accounted for using the fair value method, their fair value on the grant date is estimated using the Black-Scholes option-pricing model. The weighted-average parameters used in the estimation of the fair value are as follows:

<u>Type of arrangement</u>	<u>Grant date</u>	<u>Stock price</u>	<u>Exercise price</u>	<u>Price volatility</u>	<u>Option life</u>	<u>Dividends</u>	<u>Interest rate</u>	<u>Fair value per unit</u>
Employee stock options	2007.12.19	\$ 19	\$ 19	39.16%	6.35 years	-	2.58%	\$ 8.1648

(15)Share capital

- A. As of December 31, 2016, the Company's authorized capital was \$9,500,000, consisting of 950,000 thousand shares of ordinary shares (including 250,000 thousand shares reserved for employee stock options and for convertible bonds issued by the Company), and the paid-in capital was \$6,291,179 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected:

Movements in the number of the Company's ordinary shares outstanding are as follows:

	<u>2016</u>	<u>2015</u>
At January 1	629,062,886	628,882,886
Employee stock options exercised	<u>55,000</u>	<u>180,000</u>
At December 31	<u><u>629,117,886</u></u>	<u><u>629,062,886</u></u>

- B. The number of shares of common stock issued for the years ended December 31, 2016 and 2015 due to the exercise of employee stock options is 55,000 and 180,000 shares, respectively.

(16)Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Law requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

(17)Retained earnings

- A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior year's operating losses and then 10% of the remaining amount shall be set aside as legal reserve, unless accumulated legal reserve has reached an

amount equal to the Company's paid-in capital. And then special reserve shall be set aside or reversed according to the laws or decrees or the regulations of competent authorities. Appropriation (5% ~ 80%) of the remainder plus prior year's accumulated retained earnings shall be proposed by the Board of Directors and resolved by the stockholders. The Company's dividend policy is as follows: not less than 87% of distributable amounts as dividends to stockholders, of which, not less than 5% shall be distributed in the form of cash. If the cash dividend is less than ten cents (NT\$0.1) per share, such dividend shall be distributed in the form of shares.

- B. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the balance of the reserve exceeds 25% of the Company's paid-in capital.
- C. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

The amounts previously set aside by the Company as special reserve of \$426,354 on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently.

- D. The appropriation of 2015 earnings had been proposed by the Board of Directors on June 15, 2016 and the appropriation of 2014 earnings had been resolved at the stockholders' meeting on June 17, 2015. Details are summarized below:

	Years ended December 31,			
	2015		2014	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ 192,006		\$ 239,710	
Cash dividends	1,572,657	\$ 2.50	1,698,335	\$ 2.70

- E. As of the date of the auditor's report, the appropriation of retained earnings for 2016 has not been resolved by the Board of Directors. Information about employees' compensation (bonus) and directors' and supervisors' remuneration of the Company as proposed by the Board of Directors and resolved by the shareholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.
- F. For the information relating to employees' compensation and directors' and supervisors' remuneration, please refer to Note 6(21).

(18) Other income

	<u>Years ended December 31,</u>	
	<u>2016</u>	<u>2015</u>
Interest income	\$ 56,229	\$ 66,619
Other income	<u>1,139,185</u>	<u>1,018,709</u>
	<u>\$ 1,195,414</u>	<u>\$ 1,085,328</u>

(19) Other gains and losses

	<u>Years ended December 31,</u>	
	<u>2016</u>	<u>2015</u>
Net currency exchange gains	\$ 78,744	\$ 327,038
Gains on disposal of investments	-	7,334
Net losses on financial assets at fair value through profit or loss	(18,449)	(1,800)
Gains (losses) on disposal of property, plant and equipment	1,233	(1,969)
Others	(8,417)	(1,039)
Total	<u>\$ 53,111</u>	<u>\$ 329,564</u>

(20) Expenses by nature

	<u>Years ended December 31,</u>	
	<u>2016</u>	<u>2015</u>
Cost of goods sold	\$ 42,090,272	\$ 40,316,149
Employee benefit expense	3,327,682	3,294,293
Depreciation and amortisation	271,992	279,578
Warranty cost of after-sale service	263,786	286,394
Transportation expenses	167,414	165,411
(Gains on reversal) losses on doubtful debts	(10,576)	13,307
Other costs and expenses	<u>1,690,021</u>	<u>1,831,491</u>
Total	<u>\$ 47,800,591</u>	<u>\$ 46,186,623</u>

(21) Employee benefit expense

	<u>Years ended December 31,</u>	
	<u>2016</u>	<u>2015</u>
Wages and salaries	\$ 2,970,508	\$ 2,932,368
Labor and health insurance fees	172,282	181,618
Pension costs	87,465	89,153
Other personnel expenses	<u>97,427</u>	<u>91,154</u>
	<u>\$ 3,327,682</u>	<u>\$ 3,294,253</u>

A. According to the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' remuneration. The ratio shall be 3%~10% for employees' compensation and shall not be higher than 3% for directors' remuneration.

B. For the years ended December 31, 2016 and 2015, employees' compensation was accrued at \$319,978 and \$154,223, respectively; directors' remuneration was accrued at \$46,000 and \$60,000, respectively. The aforementioned amounts were recognised in salary expenses.

The employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on 10% and 1.44% of distributable profit of current year for the year ended December 31, 2016. The employees' compensation and directors' and supervisors' remuneration resolved by the Board of Directors were \$319,978 and \$46,000, and the employees' compensation will be distributed in the form of cash.

Employees' compensation and directors' and supervisors' remuneration of 2015 as resolved by the meeting of Board of Directors were in agreement with those amounts recognised in the 2015 financial statements.

Information about employees' compensation and directors' and supervisors' remuneration of the Company as resolved by the Board of Directors and the shareholders at the shareholders' meeting will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(22) Income tax

A. Income tax expense

(a) Components of income tax expense:

	<u>Years ended December 31,</u>	
	<u>2016</u>	<u>2015</u>
Current tax:		
Current tax on profits for the period	\$ 532,529	\$ 402,917
Tax on undistributed surplus earnings	9,015	46,726
Adjustments in respect of prior years	(8,419)	(26,865)
Total current tax	<u>533,125</u>	<u>422,778</u>
Deferred tax:		
Origination and reversal of temporary differences	<u>7,810</u>	<u>13,324</u>
Income tax expense	<u>\$ 540,935</u>	<u>\$ 436,102</u>

(b) The income tax (charge)/credit relating to components of other comprehensive income is as follows:

	<u>Years ended December 31,</u>	
	<u>2016</u>	<u>2015</u>
Remeasurement of defined benefit obligations	(\$ 5,567)	(\$ 13,365)

B. Reconciliation between income tax expense and accounting profit

	<u>Years ended December 31,</u>	
	<u>2016</u>	<u>2015</u>
Tax calculated based on profit before tax and statutory tax rate	\$ 481,746	\$ 400,548
Expenses disallowed by tax regulation	43,731	15,764
Tax exempted income by tax regulation	(5)	(699)
Effect from tax credit of investment	-	(52,827)
Tax on undistributed surplus earnings	9,015	46,726
Prior year income tax overestimation	(8,419)	(26,865)
Changes in assessment of realisability of deferred tax assets	<u>14,867</u>	<u>53,455</u>
Income tax expense	<u>\$ 540,935</u>	<u>\$ 436,102</u>

C. Amounts of deferred tax assets or liabilities as a result of temporary difference are as follows:

	<u>Year ended December 31, 2016</u>			
	<u>January 1</u>	<u>Recognised in profit or loss</u>	<u>Recognised in other comprehensive income</u>	<u>December 31</u>
<u>Deferred tax assets</u>				
Provision for warranty expense	\$ 75,625	(\$ 173)	\$ -	\$ 75,452
Loss on inventory	29,349	(1,442)	-	27,907
Amount of allowance for bad debts that exceed the limit for tax purpose	2,999	-	-	2,999
Pension expense	36,676	750	-	37,426
Unrealized profit on intercompany sales	44,021	(4,572)	-	39,449
Remeasurement of defined benefit obligations	9,249	-	5,567	14,816
Others	<u>47,435</u>	<u>(9,579)</u>	<u>-</u>	<u>37,856</u>
	<u>245,354</u>	<u>(15,016)</u>	<u>5,567</u>	<u>235,905</u>
<u>Deferred tax liabilities</u>				
Unrealized exchange gain	(17,534)	7,206	-	(10,328)
	<u>\$ 227,820</u>	<u>(\$ 7,810)</u>	<u>\$ 5,567</u>	<u>\$ 225,577</u>

	Year ended December 31, 2015			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
<u>Deferred tax assets</u>				
Provision for warranty expense	\$ 75,734	(\$ 109)	\$ -	\$ 75,625
Allowance for inventory loss	29,589	(240)	-	29,349
Amount of allowance for bad debts that exceed the limit for tax purpose	-	2,999	-	2,999
Pension expense	34,813	1,863	-	36,676
Unrealized profit on intercompany sales	63,731	(19,710)	-	44,021
Remeasurement of defined benefit obligations	-	-	9,249	9,249
Others	47,801	(366)	-	47,435
	<u>251,668</u>	<u>(15,563)</u>	<u>9,249</u>	<u>245,354</u>
<u>Deferred tax liabilities</u>				
Unrealized exchange gain	(19,773)	2,239	-	(17,534)
Remeasurement of defined benefit obligations	(4,116)	-	4,116	-
	<u>(23,889)</u>	<u>(2,239)</u>	<u>4,116</u>	<u>(17,534)</u>
	<u>\$ 227,779</u>	<u>(\$ 13,324)</u>	<u>\$ 13,365</u>	<u>\$ 227,820</u>

D. As of December 31, 2016, the Company's income tax returns through 2014 have been assessed and approved by the Tax Authority.

E. Unappropriated retained earnings

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Earnings generated in and before 1997	\$ 62,797	\$ 62,797
Earnings generated in and after 1998	<u>7,986,165</u>	<u>7,485,144</u>
	<u>\$ 8,048,962</u>	<u>\$ 7,547,941</u>

F. Details related to the shareholders' imputation tax credit amount and creditable tax ratio are as follows:

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Imputation tax credit account balance	<u>\$ 1,207,828</u>	<u>\$ 1,051,653</u>
	<u>Years ended December 31,</u>	
	<u>2016 (Estimated)</u>	<u>2015 (Actual)</u>
Creditable tax ratio of the total distributed retained earnings	<u>19.11%</u>	<u>16.77%</u>

(23) Earnings per share

	<u>Year ended December 31, 2016</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (share in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders	\$ 2,292,864	629,074	\$ <u>3.64</u>
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares			
— Employees' bonus	-	7,424	
— Convertible bonds	-	7,382	
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 2,292,864</u>	<u>643,880</u>	<u>\$ 3.56</u>
	<u>Year ended December 31, 2015</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (share in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders	\$ 1,920,065	629,019	\$ <u>3.05</u>
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares			
— Employees' bonus	-	4,231	
— Convertible bonds	-	6,867	
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 1,920,065</u>	<u>640,117</u>	<u>\$ 3.00</u>

7. RELATED PARTY TRANSACTIONS

(1) Significant related party transactions and balances

A. Operating revenue

	<u>Years ended December 31,</u>	
	<u>2016</u>	<u>2015</u>
Sales of goods:		
— Subsidiaries	<u>\$ 24,036,651</u>	<u>\$ 23,224,562</u>

The sales prices to related parties were based on the agreed contracts. Credit terms to related parties were within 14~90 days after receipt of goods. Credit terms to third parties were up to 70 days after shipment of goods.

B.Purchases

	<u>Years ended December 31,</u>	
	<u>2016</u>	<u>2015</u>
Purchases of goods:		
— Subsidiaries	<u>\$ 518,222</u>	<u>\$ 473,622</u>

All purchases from related parties are based on negotiated terms because the related products are unique and cannot be purchased from third parties. The payment terms for related parties are not significantly different from those with third parties. The payment terms for third parties is 30 days after receipt of goods or 60~90 days after monthly billing.

C.Processing expense

	<u>Years ended December 31,</u>	
	<u>2016</u>	<u>2015</u>
Purchases of services:		
— Subsidiaries	<u>\$ 1,528,672</u>	<u>\$ 1,462,877</u>

The payments to G.B.T.-LBN were for the subcontracts to Dongguan Gigabyte and Ningbo Gita-Byte which were arranged through G.B.T.-LBN.

D.Warranty expense

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Purchases of services:		
— Subsidiaries	<u>\$ 123,607</u>	<u>\$ 108,714</u>

E.Service commission (accounted for as “sales expense”)

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Purchases of services:		
— Subsidiaries	<u>\$ 248,975</u>	<u>\$ 250,236</u>

F.Professional service fees (accounted for as “sales expense”)

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Purchases of services:		
— Subsidiaries	<u>\$ 142,182</u>	<u>\$ 127,309</u>

G.Accounts receivable

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Receivables from related parties:		
— Subsidiaries	<u>\$ 2,325,325</u>	<u>\$ 1,681,182</u>

H. Accounts payable

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Payables to related parties:		
— Subsidiaries	\$ <u>451,863</u>	\$ <u>416,540</u>

I. Unearned receipts (Shown as “Other current liabilities”)

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Advance receipts-related parties:		
— Subsidiaries	\$ <u>10,124</u>	\$ <u>7,004</u>

J. Endorsements and guarantees provided to related parties

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Subsidiaries	\$ <u>177,535</u>	\$ <u>181,653</u>

(2) Key management compensation

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Salaries and other short-term employee benefits	\$ <u>280,136</u>	\$ <u>285,733</u>

8. PLEDGED ASSETS

The Company’s assets pledged as collateral are as follows:

<u>Pledged asset</u>	<u>Book value</u>		<u>Purpose</u>
	<u>December 31, 2016</u>	<u>December 31, 2015</u>	
Pledged asset (accounted for as “Other non-current assets”)			
Pledged time deposits	\$ 40,816	\$ 40,722	Guarantee for the customs duties and deposits

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

None.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital management

The Company’s objectives when managing capital are to safeguard the Company’s ability to continue as a going concern in order to provide returns for shareholders and to maintain an

optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue employee stock option or buyback and retire treasury stock.

(2) Financial instruments

A. Fair value information of financial instruments

The carrying amounts of the Company's financial instruments not measured at fair value (including cash and cash equivalents, notes receivable, accounts receivable, other receivables, other financial assets, held-to-maturity financial assets, notes payable, accounts payable, other payables and deposits received) are approximate to their fair values. The fair value information of financial instruments measured at fair value is provided in Note 12(3).

B. Financial risk management policies

(a) The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial position and financial performance.

(b) Risk management is carried out by a treasury department (Company treasury) under policies approved by the Board of Directors. Company treasury identifies, evaluates and hedges financial risks in close co-operation with the Company's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

i. The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

ii. The Company's businesses involve some non-functional currency operations (the Company's functional currency: NTD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

<u>December 31, 2016</u>			
	<u>Foreign currency amount (In thousands)</u>	<u>Exchange rate</u>	<u>Book value (NTD)</u>
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 334,928	32.279	\$ 10,811,141
RMB:NTD	33,727	4.622	155,886
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ 193,800	32.279	\$ 6,255,670
RMB:NTD	52,788	4.622	243,986
 <u>December 31, 2015</u>			
	<u>Foreign currency amount (In thousands)</u>	<u>Exchange rate</u>	<u>Book value (NTD)</u>
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 280,746	33.066	\$ 9,283,147
RMB:NTD	9,520	5.033	47,914
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ 186,138	33.066	\$ 6,154,839
RMB:NTD	9,321	5.033	46,913

iii. The total exchange gain (loss), including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2016 and 2015, amounted to \$78,744 and \$327,038, respectively.

iv. Analysis of foreign currency market risk arising from significant foreign exchange variation:

		<u>Year ended December 31, 2016</u>		
		<u>Sensitivity analysis</u>		
		<u>Degree of variation</u>	<u>Effect on profit or loss</u>	<u>Effect on other comprehensive income</u>
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
	USD:NTD	1%	\$ 108,111	\$ -
	RMB:NTD	1%	1,559	-
<u>Financial liabilities</u>				
<u>Monetary items</u>				
	USD:NTD	1%	\$ 62,557	\$ -
	RMB:NTD	1%	2,440	-

		<u>Year ended December 31, 2015</u>		
		<u>Sensitivity analysis</u>		
		<u>Degree of variation</u>	<u>Effect on profit or loss</u>	<u>Effect on other comprehensive income</u>
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
	USD:NTD	1%	\$ 92,831	\$ -
	RMB:NTD	1%	479	-
<u>Financial liabilities</u>				
<u>Monetary items</u>				
	USD:NTD	1%	\$ 61,548	\$ -
	RMB:NTD	1%	469	-

Price risk

A. The Company is exposed to equity securities price risk because of investments held by the Company and classified on the parent company only balance sheet as at fair value through profit or loss. The Company is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Company.

B. The Company's investments in domestic or foreign beneficiary certificates. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1 % with all other variables held constant, post-tax profit for the years ended December 31, 2016 and 2015 would have increased/decreased by \$2,569 and \$1,412, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss.

Interest rate risk

- i. The domestic bond fund investment by the Company was held mainly for trading purposes, the effective interest rate of this fund is affected by the market interest rate.
- ii. The structured notes and investment floating bonds of the Company were range accrual notes, the effective interest rate of these notes are affected by the market interest rate; accordingly, the Company's future cash flows would fluctuate with the market interest rate change.
- iii. For fixed interest rate bond investments held by the Company classified as financial assets at fair value through profit or loss, changes in market interest rates would affect their fair values. At December 31, 2016 and 2015, if market interest rates had been 1% higher/lower with all other variables held constant, other comprehensive income for the years ended December 31, 2016 and 2015 would have been \$2,037 and \$1,388 lower/higher, respectively.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. According to the Company's credit policy, each local entity in the Company is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.
- ii. The bond fund held by the Company was issued by well-known foreign banks and securities investment trust companies owned by or affiliated with domestic financial holding companies with good credit standing. Since the Company trades with several securities investment trust companies, credit risk is low.
- iii. The Company has lower significant concentrations of credit risk, due to investment in corporate bonds or financial bonds. The maximum loss to the Company is the total amount of all book value.

- iv. The Company has lower significant concentrations of credit risk. It has policies in place to ensure that wholesale sales of products are made to customers with an appropriate credit history. The Company had credit insurance coverage for a majority of its customers. Accordingly, credit risk is low. No credit limits were exceeded during the reporting periods, and management does not expect any significant losses from non-performance by these counterparties.
- v. Loan guarantees provided by the Company are in compliance with the Company's "Procedures for Provision of Endorsements and Guarantees" and are only provided to affiliated companies of which the Company owns directly or indirectly more than 50% ownership or a company which trades with the Company. As the Company is fully aware of the credit conditions of these related parties, it has not asked for collateral for the loan guarantees provided. In the event that these related parties fail to comply with loan agreements with banks, the maximum loss to the Company is the total amount of loan guarantees as listed above.
- vi. The credit quality information of financial assets that are neither past due nor impaired is provided in the statement for each type of financial asset in Note 6.
- vii. The individual analysis of financial assets that had been impaired is provided in the statement for each type of financial asset in Note 6.

(c) Liquidity risk

- i. Company treasury monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times.
- ii. The table below analyses the Company's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows:

Non-derivative financial liabilities:

<u>December 31, 2016</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Over 2 years</u>	<u>Total</u>
Notes payable	\$ 29,869	\$ -	\$ -	\$ 29,869
Accounts payable	7,911,223	-	-	7,911,223
Other payables	2,743,958	-	-	2,743,958

Non-derivative financial liabilities:

<u>December 31, 2015</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Over 2 years</u>	<u>Total</u>
Notes payable	\$ 35,215	\$ -	\$ -	\$ 35,215
Accounts payable	5,337,057	-	-	5,337,057
Other payables	2,762,549	-	-	2,762,549

iii. The Company does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis will be significantly earlier, nor expect the actual cash flow amount will be significantly different.

(3) Fair value information

A. Details of the fair value of the Company's financial assets and financial liabilities not measured at fair value are provided in Note 12(2)A. Details of the fair value of the Company's investment property measured at cost are provided in Note 6(9).

B. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Company's investment in beneficiary certificates, corporate bonds and Government bond is included in Level 1

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

C. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities at December 31, 2016 and 2015 is as follows:

December 31, 2016	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ 256,882	\$ -	\$ -	\$ 256,882
Debt securities	<u>203,717</u>	<u>-</u>	<u>-</u>	<u>203,717</u>
Total	<u>\$ 460,599</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 460,599</u>

December 31, 2015	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ 141,212	\$ -	\$ -	\$ 141,212
Debt securities	<u>138,789</u>	<u>-</u>	<u>-</u>	<u>138,789</u>
Total	<u>\$ 280,001</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 280,001</u>

D. The methods and assumptions the Company used to measure fair value are as follows:

- (a) The instruments the Company used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

	<u>Listed shares</u>	<u>Open-end fund</u>	<u>Government bonds and corporate bonds</u>
Market quoted price	Closing price	Net asset value	Weighted average quoted price

- (b) Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the balance sheet date.
- (c) When assessing non-standard and low-complexity financial instruments, for example, debt instruments without active market, interest rate swap contracts, foreign exchange swap contracts and options, the Company adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.
- (d) For high-complexity financial instruments, the fair value is measured by using self-developed valuation model based on the valuation method and technique widely used within the same industry. The valuation model is normally applied to derivative financial instruments, debt instruments with embedded derivatives or securitised instruments. Certain inputs used in the valuation model are not observable at market, and the Company must make reasonable estimates based on its assumptions.
- (e) The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Company's financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs, for example, model risk or liquidity risk and etc. In accordance with the Company's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes

adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the balance sheet date. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.

(f) The Company takes into account adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the Company's credit quality.

E. For the years ended December 31, 2016 and 2015, there was no transfer between Level 1 and Level 2.

F. For the years ended December 31, 2016 and 2015, there was no transfer into or out from Level 3.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

A. Loans to others: None

B. Provision of endorsements and guarantees to others: Please refer to table 1.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 2.

D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.

E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.

F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 3.

H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 4.

I. Trading in derivative instruments undertaken during the reporting periods: None.

J. Significant inter-company transactions during the reporting periods: Please refer to table 5.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 6.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 7.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 8.

14. OPERATING SEGMENTS

None.

V. Audited Consolidated Financial Statements in the most recent year

GIGA-BYTE TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Declaration of Consolidated Financial Statements of Affiliated Enterprises

Year ended December 31, 2016, pursuant to “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises,” the company that is required to be included in the consolidated financial statements of affiliates, is the same as the company required to be included in the consolidated financial statements of parent and subsidiary companies under IFRS 10. And if relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies, it shall not be required to prepare separate consolidated financial statements of affiliates.

Hereby declare,

GIGA-BYTE TECHNOLOGY CO., LTD.

Dandy Yeh

March 14, 2017

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders of Giga-Byte Technology Co., Ltd.

Opinion

We have audited the accompanying consolidated balance sheets of Giga-Byte Technology Co., Ltd. and its subsidiaries (the “Group”) as at December 31, 2016 and 2015, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of the other independent accountants, as described in the *Other matters* section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the “Regulations Governing the Preparations of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Occurrence of the revenue

Description

Please refer to Note 4(31) to the consolidated financial statements for the accounting policies on revenue recognition. For the year ended December 31, 2016, the consolidated operating revenue amounted to NT\$52,347,389 thousand.

Giga-Byte Technology Group has various customers across the world and there has no revenue from a single customer exceeds 10% of consolidated operating revenue. Given verifying the existence of the transaction counterparty is critical to the revenue recognition, the occurrence of the revenue from significant new counterparty was identified as a key audit matter.

How our audit addressed the matter

Our key audit procedures performed in respect of the above included the following:

1. Interviewed with management and obtained understanding of the revenue recognition policy, and the consistency of the policy application during the financial reporting periods.
2. Obtained understanding and tested credit check procedures for significant new counterparty. Verified the transaction with significant new counterparty has been properly approved and agreed with supporting documentation, which include searching transaction counterparty's related information.
3. Obtained understanding and tested the selling price and credit term of significant new counterparty.
4. Interviewed with management and obtained understanding for the reason of accounts receivable overdue from significant new counterparty in order to evaluate the reasonableness.
5. Sampled and tested detailed revenue schedule of significant new counterparty and verified the original supporting documentation.
6. Issued accounts receivable confirmation letter to significant new counterparty.

Assessment of allowance for valuation of inventory loss

Description

Please refer to Note 4(14) to the consolidated financial statements for the accounting policies on evaluation of inventories; Note 5(2) for uncertainty of accounting estimates and assumption on inventory evaluation; and Note 6(6) for the details of the inventories. As of December 31, 2016, the inventories and allowance for valuation loss amounted to NT\$9,905,124 thousand and NT\$353,865 thousand, respectively.

Giga-Byte Technology Group is primarily engaged in manufacturing and selling of computer hardware equipment and related components. Due to the short life cycle of electronic products and the price is highly subject to market fluctuation, the risk of incurring inventory valuation losses or having obsolete inventory are relatively high. Inventories held for sale in the ordinary course of business are stated at the lower of cost and net realisable value; Valuation loss are recognized for those inventories which exceed certain aging period or individually identified as obsolete inventories based on its net realisable value.

Given inventories amount are significant and individually identified the net realisable value of obsolete inventories has uncertainty based on prior industrial experience, the evaluation of the allowance for valuation loss was identified as a key audit matter.

How our audit addressed the matter

Our key audit procedures performed in respect of the above included the following:

1. Interviewed with management and obtained understanding of the policy and process on evaluation of the allowance for valuation loss, and the consistency of the policy and process application during the financial reporting periods.
2. Obtained understanding of the warehouse management procedures, reviewed annual physical inventory count plan and participated the annual inventory count. Evaluated the effectiveness of management control on identifying and managing obsolete inventories.
3. Tested the appropriateness of system logic in inventory aging report which management adopt for inventories valuation purpose, and verified obsolete inventories which exceeds certain aging periods were included in the report..
4. Evaluated the reasonableness of obsolete or damaged inventory items which identified by management, reviewed related supporting documentation, and compared to the result obtained from observation of physical inventory count.
5. For inventories which exceed certain period of aging and individually obsolete and damaged, discussed with management and obtained supporting documentation of the evaluation on net realisable value, and performed recalculation.

Other matter – Report of the other independent accountants

We did not audit the financial statements of certain consolidated subsidiaries and investments accounted for using the equity method. Those financial statements were audited by the other independent accountants, whose reports thereon have been furnished to us, and our opinion expressed

herein, in so far as it relates to the amounts included in the financial statements was based solely on the reports of the other independent accountants. The aforementioned equity investments were \$78,782 thousand and \$77,481 thousand, representing 0.22% and 0.23% of total consolidated assets as of December 31, 2016 and 2015, respectively, and total net comprehensive loss were \$36,783 thousand and \$12,498 thousand, representing (2.00%) and (0.75%) of total consolidated comprehensive loss for the years then ended, respectively.

Other matter – Parent company only financial statements

We have audited and expressed an unmodified opinion on the parent company only financial statements of Giga-Byte Technology Co., Ltd. as at and for the years ended December 31, 2016 and 2015.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the “Regulations Governing the Preparations of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including audit committee, are responsible for overseeing the Group’s financial reporting process.

Auditor’s responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ROC GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ROC GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Chun-Yuan Hsiao Fang-Yu Wang
For and on behalf of PricewaterhouseCoopers, Taiwan
March 14, 2017

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers, Taiwan cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

GIGA-BYTE TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2016 AND 2015

(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2016		December 31, 2015		
		Amount	%	Amount	%	
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 12,924,700	35	\$ 10,723,611	32
1110	Financial assets at fair value through profit or loss - current	6(2)	988,469	3	1,187,595	4
1125	Available-for-sale financial assets-current	6(3)	278,195	1	47,974	-
1130	Current held-to-maturity financial assets	6(4)	-	-	150,990	-
1150	Notes receivable - net		10,230	-	5,848	-
1170	Accounts receivable - net	6(5)	5,396,357	15	5,204,633	16
1200	Other receivables		610,629	2	513,289	2
130X	Inventories - net	6(6)	9,551,259	26	8,427,206	25
1470	Other current assets	6(7) and 8	<u>1,195,878</u>	<u>3</u>	<u>1,585,537</u>	<u>5</u>
11XX	Total current assets		<u>30,955,717</u>	<u>85</u>	<u>27,846,683</u>	<u>84</u>
Non-current assets						
1523	Available-for-sale financial asset-non-current	6(3)	266,309	1	335,214	1
1550	Investments accounted for under equity method	6(8)	79,106	-	239,988	1
1600	Property, plant and equipment - net	6(9)	3,905,043	11	4,022,766	12
1760	Investment property - net	6(10)	270,107	1	159,759	-
1780	Intangible assets		54,230	-	34,144	-
1840	Deferred income tax assets	6(26)	346,204	1	278,693	1
1900	Other non-current assets	6(11) and 8	<u>347,334</u>	<u>1</u>	<u>323,386</u>	<u>1</u>
15XX	Total non-current assets		<u>5,268,333</u>	<u>15</u>	<u>5,393,950</u>	<u>16</u>
1XXX	Total assets		<u>\$ 36,224,050</u>	<u>100</u>	<u>\$ 33,240,633</u>	<u>100</u>

(Continued)

GIGA-BYTE TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2016 AND 2015

(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity		Notes	December 31, 2016		December 31, 2015	
			Amount	%	Amount	%
Liabilities						
Current liabilities						
2100	Short-term borrowings	6(12)	\$ 141,120	-	\$ 70,000	-
2150	Notes payable		34,358	-	37,139	-
2170	Accounts payable		7,884,351	22	4,978,471	15
2200	Other payables	6(13)	2,975,505	8	3,192,128	10
2230	Current income tax liabilities	6(26)	390,557	1	510,569	1
2250	Provisions for liabilities - current	6(14)	561,233	2	570,459	2
2300	Other current liabilities	6(15)	663,900	2	774,190	2
21XX	Total current liabilities		<u>12,651,024</u>	<u>35</u>	<u>10,132,956</u>	<u>30</u>
Non-current liabilities						
2540	Long-term borrowings	6(16)	5,667	-	-	-
2570	Deferred income tax liabilities	6(26)	10,484	-	17,534	-
2600	Other non-current liabilities	6(17)	587,932	2	536,724	2
25XX	Total non-current liabilities		<u>604,083</u>	<u>2</u>	<u>554,258</u>	<u>2</u>
2XXX	Total liabilities		<u>13,255,107</u>	<u>37</u>	<u>10,687,214</u>	<u>32</u>
Equity						
Equity attributable to owners of the parent						
Capital stock		6(18)(19)				
3110	Common stock		6,291,179	17	6,290,629	19
Capital surplus		6(20)				
3200	Capital surplus		4,602,046	13	4,601,581	14
Retained earnings		6(21)				
3310	Legal reserve		3,617,317	10	3,425,311	10
3320	Special reserve		426,354	1	426,354	1
3350	Unappropriated retained earnings	6(26)	8,048,962	22	7,547,941	23
Other equity						
3400	Other equity		(175,353)	-	247,152	1
31XX	Total equity attributable to owners of the parent		<u>22,810,505</u>	<u>63</u>	<u>22,538,968</u>	<u>68</u>
36XX	Non-controlling interest		<u>158,438</u>	<u>-</u>	<u>14,451</u>	<u>-</u>
3XXX	Total equity		<u>22,968,943</u>	<u>63</u>	<u>22,553,419</u>	<u>68</u>
3X2X	Total liabilities and equity		<u>\$ 36,224,050</u>	<u>100</u>	<u>\$ 33,240,633</u>	<u>100</u>

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

GIGA-BYTE TECHNOLOGY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(Expressed in thousands of New Taiwan dollars, except for earnings per share)

	Items	Notes	2016		2015	
			Amount	%	Amount	%
4000	Operating revenue		\$ 52,347,389	100	\$ 50,828,792	100
5000	Operating costs	6(6)(24)(25)	(43,277,692)	(83)	(42,067,380)	(83)
5900	Gross profit		<u>9,069,697</u>	<u>17</u>	<u>8,761,412</u>	<u>17</u>
	Operating expenses	6(24)(25)				
6100	Selling expenses		(4,095,557)	(8)	(4,234,988)	(9)
6200	General & administrative expenses		(1,561,928)	(3)	(1,627,909)	(3)
6300	Research and development expenses		(1,723,214)	(3)	(1,646,777)	(3)
6000	Total operating expenses		<u>(7,380,699)</u>	<u>(14)</u>	<u>(7,509,674)</u>	<u>(15)</u>
6900	Operating profit		<u>1,688,998</u>	<u>3</u>	<u>1,251,738</u>	<u>2</u>
	Non-operating revenue and expenses					
7010	Other income	6(10)(22)	1,449,989	3	1,377,670	3
7020	Other gains and losses	6(23)	8,753	-	107,964	-
7050	Finance costs		(98,445)	-	(1,438)	-
7060	Share of (loss)/profit of associates and joint ventures accounted for under the equity method	6(8)	<u>(86,974)</u>	<u>-</u>	<u>(64,275)</u>	<u>-</u>
7000	Total non-operating revenue and expenses		<u>1,273,323</u>	<u>3</u>	<u>1,419,921</u>	<u>3</u>
7900	Profit before income tax		<u>2,962,321</u>	<u>6</u>	<u>2,671,659</u>	<u>5</u>
7950	Income tax expense	6(26)	(677,971)	(1)	(748,959)	(1)
8200	Profit for the year		<u>\$ 2,284,350</u>	<u>5</u>	<u>\$ 1,922,700</u>	<u>4</u>
	Other comprehensive income-net					
	Components of other comprehensive income that will not be reclassified to profit or loss					
8311	Remeasurements of defined benefit plans	6(17)	(\$ 32,747)	-	(\$ 78,621)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(26)	<u>5,567</u>	<u>-</u>	<u>13,365</u>	<u>-</u>
8310	Components of other comprehensive loss that will not be reclassified to profit or loss		<u>(27,180)</u>	<u>-</u>	<u>(65,256)</u>	<u>-</u>
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Currency translation differences		(464,646)	(1)	(95,939)	(1)
8362	Unrealised loss on valuation of available-for-sale financial assets	6(3)	<u>42,141</u>	<u>-</u>	<u>(92,895)</u>	<u>-</u>
8360	Components of other comprehensive loss that will be reclassified to profit or loss		<u>(422,505)</u>	<u>(1)</u>	<u>(188,834)</u>	<u>(1)</u>
8300	Other comprehensive loss, net		<u>(\$ 449,685)</u>	<u>(1)</u>	<u>(\$ 254,090)</u>	<u>(1)</u>
8500	Total comprehensive income for the year		<u>\$ 1,834,665</u>	<u>4</u>	<u>\$ 1,668,610</u>	<u>3</u>
	Profit attributable to:					
8610	Owners of parent		\$ 2,292,864	5	\$ 1,920,065	4
8620	Non-controlling interest		(8,514)	-	2,635	-
	Total		<u>\$ 2,284,350</u>	<u>5</u>	<u>\$ 1,922,700</u>	<u>4</u>
	Comprehensive income attributable to:					
8710	Owners of parent		\$ 1,843,179	4	\$ 1,665,975	3
8720	Non-controlling interest		(8,514)	-	2,635	-
	Total		<u>\$ 1,834,665</u>	<u>4</u>	<u>\$ 1,668,610</u>	<u>3</u>
9750	Basic earnings per share	6(27)	<u>\$</u>	<u>3.64</u>	<u>\$</u>	<u>3.05</u>
9850	Diluted earnings per share		<u>\$</u>	<u>3.56</u>	<u>\$</u>	<u>3.00</u>

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

GIGA-BYTE TECHNOLOGY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(Expressed in thousands of New Taiwan dollars)

	Equity attributable to owners of the parent										Total equity	
	Notes	Retained earnings					Other equity					Non-controlling interest
		Common stock	Capital reserve	Legal reserve	Special reserve	Unappropriated retained earnings	Currency translation differences	Unrealised gain (loss) on valuation of available-for-sale financial assets	Total			
Year 2015												
Balance at January 1, 2015		\$ 6,288,829	\$ 4,592,155	\$ 3,185,601	\$ 426,354	\$ 7,631,177	\$ 348,045	\$ 87,941	\$ 22,560,102	\$ 18,012	\$ 22,578,114	
Appropriations of 2014 earnings:	6(21)	-	-	-	-	(239,710)	-	-	-	-	-	
Legal reserve		-	-	239,710	-	(239,710)	-	-	-	-	-	
Cash dividends		-	-	-	-	(1,698,335)	-	-	(1,698,335)	(2,715)	(1,701,050)	
Share-based payment	6(18)	1,800	342	-	-	-	-	-	2,142	-	2,142	
Changes in net equity of associates accounted for using equity method in equity		-	9,084	-	-	-	-	-	9,084	-	9,084	
Changes in non-controlling interest		-	-	-	-	-	-	-	-	(3,481)	(3,481)	
Profit for the year		-	-	-	-	1,920,065	-	-	1,920,065	2,635	1,922,700	
Other comprehensive loss for the year		-	-	-	-	(65,256)	(95,939)	(92,895)	(254,090)	-	(254,090)	
Balance at December 31, 2015		\$ 6,290,629	\$ 4,601,581	\$ 3,425,311	\$ 426,354	\$ 7,547,941	\$ 252,106	\$ 4,954	\$ 22,538,968	\$ 14,451	\$ 22,553,419	
Year 2016												
Balance at January 1, 2016		\$ 6,290,629	\$ 4,601,581	\$ 3,425,311	\$ 426,354	\$ 7,547,941	\$ 252,106	\$ 4,954	\$ 22,538,968	\$ 14,451	\$ 22,553,419	
Appropriations of 2015 earnings:	6(21)	-	-	192,006	-	(192,006)	-	-	-	-	-	
Legal reserve		-	-	192,006	-	(192,006)	-	-	-	-	-	
Cash dividends		-	-	-	-	(1,572,657)	-	-	(1,572,657)	(961)	(1,573,618)	
Share-based payment	6(18)	550	11	-	-	-	-	-	561	-	561	
Changes in net equity of associates accounted for using equity method in equity		-	454	-	-	-	-	-	454	-	454	
Changes in non-controlling interest		-	-	-	-	-	-	-	-	153,462	153,462	
Profit for the year		-	-	-	-	2,292,864	-	-	2,292,864	(8,514)	2,284,350	
Other comprehensive (loss) income for the year		-	-	-	-	(27,180)	(464,646)	42,141	(449,685)	-	(449,685)	
Balance at December 31, 2016		\$ 6,291,179	\$ 4,602,046	\$ 3,617,317	\$ 426,354	\$ 8,048,962	\$ 212,540	\$ 37,187	\$ 22,810,505	\$ 158,438	\$ 22,968,943	

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

GIGA-BYTE TECHNOLOGY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(Expressed in thousands of New Taiwan dollars)

	Notes	2016	2015
Cash flows from operating activities:			
Profit before income tax		\$ 2,962,321	\$ 2,671,659
Adjustments to reconcile profit before income tax to net cash provided by operating activities:			
Income and expenses having no effect on cash flows			
Depreciation	6(9)(24)	357,319	380,934
Depreciation charge on investment property	6(10)	4,678	3,602
Amortisation	6(24)	181,552	195,418
Provision for doubtful accounts	6(5)(24)	14,246	30,455
Net gain on financial assets at fair value through profit or loss	6(2)(23)	(87,596)	(54,917)
Interest expense		98,445	1,438
Interest income	6(22)	(103,047)	(140,570)
Dividends income	6(22)	(28,014)	(38,374)
Share of loss of associates and joint ventures accounted for using equity method	6(8)	86,974	64,275
Loss on disposal of property, plant and equipment	6(9)(23)	36,239	24,339
Gain on disposal of available-for-sale financial assets	6(23)	(46,481)	(32,149)
Gain on disposal of investments accounted for using equity method	6(23)	(25,120)	-
Impairment loss on non-financial assets	6(23)	56,130	-
Exchange loss on held-to-maturity financial assets		-	2,490
Changes in assets/liabilities relating to operating activities			
Net changes in assets relating to operating activities			
Financial assets at fair value through profit or loss		286,722	58,916
Notes receivable	(	3,343)	1,390
Accounts receivable	(	98,130)	857,323
Other receivables	(	97,250)	(84,288)
Inventories	(	1,026,547)	436,122
Other current assets	(	35,042)	192,123
Net changes in liabilities relating to operating activities			
Notes payable	(	16,184)	(13,065)
Accounts payable		2,899,664	(509,446)
Other payables	(	268,081)	(184,572)
Provisions for liabilities	(	9,226)	35,403
Other current liabilities	(	133,316)	(76,322)
Other non-current liabilities		<u>8,612</u>	<u>16,527</u>
Cash generated from operations		5,015,525	3,838,711
Dividend received		28,014	38,374
Interest paid	(	98,445)	(1,438)
Interest received		103,122	150,697
Income tax paid	(	845,354)	(525,807)
Net cash provided by operating activities		<u>4,202,862</u>	<u>3,500,537</u>

(Continued)

GIGA-BYTE TECHNOLOGY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(Expressed in thousands of New Taiwan dollars)

	Notes	2016	2015
<u>Cash flows from investing activities:</u>			
Acquisition of available-for-sale financial assets		(\$ 323,724)	(\$ 125,771)
Proceeds from disposal of available-for-sale financial assets		242,630	103,728
Capital reduction by returning cash for available-for-sale financial assets		8,400	10,500
Acquisition of investments accounted for under equity method		(99,257)	-
Proceeds from disposal of investments accounted for under equity method		18,544	-
Proceeds from capital reduction of investments accounted for using equity method		44,550	-
Acquisition of property, plant and equipment	6(9)	(284,741)	(195,359)
Proceeds from disposal of property, plant and equipment	6(9)	16,165	2,592
Acquisition of intangible assets		(156,597)	(48,460)
Decrease in other financial assets		444,026	32,765
Increase in refundable deposits		(28,159)	(2,723)
Proceeds from disposal of held-to-maturity financial assets		150,990	-
Increase in other non-current assets		(19,911)	(128,720)
Net cash flow from acquisition of subsidiaries	6(28)	<u>32,759</u>	<u>-</u>
Net cash provided by (used in) investing activities		<u>45,675</u>	<u>(351,448)</u>
<u>Cash flows from financing activities:</u>			
Decrease in short-term borrowings		(123,027)	(1,326)
Increase in deposits received		9,849	5,219
Employee stock options exercised	6(18)	561	2,142
Repayments of long-term debt		(27,025)	-
Cash dividends paid-parent company	6(19)	(1,572,657)	(1,698,335)
Cash dividends paid-subidiaries	6(19)	(961)	(2,715)
Changes in non-controlling interest		<u>3,847</u>	<u>(3,481)</u>
Net cash used in financing activities		<u>(1,709,413)</u>	<u>(1,698,496)</u>
Effect of exchange rate changes on cash and cash equivalents		<u>(338,035)</u>	<u>(63,337)</u>
Increase in cash and cash equivalents		2,201,089	1,387,256
Cash and cash equivalents at beginning of year		<u>10,723,611</u>	<u>9,336,355</u>
Cash and cash equivalents at end of year		<u>\$ 12,924,700</u>	<u>\$ 10,723,611</u>

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

GIGA-BYTE TECHNOLOGY CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANIZATION

Giga-Byte Technology Co., Ltd. (the "Company") was incorporated as company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.). The address of the Company's registered office is No.6, Baoqiang Rd., Xindian Dist., New Taipei City, Taiwan (R.O.C.). The Company and its subsidiaries (collectively referred herein as the "Group") are engaged in the manufacture, processing and trading of computer peripheral and component parts. The Company's shares have been traded on the Taiwan Stock Exchange since September 24, 1998.

2. THE DATE OF AUTHORIZATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

These consolidated financial statements were authorized for issuance by the Board of Directors on March 14, 2017.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards ("IFRSs") as endorsed by the Financial Supervisory Commission ("FSC")

None.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

New standards, interpretations and amendments endorsed by FSC effective from 2017 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective Date by International Accounting Standards Board</u>
Investment entities: applying the consolidation exception (amendments to IFRS 10, IFRS 12 and IAS 28)	January 1, 2016
Accounting for acquisition of interests in joint operations (amendments to IFRS 11)	January 1, 2016
IFRS 14, 'Regulatory deferral accounts'	January 1, 2016
Disclosure initiative (amendments to IAS 1)	January 1, 2016
Clarification of acceptable methods of depreciation and amortization (amendments to IAS 16 and IAS 38)	January 1, 2016
Agriculture: bearer plants (amendments to IAS 16 and IAS 41)	January 1, 2016
Defined benefit plans: employee contributions (amendments to IAS 19R)	July 1, 2014
Equity method in separate financial statements (amendments to IAS 27)	January 1, 2016
Recoverable amount disclosures for non-financial assets (amendments to IAS 36)	January 1, 2014
Novation of derivatives and continuation of hedge accounting (amendments to IAS 39)	January 1, 2014
IFRIC 21, 'Levies'	January 1, 2014

<u>New Standards, Interpretations and Amendments</u>	<u>Effective Date by International Accounting Standards Board</u>
Improvements to IFRSs 2010-2012	July 1, 2014
Improvements to IFRSs 2011-2013	July 1, 2014
Improvements to IFRSs 2012-2014	January 1, 2016

The above standards and interpretations have no significant impact to the Group's financial condition and operating result based on the Group's assessment.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs endorsed by the FSC effective from 2017 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective Date by International Accounting Standards Board</u>
Classification and measurement of share-based payment transactions (amendments to IFRS 2)	January 1, 2018
Applying IFRS 9 'Financial instruments' with IFRS 4 'Insurance contracts' (amendments to IFRS 4)	January 1, 2018
IFRS 9, 'Financial instruments'	January 1, 2018
Sale or contribution of assets between an investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	To be determined by International Accounting Standards Board
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
Clarifications to IFRS 15, 'Revenue from contracts with customers' (amendments to IFRS 15)	January 1, 2018
IFRS 16, 'Leases'	January 1, 2019
Disclosure initiative (amendments to IAS 7)	January 1, 2017
Recognition of deferred tax assets for unrealised losses (amendments to IAS 12)	January 1, 2017
Transfers of investment property (amendments to IAS 40)	January 1, 2018
IFRIC 22, 'Foreign currency transactions and advance consideration'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IFRS 1, 'First-time adoption of International Financial Reporting Standards'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IFRS 12, 'Disclosure of interests in other entities'	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IAS 28, 'Investments in associates and joint ventures'	January 1, 2018

Except for the following, the above standards and interpretations have no significant impact to the Group's financial condition and operating result based on the Group's assessment. The quantitative impact will be disclosed when the assessment is complete.

A. IFRS 9, 'Financial instruments'

- (a) Classification of debt instruments is driven by the entity's business model and the contractual cash flow characteristics of the financial assets, which would be classified as financial asset at fair value through profit or loss and financial asset measured at fair value through other

comprehensive income. Equity instruments would be classified as financial asset at fair value through profit or loss, unless an entity makes an irrevocable election at inception to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading.

- (b) The impairment losses of debt instruments are assessed using an ‘expected credit loss’ approach. An entity assesses at each balance sheet date whether there has been a significant increase in credit risk on that instrument since initial recognition to recognise 12-month expected credit losses or lifetime expected credit losses (interest revenue would be calculated on the gross carrying amount of the asset before impairment losses occurred); or if the instrument that has objective evidence of impairment, interest revenue after the impairment would be calculated on the book value of net carrying amount (i.e. net of credit allowance).

The Company shall always measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables that do not contain a significant financing component.

B. IFRS 15, ‘Revenue from contracts with customers’

IFRS 15, ‘Revenue from contracts with customers’ replaces IAS 11 ‘Construction contracts’, IAS 18 ‘Revenue’ and relevant interpretations. According to IFRS 15, revenue is recognised when a customer obtains control of promised goods or services. A customer obtains control of goods or services when a customer has the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset.

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

Step 1: Identify contracts with customer.

Step 2: Identify separate performance obligations in the contract(s).

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price.

Step 5: Recognise revenue when the performance obligation is satisfied.

Further, IFRS 15 includes a set of comprehensive disclosure requirements that requires an entity to disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”, International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”).

(2)Basis of preparation

A.Except for the following items, these consolidated financial statements have been prepared under the historical cost convention:

- (a)Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
- (b)Available-for-sale financial assets measured at fair value.
- (c)Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

B.The preparation of financial statements in compliance with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3)Basis of consolidation

A.Basis for preparation of consolidated financial statements:

(a)All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.

(b)Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

(c)Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(d)Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.

(e)When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of.

B. Subsidiaries included in the consolidated financial statements:

Investor	Subsidiary	Main activities	Ownership(%)		Description
			2016	2015	
The Company	Freedom International Group Ltd.	Holding company	100.00	100.00	
"	G.B.T., Inc.	Sales of computer information products	48.63	48.63	
"	G.B.T. Technology Trading GmbH	Promotion of computer information products	100.00	100.00	
"	Nippon Giga-Byte Corp.	Promotion of computer information products	100.00	100.00	
"	GBT Tech. Co., Ltd.	Promotion of computer information products	100.00	100.00	
"	Giga-Byte Technology B.V.	Sales of computer information products	100.00	100.00	
"	Gigabyte Technology Pty. Ltd.	Promotion of computer information products	100.00	100.00	
"	Chi-Ga Investment Corp.	Holding company	100.00	100.00	
"	Gigabyte Technology (India) Private Limited	Promotion and repairing of computer information products	100.00	100.00	
"	G-Style Co., Ltd.	Manufacturing and selling of notebooks	100.00	100.00	
"	Giga-Zone International Co., Ltd.	Selling of PC peripherals	100.00	100.00	
"	Giga-Byte Communications Inc.	Manufacturing and selling of communications	99.12	99.12	
"	Gigabyte Technology ESPANA S.L.U.	Promotion of computer information products	100.00	100.00	
"	Gigabyte Global Business Corporation	Selling of ODM products	100.00	100.00	
"	Gigabyte Information Technology Commerce Limited Company	Promotion of computer information products	100.00	100.00	
"	Gigabyte Technology LLC	Promotion of computer information products	100.00	100.00	
Freedom International Group Ltd.	Charleston Investments Limited	Holding company	100.00	100.00	
"	Giga Future Limited	Holding company	100.00	100.00	
"	G.B.T. LBN Inc.	Sales of computer information products	100.00	100.00	
"	G.B.T. Inc.	Sales of computer information products	51.37	51.37	
"	Aorus Pte. Ltd.	Promotion of computer information products	-	-	Note 1
"	Gigabyte Trading Inc.	Selling of ODM products	100.00	100.00	

Investor	Subsidiary	Main activities	Ownership(%)		Description
			2016	2015	
"	Giga Advance (Labuan) Limited	Sales of computer information products	100.00	100.00	
Giga-Byte Technology B.V.	Gigabyte Technology France	Promotion of computer information products	100.00	100.00	
G.B.T. Technology Trading GmbH	Gigabyte Technology Poland SP Z O.O.	Promotion and repairing of computer information products	100.00	100.00	
Charleston Investments Limited	Dongguan Gigabyte Electronics Co., Ltd.	Manufacturing of computer information products	100.00	100.00	
"	Ningbo Giga-Byte International Trade Co., Ltd.	Sales of computer information products	100.00	100.00	
"	Ningbo Best Yield Technology Services Co., Ltd.	Repairing of computer information products	100.00	100.00	
Giga Future Limited	Ningbo Giga-Byte Technology Co., Ltd.	Manufacturing of computer information products	100.00	100.00	
Ningbo Giga-Byte International Trade Co., Ltd.	Ningbo Zhongjia Technology Co., Ltd.	Sales of computer information products	100.00	100.00	
Chi-Ga Investment Corp.	Gigatrend Technology Co., Ltd.	Manufacturing and selling electronic components and parts	100.00	100.00	Note 2
"	Gigatrend International Investment Group Ltd.	Holding company	100.00	100.00	
"	Giga-Trend International Management Group Ltd.	Venture capital management and consulting business	60.00	76.27	
"	Gigazone Holdings Limited	Holding company	100.00	100.00	
"	Selita Precision Co., Ltd.	Manufacturing of bicycle and parts	100.00	-	Note 3,4
"	Green Share Co., Ltd.	Wholesale of information system	51.00	-	Note 5
"	Senyun Precise Optical Co., Ltd	Manufacturing of mold and industrial plastic products	68.53	-	Note 6
Giga-Byte Communication Inc.	Giga Win Limited	Selling of communication products	-	100.00	Note 7
Gigazone Holdings Limited	Gigazone International (Shenzhen)	Selling of PC peripherals	52.27	58.97	
Gigatrend Technology Co., Ltd.	Green Share Co., Ltd.	Wholesale of information system	-	51.00	Note 5
Cloud Ride Ltd.	OGS Europe B.V.	Selling of communication products	100.00	100.00	
Ningbo Zhongjia Technology Co., Ltd.	Gigazone International (Shenzhen)	Selling of PC peripherals	47.73	41.03	

Investor	Subsidiary	Main activities	Ownership(%)		Description
			2016	2015	
Ningbo BestYield Tech. Services Co., Ltd.	Cloud Ride Limited	Selling of communication products	100.00	100.00	
"	Shenzhen BestYield Tech. Services Co., Ltd.	Repairing of computer information products	100.00	100.00	Note 8
G-Style Co., Ltd.	Aorus Pte. Ltd.	Promotion of computer information products	100.00	100.00	Note 1
Senyun Precise Optical Co., Ltd	Dongguan Senyun Precise Optical Co., Ltd	Selling of mold and industrial plastic products	100.00	-	Note 3

Note 1: G-Style Co., Ltd. acquired 100% equity interest in Aorus Pte. Ltd. from Freedom International Group Ltd. for a cash consideration of NT\$25,934 in September 1, 2015.

Note 2: Liquidation is still in process.

Note 3: The establishment of new investment in 2016.

Note 4: Selita Precision Co., Ltd. has legally changed its Chinese name on July 15, 2016.

Note 5: Chi-Ga Investments Corp. acquired 51% equity interest in Green Share Co., Ltd. from Gigatrend Technology Co., Ltd. for a cash consideration of NT\$9,395 in August 19, 2016.

Note 6: Chi-Ga Investments Corp. participated in the cash capital increase of Senyun Precise Optical Co., Ltd. on November 18, 2016 amounting to \$233,323 and the share of ownership increased to 68.53%.

Note 7: The liquidation process has been completed in May 2016.

Note 8: The establishment of new investment in 2015.

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group: None.

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan dollars, which is the Company's functional currency and the Group's presentation currency.

A. Foreign currency transactions and balances

(a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.

(b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.

- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) All other foreign exchange gains and losses based on the nature of those transactions are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

- (a) The operating results and financial position of all the Group entities and associates that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
 - i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
 - ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
 - iii. All resulting exchange differences are recognised in other comprehensive income.
- (b) When the foreign operation partially disposed of or sold is an associate, exchange differences that were recorded in other comprehensive income are proportionately reclassified to profit or loss as part of the gain or loss on sale. In addition, even when the Group still retains partial interest in the former foreign associate after losing significant influence over the former foreign associate, such transactions should be accounted for as disposal of all interest in these foreign operations.
- (c) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even when the Group still retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.

(5) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

- (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
- (b) Assets held mainly for trading purposes;
- (c) Assets that are expected to be realised within twelve months from the balance sheet date;
- (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

- (a) Liabilities that are expected to be settled within the normal operating cycle;
- (b) Liabilities arising mainly from trading activities;
- (c) Liabilities that are to be settled within twelve months from the balance sheet date;
- (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents. The Group's time deposits with short-term maturity (three months after the acquisition date) are classified as cash equivalents; time deposits that do not meet the definition of short-term are classified as current assets or non-current assets based on their maturity.

(7) Financial assets at fair value through profit or loss

A. Financial assets at fair value through profit or loss are financial assets held for trading. Financial assets are classified in this category of held for trading if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as financial assets held for trading unless they are designated as hedges.

B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using settlement date accounting.

C. Financial assets at fair value through profit or loss are initially recognised at fair value. Related transaction costs are expensed in profit or loss. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognised in profit or loss.

(8) Available-for-sale financial assets

A. Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. On a regular way purchase or sale basis, available-for-sale financial assets are recognised and derecognised using trade date accounting.

B. Available-for-sale financial assets are initially recognised at fair value plus transaction costs. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognised in other comprehensive income.

(9) Held-to-maturity financial assets

A. Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturity date that the Group has the positive intention and ability to hold to maturity other than those that meet the definition of loans and receivables and those that are designated as at fair value through profit or loss or as available-for-sale on initial recognition.

B. On a regular way purchase or sale basis, held-to-maturity financial assets are recognised and derecognised using settlement date accounting.

C. Held-to-maturity financial assets are initially recognised at fair value on the trade date plus transaction costs and subsequently measured at amortised cost using the effective interest

method, less provision for impairment. Amortisation of a premium or a discount on such assets is recognised in profit or loss.

(10) Accounts receivable

Accounts receivable are loans and receivables originated by the entity. They are created by the entity by selling goods or providing services to customers in the ordinary course of business. Accounts receivable are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. However, short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as effect of discounting is immaterial.

(11) Impairment of financial assets

A. The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

B. The criteria that the Group uses to determine whether there is objective evidence of an impairment loss is as follows:

- (a) Significant financial difficulty of the issuer or debtor;
- (b) A breach of contract, such as a default or delinquency in interest or principal payments;
- (c) The Group, for economic or legal reasons relating to the borrower's financial difficulty, granted the borrower a concession that a lender would not otherwise consider;
- (d) It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- (e) The disappearance of an active market for that financial asset because of financial difficulties;
- (f) Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered; or
- (g) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

C. When the Group assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made as follows according to the category of financial assets:

(a) Financial assets measured at amortised cost

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate, and is recognised in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortised cost that would have been at the date of reversal had the impairment loss not been recognised previously. Impairment

loss is recognised and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(b) Available-for-sale financial assets

The amount of the impairment loss is measured as the difference between the asset's acquisition cost (less any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, and is reclassified from 'other comprehensive income' to 'profit or loss'. If, in a subsequent period, the fair value of an investment in a debt instrument increases, and the increase can be related objectively to an event occurring after the impairment loss was recognised, then such impairment loss is reversed through profit or loss. Impairment loss of an investment in an equity instrument recognised in profit or loss shall not be reversed through profit or loss. Impairment loss is recognised and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(12) Derecognition of financial assets

The Group derecognises a financial asset when one of the following conditions is met:

- A. The contractual rights to receive the cash flows from the financial asset expire.
- B. The contractual rights to receive cash flows of the financial asset have been transferred and the Group has transferred substantially all risks and rewards of ownership of the financial asset.
- C. The contractual rights to receive cash flows of the financial asset have been transferred; however, the Group has not retained control of the financial asset.

(13) Lease receivables/ operating leases (lessor)

Lease income from an operating lease (net of any incentives given to the lessee) is recognised in profit or loss on a straight-line basis over the lease term.

(14) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(15) Investments accounted for using equity method / associates

- A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.
- B. The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

- C. When changes in an associate's equity that are not recognised in profit or loss or other comprehensive income of the associate and such changes not affecting the Group's ownership percentage of the associate, the Group recognises change in ownership interests in the associate in 'capital surplus' in proportion to its ownership.
- D. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- E. In the case that an associate issues new shares and the Group does not subscribe or acquire new shares proportionately, which results in a change in the Group's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for under the equity method' shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Group's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.
- F. Upon loss of significant influence over an associate, the Group remeasures any investment retained in the former associate at its fair value. Any difference between fair value and carrying amount is recognised in profit or loss.
- G. When the Group disposes its investment in an associate, if it loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it still retains significant influence over this associate, then the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

(16) Investment accounted for using equity method – joint ventures

Investment accounted for using equity method – joint ventures

The Group accounts for its interest in a joint venture using equity method. Unrealised profits and losses arising from the transactions between the Group and its joint venture are eliminated to the extent of the Group's interest in the joint venture. However, when the transaction provides evidence of a reduction in the net realisable value of current assets or an impairment loss, all such losses shall be recognised immediately. When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture together with any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the joint venture.

(17) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount

of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings	3~55 years
Machinery and equipment	2~ 9 years
Research and development equipment	2~ 8 years
Office equipment	3~ 6 years
Other tangible operating assets	2~10 years

(18) Operating leases (lessee)

Payments made under an operating lease (net of any incentives received from the lessor) are recognised in profit or loss on a straight-line basis over the lease term.

(19) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 50 years.

(20) Intangible assets

A. Computer software

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 1 to 3 years.

B. Goodwill

Goodwill arises in a business combination accounted for by applying the acquisition method.

(21) Impairment of non-financial assets

A. The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

B. The recoverable amounts of goodwill and intangible assets with an indefinite useful life are evaluated periodically. An impairment loss is recognised for the amount by which the asset's

carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognised in profit or loss shall not be reversed in the following years.

C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

(22) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(23) Notes and accounts payable

Notes and accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. However, short-term accounts payable without bearing interest are subsequently measured at initial invoice amount as effect of discounting is immaterial.

(24) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability specified in the contract is discharged or cancelled or expires.

(25) Provisions

Warranty provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognised as interest expense. Provisions are not recognised for future operating losses.

(26) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised as expenses in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognised as pension expenses when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit net obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.
- ii. Remeasurement arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.
- iii. Past service costs are recognised immediately in profit or loss.

C. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Group's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of redundancy benefits in exchange for the termination of employment. The Group recognises expense as it can no longer withdraw an offer of termination benefits or it recognises relating restructuring costs, whichever is earlier. Benefits that are expected to be due more than 12 months after balance sheet date shall be discounted to their present value.

D. Employees' compensation, directors' and supervisors' remuneration

Employees' remuneration and directors' and supervisors' remuneration are recognised as expenses and liabilities, provided that such recognition is required under legal obligation or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is distributed by shares, the Group calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(27) Employee share-based payment

For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-market vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. And ultimately, the amount of compensation cost recognised is based on the number of equity instruments that eventually vest. The aforementioned grant date represents the grant date resolved by the Board of Directors.

(28) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or

items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group operates and generates taxable income. An additional 10% tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

C. Deferred income tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the unconsolidated balance sheet. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

D. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred income tax assets are reassessed.

(29) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

(30) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are approved by the Company's shareholders. Cash dividends are recorded as liabilities.

(31) Revenue recognition

A. The Group manufactures and sells computer peripheral and component parts products. Revenue is measured at the fair value of the consideration received or receivable taking into account of business tax, returns, rebates and discounts for the sale of goods to external customers in the ordinary course of the Group's activities.

B. The Company offers customers volume discounts. The Company estimates such discounts and returns based on historical experience. Allowance accounts for such liabilities are recorded when the sales are recognised.

(32) Business combinations

A. The Group uses the acquisition method to account for business combinations. The consideration transferred for an acquisition is measured as the fair value of the assets transferred, liabilities incurred or assumed and equity instruments issued at the acquisition date, plus the fair value of any assets and liabilities resulting from a contingent consideration arrangement. All acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and

contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. For each business combination, the Group measures at the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to the proportionate share of the entity's net assets in the event of liquidation at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other non-controlling interests should be measured at the acquisition-date fair value.

B. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previous equity interest in the acquiree over the fair value of the identifiable assets acquired and the liabilities assumed is recorded as goodwill at the acquisition date. If the total of consideration transferred, non-controlling interest in the acquiree recognised and the fair value of previously held equity interest in the acquiree is less than the fair value of the identifiable assets acquired and the liabilities assumed, the difference is recognized directly in profit or loss on the acquisition date.

(33) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Group's chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors.

Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

(1) Critical judgements in applying the Group's accounting policies

None.

(2) Critical accounting estimates and assumptions

Evaluation of inventories

Inventories are stated at the lower of cost and net realizable value. For inventory which is saleable and obsolete inventory that is checked item by item, the net realizable value are determined based on past experience on industry. Management's judgement on determining net realizable value involves material judgement.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Cash on hand and petty cash	\$ 5,823	\$ 13,375
Checking accounts and demand deposits	6,720,524	4,756,780
Time deposits	<u>6,198,344</u>	<u>5,953,456</u>
	<u>\$ 12,924,700</u>	<u>\$ 10,723,611</u>

A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. The Group has no cash and cash equivalent pledged to others.

(2) Financial assets at fair value through profit or loss-current

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
<u>Financial assets held for trading</u>		
Open-end funds-Domestic	\$ 334,301	\$ 726,404
Open-end funds-Overseas	48,480	104,642
Listed (OTC) stocks	175,954	162,855
Corporate bonds	189,988	168,598
Government bonds	<u>168,729</u>	<u>16,298</u>
	917,452	1,178,797
Valuation adjustment	<u>71,017</u>	<u>8,798</u>
	<u>\$ 988,469</u>	<u>\$ 1,187,595</u>

A. The Group recognized net gain of \$87,596 and \$61,927 on financial assets held for trading for the years ended December 31, 2016 and 2015, respectively.

B. The counterparties of the Group's debt instrument investments have credit quality ratings above "investment grade".

C. The Group has no financial assets at fair value through profit or loss pledged to others.

(3) Available-for-sale financial assets

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
<u>Current items</u>		
Listed stocks	\$ 281,425	\$ 106,165
Valuation adjustment	54,397	(564)
Accumulated impairment	<u>(57,627)</u>	<u>(57,627)</u>
	<u>\$ 278,195</u>	<u>\$ 47,974</u>
<u>Non-current items</u>		
Listed stocks	\$ -	\$ 167,593
Emerging and unlisted stocks	<u>306,292</u>	<u>194,785</u>
Subtotal	306,292	362,378
Valuation adjustment	(17,329)	(4,510)
Accumulated impairment	<u>(22,654)</u>	<u>(22,654)</u>
	<u>\$ 266,309</u>	<u>\$ 335,214</u>

A. The Group recognised \$42,141 and (\$92,895) in other comprehensive income for fair value change and reclassified \$46,481 and \$32,149 from equity to profit or loss for the years ended December 31, 2016 and 2015, respectively.

B. The Group has no available-for-sale financial assets pledged to others.

(4) Held-to-maturity financial assets

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
<u>Current items</u>		
Bank debentures	\$ _____ -	\$ <u>150,990</u>

A. The counterparties of the Group's debt instrument investments have credit quality ratings above "investment grade".

B. As of December 31, 2015, no held-to-maturity financial assets held by the Group were pledged to others.

(5) Accounts receivable - net

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Accounts receivable- third parties	\$ 5,565,577	\$ 5,321,635
Less: Allowance for doubtful accounts	(169,220)	(117,002)
Accounts receivable- net	<u>\$ 5,396,357</u>	<u>\$ 5,204,633</u>

A. The Group's credit quality for accounts receivable is assessed in accordance with the customer's credit rating and the collection period for the calculation basis of impairment loss. The Group has an internal credit valuation policy for its customers and the Group's finance department routinely or randomly reevaluates whether the credit ratings are still appropriate and makes adjustments when necessary in order to ascertain the latest condition of the customers. The credit rating for customers is based on the scale of the industry operations, profit-generating conditions, and the credit rating given by financial institutions as references for assessment.

B. The ageing analysis was based on past due date. The Group did not hold any financial assets that were past due but not impaired for the year ended December 31, 2016.

C. Movement analysis of the allowance for bad debts of financial assets that were impaired is as follows:

	<u>2016</u>		
	<u>Individual provision</u>	<u>Group provision</u>	<u>Total</u>
At January 1	\$ -	\$ 117,002	\$ 117,002
Acquired from business combinations	-	45,255	45,255
Provision for impairment	-	14,246	14,246
Write-offs during the period	-	(5,450)	(5,450)
Effects of foreign exchange	-	(1,833)	(1,833)
At December 31	<u>\$ -</u>	<u>\$ 169,220</u>	<u>\$ 169,220</u>

	2015		
	Individual provision	Group provision	Total
At January 1	\$ 3,197	\$ 85,103	\$ 88,300
Provision for impairment	-	30,455	30,455
Write-offs during the period	(7,317)	(483)	(7,800)
Net exchange differences	4,120	1,927	6,047
At December 31	<u>\$ -</u>	<u>\$ 117,002</u>	<u>\$ 117,002</u>

D. The Group does not hold any collateral as security.

(6) Inventories

	December 31, 2016		
	Cost	Allowance for valuation loss	Book value
	Raw materials and supplies	\$ 2,949,470	(\$ 88,590)	$ 2,860,880
Work in process	1,026,514	(18,155)	1,008,359
Finished goods and merchandise inventories	5,929,140	(247,120)	5,682,020
	<u>\$ 9,905,124</u>	<u>(\$ 353,865)</u>	<u>\$ 9,551,259</u>

	December 31, 2015		
	Cost	Allowance for valuation loss	Book value
	Raw materials and supplies	\$ 1,989,693	(\$ 76,011)	$ 1,913,682
Work in process	1,435,297	(1,236)	1,434,061
Finished goods and merchandise inventories	5,261,267	(181,804)	5,079,463
	<u>\$ 8,686,257</u>	<u>(\$ 259,051)</u>	<u>\$ 8,427,206</u>

The cost of inventories recognised as expense for the period:

	Years ended December 31,	
	2016	2015
Cost of inventories sold	\$ 42,691,884	\$ 41,458,078
Cost of warranty	499,073	586,105
Loss on market decline of inventory	86,721	23,184
Others	14	13
	<u>\$ 43,277,692</u>	<u>\$ 42,067,380</u>

(7) Other current assets

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Other financial assets	\$ -	\$ 290,000
Other financial assets - time deposits	948,069	1,102,095
Pledged assets	6,764	7,767
Others	<u>241,045</u>	<u>185,675</u>
	<u>\$ 1,195,878</u>	<u>\$ 1,585,537</u>

A. Other financial assets are the Group's financial investments.

B. Information on restricted assets pledged as collateral to others is provided in Note 8.

(8) Investments accounted for using equity method

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
<u>Associates</u>		
Senyun Precise Optical Co., Ltd	\$ -	\$ 162,507
Qsan Technology Inc.	34,440	77,481
LCKT Yuan Chang Technology Co., Ltd. (Cayman)	<u>44,342</u>	<u>-</u>
	<u>\$ 78,782</u>	<u>\$ 239,988</u>

Joint ventures

LCKT Yuan Cheng Techno CO., LTD.	<u>\$ 324</u>	<u>\$ -</u>
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A. Abovementioned investments accounted for using equity method are based on investee companies' financial statements audited by other independent accountants.

B. The Group has no material associate or joint venture investment. The Group's share of the operating results of the aforementioned investments are summarized below:

(a) The Group's interests in all individually immaterial associates and the Group's share of the operating results are summarized below:

	<u>Years ended December 31,</u>	
	<u>2016</u>	<u>2015</u>
Comprehensive loss	<u>(\$ 86,848)</u>	<u>(\$ 64,275)</u>

(b) The Group's interests in all individually immaterial joint ventures and the Group's share of the operating results are summarized below:

	<u>Years ended December 31,</u>	
	<u>2016</u>	<u>2015</u>
Comprehensive loss	<u>(\$ 126)</u>	<u>\$ -</u>

C. Chi-Ga Investments Corp. participated in the cash capital increase of Senyun Precise Optical Co., Ltd. on November 18, 2016 amounting to \$233,323. As a result, Chi-Ga obtained control over the company and the share of ownership increased to 68.53%. For details, please refer to Note 6(28).

(9)Property, plant and equipment

	<u>Land</u>	<u>Buildings</u>	<u>Machinery</u>	<u>Others</u>	<u>Total</u>
<u>At January 1, 2016</u>					
Cost	\$ 1,012,103	\$ 3,321,268	\$ 3,143,923	\$ 1,275,121	\$ 8,752,415
Accumulated depreciation	-	(1,418,437)	(2,292,420)	(1,018,792)	(4,729,649)
	<u>\$ 1,012,103</u>	<u>\$ 1,902,831</u>	<u>\$ 851,503</u>	<u>\$ 256,329</u>	<u>\$ 4,022,766</u>

2016

Opening net book amount	\$ 1,012,103	\$ 1,902,831	\$ 851,503	\$ 256,329	\$ 4,022,766
Additions	-	8,709	146,241	129,791	284,741
Disposals	-	(2,102)	(36,150)	(14,152)	(52,404)
Reclassifications	(56,789)	(59,720)	12,607	(14,014)	(117,916)
Depreciation charge	-	(105,251)	(154,119)	(97,949)	(357,319)
Acquired from business combinations	-	-	198,651	52,430	251,081
Net exchange differences	(1,384)	(63,427)	(51,348)	(9,747)	(125,906)
Closing net book amount	<u>\$ 953,930</u>	<u>\$ 1,681,040</u>	<u>\$ 967,385</u>	<u>\$ 302,688</u>	<u>\$ 3,905,043</u>

At December 31, 2016

Cost	\$ 953,930	\$ 3,083,983	\$ 3,025,651	\$ 1,300,235	\$ 8,363,799
Accumulated depreciation	-	(1,402,943)	(2,058,266)	(997,547)	(4,458,756)
	<u>\$ 953,930</u>	<u>\$ 1,681,040</u>	<u>\$ 967,385</u>	<u>\$ 302,688</u>	<u>\$ 3,905,043</u>

	<u>Land</u>	<u>Buildings</u>	<u>Machinery</u>	<u>Others</u>	<u>Total</u>
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At January 1, 2015

Cost	\$ 991,418	\$ 3,318,301	\$ 3,250,972	\$ 1,221,873	\$ 8,782,564
Accumulated depreciation	-	(1,341,682)	(2,260,602)	(948,760)	(4,551,044)
	<u>\$ 991,418</u>	<u>\$ 1,976,619</u>	<u>\$ 990,370</u>	<u>\$ 273,113</u>	<u>\$ 4,231,520</u>

2015

Opening net book amount	\$ 991,418	\$ 1,976,619	\$ 990,370	\$ 273,113	\$ 4,231,520
Additions	-	41,407	61,096	92,856	195,359
Disposals	-	(2,719)	(6,001)	(18,211)	(26,931)
Reclassifications	18,316	7,668	1,007	733	27,724
Depreciation charge	-	(108,589)	(177,899)	(94,446)	(380,934)
Net exchange differences	2,369	(11,555)	(17,070)	2,284	(23,972)
Closing net book amount	<u>\$ 1,012,103</u>	<u>\$ 1,902,831</u>	<u>\$ 851,503</u>	<u>\$ 256,329</u>	<u>\$ 4,022,766</u>

At December 31, 2015

Cost	\$ 1,012,103	\$ 3,321,268	\$ 3,143,923	\$ 1,275,121	\$ 8,752,415
Accumulated depreciation	-	(1,418,437)	(2,292,420)	(1,018,792)	(4,729,649)
	<u>\$ 1,012,103</u>	<u>\$ 1,902,831</u>	<u>\$ 851,503</u>	<u>\$ 256,329</u>	<u>\$ 4,022,766</u>

The significant components of buildings include main plants and renovation projects, which are depreciated over 50 and 10 years, respectively.

(10) Investment property

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
<u>At January 1, 2016</u>			
Cost	\$ 81,019	\$ 101,591	\$ 182,610
Accumulated depreciation	-	(22,851)	(22,851)
	<u>\$ 81,019</u>	<u>\$ 78,740</u>	<u>\$ 159,759</u>
<u>2016</u>			
Opening net book amount	\$ 81,019	\$ 78,740	\$ 159,759
Reclassifications	56,789	61,127	117,916
Depreciation charge	-	(4,678)	(4,678)
Net exchange differences	-	(2,890)	(2,890)
Closing net book amount	<u>\$ 137,808</u>	<u>\$ 132,299</u>	<u>\$ 270,107</u>
<u>At December 31, 2016</u>			
Cost	\$ 137,808	\$ 186,577	\$ 324,385
Accumulated depreciation	-	(54,278)	(54,278)
	<u>\$ 137,808</u>	<u>\$ 132,299</u>	<u>\$ 270,107</u>
	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
<u>At January 1, 2015</u>			
Cost	\$ 99,335	\$ 112,765	\$ 212,100
Accumulated depreciation	-	(20,381)	(20,381)
	<u>\$ 99,335</u>	<u>\$ 92,384</u>	<u>\$ 191,719</u>
<u>2015</u>			
Opening net book amount	\$ 99,335	\$ 92,384	\$ 191,719
Reclassifications	(18,316)	(9,408)	(27,724)
Depreciation charge	-	(3,602)	(3,602)
Net exchange differences	-	(634)	(634)
Closing net book amount	<u>\$ 81,019</u>	<u>\$ 78,740</u>	<u>\$ 159,759</u>
<u>At December 31, 2015</u>			
Cost	\$ 81,019	\$ 101,591	\$ 182,610
Accumulated depreciation	-	(22,851)	(22,851)
	<u>\$ 81,019</u>	<u>\$ 78,740</u>	<u>\$ 159,759</u>

A. Rental income from the lease of the investment property and direct operating expenses arising from the investment property are shown below:

	<u>Years ended December 31,</u>	
	<u>2016</u>	<u>2015</u>
Rental income from the lease of the investment property	\$ <u>17,907</u>	\$ <u>11,287</u>
Direct operating expenses arising from the investment property that generated rental income in the period	\$ <u>4,678</u>	\$ <u>3,602</u>

B. The fair value of the investment property held by the Group as at December 31, 2016 and 2015 was \$347,886 and \$197,179, respectively, which was valued with reference to the future rental income and the related discounted cash flows of the investment property. Key assumptions are as follows:

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Discount rate	1.845%~2.700%	1.985%~2.990%

(11) Other non-current assets

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Guarantee deposits paid	\$ 96,246	\$ 64,955
Pledged assets	41,657	41,618
Land-use right	46,176	51,954
Other	<u>163,255</u>	<u>164,859</u>
	<u>\$ 347,334</u>	<u>\$ 323,386</u>

Information about the restricted assets that were pledged to others as collateral is provided in Note 8.

(12) Short-term borrowings

	<u>December 31, 2016</u>	<u>Interest rate range</u>	<u>Collateral</u>
Unsecured borrowings	\$ 140,000	1.2%~2.00%	None
Loan for purchase of raw material	<u>1,120</u>	2.05%	None
	<u>\$ 141,120</u>		

	<u>December 31, 2015</u>	<u>Interest rate range</u>	<u>Collateral</u>
Unsecured borrowings	<u>\$ 70,000</u>	1.24%	None

(13) Other payables

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Salary and bonus payable	\$ 2,156,207	\$ 2,156,343
Employees' compensation and directors' and supervisors' remuneration payable	368,622	215,578
Royalties payable	142,136	210,841
Shipping and freight-in payable	116,264	107,951
Marketing fee payable	155,411	252,904
Others	<u>36,865</u>	<u>248,511</u>
	<u>\$ 2,975,505</u>	<u>\$ 3,192,128</u>

(14) Provisions

A. Movement of the provision for warranty is as follows:

	<u>2016</u>	<u>2015</u>
At January 1	\$ 570,459	\$ 535,056
Additional provisions	499,073	586,105
Used during the period	(<u>508,299</u>)	(<u>550,702</u>)
At December 31	<u>\$ 561,233</u>	<u>\$ 570,459</u>

B. The Group gives warranties on the peripherals and accessories of computer hardware sold. Provision for warranty is estimated based on the historical repair records of the product.

(15) Other current liabilities

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Advance sales receipts	\$ 349,027	\$ 448,695
Long-term borrowings, current portion	2,000	-
Other	<u>312,873</u>	<u>325,495</u>
	<u>\$ 663,900</u>	<u>\$ 774,190</u>

(16) Long-term borrowings

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>December 31, 2016</u>
Unsecured borrowings	Borrowing period is from October 30, 2015 to October 30, 2020; interest is repayable	1.92%	None	\$ 7,667
Less: current portion				(<u>2,000</u>)
				<u>\$ 5,667</u>

The Group has undrawn borrowing facilities of \$8,500.

(17) Pensions

A. The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of

employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by the end of December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method, to the employees expected to be qualified for retirement next year, the Company will make contributions to cover the deficit by next March.

(a) The amounts recognised in the balance sheet are as follows:

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Present value of defined benefit obligations	(\$ 738,594)	(\$ 715,011)
Fair value of plan assets	<u>228,745</u>	<u>242,313</u>
Net defined benefit liability	<u>(\$ 509,849)</u>	<u>(\$ 472,698)</u>

(b) Movements in net defined benefit liabilities are as follows:

	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liability</u>
Year ended December 31, 2016			
Balance at January 1	(\$ 715,011)	\$ 242,313	(\$ 472,698)
Current service cost	(4,976)	-	(4,976)
Interest (expense) income	(10,683)	3,697	(6,986)
Past service cost	<u>409</u>	<u>-</u>	<u>409</u>
	<u>(730,261)</u>	<u>246,010</u>	<u>(484,251)</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(2,035)	(2,035)
Change in demographic assumptions	(21,343)	-	(21,343)
Change in financial assumptions	-	-	-
Experience adjustments	<u>(9,369)</u>	<u>-</u>	<u>(9,369)</u>
	<u>(30,712)</u>	<u>(2,035)</u>	<u>(32,747)</u>
Pension fund contribution	-	7,149	7,149
Paid pension	<u>22,379</u>	<u>(22,379)</u>	<u>-</u>
Balance at December 31	<u>(\$ 783,594)</u>	<u>\$ 228,745</u>	<u>(\$ 509,849)</u>

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2015			
Balance at January 1	(\$ 626,700)	\$ 243,579	(\$ 383,121)
Current service cost	(6,111)	-	(6,111)
Interest (expense) income	(12,499)	4,975	(7,524)
Past service cost	2,108	-	2,108
	<u>(643,202)</u>	<u>248,554</u>	<u>(394,648)</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	1,582	1,582
Change in demographic assumptions	(5,532)	-	(5,532)
Change in financial assumptions	(49,161)	-	(49,161)
Experience adjustments	(25,510)	-	(25,510)
	<u>(80,203)</u>	<u>1,582</u>	<u>(78,621)</u>
Pension fund contribution	-	571	571
Paid pension	8,394	(8,394)	-
Balance at December 31	<u>(\$ 715,011)</u>	<u>\$ 242,313</u>	<u>(\$ 472,698)</u>

(c) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2016 and 2015 is given in the Annual Labor Retirement Fund Utilisation Report published by the government.

(d) The principal actuarial assumptions used were as follows:

	<u>Years ended December 31,</u>	
	<u>2016</u>	<u>2015</u>
Discount rate	<u>1.50%</u>	<u>1.50%</u>
Future salary increases	<u>3.00%</u>	<u>3.00%</u>

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with 2012 Taiwan Standard Ordinary Experience Mortality Table.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	<u>Discount rate</u>		<u>Future salary increases</u>	
	<u>Increase 0.25%</u>	<u>Decrease 0.25%</u>	<u>Increase 0.25%</u>	<u>Decrease 0.25%</u>
December 31, 2016				
Effect on present value of defined benefit obligation	<u>(\$ 25,330)</u>	<u>\$ 26,516</u>	<u>\$ 26,056</u>	<u>(\$ 25,029)</u>
December 31, 2015				
Effect on present value of defined benefit obligation	<u>(\$ 25,306)</u>	<u>\$ 26,526</u>	<u>\$ 26,066</u>	<u>(\$ 25,006)</u>

The sensitivity analysis above is based on other conditions that are unchanged but only one assumption is changed. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

(e) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2017 amounts to \$13,896.

(f) As of December 31, 2016, the weighted average duration of that retirement plan is 13 years. The analysis of timing of the future pension payment was as follows:

Within 1 year	\$ 5,007
1-2 year(s)	9,704
2-5 years	53,414
Over 5 years	<u>880,211</u>
	<u>\$ 948,336</u>

B. Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of

employment. The pension costs under the defined contribution pension plans of the Group for the years ended December 31, 2016 and 2015 were \$88,389 and \$89,459, respectively.

The Company's mainland subsidiaries have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People's Republic of China (PRC) are based on certain percentage of employees' monthly salaries and wages. The contribution percentage for the years ended December 31, 2016 and 2015 was 12%~20% and 13%~21%, respectively. Other than the monthly contributions, the Group has no further obligations. For the years ended December 31, 2016 and 2015, the Company's mainland China subsidiaries have recognised pension cost of \$94,680 and \$83,017, respectively.

(18) Share-based payment

A. As of December 31, 2016, the Group's share-based payment arrangements were as follows:

<u>Type of arrangement</u>	<u>Grant date</u>	<u>Quantity granted</u>	<u>Contract period</u>	<u>Vesting conditions</u>
Employee stock options	2007.12.19	40,000,000 shares	10 years	2~4 years' service vested immediately

B. Details of the share-based payment arrangements are as follows:

	<u>Years ended December 31,</u>			
	<u>2016</u>		<u>2015</u>	
	<u>No. of options (in thousands)</u>	<u>Weighted-average exercise price (in dollars)</u>	<u>No. of options (in thousands)</u>	<u>Weighted-average exercise price (in dollars)</u>
Options outstanding at beginning of year	10,039	\$ 10.90	10,219	\$ 11.90
Options exercised	(55)	10.20	(180)	11.99
Options outstanding at end of year	<u>9,984</u>	10.20	<u>10,039</u>	10.90
Options exercisable at end of year	<u>9,984</u>		<u>10,039</u>	

C. The weighted-average stock price of stock options at exercise date of 2016 and 2015 was \$33.53~\$43.43 and \$26.04~\$39.33 (in dollars), respectively.

D. As of December 31, 2016 and 2015, the range of exercise price of stock options outstanding was \$10.20 and \$10.90, respectively, and the weighted-average remaining vesting period was 0.97 years, 1.97 years, respectively.

E. For the stock options granted by the Company with the compensation cost accounted for using the fair value method, their fair value on the grant date is estimated using the Black-Scholes option-pricing model. The weighted-average parameters used in the estimation of the fair value are as follows:

<u>Type of arrangement</u>	<u>Grant date</u>	<u>Stock price</u>	<u>Exercise price</u>	<u>Price volatility</u>	<u>Option life</u>	<u>Dividends</u>	<u>Interest rate</u>	<u>Fair value per unit</u>
Employee stock options	2007.12.19	\$ 19	\$ 19	39.16%	6.35 years	-	2.58%	\$ 8.1648

(19) Share capital

A. As of December 31, 2016, the Company's authorized capital was \$9,500,000, consisting of 950,000 thousand shares of ordinary shares (including 250,000 thousand shares reserved for employee stock options and for convertible bonds issued by the Company), and the paid-in capital was \$6,291,179 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected:

Movements in the number of the Company's ordinary shares outstanding are as follows:

	<u>2016</u>	<u>2015</u>
At January 1	629,062,886	628,882,886
Employee stock options exercised	<u>55,000</u>	<u>180,000</u>
At December 31,	<u><u>629,117,886</u></u>	<u><u>629,062,886</u></u>

B. The number of shares of common stock issued for the years ended December 31, 2016 and 2015 due to the exercise of employee stock options are 55,000 shares and 180,000 shares, respectively.

(20) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Law requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

(21) Retained earnings

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior year's operating losses and then 10% of the remaining amount shall be set aside as legal reserve, unless accumulated legal reserve has reached an amount equal to the Company's paid-in capital. And then special reserve shall be set aside or reversed according to the laws or decrees or the regulations of competent authorities. Appropriation (5% ~ 80%) of the remainder plus prior year's accumulated retained earnings shall be proposed by the Board of Directors and resolved by the stockholders. The Company's dividend policy is as follows: not less than 87% of distributable amounts as dividends to stockholders, of which, not less than 5% shall be distributed in the form of cash. If the cash dividend is less than NT\$0.1 per share, such dividend shall be distributed in the form of shares.

B. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the balance of the reserve exceeds 25% of the Company's paid-in capital.

C. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

The amounts previously set aside by the Company as special reserve of \$426,354 on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently.

D. The appropriation of 2015 earnings had been proposed by the Board of Directors on June 15, 2016 and the appropriation of 2014 earnings had been resolved at the stockholders' meeting on June 17, 2015. Details are summarized below:

	2015		2014	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ 192,006		\$ 239,710	
Cash dividends	1,572,657	\$ 2.50	1,698,335	\$ 2.70

E. As of the date of the auditor's report, the appropriation of retained earnings for 2016 has not been resolved by the Board of Directors. Information on the appropriation of the Company's earnings as proposed by the Board of Directors and resolved by the stockholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

F. For the information relating to employees' compensation and directors' and supervisors' remuneration, please refer to Note 6(25).

(22) Other income

	Years ended December 31,	
	2016	2015
Interest income	\$ 103,047	\$ 140,570
Dividend income	28,014	38,374
Other income	1,318,928	1,198,726
	<u>\$ 1,449,989</u>	<u>\$ 1,377,670</u>

(23) Other gains and losses

	Years ended December 31,	
	2016	2015
Net currency exchange (losses) gains	(\$ 33,309)	\$ 53,353
Gains on disposal of investments	71,601	39,159
Net gains on financial assets at fair value through profit or loss	87,596	54,917
Losses on disposal of property, plant and equipment	(36,239)	(24,339)
Impairment loss-Goodwill	(56,130)	-
Others	(24,766)	(15,126)
	<u>\$ 8,753</u>	<u>\$ 107,964</u>

(24) Expenses by nature

	Years ended December 31,	
	2016	2015
Cost of goods sold	\$ 42,446,300	\$ 41,206,716
Employee benefit expense	5,370,082	5,229,088
Depreciation and amortisation	538,871	576,352
Cost of warranty	499,073	586,105
Transportation expenses	366,707	375,106
Losses on doubtful debts	14,246	30,455
Other costs and expenses	<u>1,423,112</u>	<u>1,573,232</u>
Total	<u>\$ 50,658,391</u>	<u>\$ 49,577,054</u>

(25) Employee benefit expense

	Years ended December 31,	
	2016	2015
Wages and salaries	\$ 4,697,157	\$ 4,583,667
Labor and health insurance fees	270,617	291,705
Pension costs	194,622	184,003
Other personnel expenses	<u>207,686</u>	<u>169,713</u>
	<u>\$ 5,370,082</u>	<u>\$ 5,229,088</u>

A. According to the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' remuneration. The ratio shall be 3%~10% for employees' compensation and shall not be higher than 3% for directors' remuneration.

B. For the years ended December 31, 2016 and 2015, employees' compensation was accrued at \$319,978 and \$154,223, respectively; directors' and supervisors' remuneration was accrued at \$46,000 and \$60,000, respectively. The aforementioned amounts were recognised in salary expenses.

The employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on 10% and 1.44% of distributable profit of current year for the year ended December 31, 2016. The employees' compensation and directors' and supervisors' remuneration resolved by the Board of Directors were \$319,978 and \$46,000, respectively, and the employees' compensation will be distributed in the form of cash.

Employees' compensation and directors' and supervisors' remuneration of 2015 as resolved by the meeting of Board of Directors were in agreement with those amounts recognised in the 2015 financial statements.

Information about employees' compensation and directors' and supervisors' remuneration of the Company as resolved by the meeting of Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(26) Income tax

A. Income tax expense

(a) Components of income tax expense:

	<u>Years ended December 31,</u>	
	<u>2016</u>	<u>2015</u>
Current tax		
Current tax on profits for the period	\$ 647,584	\$ 449,607
Tax on undistributed surplus earnings	9,015	46,726
Adjustments in respect of prior years	<u>27,126</u>	<u>241,326</u>
	<u>683,725</u>	<u>737,659</u>
Deferred tax		
Origination and reversal of temporary differences (	47,372)	(5,503)
Effect of the exchange rate	<u>41,618</u>	<u>16,803</u>
	<u>(5,754)</u>	<u>11,300</u>
Income tax expense	<u>\$ 677,971</u>	<u>\$ 748,959</u>

(b) The income tax (charge)/credit relating to components of other comprehensive income is as follows:

	<u>Years ended December 31,</u>	
	<u>2016</u>	<u>2015</u>
Remeasurement of defined benefit obligations	(\$ 5,567)	(\$ 13,365)

B. Reconciliation between income tax expense and accounting profit

	<u>Years ended December 31,</u>	
	<u>2016</u>	<u>2015</u>
Tax calculated based on profit before tax and statutory tax rate	\$ 503,595	\$ 454,182
Expenses disallowed by tax regulation	49,709	20,204
Tax exempted income by tax regulation	(11,473)	(8,103)
Effect from tax credit of investment	-	(52,827)
Tax on undistributed surplus earnings	9,015	46,726
Prior year income tax (over)underestimation	27,126	241,326
Changes in assessment of realization of deferred tax assets	46,495	32,194
Effect of tax from different applicable taxes within the Group	<u>53,504</u>	<u>15,257</u>
Income tax expense	<u>\$ 677,971</u>	<u>\$ 748,959</u>

C. Amounts of deferred tax assets or liabilities as a result of temporary difference is as follows:

	<u>Year ended December 31, 2016</u>				
	<u>January 1</u>	<u>Recognised in profit or loss</u>	<u>Recognised in other comprehensive income</u>	<u>Business combination</u>	<u>December 31</u>
<u>Deferred tax assets</u>					
Provision for warranty expense	\$ 75,625	(\$ 173)	\$ -	\$ -	\$ 75,452
Loss on inventory	29,349	882	-	1,975	32,206
Amount of allowance for bad debts that exceed the limit for tax purpose	2,999	4,521	-	7,345	14,865
Pension expense	36,676	750	-	-	37,426
Unrealized profit on intercompany sales	44,021	(4,572)	-	-	39,449
Unrealized exchange gain	-	651	-	-	651
Impairment loss on non-financial assets	-	2,278	-	2,285	4,563
Gains on remeasurement of defined benefit obligations	9,249	-	5,567	-	14,816
Others	<u>80,774</u>	<u>35,610</u>	<u>-</u>	<u>10,392</u>	<u>126,776</u>
	<u>278,693</u>	<u>39,947</u>	<u>5,567</u>	<u>21,997</u>	<u>346,204</u>
<u>Deferred tax liabilities</u>					
Unrealized exchange gain	(17,534)	7,206	-	-	(10,328)
Others	<u>-</u>	<u>219</u>	<u>-</u>	<u>(375)</u>	<u>(156)</u>
	<u>(17,534)</u>	<u>7,425</u>	<u>-</u>	<u>(375)</u>	<u>(10,484)</u>
	<u>\$ 261,159</u>	<u>\$ 47,372</u>	<u>\$ 5,567</u>	<u>\$ 21,622</u>	<u>\$ 335,720</u>

Year ended December 31, 2015				
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
<u>Deferred tax assets</u>				
Provision for warranty expense	\$ 75,734	(\$ 109)	\$ -	\$ 75,625
Loss on inventory	29,589	(240)	-	29,349
Amount of allowance for bad debts that exceed the limit for tax purpose	-	2,999	-	2,999
Pension expense	34,812	1,864	-	36,676
Unrealized profit on intercompany sales	63,731	(19,710)	-	44,021
Gains on remeasurement of defined benefit obligations	-	-	9,249	9,249
Others	62,951	17,823	-	80,774
	<u>266,817</u>	<u>2,627</u>	<u>9,249</u>	<u>278,693</u>
<u>Deferred tax liabilities</u>				
Unrealized exchange gain	(19,773)	2,239	-	(17,534)
Gains (losses) on remeasurments of defined benefit obligations	(4,116)	-	4,116	-
Others	(637)	637	-	-
	<u>(24,526)</u>	<u>2,876</u>	<u>4,116</u>	<u>(17,534)</u>
	<u>\$ 242,291</u>	<u>\$ 5,503</u>	<u>\$ 13,365</u>	<u>\$ 261,159</u>

D. Expiration dates of unused taxable loss and amounts of unrecognised deferred tax assets are as follows:

December 31, 2016				
Year incurred	Amount filed/ assessed	Unused amount	Unrecognised deferred tax assets	Usable until year
2007	\$ 421,786	\$ 421,786	\$ 421,786	2017
2008	343,356	343,356	343,356	2018
2009	423,520	423,520	423,520	2019
2010	334,750	322,083	322,083	2020
2011	116,913	116,913	116,913	2021
2012	164,468	164,468	164,468	2022
2013	120,379	120,379	120,379	2023
2014	164,552	164,552	164,552	2024
2015	317,274	317,274	317,274	2025
2016 (Note)	328,536	328,536	328,536	2026
	<u>\$ 2,735,534</u>	<u>\$ 2,722,867</u>	<u>\$ 2,722,867</u>	

December 31, 2015

Year incurred	Amount filed/ assessed	Unused amount	Unrecognised deferred tax assets	Usable until year
2006	\$ 366,081	\$ 366,081	\$ 366,081	2016
2007	421,786	421,786	421,786	2017
2008	343,356	343,356	343,356	2018
2009	423,520	423,520	423,520	2019
2010	334,750	322,083	322,083	2020
2011	116,913	116,913	116,913	2021
2012	164,468	164,468	164,468	2022
2013	120,379	120,379	120,379	2023
2014	164,552	164,552	164,552	2024
2015 (Note)	<u>263,949</u>	<u>263,949</u>	<u>263,949</u>	2025
	<u>\$ 2,719,754</u>	<u>\$ 2,707,087</u>	<u>\$ 2,707,087</u>	

Note: These amounts were based on estimates.

E. The Company's income tax returns through 2014 have been assessed and approved by the Tax Authority.

The prior years' underestimation of income tax and interest expense of the Company's subsidiary in Mainland China has been adjusted for the related taxes in its books.

F. Unappropriated retained earnings

	Years ended December 31,	
	2016	2015
Earnings generated in and before 1997	\$ 62,797	\$ 62,797
Earnings generated in and after 1998	<u>7,986,165</u>	<u>7,485,144</u>
	<u>\$ 8,048,962</u>	<u>\$ 7,547,941</u>

G. Details related to the shareholders' imputation tax credit amount and creditable tax ratio are as follows:

	Years ended December 31,	
	2016	2015
Imputation tax credit account balance	<u>\$ 1,207,828</u>	<u>\$ 1,051,653</u>

	Years ended December 31,	
	2016 (Estimated)	2015 (Actual)
Creditable tax ratio of the total distributed retained earnings	<u>19.11%</u>	<u>16.77%</u>

(27) Earnings per share

	<u>Year ended December 31, 2016</u>		
		Weighted average number of ordinary shares outstanding	Earnings per share
	<u>Amount after tax</u>	<u>(share in thousands)</u>	<u>(in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 2,292,864	629,074	\$ <u>3.64</u>
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares			
— Employees' compensation	-	7,424	
— Convertible bonds	-	<u>7,382</u>	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 2,292,864</u>	<u>643,880</u>	<u>\$ 3.56</u>

	<u>Year ended December 31, 2015</u>		
		Weighted average number of ordinary shares outstanding	Earnings per share
	<u>Amount after tax</u>	<u>(share in thousands)</u>	<u>(in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 1,920,065	629,019	\$ <u>3.05</u>
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares			
— Employees' bonus	-	4,231	
— Convertible bonds	-	<u>6,867</u>	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 1,920,065</u>	<u>640,117</u>	<u>\$ 3.00</u>

(28) Business combinations

- A. On November 18, 2016, the Group acquired 18.66% (original share of ownership is 49.87%) of the share capital of Senyun Precise Optical Co., Ltd for \$233,323 and obtained the control of Senyun Precise Optical Co., Ltd. The Company is engaged in the manufacturing and sale of optical precision mold and professional optical lens in Taiwan. As a result of the acquisition, the Group is expected to increase its presence in these markets. It also expects to reduce costs through economies of scale.
- B. The following table summarises the consideration paid for Senyun Precise Optical Co.,Ltd and the fair values of the assets acquired and liabilities assumed at the acquisition date, as

well as the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets at the acquisition date:

	<u>November 18, 2016</u>
Purchase consideration- Cash paid	\$ 233,323
Fair value of equity interest in Senyun Precise Optical Co.,Ltd held before the business combination	135,273
The non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets	<u>149,615</u>
	<u>518,211</u>
Fair value of the identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	266,082
Notes and accounts receivable	107,047
Other receivables	165
Inventories	96,782
Prepayments	16,524
Deferred income tax assets	21,998
Other current assets	2,802
Property, plant and equipment	251,081
Intangible assets	26,570
Other non-current assets	7,747
Short-term borrowings	(194,147)
Notes and accounts payable	(19,619)
Other payables	(51,458)
Other current liabilities	(21,026)
Long-term borrowings	(34,692)
Deferred tax liabilities	(375)
Total identifiable net assets	<u>475,481</u>
Goodwill	<u>\$ 42,730</u>

- C. The Group held 49.87% equity interest in Senyun Precise Optical Co., Ltd. before the business combination. The equity investment gain due to fair value remeasurement amounted \$22,831 and shown as 'gain on disposal of investment' as described in Note 6(23).
- D. The operating revenue included in the consolidated statement of comprehensive income since November 18, 2016 contributed by Senyun Precise Optical Co.,Ltd was \$22,584. Senyun Precise Optical Co.,Ltd also contributed profit (loss) before income tax of (\$62,737) over the same period. Had Senyun Precise Optical Co.,Ltd been consolidated from January 1, 2016, the consolidated statement of comprehensive income would show operating revenue of \$52,573,917 and profit before income tax of \$2,864,625.

7.RELATED PARTY TRANSACTIONS

(1)Significant related party transactions and balances

The related parties are included in the consolidated financial statements, and the related transactions are all eliminated.

(2) Key management compensation

	Years ended December 31,	
	2016	2015
Salaries and other short-term employee benefits	\$ 280,496	\$ 286,093

8. PLEGGED ASSETS

The Group's assets pledged as collateral are as follows:

Pledged asset	Book value		Purpose
	December 31, 2016	December 31, 2015	
Pledged asset (accounted for as "Other current assets" and "Other non-current assets") - Pledged deposits	\$ 48,421	\$ 49,385	Guarantee for the customs duties and deposits

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

None.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue employee stock option or buyback and retire treasury stock.

(2) Financial instruments

A. Fair value information of financial instruments

Except for those listed in the table below, the carrying amounts of the Group's financial instruments not measured at fair value (including cash and cash equivalents, notes receivable, accounts receivable, other receivables, other financial assets, held-to-maturity financial assets, short-term borrowings, notes payable, accounts payable, other payables, long-term borrowings and deposits received) are approximate to their fair values. The fair value information of financial instruments measured at fair value is provided in Note 12(3).

B. Financial risk management policies

(a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial

markets and seeks to minimise potential adverse effects on the Group's financial position and financial performance.

- (b) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

a. The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

b. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: RMB). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	<u>December 31, 2016</u>		
	Foreign currency amount (In Thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 365,724	32.279	\$ 11,805,205
<u>Non-monetary items</u>			
USD:NTD	15,093	32.279	\$ 487,187
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ 155,527	32.279	\$ 5,020,256

				<u>December 31, 2015</u>		
				Foreign currency amount (In Thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
	USD:NTD	\$	170,762	33.066	\$	5,646,416
<u>Non-monetary items</u>						
	USD:NTD		4,848	33.066	\$	160,304
<u>Financial liabilities</u>						
<u>Monetary items</u>						
	USD:NTD	\$	128,754	33.066	\$	4,257,380

- c. The total exchange gain (loss), including realised and unrealized arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2016 and 2015, amounted to loss of \$33,309 and gain of \$53,353, respectively.
- d. Analysis of foreign currency market risk arising from significant foreign exchange variation:

				<u>Year ended December 31, 2016</u>		
				<u>Sensitivity analysis</u>		
				<u>Degree of variation</u>	<u>Effect on profit or loss</u>	<u>Effect on other comprehensive income</u>
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
	USD:NTD	1%	\$ 118,052	\$		-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
	USD:NTD	1%	\$ 50,203	\$		-

				<u>Year ended December 31, 2015</u>		
				<u>Sensitivity analysis</u>		
				<u>Degree of variation</u>	<u>Effect on profit or loss</u>	<u>Effect on other comprehensive income</u>
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
	USD:NTD	1%	\$ 56,464	\$		-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
	USD:NTD	1%	\$ 42,574	\$		-

Price risk

- a. The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated balance sheet either as available-for-sale or at fair value through profit or loss. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.
- b. The Group's investments in equity securities comprise foreign and domestic listed, unlisted stocks and beneficiary certificates. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, post-tax profit for the years ended December 31, 2016 and 2015 would have increased/decreased by \$6,534 and \$9,684, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have increased/decreased by \$5,445 and \$3,832, respectively, as a result of gains/losses on equity securities classified as available-for-sale.

Interest rate risk

- a. The domestic bond fund investment by the Group was held mainly for trading purposes, the effective interest rate of this fund is affected by the market interest rate.
- b. The investment floating bonds of the Group were range accrual notes, the effective interest rate of these notes are affected by the market interest rate; accordingly, the Group's future cash flows would fluctuate with the market interest rate change.
- c. For fixed interest rate bond investments held by the Group classified as financial assets at fair value through profit or loss, changes in market interest rates would affect their fair values. At December 31, 2016 and 2015, if market interest rates had been 1% higher/lower with all other variables held constant, other comprehensive income for the years ended December 31, 2016 and 2015 would have been \$3,351 and \$2,192 lower/higher, respectively.
- d. At December 31, 2016 and 2015, if interest rates on borrowings had been 0.1% higher/lower with all other variables held constant, profit for the years ended December 31, 2016 and 2015 would have been \$140 and \$0 lower/higher, respectively, mainly as a result of higher interest expense on floating rate borrowings.

(b) Credit risk

- a. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.

- b. The bond fund held by the Group was issued by well-known foreign banks and securities investment trust companies owned by or affiliated with domestic financial holding companies with good credit standing. Since the Group trades with several securities investment trust companies, credit risk is low.
- c. The Group has lower significant concentrations of credit risk, due to investment in corporate bonds or financial bonds. The maximum loss to the Group is the total amount of all book value.
- d. The Group has lower significant concentrations of credit risk. It has policies in place to ensure that wholesale sales of products are made to customers with an appropriate credit history. The Group had credit insurance coverage for a majority of its customers. Accordingly, credit risk is low. No credit limits were exceeded during the reporting periods, and management does not expect any significant losses from non-performance by these counterparties.
- e. Loan guarantees provided by the Group are in compliance with the Group's "Procedures for Provision of Endorsements and Guarantees" and are only provided to affiliated companies of which the Group owns directly or indirectly more than 50% ownership or a company which trades with the Group. As the Company is fully aware of the credit conditions of these related parties, it has not asked for collateral for the loan guarantees provided. In the event that these related parties fail to comply with loan agreements with banks, the maximum loss to the Group is the total amount of loan guarantees as listed above.
- f. The credit quality information of financial assets that are neither past due nor impaired is provided in the statement for each type of financial asset in Note 6.
- g. The individual analysis of financial assets that had been impaired is provided in the statement for each type of financial asset in Note 6.

(c) Liquidity risk

- a. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times.
- b. The table below analyses the Group's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows:

Non-derivative financial liabilities:

December 31, 2016	<u>Less than 1 year</u>	<u>Between 1 and</u>		<u>Total</u>
		<u>2 years</u>	<u>Over 2 years</u>	
Short-term borrowings	\$ 141,120	\$ -	\$ -	\$ 141,120
Notes payable	34,358	-	-	34,358
Accounts payable	7,884,351	-	-	7,884,351
Other payables	2,975,505	-	-	2,975,505
Long-term borrowings (including current portion)	-	-	7,667	7,667

Non-derivative financial liabilities:

December 31, 2015	<u>Less than 1 year</u>	<u>Between 1 and</u>		<u>Total</u>
		<u>2 years</u>	<u>Over 2 years</u>	
Short-term borrowings	\$ 70,000	\$ -	\$ -	\$ 70,000
Notes payable	37,139	-	-	37,139
Accounts payable	4,978,471	-	-	4,978,471
Other payables	3,192,128	-	-	3,192,128

- c. The Group does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis will be significantly earlier, nor expect the actual cash flow amount will be significantly different.

(3) Fair value information

- A. Details of the fair value of the Group's financial assets and financial liabilities not measured at fair value are provided in Note 12(2)A. Details of the fair value of the Group's investment property measured at cost are provided in Note 6(10).
- B. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:
- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Group's investment in listed stocks, beneficiary certificates, corporate bonds and government bonds is included in Level 1.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Unobservable inputs for the asset or liability. The fair value of the Group's investment in equity investment without active market is included in Level 3.
- C. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities at December 31, 2016 and 2015 is as follows:

December 31, 2016	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ 653,352	\$ -	\$ -	\$ 653,352
Debt securities	335,117	-	-	335,117
Available-for-sale financial assets				
Equity securities	<u>278,195</u>	<u>-</u>	<u>266,309</u>	<u>544,504</u>
Total	<u>\$ 1,266,664</u>	<u>\$ -</u>	<u>\$ 266,309</u>	<u>\$ 1,532,973</u>

December 31, 2015	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ 968,371	\$ -	\$ -	\$ 968,371
Debt securities	219,224	-	-	219,224
Available-for-sale financial assets				
Equity securities	<u>173,057</u>	<u>-</u>	<u>210,131</u>	<u>383,188</u>
Total	<u>\$ 1,360,652</u>	<u>\$ -</u>	<u>\$ 210,131</u>	<u>\$ 1,570,783</u>

D. The methods and assumptions the Group used to measure fair value are as follows:

- (a) The instruments the Group used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

	<u>Listed shares</u>	<u>Open-end fund</u>	<u>Government bond and corporate bond</u>
Market quoted price	Closing price	Net asset value	Weighted average quoted price

- (b) Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the balance sheet date.
- (c) When assessing non-standard and low-complexity financial instruments, for example, debt instruments without active market, interest rate swap contracts, foreign exchange swap

contracts and options, the Group adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.

- (d) For high-complexity financial instruments, the fair value is measured by using self-developed valuation model based on the valuation method and technique widely used within the same industry. The valuation model is normally applied to derivative financial instruments, debt instruments with embedded derivatives or securitised instruments. Certain inputs used in the valuation model are not observable at market, and the Group must make reasonable estimates based on its assumptions.
- (e) The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Group's financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs, for example, model risk or liquidity risk and etc. In accordance with the Group's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the balance sheet date. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.
- (f) The Group takes into account adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the Group's credit quality.

E. For the years ended December 31, 2016 and 2015, there was no transfer between Level 1 and Level 2.

F. The following chart is the movement of Level 3 for the years ended December 31, 2016 and 2015:

	Years ended December 31,	
	2016	2015
At January 1,	\$ 210,131	\$ 153,461
Acquired in the period	223,761	70,344
Sold in the period	(118,573)	(3,813)
Gains and losses recognised in other comprehensive income	(40,610)	639
Capital deducted by returning cash	(8,400)	(10,500)
At December 31,	<u>\$ 266,309</u>	<u>\$ 210,131</u>

G. For the years ended December 31, 2016 and 2015, there was no transfer into or out from Level 3.

H. Financial segment is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently updating inputs used to the valuation model and making any other necessary adjustments to the fair value.

- I. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	<u>Fair value at December 31, 2016</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Relationship of inputs to fair value</u>
Venture capital shares Private equity fund investment	\$ 266,309	Net asset value	Not applicable	Not applicable

	<u>Fair value at December 31, 2015</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Relationship of inputs to fair value</u>
Venture capital shares Private equity fund investment	\$ 210,131	Net asset value	Not applicable	Not applicable

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

- A. Loans to others: None.
- B. Provision of endorsements and guarantees to others: Please refer to table 1.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 2.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more: Please refer to table 3.
- H. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: Please refer to table 4.
- I. Trading in derivative instruments undertaken during the reporting periods: None.
- J. Significant inter-company transactions during the reporting periods: Please refer to table 5.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 6.

(3) Information on investments in Mainland China

- A. Basic information: Please refer to table 7.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 8.

14. SEGMENT INFORMATION

(1) General information

The Group management has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions. The Group's operating segments are

segregated into the global brand business group and other business group based on the revenues from all sources.

Global brand business group: in-charge of the development and sale of main boards, interface cards, notebooks and computer peripherals.

Other business group: in-charge of the development and sale of network & communication products and cell phones.

The Group's company organization, basis of department segmentation and principles for measuring segment information for the period were not significantly changed.

(2) Measurement of segment information

The Board of Directors assesses the performance of the operating segments based on the operating income (loss).

(3) Information about segment profit or loss, assets and liabilities

The segment information provided to the Chief Operating Decision-Maker for the reportable segments is as follows:

Year ended December 31, 2016

	Global brand business group	Other business group	Total
Total segment revenue	\$ 47,025,609	\$ 5,321,780	\$ 52,347,389
Operating income (loss)	\$ 2,432,270	(\$ 743,272)	\$ 1,688,998
Depreciation and amortization	\$ 79,579	\$ 459,292	\$ 538,871
Total assets (Note)	\$ -	\$ -	\$ -
Total liabilities (Note)	\$ -	\$ -	\$ -

Year ended December 31, 2015

	Global brand business group	Other business group	Total
Total segment revenue	\$ 44,439,743	\$ 6,389,049	\$ 50,828,792
Operating income (loss)	\$ 2,152,651	(\$ 900,913)	\$ 1,251,738
Depreciation and amortization	\$ 67,450	\$ 508,902	\$ 576,352
Total assets (Note)	\$ -	\$ -	\$ -
Total liabilities (Note)	\$ -	\$ -	\$ -

Note: As the Group's assets and liabilities are not the measurement items used by the Chief Operating Decision-Maker in evaluating segments, the measurement amount of the assets and liabilities that shall be disclosed is zero.

(4) Reconciliation for segment income (loss)

The revenue from external parties and segment profit (loss) reported to the Chief Operating Decision-Maker are measured in a manner consistent with those in the statement of comprehensive income. Therefore, such reconciliation is not required.

(5) Information on products and services

The revenue from external parties was derived primarily from the development and sale of main boards, peripheral cards, notebooks, computer peripherals, network & communication products and cell phones.

Detail of revenue balance is as follows:

<u>Items</u>	<u>Years ended December 31,</u>	
	<u>2016</u>	<u>2015</u>
Main boards	\$ 26,798,980	\$ 28,914,499
Peripheral cards	18,675,999	13,821,911
Server	4,874,820	5,502,606
Others	<u>1,997,590</u>	<u>2,589,776</u>
	<u>\$ 52,347,389</u>	<u>\$ 50,828,792</u>

(6) Geographical information

A. Revenue by geographic area:

	<u>Years ended December 31,</u>	
	<u>2016</u>	<u>2015</u>
China	\$ 15,783,580	\$ 17,245,365
Europe	12,063,750	10,954,415
Taiwan	2,472,628	2,252,568
Others	<u>22,027,431</u>	<u>20,376,444</u>
Total	<u>\$ 52,347,389</u>	<u>\$ 50,828,792</u>

B. Non-current assets:

	<u>Years ended December 31,</u>	
	<u>2016</u>	<u>2015</u>
Taiwan	\$ 2,708,683	\$ 2,826,720
China	1,441,546	1,770,130
Others	<u>505,591</u>	<u>183,193</u>
Total	<u>\$ 4,655,820</u>	<u>\$ 4,780,043</u>

(7) Major customer information

There was no customer accounting for more than 10% of the Group's operating revenue for the years ended December 31, 2016 and 2015.

VI. State the financial position of the Company if any insolvency occurs in the Company or affiliates in the most recent year until the date this report is printed: None

Seven. Financial position and the review and analysis of financial performance and risks

I. Financial Position

Analysis on financial positions - IFRS

Unit: NTD 1,000

Subject \ Year	2016 (Consolidated)	2015 (Consolidated)	Change	
			Amount	%
Current assets	30,955,717	27,846,683	3,109,034	11.16
Fund & Investment	3,905,043	4,022,766	-117,723	-2.93
Fixed AssetsReal estate, factory, and equipment	54,230	34,144	20,086	58.83
Other assets	1,309,060	1,337,040	-27,980	-2.09
Total assets	36,224,050	33,240,633	2,983,417	8.98
Current liabilities	12,651,024	10,132,956	2,518,068	24.85
Other Non-current liabilities	604,083	554,258	49,825	8.99
Total liabilities	13,255,107	10,687,214	2,567,893	24.03
Equity attributable to owners of the parent	22,810,505	22,538,968	271,537	1.2
Equity	6,291,179	6,290,629	550	0.01
Capital surplus	4,602,046	4,601,581	465	0.01
Retained earnings	12,092,633	11,399,606	693,027	6.08
Other shareholder's Equity	-175,353	247,152	-422,505	-170.95
Non-controlling interests	158,438	14,451	143,987	996.38
Total shareholder's Equity	22,968,943	22,553,419	415,524	1.84
Significant Material Changes and Analysis: <ol style="list-style-type: none"> 1. Current liabilities: Amounts payable increased as the operating cost and inventory increases. 2. Other equity: These figures are the results of the difference in currency conversion from the financial statements of overseas affiliates and the increase in unrealized loss of financial assets. 				

II. Financial Performance

(I) Comparison of Operating Results - IFRS

Unit: NTD1,000

Subject \ Year	2016 (Consolidated)	2015 (Consolidated)	Differences	
			Amount	%
Sales	52,347,389	50,828,792	1,518,597	2.99
Gross profit	9,069,697	8,761,412	308,285	3.52
Operating income	1,688,998	1,251,738	437,260	34.93
Non-operating income & expenses	1,273,323	1,419,921	-146,598	-10.32
Net profit before tax	2,962,321	2,671,659	290,662	10.88
Net income from continuing operations	—	—	—	—
Loss from discounted operations	—	—	—	—
Net Income	2,284,350	1,922,700	361,650	18.81
Other comprehensive incomes (net after tax)	-449,685	-254,090	-195,595	76.98
Total comprehensive income	1,834,665	1,668,610	166,055	9.95
<p>Analysis of Changes:</p> <p>1. Operating income increased as both revenue and gross profit increased from the previous period.</p> <p>2. The total comprehensive loss is higher than the previous period due to the exchange rate difference when converting the financial statements of overseas organizations.</p> <p>Revenue expected for the future year and its basis, plus the main factors that affect the continued growth or decline of the Company's expected revenue:</p> <p>Looking out into 2017, it is hoped that the release of motherboards with new chipsets cards and upgrading to Windows 10 platforms can maintain steady sales growth</p>				

III. Cash Flow

Analysis of Cash Flow - IFRS

(I) Analysis of liquidity over the last two years

Unit:%

Subject /year	2015	2015	Difference (%)
Cash flow ratio	33.22	34.55	-1.33
Cash flow adequacy ratio	116.98	113.52	+3.46
Cash reinvestment ratio	9.50	6.58	+2.92
Explanation for changes: Differences over the years are minimal and normal.			

(II) Analysis on liquidity for the next year

Unit: NTD1,000

Cash Balance At beginning period (1)	Estimated cash flow from Operations for the year (2)	Estimated cash outflow For the year (3)	Estimated cash balance (short) For the year (1)+(2)-(3)	Corrective actions on cash short	
				Investment plan	Financial plan
12,924,700	2,018,900	1,790,231	13,153,369	—	—
1. Analysis of projected cash flow Changes in 2017					
(1) Business activity: 2017 revenues are expected to grow slightly and generate cash income from business activities.					
(2) Investment and financing activities: No major equipment purchases or local and overseas investments are planned in 2017. The emphasis will remain on the issuing of cash dividends.					
2.Measures to make up deficient cash flow and liquidity analysis: N/A					

IV. The Effect of major capital spending on financial position and operation

(I) Major capital spending and sources of capital:

Unit: NTD1,000

The plan	Equipment Purchase	Actual or projected date of completion	Total amount of capital needed	Actual or projected use of capital
				2016
		105.12	284,741	284,741

(II) Expected Result: N/A

- V. The direct investment policy of the Company over the last five years, major cause for profit or loss and improvement plan, investment plan in next year

Analysis on Direct Investments

Unit: NTD 1,000

Item	Description	The amount of investment income (loss)(Note)	Investment Policy	Major cause for profit or loss	Improvement plan	Investment plan in the future
Giga-Byte Communications Inc.		(26,386)	Functional mobile phones and smartphones	Demand was low due to the poor economic condition in the target markets.	Relevant business has been shut down.	None
G-Style		(126,090)	Sales of NB and gaming NB products	High competition, low margin	Transform products into niche products/transfer to niche market	None
Gigazone		(138,999)	Development and sales of IoT application products	Unsmooth new product development	Relevant business has been shut down.	None
SenYun Precision Optical		(135,323)	manufacture, and sales of optical lens	Revenue not up to an economic scale.	Aggressive customer cultivation and production technology improvement	None

Note: Disclosed companies are subsidiaries that are actively operating and over which Gigabyte has controlling power (owns 50% of their shares).

VI. Risk Management and Evaluation

- (I) The effect of interest rate and exchange rate volatility, inflation on the income status of the Company and measures to cope with the problem:
1. Effect of interest rate volatility and countermeasures: None
 2. Effect of exchange rate volatility and countermeasures:
 - (1) Over 90% of the Company's products are exported and traded in US Dollar. Major purchases are also traded in US Dollar. Naturally, the Company hedges 80% of such transactions. Gigabyte monitors currency market trends and steadily regulates the USD position to reduce the impact of exchange rates on the Company's profit.
 - (2) All domestic sales in China by subsidiaries are traded in CNY. As large volatility in the CNY exchange rate will affect our Company's hedging strategy and profitability we use natural hedging and forward exchange in principle. As USD and CNY often go reversely, our Company balances these USD and CNY positions for hedging.
 3. The effect of inflation on the profit and loss status of the Company and responding measures: None
- (II) The engagement in the investment in high risk and high leverage investments, financing a third party, acting as guarantor in favor of a third party by endorsement, and the policy in derivative trade, the causes of loss or profit from such activities and the measures for coping with the problem:
1. For outward loans, endorsement/guarantee and derivatives, Giga-Byte has faithfully complied with the policies duly enacted in accordance with "Procedures in Acquisition or Disposal of Assets", "Procedures in Outward Loans of Capitals" and "Procedures in Endorsement/guarantee" and conservative policy. Under no circumstances has Giga-Byte engaged in high leverage investment.
 2. Company acting as the guarantor:

March 31, 2017
Unit: 1000 NTD

Endorsee	Affiliation to the Company	Upper limit of guarantee (Note)	Upper limit of guarantee to the same enterprise (Note)	Balance under guaranty at ending period
Cloud Ride Limited	2 nd level subsidiary	6,873,447	300,326	166,848

Note: The ceiling of total outstanding guarantees is 30% of the Company's net value. The ceiling for a single party (except the Company's 100% owned subsidiary) is 20% of the net value, and should not exceed 50% of the Company's capital.

- (III) R&D plans, the current progress of R&D plans in progress, R&D expenses that should be committed in the future, expected date of volume production, and the factors contributing to successful R&D in the future in the most recent year and up to the publication date of the annual report:

1. R&D Plans in the Most Recent Year:

1. World's top motherboards

Through continual innovation in leading-edge technology and ultrahigh performance, we have launched the brand-new Ultra Gaming series motherboards using X99 and Z170 platforms for gamers to explore and experience true virtual reality (VR) and 4K display with more innovative designs and perfect support of Intel's first deca-core (10-core) processor for the consumer market, in order to help gamers to build gaming systems with ultimate performance. The brand-new Z170-Ultra Gaming range is equipped with built-in U.2 slots and multi-graphics support to deliver PCIe Gen3 x 4 bandwidth for the quick processing of huge data required for VR and 4K resolution games and the

quick computing of special effects of a large quantity of images. Even the most demanding requirements, Z170-Ultra Gaming motherboards can manage. The integrated sound chip with professionally certified signal output from the earphone jack with an S/N ratio at 120dB+ reproduces live sound effects comparable to any discrete sound cards enables gamers to clearly hear whatever tiny sounds in any games to take the initiative. Both the X99 and Z170 ranges in the Ultra Gaming series are equipped with programmable LED modules for users to control the colors and display mode of LED lights with the Gigabyte's exclusive Ambient LED application. If more special effects are desired, Ultra Gaming motherboards are equipped with power supply for additional RGB LED stripes for gamers to make their systems look cooler. Gigabyte products always fulfill the needs of gamers, overclockers, and computer professionals.

2. Market-leading graphics cards

Inheriting the DNA—pursuit of ultimate performance—of the XTREME GAMING series, the GeForce® GTX 1080 XTREME GAMING WATERFORCE WB water-cooled graphics card combines the next-gen Pascal architecture with powerful performance and Gigabyte's Water Block, a brand-new all-in-one closed loop water cooling system. Covering up the whole card, the Water Head directly touches the GPU, memory chip, and other important components with a supersized copper base plate to provide extreme cooling efficiency with the guide of composite heat pipes. In order to bring gamers extremely high-performance gaming experience with extreme comfort, the optimized waterway design for fluent liquid flow efficiently exchanges the waste heat from major components at zero noise to maintain steady operation of the GPU and memory chip at a low temperature in overclocking state. The XTREME GAMING class GPU is equipped to ensure optimal energy efficiency and the least power consumption loss. By boosting frequency up to 1936MHz in the OC mode, gamers can recklessly turn on all special effects to enjoy extremely smooth gaming experience. The power supply featuring 12+2 power phases significantly enhances stability to stimulate the overclocking potential for XTREME GAMING. Top-quality ultradurable materials assures overall card performance. To meet the strong desire to build own gaming systems of water-cooling experts, this graphics card is equipped with true-color RGB lighting effect emitting cool and shining light from the edge. Through the Xtreme Engine software, gamers can tailor a unique visual style for their own gaming systems from 16.8M customizable color options and numerous lighting effects. The glorious black metal back plate provides solid protection and makes the card more robust and look neatly. The aerospace-grade PCB coating provides protection from inside and out to effectively fortify the overall structure and assure moisture resistance, dust resistance, and corrosion resistance. The Xtreme VR Link tailored uniquely for VR application enables gamers to directly connect VR equipment on the two extra native HDMI ports in front of the card without the need of any adaptor while connecting screens on other HDMI ports to enjoy true VR effect in games. By fulfilling the need for multiple I/Os to connect VR equipment and multiple HDMI screens, the Xtreme VR Link allows gamers to recklessly enjoy the smoothness of extreme-speed games. The overclocking function also helps gamers challenge and conquer difficulties at different levels and find triumph with unrivalled performance.

3. Innovation-leading servers

We also developed innovation-leading cloud servers and launched OpenRack total solutions ahead of competitors. By combining Gigabyte's highest-end servers using 3M's Novec™ engineered fluids, we developed a thermal solution that can reduce energy consumption and related costs and provide high stability and maximum system computing performance at the least power consumption. This solution even starts the possibility of heat recovery on servers to realize the datacenter revolution and future technology solution! As a manufacturer dedicated to the continual innovation of general-purpose computing on graphics processing units (GPGPU), Gigabyte integrates the most advanced GPUs in the market to bring new possibilities to high-performance computing (HPC). Together with the virtualization technology, power management featuring execution performance and energy conservation, customization service, and perfect support for customer AP platforms, we provide customers with options of greater flexibility.

4. Gaming laptops with unrivalled performance

On the same day NVIDIA® announced the new-generation notebook GPUs, Gigabyte launched a number of major models in its advanced gaming laptop and slim gaming laptop ranges using the brand-new NVIDIA® GeForce® GTX 10 GPU. With the new-generation Pascal™ architecture, the discrete display performance is significantly enhanced, and along with the 6th generation Intel® Core™ i7 quad-core CPUs, all gaming laptops can easily support VR games and enable gamers to enjoy a smooth gaming experience at 4K resolution. The advanced gaming laptops include the 15-inch P55 and 17-inch P57 equipped with the NVIDIA® GeForce® GTX GPU. The unique body design is inspired by the streamlined appearance and powerful muscle contour of super sports cars and decorated by the classic cool orange color. The dual hard drive storage is equipped with M.2 PCIe SSDs for speed storage in override and the next-generation DDR4 memory modules. Other features include ghosting backlit keyboard supporting 30-key rollover to ensure no miss in any dreadful fight. In addition, the P57 is equipped with a swappable bay for ODD/extendable storage slot to fulfill the need for large storage and extreme speed at the same time, making it the first option of gamers since it was launched. The P55 gaming laptop is tailored for gamers. The keyboard with a high key travel at 2.2mm provides a hitting effect rarely found in laptops. Together with the cool backlight, gamers can enjoy great fun in games even in the dark! All gaming laptops are equipped with the internationally renowned professional live broadcast software XSplit Gamecaster and Broadcaster for gamers to easily broadcast their exciting engagements live on Twitch at any time. Gigabyte also equips laptops with the automatic background removal software TriDef® SmartCam ahead of competitors. The exclusive algorithm can automatically detect and remove the background of the gamer's location in a live broadcast session for gamers to get rid of struggling with the green curtain for professional background removal and thereby make a live session more professional. With insistence on high quality, ultra-durability, and high performance, Gigabyte successfully builds beyond-compare gaming laptops ahead of competitors to fulfill the desire for supreme performance of gamers, making Gigabyte gaming laptops the first choice and the most powerful for gaming.

5. Mini PC system champion—Brix™

The brand-new BRIX™ Gaming UHD mini PC system creates an unprecedented appearance and definition to change the definition and value of gaming PC. With a mini, compact, and fashionable appearance, the Brix™ is equipped with the powerful Intel® CPU and discrete NVIDIA GeForce GTX950 GPU in available space to significantly enhance display capacity. Thanks to the improvement of the NVIDIA Maxwell™ core architecture, the display performance has been enhanced by three times of the previous generation, making it comparable to any desktops and capable of handling majority games at 1080p resolution. The two M.2 (2280) SSD slots, and two 2.5” HDD slots fulfill the needs of home PCs, business PCs, and education PCs at the same time. The new-generation BRIX™ continues the excellent design tradition of its predecessors. Equipped with the 7th generation Intel® CPUs with a new microarchitecture featuring higher power efficiency and an optimal chip process for better performance than the previous generation. The dynamic control of GPU performance and power management is achieved by Turbo Boost 2.0 technology for greater performance or energy saving effect based on different needs to support the latest multimedia standards and boost graphics performance at 10% higher than the previous generation for gamers to experience more details. The new-generation Intel® HD graphics provides HEVC 10-bit hardware acceleration for better and more stable computing in 4K video playback or editing than the previous generation to demonstrate extraordinary user experience.

6. Award-winning gaming peripherals

Gigabyte launched the XK700 keyboard equipped with the Superior CHERRY MX mechanical key-switch to provide quiet and smooth tactile feel and support full-range NKRO for gamers to ensure all attack commands are accurately executed. The step-less bottom supports allow gamers to adjust to the desired height by turning. Large-area non-slippery rubber cushions firmly secure the keyboard in place in any dreadful operations. The unique shiny silver metal plate and 16.8M colors backlit keys for free adjustments are for gamers to show off in any arenas.

The XH300 gaming headset is equipped with a 50mm supersized full-range unit to deliver live stereo sound effect. The universally bendable microphone allows gamers to adjust to the best pick-up position to ensure interference-free communication among teammates. The comfortable ergonomic structure combining with lightweight design assures prolonged gaming. The 16.8M customizable RGB lighting on both sides allows gamers to customize their own styles.

The XC700W full-tower case has spacious interior space and excellent cooling performance to provide DIY gamers with perfect platform-building flexibility for whatever CPU coolers or liquid cooling systems. On the minimalist metal appearance design, a anodized aluminum cover provides robust protection and enhances overall rigidity. The 4mm-thick panoramic side window is made of smoked tempered glass for gamers to see the interior. Along with the 16.8M customizable RGB lighting, gamers can always build a unique personal gaming system.

The XTC700 is equipped with three sets of pure copper direct-touch heat pipes and dual 12cm PWM fans to effectively discharge waste heat from the CPU at very low noise. The patented blade with 3D stripe curve enhances airflow by 23% at the same speed. The 2-ball bearing design assures stable performance in prolonged gaming. The XTREME GAMING token is equipped with 16.8M customizable RGB lighting for gamers to customize light colors to add delight to their system.

To build an ultimate gaming environment for gamers, Gigabyte launched the first Xtreme Gaming chair featuring a high racing seatback with a large backward angle and multiple adjustments that meet ergonomic needs for gamers to make adjustments according to their physique for the best operation or resting position in a game. It also designed to relieve musculoskeletal stress for prolonged gaming. The extra headrest cushion and lumbar cushion provide full cervical and lumbar support for gamers to challenge the extreme in games.

2. Progress of unaccomplished R&D plans:

Persist to present different types of new products ahead of the others in the industry.

3. The R&D expenses that should be committed will remain at the same level as that of the previous year. About NT\$1,300 million more will be invested.

4. Projection on mass production:

Mass production has proceeded as scheduled in the research and development plans.

A number of advanced and diverse products were presented.

5. Major factors that affect the future success of R&D

Initiation of projects that further expand our superiority in R&D, supporting hardware and equipment with Cloud services and applications for innovative software and hardware integrations. In addition to providing users with astounding functions, our products have also continued to garner awards and external recognition. We are able and confident in providing our customers with the best products by driving new innovative technologies and marketing of our new products and adhering to our practical and steadfast business philosophies that aims to sustainably maximize the value of our brand

(IV) The influence of significant Changes of policies and laws, domestic or foreign, toward the finance of the Company and the corresponding measures in the most recent year and up to the publication date of the annual report:

Gigabyte management is compliant to both local and international laws. Various departments are able to keep track of changes to major policies and laws and adjust our internal control and management policies as well as business activities where appropriate to ensure smooth business operations. Hence, Gigabyte is able to respond in a timely and effective manner to changes in important policies and laws.

(V) The influence of Changes of technology and in the industry toward the finance of the Company and the corresponding measures in the most recent year and up to the publication date of the annual report:

Gigabyte has been involved in this industry for many years and has continuously invested large amounts of resources for the R&D of new technologies, achieving a first rate R&D capability in our fields. Additionally, Gigabyte's management team maintains constant vigilance for future trends and technologies, and would adjust corporate business strategies and expand new market opportunities so that Gigabyte would remain

in effective command of the overall economic environment and be aware of possible changes to corporate finances and businesses resulting from changes in the industry.

- (VI) Gigabyte garnered another award for the nineteenth time in a row and has repeatedly won international design awards. We shall be able to maintain our superior corporate image.
- (VII) Expected results from mergers and acquisition and possible risk: N/A
- (VIII) Expected results from expansion of facilities and possible risk: See Item IV.
- (IX) Possible risks from concentration of purchase and sales:
The Company's biggest customer is Giga-Byte Technology B.V., the 100% owned Dutch subsidiary. This Dutch subsidiary makes up 10% of Gigabyte's entire net revenue, and sells Gigabyte's mother boards and VGA products in Europe. From the viewpoint of the group, the revenue sources of the subsidiary are from customers based in Europe, and thus Gigabyte does not face the risk of concentrating business in one particular customer. In terms of vendors, Gigabyte does not face the risk of concentrating business in one particular from a single vendor, and thus does not have risks of doing business with one particular company.
- (X) The effect and risk of the massive transaction of or conversion of shares by directors, supervisors or dominant shareholders of the Company holding more than 10% of the stakes:
There were no massive transactions or conversion of shares effected by the directors or dominant shareholders of the Company holding more than 10% of the stakes in 2016 or as of date of publication.
- (XI) The effect and risks of the Change of the management: N/A.
- (XII) Litigious or Non-Litigious Events: None
- (XIII) Other major risks and responding measures: None.

VII. Others: None.