GIGA-BYTE TECHNOLOGY CO., LTD.
PARENT COMPANY ONLY FINANCIAL STATEMENTS
AND REPORT OF INDEPENDENT ACCOUNTANTS
DECEMBER 31, 2017 AND 2016

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

GIGA-BYTE TECHNOLOGY CO., LTD.
PARENT COMPANY ONLY FINANCIAL STATEMENTS
AND REPORT OF INDEPENDENT ACCOUNTANTS
DECEMBER 31, 2017 AND 2016

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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, 2017 and 2016, 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 financial position of the Company as at December 31, 2017 and 2016, and its financial performance and 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 judgement, 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.

Key audit matters for the parent company only financial statements of the current period are stated as follows:

Revenue from significant new counterparties

Description

Please refer to Note 4(26) for the accounting policies on revenue recognition. For the year ended December 31, 2017, the parent company only operating revenue amounted to NT$57,213,666 thousand.

The Company has various customers across the world and there was no revenue from a single customer that exceeds 10% of parent company only operating revenue. Given that verifying the existence of the transaction counterparty is critical to the revenue recognition, the occurrence of revenue from significant new counterparties 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 an understanding of the revenue recognition policy, and the consistency of the policy application during the financial reporting periods.
2. Obtained an understanding and tested credit check procedures for significant new counterparties. Verified that the transactions with significant new counterparties have been properly approved and agreed with supporting documentation, which include searching transaction counterparty's related information.
3. Obtained an understanding and tested the selling price and credit terms of significant new counterparties.
4. Interviewed with management and obtained an understanding for the reason of accounts receivable overdue from significant new counterparties in order to evaluate the reasonableness.
5. Sampled and tested detailed revenue schedules of significant new counterparties and verified the original supporting documentation.
6. Issued accounts receivable confirmation letters to significant new counterparties. Understood the reason and tested reconciling items made by the Company if the result in confirmation reply did not correspond to records, or tested collections after balance sheet if no confirmation reply was received.

Assessment of allowance for valuation of inventory loss

Description

Please refer to Note 4(11) for the accounting policies on evaluation of inventories; Note 5(2) for uncertainty of accounting estimates and assumption on inventory evaluation; and Note 6(4) for the details of the inventories. As of December 31, 2017, the inventories and allowance for valuation loss amounted to NT$8,533,810 thousand and NT$152,724 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 that inventories amount are significant and the net realisable value of individually identified obsolete inventories has uncertainty based on prior industry 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 an 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 an understanding of the warehouse management procedures, reviewed annual physical inventory count plan and participated in the annual inventory count. Evaluated the effectiveness of management controls on identifying and managing obsolete inventories.

3. Tested the appropriateness of system logic in inventory aging report which management adopts for inventories valuation purpose, and verified that obsolete inventories which exceeds certain aging periods were included in the report.

4. Evaluated the reasonableness of obsolete or damaged inventory items which were 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 aging period of aging and individually identified as 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 $76,901 thousand and $78,782 thousand, representing 0.20% and 0.22% of total parent company only assets as of December 31, 2017 and 2016, respectively, and total net comprehensive loss were $14,189 thousand and $36,783 thousand, representing (0.50%) and (2.00%) 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 judgement 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 15, 2018

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, 2017 AND 2016
(Expressed in thousands of New Taiwan dollars)

			December 31, 2017		December 31, 2016	
	Assets	Notes	Amount	%	Amount	%
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 11,036,514	29	$ 9,307,785	26
1110	Financial assets at fair value through profit or loss - current	6(2)	421,007	1	460,599	1
1150	Notes receivable-net		5,352	-	8,048	-
1170	Accounts receivable-net	6(3)	3,949,604	11	3,094,347	9
1180	Accounts receivable-related parties-net	7	2,338,274	6	2,325,325	7
1200	Other receivables		295,560	1	276,231	1
130X	Inventories-net	6(4)	8,381,086	22	9,264,512	26
1470	Other current assets		61,237	-	84,561	-
11XX	**Total current assets**		26,488,634	70	24,821,408	70
	Non-current assets					
1550	Investments accounted for under equity method	6(5)	8,809,612	23	7,586,732	22
1600	Property, plant and equipment-net	6(6)	2,160,918	6	2,213,725	6
1760	Investment property-net	6(7)	176,700	-	210,891	1
1780	Intangible assets		14,014	-	27,774	-
1840	Deferred income tax assets	6(20)	232,111	1	235,905	1
1900	Other non-current assets	6(8) and 8	180,300	-	177,186	-
15XX	**Total non-current assets**		11,573,655	30	10,452,213	30
1XXX	**Total assets**		$ 38,062,289	100	$ 35,273,621	100

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GIGA-BYTE TECHNOLOGY CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2017 AND 2016
(Expressed in thousands of New Taiwan dollars)

	Liabilities and Equity	Notes	December 31, 2017 Amount	%	December 31, 2016 Amount	%
	Liabilities					
	Current liabilities					
2150	Notes payable		$ 18,628	-	$ 29,869	-
2170	Accounts payable		8,293,689	22	7,459,360	21
2180	Accounts payable-related parties	7	944,944	2	451,863	1
2200	Other payables	6(9)	3,336,517	9	2,743,958	8
2230	Current income tax liabilities		98,181	-	318,097	1
2250	Provisions for liabilities - current	6(10)	444,706	1	443,832	1
2300	Other current liabilities	7	265,881	1	467,745	2
21XX	**Total current liabilities**		13,402,546	35	11,914,724	34
	Non-current liabilities					
2570	Deferred income tax liabilities	6(20)	7,542	-	10,328	-
2600	Other non-current liabilities	6(11)	562,300	2	538,064	1
25XX	**Total non-current liabilities**		569,842	2	548,392	1
2XXX	**Total liabilities**		13,972,388	37	12,463,116	35
	Equity					
	Capital stock	6(13)				
3110	Common stock		6,356,889	17	6,291,179	18
	Capital surplus	6(14)				
3200	Capital surplus		3,962,314	10	4,602,046	13
	Retained earnings	6(15)				
3310	Legal reserve		3,846,604	10	3,617,317	10
3320	Special reserve		426,354	1	426,354	1
3350	Unappropriated retained earnings	6(20)	9,567,977	25	8,048,962	23
	Other equity					
3400	Other equity		(70,237)	-	(175,353)	-
3XXX	**Total equity**		24,089,901	63	22,810,505	65
	Significant events after the balance sheet date	11				
3X2X	**Total liabilities and equity**		$ 38,062,289	100	$ 35,273,621	100

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, 2017 AND 2016

(Expressed in thousands of New Taiwan dollars, except for earnings per share)

	Items	Notes	2017 Amount	2017 %	2016 Amount	2016 %
4000	**Operating revenue**	7	$ 57,213,666	100	$ 49,735,072	100
5000	**Operating costs**	6(4)(18)(19) and 7	(49,124,330)	(86)	(42,420,138)	(85)
5900	**Gross profit**		8,089,336	14	7,314,934	15
	Operating expenses	6(18)(19) and 7				
6100	Selling expenses		(3,233,728)	(6)	(2,687,687)	(6)
6200	General and administrative expenses		(1,031,976)	(2)	(1,069,263)	(2)
6300	Research and development expense		(1,849,544)	(3)	(1,623,503)	(3)
6000	**Total operating expenses**		(6,115,248)	(11)	(5,380,453)	(11)
6900	**Operating profit**		1,974,088	3	1,934,481	4
	Non-operating revenue and expenses					
7010	Other income	6(7)(16)	443,664	1	1,195,414	3
7020	Other gains and losses	6(17)	(162,358)	-	53,111	-
7050	Finance costs		(286)	-	(349)	-
7070	Share of profit of subsidiaries, associates and joint ventures accounted for under the equity method	6(5)	785,603	1	(348,858)	(1)
7000	**Total non-operating revenue and expenses**		1,066,623	2	899,318	2
7900	**Profit before income tax**		3,040,711	5	2,833,799	6
7950	Income tax expense	6(20)	(254,300)	(-)	(540,935)	(1)
8200	**Profit for the year**		$ 2,786,414	5	$ 2,292,864	5
	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(11)	($ 36,990)	-	($ 32,747)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(20)	6,288	-	5,567	-
8310	**Components of other comprehensive loss that will not be reclassified to profit or loss**		(30,702)	-	(27,180)	-
	Components of other comprehensive income that will subsequently be reclassified to profit or loss					
8361	Exchange differences arising from translation of foreign operations		(54,825)	-	(464,646)	(1)
8380	Share of other comprehensive income (loss) of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss		159,941	-	(42,141)	-
8360	**Components of other comprehensive loss that will be reclassified to profit or loss**		(105,116)	-	(422,505)	(1)
8300	**Other comprehensive income (loss) for the year, net**		$ 74,414	-	($ 449,685)	(1)
8500	**Total comprehensive income for the year**		$ 2,860,825	5	$ 1,843,179	4
9750	**Basic earnings per share**	6(21)	$ 4.41		$ 3.64	
9850	**Diluted earnings per share**		$ 4.30		$ 3.56	

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, 2017 AND 2016

(Expressed in thousands of New Taiwan dollars)

				Retained earnings			Other equity		
	Notes	Capital stock-Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences arising from translation of foreign operations	Unrealised gain (loss) on valuation of available-for-sale financial assets	Total equity
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(15)								
Legal reserve		-	-	192,006	-	(192,006)	-	-	-
Cash dividends		-	-	-	-	(1,572,657)	-	-	(1,572,657)
Share-based payment	6(12)	550	11	-	-	-	-	-	561
Changes in equity of associates accounted for using 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	(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
Year 2017									
Balance at January 1, 2017		$ 6,291,179	$ 4,602,046	$ 3,617,317	$ 426,354	$ 8,048,962	($ 212,540)	$ 37,187	$ 22,810,505
Appropriations of 2016 earnings:	6(15)								
Legal reserve		-	-	229,287	-	(229,287)	-	-	-
Cash dividends		-	-	-	-	(1,007,407)	-	-	(1,007,407)
Cash distribution from capital surplus	6(14)	-	(629,630)	-	-	-	-	-	(629,630)
Share-based payment	6(12)	65,710	(2,566)	-	-	-	-	-	63,144
Effects on capital reorganisation		-	1,852	-	-	-	-	-	1,852
Changes in equity of associates and subsidiaries accounted for using equity method		-	(1,966)	-	-	-	-	-	(1,966)
Disposal of investments accounted for using equity method		-	(7,422)	-	-	-	-	-	(7,422)
Profit for the year		-	-	-	-	2,786,411	-	-	2,786,411
Other comprehensive income for the year		-	-	-	-	(30,702)	(54,825)	159,941	74,414
Balance at December 31, 2017		$ 6,356,889	$ 3,962,314	$ 3,846,604	$ 426,354	$ 9,567,977	($ 267,365)	$ 197,128	$ 24,089,901

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, 2017 AND 2016
(Expressed in thousands of New Taiwan dollars)

	Notes	2017	2016
Cash flows from operating activities			
Profit before income tax		$ 3,040,711	$ 2,833,799
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(6)(18)	134,828	118,893
Depreciation charge on investment property	6(7)	1,408	1,643
Amortization	6(18)	154,962	153,099
Provision (reversal of provision) for doubtful accounts	6(3)(18)	13,319	(10,576)
Net loss on financial assets at fair value through profit or loss	6(2)(17)	14,807	18,449
Interest expense		286	349
Interest income	6(16)	(66,068)	(56,229)
Share of (income) loss of subsidiaries and associates accounted for using the equity method	6(5)	(785,603)	348,858
Gain on disposal of property, plant and equipment	6(17)	(400)	(1,233)
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		24,785	(199,047)
Notes receivable		2,696	(2,250)
Accounts receivable		(881,525)	(711,318)
Other receivables		(18,868)	20,108
Inventories		883,426	(972,072)
Other current assets		23,324	(17,605)
Net changes in liabilities relating to operating activities			
Notes payable		(11,241)	(5,346)
Accounts payable		1,327,410	2,574,166
Other payables		592,559	(18,591)
Provisions for liabilities		874	(1,018)
Other current liabilities		(201,864)	(155,878)
Other non-current liabilities		11,181	4,404
Cash generated from operations		4,261,007	3,922,605
Interest received		65,607	56,155
Interest paid		(286)	(349)
Income tax paid		(466,920)	(452,109)
Net cash provided by operating activities		3,859,408	3,526,302

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GIGA-BYTE TECHNOLOGY CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

(Expressed in thousands of New Taiwan dollars)

	Notes	2017	2016
Cash flows from investing activities			
Proceeds from disposal of held-to-maturity financial assets		$ -	$ 150,990
Acquisition of investments accounted for using equity method		(349,317)	(140,000)
Acquisition of property, plant and equipment	6(6)	(49,238)	(171,131)
Proceeds from disposal of property, plant and equipment		400	9,574
Increase in refundable deposits		(3,829)	(1,863)
Acquisition of intangible assets		(45,843)	(156,597)
Decrease in other financial assets		-	290,000
(Increase) decrease in other non-current assets		(94,643)	4,771
Net cash used in investing activities		(542,470)	(14,256)
Cash flows from financing activities			
(Decrease) increase in deposits received		(14,316)	10,109
Cash dividends paid	6(15)	(1,007,407)	(1,572,657)
Employee stock options exercised	6(12)	63,144	561
Cash distribution from capital surplus	6(14)	(629,630)	-
Net cash used in financing activities		(1,588,209)	(1,561,987)
Increase in cash and cash equivalents		1,728,729	1,950,059
Cash and cash equivalents at beginning of year		9,307,785	7,357,726
Cash and cash equivalents at end of year		$ 11,036,514	$ 9,307,785

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, 2017 AND 2016
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANISATION

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 manufacturing, 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 AUTHORISATION FOR ISSUANCE OF THE PARENT COMPANY ONLY FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These parent company only financial statements were authorized for issuance by the Board of Directors on March 15, 2018.

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")

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10, IFRS 12 and IAS 28, 'Investment entities: applying the consolidation exception'	January 1, 2016
Amendments to IFRS 11, 'Accounting for acquisition of interests in joint operations'	January 1, 2016
IFRS 14,'Regulatory deferral accounts'	January 1, 2016
Amendments to IAS 1, 'Disclosure initiative'	January 1, 2016
Amendments to IAS 16 and IAS 38, 'Clarification of acceptable methods of depreciation and amortisation'	January 1, 2016
Amendments to IAS 16 and IAS 41, 'Agriculture: bearer plants'	January 1, 2016
Amendments to IAS 19, 'Defined benefit plans: employee contributions'	July 1, 2014
Amendments to IAS 27, 'Equity method in separate financial statements'	January 1, 2016
Amendments to IAS 36, 'Recoverable amount disclosures for non-financial assets'	January 1, 2014

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 39, 'Novation of derivatives and continuation of hedge accounting'	January 1, 2014
IFRIC 21, 'Levies'	January 1, 2014
Annual improvements to IFRSs 2010-2012 cycle	July 1, 2014
Annual improvements to IFRSs 2011-2013 cycle	July 1, 2014
Annual improvements to IFRSs 2012-2014 cycle	January 1, 2016

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

(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 the FSC effective from 2018 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 2, 'Classification and measurement of share-based payment transactions'	January 1, 2018
Amendments to IFRS 4, 'Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts'	January 1, 2018
IFRS 9, 'Financial instruments'	January 1, 2018
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
Amendments to IFRS 15, 'Clarifications to IFRS 15 Revenue from contracts with customers'	January 1, 2018
Amendments to IAS 7, 'Disclosure initiative'	January 1, 2017
Amendments to IAS 12, 'Recognition of deferred tax assets for unrealised losses'	January 1, 2017
Amendments to IAS 40, 'Transfers of investment property'	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 Company's financial condition and financial performance based on the Company'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.

C. Amendments to IFRS 15, ‘Clarifications to IFRS 15 Revenue from contracts with customers’

The amendments clarify how to identify a performance obligation (the promise to transfer a good or a service to a customer) in a contract; determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided);

and determine whether the revenue from granting a licence should be recognised at a point in time or over time. In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for a company when it first applies the new Standard.

When adopting the new standards endorsed by the FSC effective from 2018, the Company will apply the new rules under IFRS 9 retrospectively from January 1, 2018, with the practical expedients permitted under the statement. Further, the Company expects to adopt IFRS 15 using the modified retrospective approach. The significant effects of applying the new standards as of January 1, 2018 are summarised below:

A. In line with the regulations of IFRS 9 on provision for impairment, accounts receivable will have to be increased by $5,999 and retained earnings increased by $4,799.

B. Recognition of deferred tax

When adopting the initial application of IFRS 9, the Company will have to recognise adjustments in the balance sheet which would result to temporary differences. Accordingly, deferred tax assets will have to be decreased by $1,200.

C. Presentation of contract assets and contract liabilities

In line with IFRS 15 requirements, the Company expects to change the presentation of certain accounts in the balance sheet as follows:

Under IFRS 15, liabilities in relation to commodity contracts are recognised as contract liabilities, but were previously presented as advance sales receipts in the balance sheet. As of January 1, 2018, the balance would amount to $132,458.

(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 as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
Amendments to IFRS 9, 'Prepayment features with negative compensation'	January 1, 2019
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 16, 'Leases'	January 1, 2019
IFRS 17, 'Insurance contracts'	January 1, 2021
Amendments to IAS 19, 'Plan amendment, curtailment or settlement'	January 1, 2019
Amendments to IAS 28, 'Long-term interests in associates and joint ventures'	January 1, 2019
IFRIC 23, 'Uncertainty over income tax treatments'	January 1, 2019
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

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

IFRS 16, ‘Leases’

IFRS 16, ‘Leases’, replaces IAS 17, ‘Leases’ and related interpretations and SICs. The standard requires lessees to recognise a 'right-of-use asset' and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.

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) 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 judgement in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgement 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 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 settle 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, or shall be classified as current assets or non-current assets based on its maturity date if the maturity is longer than three months.

(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) 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.

(8) 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 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 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:

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.

(9) <u>Derecognition of financial assets</u>

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.

(10) <u>Lease receivables/ operating leases (lessor)</u>

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.

(11) <u>Inventories</u>

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.

(12) Investments accounted for using equity method / subsidiaries

A. Subsidiaries are all 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 parent company only financial statements shall equal to equity attributable to owners of the parent in the consolidated financial statements.

(13) 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 and structures	3～55 years
Machinery and equipment	3～ 9 years
Research and development equipment	3～ 6 years
Office equipment	5 years
Other tangible operating assets	3～10 years

(14) 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.

(15) 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 55 years.

(16) Intangible assets

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 1 to 2 years.

(17) Impairment of non-financial assets

A. 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.

B. The recoverable amounts of 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.

(18) 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.

(19) 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.

(20) 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.

(21) 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.

(22) 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.

(23) 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.

E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

(24) 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.

(25) 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.

(26) 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. Revenue arising from the sales of goods is recognised when the Company has delivered the goods to the customer, the amount of sales revenue can be measured reliably and it is probable that the future economic benefits associated with the transaction will flow to the entity. The delivery of goods is completed when the significant risks and rewards of ownership have been transferred to the customer, the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the customer has accepted the goods based on the sales contract or there is objective evidence showing that all acceptance provisions have been satisfied.

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 realisable value. For inventory which is saleable and obsolete inventory that is checked item by item, the net realisable value are determined based on prior industry experience. Management’s judgement on determining net realisable value involves material judgement.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2017	December 31, 2016
Cash on hand and petty cash	$ 2,244	$ 2,323
Checking accounts and demand deposits	3,945,374	3,650,382
Time deposits	7,088,896	5,655,080
	$ 11,036,514	$ 9,307,785

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

	December 31, 2017	December 31, 2016
Financial assets held for trading		
Open-end funds-Domestic	$ 181,100	$ 240,000
Open-end funds-Overseas	105,591	14,818
Corporate bonds	64,257	64,256
Government bonds	79,923	144,357
	430,771	463,431
Valuation adjustment	(9,764)	(2,832)
	$ 421,007	$ 460,599

A. The Company recognised net loss of $14,807 and of $18,449 on financial assets held for trading for the years ended December 31, 2017 and 2016, 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) Accounts receivable - net

	December 31, 2017	December 31, 2016
Accounts receivable – third parties	$ 3,988,277	$ 3,141,440
Less: Allowance for doubtful accounts	(38,673)	(47,093)
Accounts receivable - net	$ 3,949,604	$ 3,094,347

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 revaluates 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:

	2017		
	Individual provision	Group provision	Total
At January 1	$ -	$ 47,093	$ 47,093
Provision of impairment	-	13,319	13,319
Write-offs during the period	-	(21,739)	(21,739)
At December 31,	$ -	$ 38,673	$ 38,673

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

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

(4) Inventories

	December 31, 2017		
	Cost	Allowance for valuation loss	Book value
Raw materials and supplies	$ 3,110,692	($ 84,208)	$ 3,026,484
Work in progress	945,233	(1,016)	944,217
Finished goods and merchandise inventories	4,477,885	(67,500)	4,410,385
	$ 8,533,810	($ 152,724)	$ 8,381,086

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

The cost of inventories recognised as expense for the period:

	Years ended December 31, 2017	Years ended December 31, 2016
Cost of inventories sold	$ 48,858,910	$ 42,164,819
Cost of warranty	276,853	263,786
Gain from price recovery of inventory	(11,436)	(8,479)
Others	3	12
	$ 49,124,330	$ 42,420,138

For the years ended December 31, 2017 and 2016, the Company reversed 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.

(5) Investments accounted for using the equity method

	December 31, 2017	December 31, 2016
Subsidiaries		
Freedom International Group Ltd.	$ 5,495,121	$ 4,948,827
Chi-Ga Investments Corp.	2,510,439	1,842,482
G-Style Co., Ltd.	348,552	442,594
Giga-Byte Technology B.V.	126,800	121,893
G.B.T. Inc.	112,618	93,298
G.B.T. Technology Trading GmbH	58,052	51,634
Giga-Zone International Co., Ltd.	21,285	(10,103)
Giga-Byte Communication Inc.	(483)	4,041
G.B.T. Technology LLC others	136,745	81,963
	8,809,129	7,576,629
Add: Reclassified to other non-current liabilities	483	10,103
	$ 8,809,612	$ 7,586,732

A. Please refer to Note 4(3) in the consolidated financial statements for the year ended December 31, 2017 for more information on the Company’s subsidiary.

B. The investment gain (loss) of $785,603 and ($348,858) were accounted for using equity method based on the audited financial statements of the investee companies for the years ended December 31, 2017 and 2016, respectively, except as stated in the following paragraph.

C. The Company continued to account for the operating losses of its subsidiary, Giga-Byte Communication Inc. and Giga-Zone International Co., Ltd. under investment losses. As of December 31, 2017 and 2016, the credit balance of the carrying amount of investments recognised under the equity method was reclassified to other non-current liabilities, respectively.

(6) Property, plant and equipment

	Land	Buildings	Machinery	Others	Total
At January 1, 2017					
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)
	$ 897,204	$ 987,521	$ 232,980	$ 96,020	$ 2,213,725
2017					
Opening net book amount	$ 897,204	$ 987,521	$ 232,980	$ 96,020	$ 2,213,725
Additions	-	12,272	10,092	26,874	49,238
Reclassifications	21,805	11,369	1,014	(1,405)	32,783
Depreciation charge	-	(33,442)	(53,937)	(47,449)	(134,828)
Closing net book amount	$ 919,009	$ 977,720	$ 190,149	$ 74,040	$ 2,160,918
At December 31, 2017					
Cost	$ 919,009	$ 1,561,224	$ 1,099,817	$ 652,728	$ 4,232,778
Accumulated depreciation	-	(583,504)	(909,668)	(578,688)	(2,071,860)
	$ 919,009	$ 977,720	$ 190,149	$ 74,040	$ 2,160,918

	Land	Buildings	Machinery	Others	Total
At January 1, 2016					
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)
	$ 953,993	$ 1,043,827	$ 163,100	$ 99,032	$ 2,259,952
2016					
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	$ 897,204	$ 987,521	$ 232,980	$ 96,020	$ 2,213,725
At December 31, 2016					
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)
	$ 897,204	$ 987,521	$ 232,980	$ 96,020	$ 2,213,725

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

B. The Company has no property, plant and equipment pledged to others.

(7) Investment property

		Land	Buildings	Total
At January 1, 2017				
Cost		$ 137,808	$ 90,848	$ 228,656
Accumulated depreciation		-	(17,765)	(17,765)
		$ 137,808	$ 73,083	$ 210,891
2017				
Opening net book amount		$ 137,808	$ 73,083	$ 210,891
Reclassifications		(21,805)	(10,978)	(32,783)
Depreciation charge		-	(1,408)	(1,408)
Closing net book amount		$ 116,003	$ 60,697	$ 176,700
At December 31, 2017				
Cost		$ 116,003	$ 78,652	$ 194,655
Accumulated depreciation		-	(17,955)	(17,955)
		$ 116,003	$ 60,697	$ 176,700

	Land	Buildings	Total
At January 1, 2016			
Cost	$ 81,019	$ 45,316	$ 126,335
Accumulated depreciation	-	(3,925)	(3,925)
	$ 81,019	$ 41,391	$ 122,410
2016			
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	$ 137,808	$ 73,083	$ 210,891
At December 31, 2016			
Cost	$ 137,808	$ 90,848	$ 228,656
Accumulated depreciation	-	(17,765)	(17,765)
	$ 137,808	$ 73,083	$ 210,891

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

	Years ended December 31, 2017	Years ended December 31, 2016
Rental income from investment property	$ 10,688	$ 12,452
Direct operating expenses arising from the investment property that generated rental income during the period	$ 1,408	$ 1,643

B. The fair value of the investment property held by the Company as at December 31, 2017 and 2016 was $211,570 and $267,441, respectively, which was valuated with reference to the future rental income and the related discounted cash flows, which was categorized within Leve1 3 in the fair value hierarchy. Key assumptions are as follows:

	December 31, 2017	December 31, 2016
Discount rate	1.845%	1.845%

(8) Other non-current assets

	December 31, 2017	December 31, 2016
Pledged assets	$ 40,897	$ 40,816
Refundable deposits	27,166	23,337
Others	112,237	113,033
	$ 180,300	$ 177,186

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

(9) Other payables

	December 31, 2017	December 31, 2016
Salary and bonus payable	$ 2,331,618	$ 1,911,388
Employees' compensation and directors' and supervisors' remuneration payable	388,968	365,978
Royalties payable	64,992	86,892
Shipping and freight-in payable	119,188	102,509
Others	431,751	277,191
	$ 3,336,517	$ 2,743,958

(10) Provisions

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

	2017	2016
At January 1	$ 443,832	$ 444,850
Additional provisions	276,853	263,786
Used during the period	(275,979)	(264,804)
At December 31	$ 444,706	$ 443,832

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.

(11) 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:

	December 31, 2017	December 31,2016
Present value of defined benefit obligations	($ 776,787)	($ 738,594)
Fair value of plan assets	218,767	228,745
Net defined benefit liability	($ 558,020)	($ 509,849)

(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, 2017			
Balance at January 1	($ 738,594)	$ 228,745	($ 509,849)
Current service cost	(4,619)	-	(4,619)
Interest (expense) income	(11,014)	3,498	(7,543)
Past service cost	548	-	548
	(753,706)	232,243	(521,463)
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(1,281)	(1,281)
Change in demographic assumptions	(4,764)	-	(4,764)
Change in financial assumptions	(25,179)	-	(25,179)
Experience adjustments	(5,766)	-	(5,766)
	(35,709)	(1,281)	(36,990)
Pension fund contribution	-	433	443
Paid pension	12,628	(12,628)	-
Balance at December 31	($ 776,787)	$ 218,767	($ 558,020)

	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
	(730,261)	246,010	(484,251)
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)
	(30,712)	(2,035)	(32,747)
Pension fund contribution	-	7,149	7,149
Paid pension	22,379	(22,379)	-
Balance at December 31	($ 738,594)	$ 228,745	($ 509,849)

(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, 2017 and 2016 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

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

	Years ended December 31,	
	2017	2016
Discount rate	1.25%	1.50%
Future salary increases	3.00%	3.00%

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:

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2017				
Effect on present value of defined benefit obligation	($ 25,375)	$ 26,524	$ 25,999	($ 25,013)
December 31, 2016				
Effect on present value of defined benefit obligation	($ 25,330)	$ 26,516	$ 26,056	($ 25,029)

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 2016 and during 2015 are the same.

(e) Expected contributions to the defined benefit pension plans of the Company for the year ending December 31, 2018 amounts to $14,166.

(f) As of December 31, 2017, 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	$	8,531
1-2 year(s)		13,193
2-5 years		61,915
Over 5 years		821,926
	$	905,565

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 contributes 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, 2017 and 2016 were $78,644 and $75,912, respectively.

(12) Share-based payment

A. For the years ended December 31, 2017 and 2016, the Company's share-based payment transactions are set forth below:

Type of arrangement	Grant date	Quantity granted	Contract period	Vesting conditions
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:

	2017		2016	
	No. of options (in thousands)	Weighted-average exercise price (in dollars)	No. of options (in thousands)	Weighted-average exercise price (in dollars)
Options outstanding opening balance at January 1	9,984	$ 10.20	10,039	$ 10.90
Options exercised	(6,571)	9.61	(55)	10.20
Options forfeited	(100)	9.55	-	-
Options expired	(3,313)	9.55	-	-
Options outstanding at December 31	-	-	9,984	10.20
Options exercisable at December 31	-		9,984	

C. The weighted-average stock price of stock options at exercise date of 2017 and 2016 was \$38.95~\$51.05 and \$33.53~\$43.43 (in dollars), respectively.

D. As of December 31, 2016, the range of exercise price of stock options outstanding was \$10.20, and the weighted-average remaining vesting period was 0.97 year.

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:

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

(13) Share capital

A. As of December 31, 2017, the Company's authorised 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 \$6,356,889 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:

	2017	2016
At January 1	629,117,886	629,062,886
Employee stock options exercised	6,571,000	55,000
At December 31	635,688,886	629,117,886

B. The number of shares of common stock issued for the years ended December 31, 2017 and 2016 due to the exercise of employee stock options is 6,571,000 and 55,000 shares, respectively.

(14) Capital surplus

A. 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.

B. On June 14, 2017, the shareholders at their meeting resolved to distribute cash distribution from capital surplus in the amount of \$629,630 with per share of \$1.

(15) 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 2016 earnings had been proposed by the Board of Directors on June 14, 2017 and the appropriation of 2015 earnings had been resolved at the stockholders’ meeting on June 15, 2016. Details are summarised below:

	Years ended December 31,			
	2016		2015	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	$ 229,287		$ 192,006	
Cash dividends	1,007,407	$ 1.60	1,572,657	$ 2.50

E. As of the date of the auditor’s report, the appropriation of retained earnings for 2017 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(19).

(16) Other income

	Years ended December 31, 2017	2016
Interest income	$ 66,068	$ 56,229
Rental revenue	12,193	14,057
Other income	365,403	1,125,128
	$ 443,664	$ 1,195,414

(17) Other gains and losses

	Years ended December 31, 2017	2016
Net currency exchange (losses) gains	($ 145,277)	$ 78,744
Net losses on financial assets at fair value through profit or loss	(14,807)	(18,449)
Gains on disposal of property, plant and equipment	400	1,233
Others	(2,674)	(8,417)
Total	($ 162,358)	$ 53,111

(18) Expenses by nature

	Years ended December 31, 2017	2016
Cost of goods sold	$ 48,776,523	$ 42,090,272
Employee benefit expense	3,698,851	3,327,682
Depreciation and amortisation	289,790	271,992
Warranty cost of after-sale service	276,853	263,786
Transportation expenses	155,027	167,414
Losses on doubtful debts (gains on reversal)	13,319	(10,576)
Other costs and expenses	2,029,215	1,690,021
Total	$ 55,239,578	$ 47,800,591

(19) Employee benefit expense

	Years ended December 31, 2017	2016
Wages and salaries	$ 3,326,276	$ 2,970,508
Labor and health insurance fees	179,926	172,282
Pension costs	90,258	87,465
Other personnel expenses	102,391	97,427
	$ 3,698,851	$ 3,327,682

A. In accordance with 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, 2017 and 2016, employees' compensation was accrued at $342,968 and $319,978, respectively; while directors' remuneration was both accrued at $46,000. The aforementioned amounts were recognised in salary expenses.

The employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on 10% and 1.34% of distributable profit of current year for the year ended December 31, 2017. The employees' compensation and directors' and supervisors' remuneration resolved by the Board of Directors were $342,968 and $46,000, and the employees' compensation will be distributed in the form of cash.

Employees' compensation and directors' and supervisors' remuneration of 2016 as resolved by the Board of Directors were in agreement with those amounts recognised in the 2016 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.

(20) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Years ended December 31, 2017	Years ended December 31, 2016
Current tax:		
Current tax on profits for the period	$ 226,845	$ 532,529
Tax on undistributed surplus earnings	102,899	9,015
Prior year income tax overestimation	(82,740)	(8,419)
Total current tax	247,004	533,125
Deferred tax:		
Origination and reversal of temporary differences	7,296	7,810
Income tax expense	$ 254,300	$ 540,935

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

	Years ended December 31, 2017	Years ended December 31, 2016
Remeasurement of defined benefit obligations	($ 6,288)	($ 5,567)

B. Reconciliation between income tax expense and accounting profit

	Years ended December 31, 2017	Years ended December 31, 2016
Tax calculated based on profit before tax and statutory tax rate	$ 516,921	$ 481,746
Expenses disallowed by tax regulation	(117,286)	43,731
Tax exempt income by tax regulation	(5)	(5)
Effect from investment tax credits	(66,027)	-
Tax on undistributed surplus earnings	102,899	9,015
Prior year income tax overestimation	(82,740)	(8,419)
Changes in assessment of realisability of deferred tax assets	(99,462)	14,867
Income tax expense	$ 254,300	$ 540,935

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

	Year ended December 31, 2017			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets				
Provision for warranty expense	$ 75,452	$ 149	$ -	$ 75,601
Loss on inventory	27,907	(1,944)	-	25,963
Amount of allowance for bad debts that exceed the limit for tax purpose	2,999	-	-	2,999
Pension expense	37,426	1,901	-	39,327
Unrealized profit on intercompany sales	39,449	(21,734)	-	17,715
Unrealized exchange loss	-	2,092	-	2,092
Remeasurement of defined benefit obligations	14,816	-	6,288	21,104
Others	37,856	9,454	-	47,310
	233,905	(10,082)	6,288	232,111
Deferred tax liabilities	(10,328)	10,328	-	-
Unrealized exchange gain	-	(7,542)	-	(7,542)
Others	(10,328)	2,786	-	(7,542)
	$ 225,577	($ 7,296)	$ 6,288	$ 224,569

	Year ended December 31, 2016			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets				
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	47,435	(9,579)	-	37,856
	245,354	(15,016)	5,567	235,905
Deferred tax liabilities				
Unrealized exchange gain	(17,534)	7,206	-	(10,328)
	$ 227,820	($ 7,810)	$ 5,567	$ 225,577

D. The Company has not recognised taxable temporary differences associated with investment in subsidiaries as deferred tax liabilities. As of December 31, 2017 and 2016, the amounts of temporary difference unrecognised as deferred tax liabilities were $119,354 and $10,904, respectively.

E. The Company's income tax returns through 2015 have been assessed and approved by the Tax Authority.

F. With the abolishment of the imputation tax system under the amendments to the Income Tax Act promulgated by the President of the Republic of China in February, 2018, the information on unappropriated retained earnings and the balance of the imputation credit account as of December 31, 2017, as well as the estimated creditable tax rate for the year ended December 31, 2017 is no longer disclosed.

G. Unappropriated retained earnings on December 31, 2016:

	December 31, 2016
Earnings generated in and before 1997	$ 62,797
Earnings generated in and after 1998	7,986,165
	$ 8,048,962

H. As of December 31, 2016, the balance of the imputation tax credit account was $1,207,828. The creditable tax rate was 17.68% for the year ended December 31, 2016.

(21) Earnings per share

	Year ended December 31, 2017		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders	$ 2,786,411	631,146	$ 4.41
Diluted earnings per share			
Assumed conversion of all dilutive potential ordinary shares			
－Employees' bonus	-	13,979	
－Convertible bonds	-	3,515	
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	$ 2,786,411	648,640	$ 4.30

	Year ended December 31, 2016		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders	$ 2,292,864	629,074	$ 3.64
Diluted earnings per share			
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	$ 2,292,864	643,880	$ 3.56

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

Names of related parties	Relationship with the Company
Gigabyte Technology Pty. Ltd. (G.B.T.-AU)	The Company's subsidiary
Giga-Byte Technology B.V. (G.B.T.-NL)	〃
Giga-Byte Technology (India) Private Limited (G.B.T.-India)	〃
Nippon Giga-Byte Corp. (G.B.T.-Japan)	〃
Gigabyte Technology ESPANA S.L.U. (G.B.T.-SP)	〃

Names of related parties	Relationship with the Company
Gigabyte Information Technology Commerce Limited Company (G.B.T.-Turkey)	The Company's subsidiary
Gigabyte Technology LLC (G.B.T.-Korea)	〃
G-Style Co., Ltd.	〃
Giga-Byte Communication Inc.	〃
Giga-Zone International Co., Ltd.	〃
Chi-Ga Investments Corp.	〃
G.B.T., Inc. (G.B.T-USA)	〃
Giga Advance (Labuan) Limited (Giga Advance)	The Company's Indirect subsidiary
G.B.T. LBN Inc. (G.B.T.-LBN)	〃
Gigabyte Trading Inc. (GTA)	〃
Cloud Ride Limited (Cloud Ride)	〃
Green Share Co., Ltd.	〃
Senyun Precise Optical Co., Ltd.	〃
Selita Precision Co., Ltd.	〃

(2) Significant related party transactions and balances

A. Operating revenue

	Years ended December 31,	
	2017	2016
Sales of goods:		
Giga Advance	$ 11,931,008	$ 14,701,738
G.B.T.-USA	9,166,647	7,945,626
Subsidiaries	1,478,373	1,315,614
Indirect subsidiaries	69,503	73,673
	$ 22,645,531	$ 24,036,651

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

	Years ended December 31,	
	2017	2016
Purchases of goods：		
Subsidiaries	$ 20,173	$ 1,890
Indirect subsidiaries	418,091	424,016
	$ 438,264	$ 425,906

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

	Years ended December 31,	
	2017	2016
Purchases of services		
G.B.T.-LBN	$ 1,679,181	$ 1,528,672

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

	December 31, 2017	December 31, 2016
Purchases of services:		
G.B.T.-NL	$ 76,326	$ 65,997
G.B.T.-India	30,718	28,641
Subsidiaries	8,938	10,540
Indirect subsidiaries	7,577	18,429
	$ 123,559	$ 123,607

Warranty expense is the expenditure arising from the after-sales maintainance service provided by the related party, which is designated by the Company, in the area where the related party is. The price is calculated based on the actual incurred cost, and the payment terms is 30 days after monthly billing.

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

	December 31, 2017	December 31, 2016
Purchases of services:		
G.B.T.-NL	$ 104,631	$ 114,756
G.B.T.-AU	53,819	45,768
Subsidiaries	75,357	88,451
	$ 233,807	$ 248,975

Service commission is the expenditure arising from the business development did by the related party, which is designated by the Company, in the area where the related party is. The price is calculated based on the actual incurred cost, and the payment terms is 30 days after monthly billing.

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

	December 31, 2017	December 31, 2016
Purchases of services:		
G.B.T.-NL	$ 101,993	$ 112,363
Subsidiaries	21,463	19,015
Indirect subsidiaries	8,762	10,804
	$ 132,218	$ 142,182

Professional service fee is the service expenditure arising from the staff who provided business development and after-sales maintanance services in the area where the related party is. The price is calculated based on the actual incurred cost, and the payment terms is 30 days after monthly billing.

G. Accounts receivable

	December 31, 2017	December 31, 2016
Receivables from related parties:		
G.B.T.-USA	$ 1,506,156	$ 1,567,524
Subsidiaries	454,343	385,336
Indirect subsidiaries	377,795	372,465
	$ 2,338,274	$ 2,325,325

H. Accounts payable

	December 31, 2017	December 31, 2016
Payables to related parties:		
Subsidiaries	$ 11,497	$ 4,284
Indirect subsidiaries	933,447	447,579
	$ 944,944	$ 451,863

I. Unearned receipts (Shown as "Other current liabilities")

	December 31, 2017	December 31, 2016
Advance receipts-related parties:		
Subsidiaries	$ 2,056	$ 10,124

J. Property transactions

Acquisition of financial assets:

	Accounts	No. of shares	Objects	Year ended December 31, 2017 Consideration	
Chi-Ga Investments Corp.	Investments accounted for using equity method	20,000,000	Stock	$	200,000
Giga-Zone International Co., Ltd.	〃	8,500,000	〃		85,000
GBT-AU	〃	2,000,000	〃		46,317
Giga-Byte Communication Inc.	〃	1,800,049	〃		18,000
				$	349,317

	Accounts	No. of shares	Objects	Year ended December 31, 2016 Consideration	
Giga-Zone International Co., Ltd.	Investments accounted for using equity method	14,000,000	Stock	$	140,000

K. Endorsements and guarantees provided to related parties

	December 31, 2017		December 31, 2016	
Cloud Ride Limited	$	-	$	177,535

(3) Key management compensation

	December 31, 2017		December 31, 2016	
Salaries and other short-term employee benefits	$	383,817	$	280,136

8. PLEDGED ASSETS

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

Pledged asset	Book value December 31, 2017		Book value December 31, 2016		Purpose
Pledged asset (accounted for as "Other non-current assets")					
- Pledged time deposits	$	40,897	$	40,816	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

Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China in February, 2018, the Company's applicable income tax rate will be raised from 17% to 20% effective from January 1, 2018. This will increase the Company's deferred tax assets and deferred tax liabilities by $37,835 and $1,331, respectively, which will be adjusted in the first quarter of 2018.

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 (including related parties), notes payable, accounts payable (including related parties), 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:

	December 31, 2017		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	$ 391,690	29.848	$ 11,691,163
RMB:NTD	75,909	4.578	347,511
Financial liabilities			
Monetary items			
USD:NTD	$ 228,173	29.848	$ 6,810,508
RMB:NTD	59,271	35.686	271,343

	December 31, 2016		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	$ 334,928	32.279	$ 10,811,141
RMB:NTD	33,727	4.622	155,886
Financial liabilities			
Monetary items			
USD:NTD	$ 193,800	32.279	$ 6,255,670
RMB:NTD	52,788	4.622	243,986

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, 2017 and 2016, amounted to ($145,277) and $78,744, respectively.

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

	Year ended December 31, 2017		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	1%	$ 116,912	$ -
RMB:NTD	1%	3,475	-
Financial liabilities			
Monetary items			
USD:NTD	1%	$ 68,105	$ -
RMB:NTD	1%	2,713	-

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

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, 2017 and 2016 would have increased/decreased by $2,885 and $2,569, 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, 2017 and 2016, if market interest rates had been 1% higher/lower with all other variables held constant, other comprehensive income for the years ended December 31, 2017 and 2016 would have been $1,325 and $2,037 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:

December 31, 2017	Less than 1 year	Between 1 and 2 years	Over 2 years	Total
Notes payable	$ 18,628	$ -	$ -	$ 18,628
Accounts payable	9,238,633	-	-	9,238,633
Other payables	3,336,517	-	-	3,336,517

Non-derivative financial liabilities:

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

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(7).

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, 2017 and 2016 is as follows:

December 31, 2017	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Equity securities	$ 288,539	$ -	$ -	$ 288,539
Debt securities	132,468	-	-	132,468
Total	$ 421,007	$ -	$ -	$ 421,007

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

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:

	Listed shares	Open-end fund	Government bonds and corporate bonds
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, 2017 and 2016, there was no transfer between Level 1 and Level 2.

F. For the years ended December 31, 2017 and 2016, 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.

GIGA-BYTE TECHNOLOGY CO.,LTD.

Provision of endorsements and guarantees to others

Year ended December 31, 2017

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

Number	Endorser/ guarantor	Party being endorsed/guaranteed: Company name	Party being endorsed/guaranteed: Relationship with the endorser/ guarantor	Limit on endorsements/ guarantees provided for a single party (Note)	Maximum outstanding endorsement/ guarantee amount as of December 31, 2017	Outstanding endorsement/ guarantee amount at December 31, 2017	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided（Note）	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsements/ guarantees to the party in Mainland China	Footnote
0	Giga-Byte Technology Co., Ltd.	Cloud Ride Limited	Indirect subsidiary	$ 295,495	$ 172,480	$ -	$ -	$ -	-	$ 7,226,970	Y	N	N	
1	Ningbo Zhongjia Technology Co., Ltd.	Ningbo Giga-Byte Technology Co., Ltd.	Sister companies	157,607	3,672	3,662	3,662	-	0.46	236,410	N	N	Y	
1	Chi-Ga Investments Corp.	Selita Precision Co., Ltd.	Subsidiary	150,000	30,000	-	-	-	-	552,181	Y	N	N	

Note: The Company and the subsidiaries’ new ceiling of total outstanding guarantees is 30% of the Company’s net value. The ceiling for single party (except the Company’s 100% owned subsidiary) is 20% of net value, and should not exceed 50% of the Company’s capital. However, the ceiling of the Company and its subsidiaries' 100% owned subsidiary is 20% of the Company’s net value, but shall not exceed 300% of subsidiary’s capital.

GIGA-BYTE TECHNOLOGY CO.,LTD.
Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)
Year ended December 31, 2017

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2017 Number of shares	Book value	Ownership (%)	Fair value	Footnote
Giga-Byte Technology Co., Ltd.	Beneficiary certificates-CTBC Hwa-Win Money Market Fund	None	Financial assets at fair value through profit or loss-current	2,748,713	$ 30,000	-	$ 30,114	
	Manulife Asia Pacific Bond Fund	〃	〃	4,313,752	50,000	-	51,989	
	Prudential Fiancial Money Market Fund	〃	〃	3,193,032	50,000	-	50,203	
	JIN SUN Fiancial Money Market Fund	〃	〃	3,408,851	50,000	-	50,204	
	CTBC Global iSport Fund	〃	〃	100,000	1,000		999	
	Beneficiary certificates-Morgan Stanley Opportunistic Mortgage Income Fund LP	〃	〃	-	14,818	-	13,742	
	PIMCO GIS-INCOME FUND	〃	〃	-	90,773	-	91,288	
	Corporate bonds - WELLS FARGO & CO 2.1%	〃	〃	-	64,257	-	58,732	
	Government bond - US TREASURY NOTE 2.0%			-	63,625	-	58,213	
	Indonesia Government International Bond 4.125%	〃	〃	-	16,298	-	15,523	
					430,771		$ 421,007	
			Less on valuation of financial assets		(9,764)			
					$ 421,007			
Chi-Ga Investments Corp.	Walsin Technology Corporation	None	Financial assets at fair value through profit or loss-current	6,678,085	$ 171,527	1.37%	$ 701,199	
			Gain on valuation of financial assets		529,672			
					$ 701,199			
	Info-Tek Corp.	〃	Available-for-sale financial assets-current	9,985,834	$ 116,881	8.24%	$ 233,668	
			Valuation adjustment		174,414			
			Accumulated impairment		(57,627)			
					$ 233,668			
Chi-Ga Investments Corp.	Hui Yang Venture Capital Co., Ltd.	None	Available-for-sale financial assets-non-current	210,000	$ 2,100	7.69%	$ 24,974	
	Heimavista etc.	Omitted	〃	Omitted	11,520	0.11%~ 5.74%	7,430	
	Qsan Technology, Inc.	〃	〃	3,250,800	1,331	16.25%	-	
					14,951		$ 32,404	
			Valuation adjustment		21,127			
			Accumulated impairment		(3,674)			
					$ 32,404			
Giga-Trend International Investment Group Ltd.	Innodisk Corproration etc.	None	Available-for-sale financial assets-current	Omitted	$ 101,412	-	$ 90,225	
			Valuation adjustment		(11,187)			
					$ 90,225			

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2017 Number of shares	Book value	Ownership (%)	Fair value	Footnote
	Castec International Corp etc.	〃	Available-for-sale financial assets-non-current	Omitted	$ 295,930	-	$ 290,827	
			Valuation adjustment		12,655			
			Accumulated impairment		(17,758)			
					$ 290,827			
Freedom International Group Ltd.	PRUDENTIAL FINANCIAL INC VRN	None	Financial assets at fair value through profit or loss-current	3,000	USD 303 thousand	-	USD 320 thousand	
	ING BANK NV VRN 11 NOV 2023 REGS	〃	〃	10,000	USD 1,030 thousand	-	USD 1,014 thousand	
	INDONESIA GOVERNMENT INTL BOND 4.125% 15 JAN 2025	〃	〃	6,800	USD 690 thousand	-	USD 707 thousand	
					USD 2,023 thousand		USD 2,041 thousand	
			Gain on valuation of financial assets		USD 18 thousand			
					USD 2,041 thousand			
G-Style Co., Ltd.	JM Material Technology Inc.	None	Available-for-sale financial assets-non-current	160,000	$ 20,000	10.00%	$ 20,000	
Giga Future Limited	MS APPLE INC. 2.15%	None	Financial assets at fair value through profit or loss-current	5,000	USD 500 thousand	-	USD 494 thousand	
	AIA GROUP LTD 3.2%	〃	〃	5,000	USD 502 thousand	-	USD 497 thousand	
	US TREASURY NOTE 2.0% 15 AUG 2025	〃	〃	7,800	USD 796 thousand		USD 761 thousand	
					USD 1,798 thousand		USD 1,752 thousand	
			Less on valuation of financial assets		(USD 46 thousand)			
					USD 1,752 thousand			
Ningbo Zhongjia Technology Co., Ltd.	Ningbo Minth Automotive Electronic Technology Co.,Ltd.	None	Available-for-sale financial assets-non-current		RMB 2,061 thousand		RMB 2,061 thousand	

GIGA-BYTE TECHNOLOGY CO.,LTD.

Purchases or sales of goods from or to related parties reaching NT$100 million or 20% of paid-in capital or more

Year ended December 31, 2017

Table 3 | Expressed in thousands of NTD (Except as otherwise indicated)

			Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote
Giga-Byte Technology Co., Ltd.	Giga Advance (Labuan) Limited	Parent-subsidiary company	(Sales)	$ 11,931,008	(21%)	14 days upon receipt of goods	The price was based on the contract price	Normal	$ 378,426	6%	
	G.B.T. Inc.	Parent-subsidiary company	〃	9,166,647	(16%)	90 days upon receipt of goods	〃	〃	1,566,090	24%	
	Giga-Byte Technology B.V.	〃	〃	420,765	1%	60 days after billing	〃	〃	8,113	0%	
	G-Style Co., Ltd.	〃	〃	1,044,903	(2%)	90 days after billing	〃	〃	448,839	7%	
	G.B.T. LBN Inc.	〃	Processing cost	1,679,181	72%	30 days after billing	〃	〃	(776,679)	8%	
	〃	〃	Purchases	418,091	1%	30 days after billing	〃	〃	(156,769)	2%	
G.B.T. Inc.	Giga-Byte Technology Co., Ltd.	Parent-subsidiary company	Purchases	USD 295,601 thousand	100%	90 days upon receipt of goods	The price was based on the contract price	Normal	(USD 65,630 thousand)	99%	
Giga Advance (Labuan) Limited	Giga-Byte Technology Co., Ltd.	Parent-subsidiary company	Purchases	USD 379,082 thousand	100%	14 days upon receipt of goods	The price was based on the contract price	Normal	(USD 12,678 thousand)	100%	
G-Style Co., Ltd.	Giga-Byte Technology Co., Ltd.	Parent-subsidiary company	Purchases	$ 1,038,239	60%	90 days after billing	The price was based on the contract price	Normal	($ 452,373)	86%	
Giga-Byte Technology B.V.	Giga-Byte Technology Co., Ltd.	Parent-subsidiary company	Purchases	USD 14,029 thousand	100%	60 days after billing	The price was based on the contract price	Normal	(USD 382 thousand)	26%	
G.B.T. LBN Inc.	Ningbo Gigabyte Technology Co., Ltd.	Sister companies	Purchases	USD 27,262 thousand	48%	45 days after billing	The price was based on the contract price	Normal	(USD 14,497 thousand)	48%	
	Dongguan Gigabyte Electronics Co., Ltd.	〃	〃	USD 29,812 thousand	52%	〃	〃	〃	(USD 15,065 thousand)	50%	
	Giga-Byte Technology Co., Ltd.	Parent-subsidiary company	(Sales)	USD 68,707 thousand	(100%)	30 days after billing	〃	〃	USD 30,983 thousand	100%	
Giga Advance (Labuan) Limited	Ningbo Zhongjia Technology Co., Ltd.	Sister companies	(Sales)	USD 383,691 thousand	(100%)	14 days upon receipt of goods	The price was based on the contract price	Normal	USD 36,288 thousand	100%	
Ningbo Zhongjia Technology Co., Ltd.	Giga Advance (Labuan) Limited	Sister companies	Purchases	RMB 2,597,206 thousand	98%	14 days upon receipt of goods	The price was based on the contract price	Normal	(RMB 236,560 thousand)	97%	
	Ningbo BestYield Tech. Services Co.,Ltd.	〃	〃	RMB 47,147 thousand	2%	60 days upon receipt of goods	〃	〃	(RMB 5,261 thousand)	2%	
Ningbo Gigabyte Technology Co., Ltd.	G.B.T. LBN Inc.	Sister companies	(Sales)	RMB 184,537 thousand	(100%)	45 days after billing	The price was based on the contract price	Normal	RMB 94,508 thousand	100%	
Dongguan Gigabyte Electronics Co., Ltd.	G.B.T. LBN Inc.	Sister companies	(Sales)	RMB 201,796 thousand	(100%)	45 days after billing	The price was based on the contract price	Normal	RMB 98,211 thousand	100%	
Ningbo BestYield Tech. Services Co.,Ltd.	Ningbo Zhongjia Technology Co., Ltd.	Sister companies	(Sales)	RMB 47,147 thousand	(72%)	30 days after billing	The price was based on the contract price	Normal	RMB 5,261 thousand	66%	

Note: The balance is not adjusted in accordance with the rules prescribed in the Tai-Tsai-Tseng (Chi) Letter No. 01644 issued by the Securities and Futures Bureau, Financial Supervisory Commission, Executive Yuan.

GIGA-BYTE TECHNOLOGY CO.,LTD.

Receivables from related parties reaching NT$100 million or 20% of paid-in capital or more

Year ended December 31, 2017

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2017	Turnover rate	Overdue receivables Amount	Overdue receivables Action taken	Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
Giga-Byte Technology Co., Ltd.	G.B.T. Inc.	Parent-subsidiary company	$ 1,506,156	5.96	$ -	-	$ 1,506,158	$ -
	Giga Advance (Labuan) Limited	〃	366,282	32.69	-	-	366,282	-
	G-Style Co., Ltd.	〃	447,910	2.51	-	-	133,575	-
Ningbo Gigabyte Technology Co., Ltd.	G.B.T. LBN Inc.	Sister companies	RMB 94,508 thousand	2.85	-	-	RMB 22,096 thousand	-
Dongguan Gigabyte Electronics Co., Ltd.	G.B.T. LBN Inc.	Sister companies	RMB 98,211 thousand	2.67	-	-	RMB 25,128 thousand	-
Giga Advance (Labuan) Limited	Ningbo Zhongjia Technology Co., Ltd.	Sister companies	USD 36,288 thousand	9.75	-	-	USD 36,288 thousand	-
G.B.T. LBN Inc.	Giga-Byte Technology Co., Ltd.	Parent-subsidiary company	USD 30,983 thousand	3.08	-	-	USD 30,150 thousand	-

Note: The balance is not adjusted in accordance with the rules prescribed in the Tai-Tsai-Tseng (Chi) Letter No. 01644 issued by the Securities and Futures Bureau, Financial Supervisory Commission, Executive Yuan.

GIGA-BYTE TECHNOLOGY CO.,LTD.

Significant inter-company transactions during the reporting periods

Year ended December 31, 2017

Table 5

Expressed in thousands of NTD

(Except as otherwise indicated)

Number	Company name	Counterparty	Relationship	Transaction: General ledger account	Transaction: Amount	Transaction: Transaction terms	Transaction: Percentage of consolidated total operating revenues or total assets
0	Giga-Byte Technology Co., Ltd.	Giga-Byte Technology B.V.	Parent company to subsidiary	Sales	$ 420,765	Note 7	1%
		G.B.T. Inc.	〃	〃	9,166,647	Note 1	15%
		Giga Advance (Labuan) Limited	Parent company to indirect subsidiary	〃	11,931,008	Note 6	20%
		G.B.T. LBN Inc.	〃	〃	69,566	Note 3	-
		G-Style Co., Ltd.	Parent company to subsidiary	〃	1,044,903	Note 4	2%
		G.B.T. LBN Inc.	Parent company to indirect subsidiary	Processing expenses	1,679,181	Note 3	3%
		Giga-Byte Technology B.V.	Parent company to subsidiary	Service expense	104,631	〃	-
		〃	〃	Service charge	101,993	〃	-
		〃	〃	Warranty Cost	76,326	〃	-
		G.B.T. LBN Inc.	Parent company to indirect subsidiary	Purchases	418,091	〃	1%
		〃	〃	Other expense	174,195	〃	-
		〃	〃	Accounts payable	924,780	〃	2%
		G.B.T. Inc.	Parent company to subsidiary	Accounts receivable	1,506,156	Note 1	4%
		Giga Advance (Labuan) Limited	Parent company to indirect subsidiary	Accounts receivable	366,282	Note 6	1%
		G-Style Co., Ltd.	Parent company to subsidiary	Accounts receivable	447,910	Note 4	1%
1	Giga-Byte Technology B.V.	G.B.T. Technology Trading GmbH,etc.	Subsidiary to subsidiary	Commission	125,901	Note 5	-
2	Giga Advance (Labuan) Limited	Ningbo Zhongjia Technology Co., Ltd.	Indirect subsidiary to indirect subsidiary	Sales	11,536,127	Note 6	19%
		Ningbo Zhongjia Technology Co., Ltd.	〃	Accounts receivable	1,021,463	〃	3%
3	G.B.T. LBN Inc.	Ningbo Gigabyte Technology Co., Ltd.	〃	Processing expense	791,111	Note 2	1%
		Dongguan Gigabyte Electronice Co.,Ltd.	〃	〃	888,070	〃	1%
		Ningbo Gigabyte Technology Co., Ltd.	〃	Accounts payable	447,609	〃	1%
		Dongguan Gigabyte Electronice Co.,Ltd.	〃	〃	477,171	〃	1%
		Ningbo BestYield Tech. Services Co.,Ltd.	〃	Sales	61,639	Note 1	-
4	Ningbo Zhongjia Technology Co., Ltd.	Ningbo BestYield Tech. Services Co.,Ltd.	〃	Warranty cost	250,036	Note 3	-

Note 1 : Credit terms were 60 days upon receipt of goods or 90 days upon receipt of goods.
Note 2 : Credit terms were 45 days after billing.
Note 3 : Credit terms were 30 days after billing.
Note 4 : Credit terms were 90 days after billing.
Note 5 : Credit terms were 180 days upon receipt of goods.
Note 6 : Credit terms were 14 days upon receipt of goods.
Note 7: Credit terms were 60 days after billing.

GIGA-BYTE TECHNOLOGY CO.,LTD.

Information on investees

Year ended December 31, 2017

Table 6

Expressed in thousands of NTD

(Except as otherwise indicated)

				Initial investment amount		Shares held as at December 31, 2017					
Investor	Investee	Location	Main business activities	Balance as at December 31, 2017	Balance as at December 31, 2016	Number of shares	Ownership (%)	Book value	Net profit (loss) of the investee for the year ended December 31, 2017	Investment income(loss) recognised by the Company for the year ended December 31, 2017	Footnote
Giga-Byte Technology Co., Ltd.	Freedom International Group Ltd.	British Virgin Islands	Holding company	$ 4,617,682	$ 4,617,682	142,671,692	100.00	$ 5,495,121	$ 582,458	$ 582,458	The Company's subsidiary
Giga-Byte Technology Co., Ltd.	Chi-Ga Investments Corp.	Taiwan	Holding company	1,975,000	1,775,000	197,500,000	100.00	2,510,439	317,776	317,776	The Company's subsidiary
Giga-Byte Technology Co., Ltd.	G-Style Co., Ltd.	Taiwan	Manufacturing and selling of notebooks	910,000	910,000	72,000,000	100.00	348,552	(93,977)	(93,977)	The Company's subsidiary
Giga-Byte Technology Co., Ltd.	Giga-Byte Communication Inc.	Taiwan	Manufacturing and selling of communications	1,647,508	1,629,508	2,145,880	99.86	(483)	(22,524)	(22,524)	The Company's subsidiary
Giga-Byte Technology Co., Ltd.	Giga-Zone International Co., Ltd.	Taiwan	Selling of PC peripherals	279,965	194,965	625,563	100.00	21,285	(53,612)	(53,612)	The Company's subsidiary
Giga-Byte Technology Co., Ltd.	Giga-Byte Technology B.V.	Netherlands	Sales of computer information products	25,984	25,984	8,500	100.00	126,800	16,790	16,790	The Company's subsidiary
Giga-Byte Technology Co., Ltd.	GBT Tech. Co. Ltd	U.K.	Marketing of computer information products	47,488	47,488	800,000	100.00	10,582	1,002	1,002	The Company's subsidiary
Giga-Byte Technology Co., Ltd.	Nippon Giga-Byte Corp.	Japan	Marketing of computer information products	3,495	3,495	1,000	100.00	8,307	655	655	The Company's subsidiary
Giga-Byte Technology Co., Ltd.	G.B.T. Technology Trading GmbH	Germany	Marketing of computer information products	24,614	24,614	-	100.00	58,052	3,575	3,575	The Company's subsidiary
Giga-Byte Technology Co., Ltd.	Gigabyte Technology Pty. Ltd.	AUS	Marketing of computer information products	55,664	9,346	2,400,000	100.00	61,056	(442)	(442)	The Company's subsidiary
Giga-Byte Technology Co., Ltd.	Gigabyte Technology (India) Private Limited	India	Marketing and maintenance of computer information products	182,868	182,868	4,600,000	100.00	13,326	7,283	7,283	The Company's subsidiary
Giga-Byte Technology Co., Ltd.	Gigabyte Global Business Corporation	U.S.A.	ODM Business	322	322	1,000	100.00	298	-	-	The Company's subsidiary

				Initial investment amount		Shares held as at December 31, 2017					
Investor	Investee	Location	Main business activities	Balance as at December 31, 2017	Balance as at December 31, 2016	Number of shares	Ownership (%)	Book value	Net profit (loss) of the investee for the year ended December 31, 2017	Investment income(loss) recognised by the Company for the year ended December 31, 2017	Footnote
Giga-Byte Technology Co., Ltd.	Gigabyte Technology ESPANA S.L.U.	Spain	Marketing of computer information products	$ 241	$ 241	5,000	100.00	$ 3,979	$ 69	$ 69	The Company's subsidiary
Giga-Byte Technology Co., Ltd.	G.B.T. Inc.	U.S.A.	Sales of computer information products	90,660	90,660	54,116	48.63	112,618	55,401	26,944	The Company's subsidiary
Giga-Byte Technology Co., Ltd.	Gigabyte Information Technology Commerce Limited Company	Turkey	Marketing of computer information products	3,541	3,541	8,000	100.00	3,149	426	426	The Company's subsidiary
Giga-Byte Technology Co., Ltd.	Gigabyte Technology LLC	South Korea	Marketing of computer information products	22,534	22,534	168,000	100.00	36,048	(820)	(820)	The Company's subsidiary
Giga-Byte Technology B.V.	Gigabyte Technology France	France	Marketing of computer information products	6,200	6,200	20,000	100.00	8,790	21	-	The Company's indirect subsidiary
G.B.T. Technology Trading GmbH	Gigabyte Technology Poland SP Z O.O.	Poland	Marketing and maintenance of computer information products	500	500	100	100.00	2,585	183	-	The Company's indirect subsidiary
Freedom International Group Ltd.	Charleston Investments Limited	Cayman Islands	Holding company	1,844,922	1,844,922	57,032,142	100.00	2,567,533	346,012	-	The Company's indirect subsidiary
Freedom International Group Ltd.	G.B.T. LBN Inc.	Malaysia	Sales of computer information products	-	-	-	100.00	(349,180)	105,467	-	The Company's indirect subsidiary
Freedom International Group Ltd.	G.B.T. Inc.	U.S.A.	Sales of computer information products	109,459	109,459	57,169	51.37	118,963	55,401	-	The Company's indirect subsidiary
Freedom International Group Ltd.	Gigabyte Trading Inc.	U.S.A.	ODM Business	1,623	1,623	50,000	100.00	1,685	(89)	-	The Company's indirect subsidiary
Freedom International Group Ltd.	Giga Future Limited	British Virgin Islands	Holding company	2,689,068	2,689,068	82,819,550	100.00	2,898,194	111,060	-	The Company's indirect subsidiary
Freedom International Group Ltd.	Giga Advance (Labuan)Limited	Malaysia	Sales of computer information products	5,648	5,648	10,000	100.00	13,727	91	-	The Company's indirect subsidiary
Freedom International Group Ltd.	LCKT Yuan Chan Technology Co., Ltd.(Cayman)	Cayman Islands	Holding company	92,775	47,550	3,000,000	30.00	76,901	(45,388)	-	Subsidiary's investee company accounted for under the equity method
Chi-Ga Investments Corp.	Gigatrend Technology Co., Ltd.	Taiwan	Manufacturing and selling electronic components and parts	-	175,000	17,500,000	100.00	200	328	-	The Company's indirect subsidiary
Chi-Ga Investments Corp.	Giga-Trend International Investment Group Ltd.	Taiwan	Holding company	600,000	600,000	67,323,000	100.00	719,363	25,188	-	The Company's indirect subsidiary
Chi-Ga Investments Corp.	Giga-Trend International Management Group Ltd.	Taiwan	Venture capital management and consulting company	5,483	5,483	600,000	60.00	17,444	8,322	-	The Company's indirect subsidiary

Investor	Investee	Location	Main business activities	Initial investment amount: Balance as at December 31, 2017	Initial investment amount: Balance as at December 31, 2016	Shares held as at December 31, 2017: Number of shares	Shares held as at December 31, 2017: Ownership (%)	Shares held as at December 31, 2017: Book value	Net profit (loss) of the investee for the year ended December 31, 2017	Investment income(loss) recognised by the Company for the year ended December 31, 2017	Footnote
Chi-Ga Investments Corp.	Senyun Precise Optical Co.,Ltd	Taiwan	Manufacturing and selling of optical lens	$ 440,323	$ 440,323	39,892,298	68.53	$ 144,151	($ 230,132)	$ -	The Company's indirect subsidiary
Chi-Ga Investments Corp.	Gigazone Holdings Limited	British Virgin Islands	Holding company	173,928	173,928	34,500	100.00	5,667	(12,337)	-	The Company's indirect subsidiary
Chi-Ga Investments Corp.	Selita Precision Co., Ltd.	Taiwan	Manufacturing, wholesale and retail of bicycle and parts	50,000	50,000	5,000,000	100.00	39,103	(4,733)	-	The Company's indirect subsidiary
Chi-Ga Investments Corp.	Green Share Co., Ltd.	Taiwan	Wholesale of information software	9,424	9,424	816,000	51.00	4,731	(7,779)	-	The Company's indirect subsidiary
Chi-Ga Investments Corp.	GIGAIPC Co., Ltd.	Taiwan	Sales of computer information products	1,000	-	100,000	100.00	904	(96)	-	The Company's indirect subsidiary
Ningbo BestYield Tech. Services Co.,Ltd.	Cloud Ride Limited	British Virgin Islands	Selling of communications	100,577	100,577	3,300,000	100.00	53,861	8,593	-	The Company's indirect subsidiary
Ningbo BestYield Tech. Services Co.,Ltd.	OGS Europe B.V.	Netherlands	Selling of communications	12,443	-	3,000	100.00	23,878	6,860	-	The Company's indirect subsidiary
G-Style Co., Ltd.	Aorus Pte. Ltd.	Singapore	Marketing of computer information products	25,934	25,934	3,073,000	100.00	25,479	(2,745)	-	The Company's indirect subsidiary

GIGA-BYTE TECHNOLOGY CO.,LTD.

Information on investments in Mainland China

Year ended December 31, 2017

Table 7

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2017	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2017: Remitted to Mainland China	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2017: Remitted back to Taiwan	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2017	Net income of investee as of December 31, 2017	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2017	Book value of investments in Mainland China as of December 31, 2017	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2017	Footnote
Dongguan Gigabyte Electronics Co., Ltd.	Manufacturing of computer information products	$ 1,180,937	Note 1	$ 1,180,937	$ -	-	$ 1,180,937	$ 143,671	100	$ 143,671	$ 1,464,632	-	The Company's indirect subsidiary
Ningbo Giga-Byte International Trade Co., Ltd.	Sales of computer information products	259,752	Note 1	259,752	-	-	259,752	171,701	100	171,701	938,425	-	The Company's indirect subsidiary
Ningbo BestYield Tech. Services Co.,Ltd.	Maintenance of computer information products	181,923	Note 1	165,515	-	-	165,515	29,471	100	29,471	153,433	-	The Company's indirect subsidiary
Ningbo Zhongjia Technology Co., Ltd.	Sales of computer information products	109,838	Note 3	-	-	-	-	174,350	100	174,350	788,033	-	The Company's indirect subsidiary
Ningbo Gigabyte Technology Co., Ltd.	Manufacturing of computer information products	2,780,313	Note 1	2,780,313	-	-	2,780,313	108,634	100	108,634	2,812,086	-	The Company's indirect subsidiary
Gigazone International (Shenzhen)	Selling of PC peripherals	399,076	Note 3	203,761	-	-	203,761	(23,604)	100	(23,604)	10,798	-	The Company's indirect subsidiary
Shenzhen BestYield Tech. Services Co.,Ltd.	Maintenance of computer information products	15,841	Note 3	-	-	-	-	191	100	191	3,642	-	The Company's indirect subsidiary
Dongguan Senyun Precise Optical Co.,Ltd	Selling of mold and industrial plastic products	1,609	Note 2	1,609	-	-	1,609	709	100	709	1,857	-	The Company's indirect subsidiary

Note 1: Invested by Charleston Investments Limited and Giga Future Limited., which are subsidiaries of Freedom International Group Ltd.
Note 2: Directly invest in a company in Mainland China.
Note 3: Others.

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2017	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
Giga-Byte Technology Co., Ltd.	$ 4,386,517	$ 4,402,053	$ 14,539,394
Chi-Ga Investments Corp.	203,761	203,761	1,506,263
Senyun Precise Optical Co., Ltd.	1,609	9,974	240,703

GIGA-BYTE TECHNOLOGY CO.,LTD.

Significant transactions , either directly or indirectly through a third area, with investee companies in the Mainland Area

Year ended December 31, 2017

Table 8

Expressed in thousands of NTD
(Except as otherwise indicated))

	Sale (purchase)		Property transaction		Accounts receivable (payable)		Provision of endorsements/guarantees or collaterals		Financing				
Investee in Mainland China	Amount	%	Amount	%	Balance at December 31, 2017	%	Balance at December 31, 2017	Purpose	Maximum balance during the year ended December 31, 2017	Balance at December 31, 2017	Interest rate	Interest during the year ended December 31, 2017	Others
Ningbo Gigabyte Technology Co., Ltd.	$ 2,496	-	$ -	-	$ 487	-	$ -	-	$ -	$ -	-	$ -	Processing cost paid at $791,111
Ningbo Zhongjia Technology Co.,	11,536,127	20	-	-	1,021,463	16	-	-	-	-	-	-	
Dongguan Gigabyte Electronics Co., Ltd.	5,431	-	-	-	640	-	-	-	-	-	-	-	Processing cost paid at $888,070
Ningbo BestYield Tech. Services Co.,Ltd.	61,639	-	-	-	9,860	-	-	-	-	-	-	-	

GIGA-BYTE TECHNOLOGY CO., LTD.
STATEMENT OF CASH AND CASH EQUIVALENTS
DECEMBER 31, 2017
(Expressed in thousands of New Taiwan Dollars)

Table 1

ONF	Description	Amount	Note
Cash on hand and petty cash		$ 2,244	
Check deposits		500	
Demand deposits		439,936	
－NTD			
－USD	USD110,051 thousand, conversion rate 29.848	3,284,809	
－Other foreign currencies		220,129	
Time deposits	Annual percentage rate is 0.22%～0.60%	6,772,400	
－NTD			
－USD	USD6,002 thousand, conversion rate 29.848 annual percentage rate is 1.71%~2.26%	179,156	
－RMB	RMB30,000 thousand, conversion rate 4.578 annual percentage rate is 3.80%	137,340	
		$ 11,036,414	

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GIGA-BYTE TECHNOLOGY CO., LTD.
STATEMENT OF ACCOUNTS RECEIVABLE
DECEMBER 31, 2017
(Expressed in thousands of New Taiwan Dollars)

Table 2

Customer	Amount	Note
Non-related parties		
JC Hyun Systems, Inc.	$ 250,398	
Servernye Sistemy	205,197	
Others	3,532,682	None of the balances of each remaining item is greater than 5% of this account balance.
	3,988,.277	
Less: Allowance for bad debts	(38,673)	
	$ 3,949,604	

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GIGA-BYTE TECHNOLOGY CO., LTD.
STATEMENT OF INVENTORIES
DECEMBER 31, 2017
(Expressed in thousands of New Taiwan Dollars)

Table 3

Item	Amount: Cost	Amount: Net realisable value	Note
Raw materials	$ 3,110,692	$ 2,973,822	
Work in progress	945,233	944,193	
Finished goods and merchandise	4,477,885	4,886,040	
	8,533,810	$ 8,804,055	
Less: Allowance for valuation loss on inventories	(152,724)		
	$ 8,381,086		

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GIGA-BYTE TECHNOLOGY CO., LTD.
CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD
YEAR ENDED DECEMBER 31, 2017
(Expressed in thousands of New Taiwan Dollars)

Table 4

	Balance at January 1, 2017		Additions (Note 1)		Deductions (Note 2)		Other adjustments (Note 3)	Balance at December 31, 2017			Market value or net equity value			
Investee	Shares	Amount	Shares	Amount	Shares	Amount	Amount	Shares	Ownership (%)	Amount	Unit	Total	Collateral	Note
G.B.T. Technology Trading GmbH	-	$ 51,634	-	$ 3,575	-	$ -	$ 2,843	-	100%	$ 58,052	$ -	$ 58,052	None	
G.B.T. Inc.	54,116	93,298	-	26,944	-	-	(7,624)	54,116	48.63%	112,618	2,081	112,618	〃	
GBT Tech. Co. Ltd	800,000	9,419	-	1,002	-	-	161	800,000	100%	10,582	13	10,582	〃	
Giga-Byte Technology B.V.	8,500	121,893	-	16,790	-	-	(11,883)	8,500	100%	126,800	14,918	126,800	〃	
Gigabyte Technology Pty. Ltd.	400,000	14,956	2,000,000	46,317	-	(442)	225	2,400,000	100%	61,056	25	61,056	〃	
Gigabyte Technology (India) Private Limited	4,600,000	6,767	-	7,283	-	-	(724)	4,600,000	100%	13,326	11	49,548	〃	
Freedom International Group Ltd.	142,671,692	4,948,827	-	582,458	-	-	(36,164)	142,671,692	100%	5,495,121	39	5,501,350	〃	
Nippon Giga-Byte Corp.	1,000	7,987	-	655	-	-	(335)	1,000	100%	8,307	8,307	8,307	〃	
Gigabyte Technology ESPANA S.L.U.	5,000	3,715	-	69	-	-	195	5,000	100%	3,979	796	3,979	〃	
Gigabyte Global Business Corporation	1,000	323	-	-	-	-	(24)	1,000	100%	299	299	299	〃	
Gigabyte Information Technology Commerce Limited Company	8,000	3,216	-	426	-	-	(493)	8,000	100%	3,149	394	3,149	〃	
G-Style Co., Ltd.	72,000,000	442,594	-	-	-	(93,977)	(65)	72,000,000	100%	348,552	5	348,552	〃	
Giga-Byte Communication Inc.	34,578,228	4,041	1,800,049	18,000	(34,232,397)	(22,524)	-	2,145,880	99.86%	(483)	-	(483)	〃	
Giga-Zone International Co., Ltd.	14,000,000	(10,103)	8,500,000	85,000	(21,874,437)	(53,612)	-	625,563	100%	21,285	34	21,285	〃	
Chi-Ga Investments Corp.	177,500,000	1,842,482	20,000,000	517,776	-	-	150,181	197,500,000	100%	2,510,439	13	2,510,439	〃	
Gigabyte Technology LLC	168,000	35,580	-	-	-	(820)	1,287	168,000	100%	36,047	215	36,047	〃	
		7,576,629		1,306,295		(171,375)	97,580			8,809,129				
Add: reclassified to 'other non-current liabilities'		10,103		483		(10,103)	-			483				
		$ 7,586,732		$ 1,306,778		($ 181,478)	$ 97,580			$ 8,809,612				

Note 1: Current additions include recognition of investment income of $956,978 and additional investment of $349,317.

Note 2: Current deductions include recognition of investment loss of ($171,375).

Note 3: Other adjustments include exchange differences on translation of foreign operations amounting to ($54,825), unrealised gain (loss) on available-for-sale assets of $159,941 and recognition of changes in net equity of associates accounted for using equity method of ($7,536).

GIGA-BYTE TECHNOLOGY CO., LTD.
STATEMENT OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT
YEAR ENDED DECEMBER 31, 2017
(Expressed in thousands of New Taiwan Dollars)

Table 5

Item	Balance as of January 1, 2017	Additions	Deductions	Transferred (Note)	Balance as of December 31, 2017	Guaranteed or pledged as collaterals
Cost						
Land	$ 897,204	$ -	$ -	$ 21,805	$ 919,009	None
Buildings and structures	1,537,298	12,272	(932)	12,586	1,561,224	〃
Machinery and equipment	1,104,000	10,092	(15,289)	1,014	1,099,817	〃
Transportation equipment	1,631	-	(146)	-	1,485	〃
Other facilities	641,057	15,354	(19,406)	997	638,002	〃
Unfinished construction and prepayments for business facilities	4,123	11,520	-	(2,402)	13,241	〃
	4,185,313	$ 49,238	($ 35,773)	$ 34,000	4,232,778	
Accumulated depreciation						
Buildings and structures	(549,777)	($ 33,442)	$ 932	($ 1,217)	(583,504)	
Machinery and equipment	(871,020)	(53,937)	15,289	-	(909,668)	
Transportation equipment	(1,631)	-	146	-	(1,485)	
Other facilities	(549,160)	(47,449)	19,406	-	(577,203)	
	(1,971,588)	($ 134,828)	$ 35,773	($ 1,217)	(2,071,860)	
	$ 2,213,725				$ 2,160,918	

Note: Transferred to investment assets

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GIGA-BYTE TECHNOLOGY CO., LTD.
SUMMARY OF ACCOUNTS PAYABLE- NON-RELATED PARTIES
DECEMBER 31, 2017
(Expressed in thousands of New Taiwan Dollars)

Table 6

Name of suppliers	Amount	Note
Third parties		
NVIDIA Singapore Pte. Ltd.	$ 2,364,463	
INTEL Semiconductor (US) LLC	507,886	
Others	5,421,360	None of the balances of any supplier is greater than 5% of this account balance.
	$ 8,293,689	

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GIGA-BYTE TECHNOLOGY CO., LTD.
STATEMENT OF SALES REVENUE
YEAR ENDED DECEMBER 31, 2017
(Expressed in thousands of New Taiwan Dollars)

Table 7

Item	Quantity	Amount	Note
Mainboard	11,676	$ 19,914,753	
Peripheral card	4,914	28,484,129	
Computer server	40	4,442,559	
Others		5,675,003	None of the balances of any remaining item is greater than 5% of this account balance.
		58,516,444	
Less: sales returns and discounts		(1,302,778)	
		$ 57,213,666	

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GIGA-BYTE TECHNOLOGY CO., LTD.
STATEMENT OF OPERATING COSTS
YEAR ENDED DECEMBER 31, 2017
(Expressed in thousands of New Taiwan Dollars)

Table 8

Item	Amount
Opening balance of merchandise	$ 47,653
Add: Purchases during the year	941,009
Less: Ending balance of merchandises	(64,426)
Cost transfer caused by use of merchandise	(5,342)
Cost of purchasing and selling	918,894
Raw materials at beginning of period	2,833,908
Add: Purchases in the period	44,411,571
Less: Raw materials at end of period	(3,110,692)
Raw materials reclassified as expenses	(5,553,613)
Loss on physical inventory for raw materials	(267,186)
Raw materials reclassified for sale	(3)
Direct raw materials used	38,313,985
Direct labour	251,777
Manufacturing expense	2,794,036
Manufacturing cost	41,359,798
Add: Opening balance of work in process	911,765
Less: Ending balance of work in process	(945,233)
Work in progress reclassified for sale	(102,132)
Work in progress reclassified as expenses	(5,756)
Cost of finished goods	41,218,442
Add: Opening balance of finished goods	5,635,346
Less: Ending balance of finished goods	(4,413,459)
Finished goods reclassified as expenses	(156,058)
Cost of goods manufactured and sold	42,284,271
Cost of raw materials sold	5,553,613
Cost of work in process sold	102,132
Cost of goods sold	48,858,910
Warranty cost of after-sale service	276,853
Inventory valuation loss	(11,436)
Loss on physical inventory	3
Operating costs	$ 49,124,330

GIGA-BYTE TECHNOLOGY CO., LTD.
STATEMENT OF SELLING EXPENSE
YEAR ENDED DECEMBER 31, 2017
(Expressed in thousands of New Taiwan Dollars)

Table 9

Item	Description	Amount	Note
Wages and salaries		$ 1,409,448	
Service handling fee		440,130	
Export expense		400,983	
Service charge		195,473	
Advertisement expense		192,260	
Other expenses		595,434	None of the balances of any remaining item is greater than 5% of this account balance.
		$ 3,233,728	

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GIGA-BYTE TECHNOLOGY CO., LTD.
LABOUR, DEPRECIATION AND AMORTISATION BY FUNCTION
YEARS ENDED DECEMBER 31, 2017 AND 2016

Table 10

By function	Years ended December 31,					
	2017			2016		
By nature	Classified as operating costs	Classified as operating expenses	Total	Classified as operating costs	Classified as operating expenses	Total
Employee benefit expense						
Wages and salaries	$ 568,241	$ 2,758,035	$ 3,326,276	$ 592,657	$ 2,377,851	$ 2,970,508
Labour and health insurance fees	63,111	116,815	179,926	64,139	108,143	172,282
Pension costs	16,006	74,252	90,258	19,574	67,891	87,465
Other employee benefit expense	24,662	77,729	102,391	24,415	73,012	97,427
Depreciation	68,544	66,284	134,828	56,582	62,311	118,893
Amortisation	13,518	141,444	154,962	14,994	138,105	153,099

Note: As of December 31, 2017 and 2016, the Company had 2,587 and 2,722 employees, respectively.