

GIGA-BYTE TECHNOLOGY CO., LTD.  
AND SUBSIDIARIES  
CONSOLIDATED FINANCIAL STATEMENTS  
AND REPORT OF INDEPENDENT ACCOUNTANTS  
DECEMBER 31, 2016 AND 2015

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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. AND SUBSIDIARIES  
CONSOLIDATED FINANCIAL STATEMENTS  
AND REPORT OF INDEPENDENT ACCOUNTANTS  
DECEMBER 31, 2016 AND 2015  
TABLE OF CONTENTS

Items	Page
FRONT COVER	1
TABLE OF CONTENTS	2 ~ 3
DECLARATION OF CONSOLIDATED FINANCIAL STATEMENTS OF AFFILIATED ENTERPRISES	4
REPORT OF INDEPENDENT ACCOUNTANTS	5 ~ 10
CONSOLIDATED BALANCE SHEETS	11~ 12
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME	13
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY	14
CONSOLIDATED STATEMENTS OF CASH FLOWS	15 ~ 16
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	17 ~ 77
1. HISTORY AND ORGANIZATION	17
2. THE DATE OF AUTHORIZATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION	17
3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS	17 ~ 19
4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	20 ~ 33
5. CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY	33
6. DETAILS OF SIGNIFICANT ACCOUNTS	34 ~ 54
7. RELATED PARTY TRANSACTIONS	54 ~ 55

Items	Page
8. PLEDGED ASSETS	55
9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS	55
10. SIGNIFICANT DISASTER LOSS	55
11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE	55
12. OTHERS	55 ~ 63
13. SUPPLEMENTARY DISCLOSURES	63
14. SEGMENT INFORMATION	63 ~ 65

GIGA-BYTE TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Declaration of Consolidated Financial Statements of Affiliated Enterprises

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

Hereby declare,

GIGA-BYTE TECHNOLOGY CO., LTD.

Dandy Yeh

March 14, 2017

## REPORT OF INDEPENDENT ACCOUNTANTS

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

### ***Opinion***

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

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

### ***Basis for opinion***

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

### ***Key audit matters***

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

## **Occurrence of the revenue**

### Description

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

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

### How our audit addressed the matter

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

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

## **Assessment of allowance for valuation of inventory loss**

### Description

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

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

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

#### How our audit addressed the matter

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

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

#### ***Other matter – Report of the other independent accountants***

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

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

### ***Other matter – Parent company only financial statements***

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

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

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

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

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

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

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



decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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Fang-Yu Wang

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

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

GIGA-BYTE TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2016 AND 2015

(Expressed in thousands of New Taiwan dollars)

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

(Continued)

GIGA-BYTE TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2016 AND 2015

(Expressed in thousands of New Taiwan dollars)

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

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

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

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

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

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

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

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

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

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

(Continued)

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

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

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



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

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

1. HISTORY AND ORGANIZATION

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

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

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

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

None.

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

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

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

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

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

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

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

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

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

A. IFRS 9, 'Financial instruments'

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

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

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

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

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

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

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

Step 1: Identify contracts with customer.

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

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price.

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

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

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

##### (1) Compliance statement

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

(2) Basis of preparation

- A. Except for the following items, these consolidated financial statements have been prepared under the historical cost convention:
- (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
  - (b) Available-for-sale financial assets measured at fair value.
  - (c) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.
- B. The preparation of financial statements in compliance with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

- A. Basis for preparation of consolidated financial statements:
- (a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
  - (b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
  - (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
  - (d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.
  - (e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of.

B. Subsidiaries included in the consolidated financial statements:

Investor	Subsidiary	Main activities	Ownership(%)		Description
			December 31, 2016	2015	
The Company	Freedom International Group Ltd.	Holding company	100.00	100.00	
"	G.B.T., Inc.	Sales of computer information products	48.63	48.63	
"	G.B.T. Technology Trading GmbH	Promotion of computer information products	100.00	100.00	
"	Nippon Giga-Byte Corp.	Promotion of computer information products	100.00	100.00	
"	GBT Tech. Co., Ltd.	Promotion of computer information products	100.00	100.00	
"	Giga-Byte Technology B.V.	Sales of computer information products	100.00	100.00	
"	Gigabyte Technology Pty. Ltd.	Promotion of computer information products	100.00	100.00	
"	Chi-Ga Investment Corp.	Holding company	100.00	100.00	
"	Gigabyte Technology (India) Private Limited	Promotion and repairing of computer information products	100.00	100.00	
"	G-Style Co., Ltd.	Manufacturing and selling of notebooks	100.00	100.00	
"	Giga-Zone International Co., Ltd.	Selling of PC peripherals	100.00	100.00	
"	Giga-Byte Communications Inc.	Manufacturing and selling of communications	99.12	99.12	
"	Gigabyte Technology ESPANA S.L.U.	Promotion of computer information products	100.00	100.00	
"	Gigabyte Global Business Corporation	Selling of ODM products	100.00	100.00	
"	Gigabyte Information Technology Commerce Limited Company	Promotion of computer information products	100.00	100.00	
"	Gigabyte Technology LLC	Promotion of computer information products	100.00	100.00	
Freedom International Group Ltd.	Charleston Investments Limited	Holding company	100.00	100.00	
"	Giga Future Limited	Holding company	100.00	100.00	
"	G.B.T. LBN Inc.	Sales of computer information products	100.00	100.00	
"	G.B.T. Inc.	Sales of computer information products	51.37	51.37	
"	Aorus Pte. Ltd.	Promotion of computer information products	-	-	Note 1
"	Gigabyte Trading Inc.	Selling of ODM products	100.00	100.00	
"	Giga Advance (Labuan) Limited	Sales of computer information products	100.00	100.00	

Investor	Subsidiary	Main activities	Ownership(%)		Description
			2016	2015	
Giga-Byte Technology B.V.	Gigabyte Technology France	Promotion of computer information products	100.00	100.00	
G.B.T. Technology Trading GmbH	Gigabyte Technology Poland SP Z O.O.	Promotion and repairing of computer information products	100.00	100.00	
Charleston Investments Limited	Dongguan Gigabyte Electronics Co., Ltd.	Manufacturing of computer information products	100.00	100.00	
"	Ningbo Giga-Byte International Trade Co., Ltd.	Sales of computer information products	100.00	100.00	
"	Ningbo Best Yield Technology Services Co., Ltd.	Repairing of computer information products	100.00	100.00	
Giga Future Limited	Ningbo Giga-Byte Technology Co., Ltd.	Manufacturing of computer information products	100.00	100.00	
Ningbo Giga-Byte International Trade Co., Ltd.	Ningbo Zhongjia Technology Co., Ltd.	Sales of computer information products	100.00	100.00	
Chi-Ga Investment Corp.	Gigatrend Technology Co., Ltd.	Manufacturing and selling electronic components and parts	100.00	100.00	Note 2
"	Gigatrend International Investment Group Ltd.	Holding company	100.00	100.00	
"	Giga-Trend International Management Group Ltd.	Venture capital management and consulting business	60.00	76.27	
"	Gigazone Holdings Limited	Holding company	100.00	100.00	
"	Selita Precision Co., Ltd.	Manufacturing of bicycle and parts	100.00	-	Note 3,4
"	Green Share Co., Ltd.	Wholesale of information system	51.00	-	Note 5
"	Senyun Precise Optical Co., Ltd	Manufacturing of mold and industrial plastic products	68.53	-	Note 6
Giga-Byte Communication Inc.	Giga Win Limited	Selling of communication products	-	100.00	Note 7
Gigazone Holdings Limited	Gigazone International (Shenzhen)	Selling of PC peripherals	52.27	58.97	
Gigatrend Technology Co., Ltd.	Green Share Co., Ltd.	Wholesale of information system	-	51.00	Note 5
Cloud Ride Ltd.	OGS Europe B.V.	Selling of communication products	100.00	100.00	
Ningbo Zhongjia Technology Co., Ltd.	Gigazone International (Shenzhen)	Selling of PC peripherals	47.73	41.03	

Investor	Subsidiary	Main activities	Ownership(%)		Description
			2016	2015	
Ningbo BestYield Tech. Services Co., Ltd.	Cloud Ride Limited	Selling of communication products	100.00	100.00	
"	Shenzhen BestYield Tech. Services Co., Ltd.	Repairing of computer information products	100.00	100.00	Note 8
G-Style Co., Ltd.	Aorus Pte. Ltd.	Promotion of computer information products	100.00	100.00	Note 1
Senyun Precise Optical Co., Ltd	Dongguan Senyun Precise Optical Co., Ltd	Selling of mold and industrial plastic products	100.00	-	Note 3

Note 1: G-Style Co., Ltd. acquired 100% equity interest in Aorus Pte. Ltd. from Freedom International Group Ltd. for a cash consideration of NT\$25,934 in September 1, 2015.

Note 2: Liquidation is still in process.

Note 3: The establishment of new investment in 2016.

Note 4: Selita Precision Co., Ltd. has legally changed its Chinese name on July 15, 2016.

Note 5: Chi-Ga Investments Corp. acquired 51% equity interest in Green Share Co., Ltd. from Gigatrend Technology Co., Ltd. for a cash consideration of NT\$9,395 in August 19, 2016.

Note 6: Chi-Ga Investments Corp. participated in the cash capital increase of Senyun Precise Optical Co., Ltd. on November 18, 2016 amounting to \$233,323 and the share of ownership increased to 68.53%.

Note 7: The liquidation process has been completed in May 2016.

Note 8: The establishment of new investment in 2015.

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group: None.

#### (4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan dollars, which is the Company's functional currency and the Group's presentation currency.

##### A. Foreign currency transactions and balances

(a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.

(b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.

(c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value

through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

(d) All other foreign exchange gains and losses based on the nature of those transactions are presented in the statement of comprehensive income within 'other gains and losses'.

#### B. Translation of foreign operations

(a) The operating results and financial position of all the Group entities and associates that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;

ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

iii. All resulting exchange differences are recognised in other comprehensive income.

(b) When the foreign operation partially disposed of or sold is an associate, exchange differences that were recorded in other comprehensive income are proportionately reclassified to profit or loss as part of the gain or loss on sale. In addition, even when the Group still retains partial interest in the former foreign associate after losing significant influence over the former foreign associate, such transactions should be accounted for as disposal of all interest in these foreign operations.

(c) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even when the Group still retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.

#### (5) Classification of current and non-current items

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

(a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;

(b) Assets held mainly for trading purposes;

(c) Assets that are expected to be realised within twelve months from the balance sheet date;

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

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



- (a) Liabilities that are expected to be settled within the normal operating cycle;
- (b) Liabilities arising mainly from trading activities;
- (c) Liabilities that are to be settled within twelve months from the balance sheet date;
- (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

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

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

- A. Financial assets at fair value through profit or loss are financial assets held for trading. Financial assets are classified in this category of held for trading if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as financial assets held for trading unless they are designated as hedges.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using settlement date accounting.
- C. Financial assets at fair value through profit or loss are initially recognised at fair value. Related transaction costs are expensed in profit or loss. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognised in profit or loss.

(8) Available-for-sale financial assets

- A. Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. On a regular way purchase or sale basis, available-for-sale financial assets are recognised and derecognised using trade date accounting.
- B. Available-for-sale financial assets are initially recognised at fair value plus transaction costs. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognised in other comprehensive income.

(9) Held-to-maturity financial assets

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

method, less provision for impairment. Amortisation of a premium or a discount on such assets is recognised in profit or loss.

(10) Accounts receivable

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

(11) Impairment of financial assets

A. The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

B. The criteria that the Group uses to determine whether there is objective evidence of an impairment loss is as follows:

- (a) Significant financial difficulty of the issuer or debtor;
- (b) A breach of contract, such as a default or delinquency in interest or principal payments;
- (c) The Group, for economic or legal reasons relating to the borrower's financial difficulty, granted the borrower a concession that a lender would not otherwise consider;
- (d) It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- (e) The disappearance of an active market for that financial asset because of financial difficulties;
- (f) Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered; or
- (g) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

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

(a) Financial assets measured at amortised cost

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

loss is recognised and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(b) Available-for-sale financial assets

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

(12) Derecognition of financial assets

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

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

(13) Lease receivables/ operating leases (lessor)

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

(14) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(15) Investments accounted for using equity method / associates

- A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.
- B. The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- C. When changes in an associate's equity that are not recognised in profit or loss or other

comprehensive income of the associate and such changes not affecting the Group's ownership percentage of the associate, the Group recognises change in ownership interests in the associate in 'capital surplus' in proportion to its ownership.

- D. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- E. In the case that an associate issues new shares and the Group does not subscribe or acquire new shares proportionately, which results in a change in the Group's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for under the equity method' shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Group's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.
- F. Upon loss of significant influence over an associate, the Group remeasures any investment retained in the former associate at its fair value. Any difference between fair value and carrying amount is recognised in profit or loss.
- G. When the Group disposes its investment in an associate, if it loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it still retains significant influence over this associate, then the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

(16) Investment accounted for using equity method – joint ventures

Investment accounted for using equity method – joint ventures

The Group accounts for its interest in a joint venture using equity method. Unrealised profits and losses arising from the transactions between the Group and its joint venture are eliminated to the extent of the Group's interest in the joint venture. However, when the transaction provides evidence of a reduction in the net realisable value of current assets or an impairment loss, all such losses shall be recognised immediately. When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture together with any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the joint venture.

(17) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or

loss during the financial period in which they are incurred.

- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

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

(18) Operating leases (lessee)

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

(19) Investment property

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

(20) Intangible assets

A. Computer software

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

B. Goodwill

Goodwill arises in a business combination accounted for by applying the acquisition method.

(21) Impairment of non-financial assets

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

recognised in profit or loss shall not be reversed in the following years.

- C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

(22) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(23) Notes and accounts payable

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

(24) Derecognition of financial liabilities

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

(25) Provisions

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

(26) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

- i. Net obligation under a defined benefit plan is defined as the present value of an amount

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

- ii. Remeasurement arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.
- iii. Past service costs are recognised immediately in profit or loss.

#### C. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Group's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of redundancy benefits in exchange for the termination of employment. The Group recognises expense as it can no longer withdraw an offer of termination benefits or it recognises relating restructuring costs, whichever is earlier. Benefits that are expected to be due more than 12 months after balance sheet date shall be discounted to their present value.

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

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

#### (27) Employee share-based payment

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

#### (28) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.

- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group operates and generates taxable income. An additional 10% tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred income tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the unconsolidated balance sheet. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.
- D. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred income tax assets are reassessed.

(29) Share capital

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

(30) Dividends

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

(31) Revenue recognition

- A. The Group manufactures and sells computer peripheral and component parts products. Revenue is measured at the fair value of the consideration received or receivable taking into account of business tax, returns, rebates and discounts for the sale of goods to external customers in the ordinary course of the Group's activities.
- B. The Company offers customers volume discounts. The Company estimates such discounts and returns based on historical experience. Allowance accounts for such liabilities are recorded when the sales are recognised.

(32) Business combinations

- A. The Group uses the acquisition method to account for business combinations. The consideration transferred for an acquisition is measured as the fair value of the assets transferred, liabilities incurred or assumed and equity instruments issued at the acquisition date, plus the fair value of any assets and liabilities resulting from a contingent consideration arrangement. All acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. For each business combination, the Group measures at the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and



entitle their holders to the proportionate share of the entity's net assets in the event of liquidation at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other non-controlling interests should be measured at the acquisition-date fair value.

- B. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previous equity interest in the acquiree over the fair value of the identifiable assets acquired and the liabilities assumed is recorded as goodwill at the acquisition date. If the total of consideration transferred, non-controlling interest in the acquiree recognised and the fair value of previously held equity interest in the acquiree is less than the fair value of the identifiable assets acquired and the liabilities assumed, the difference is recognized directly in profit or loss on the acquisition date.

(33) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Group's chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

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

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors.

Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

(1) Critical judgements in applying the Group's accounting policies

None.

(2) Critical accounting estimates and assumptions

Evaluation of inventories

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

## 6. DETAILS OF SIGNIFICANT ACCOUNTS

### (1) Cash and cash equivalents

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Cash on hand and petty cash	\$ 5,823	\$ 13,375
Checking accounts and demand deposits	6,720,524	4,756,780
Time deposits	<u>6,198,344</u>	<u>5,953,456</u>
	<u>\$ 12,924,700</u>	<u>\$ 10,723,611</u>

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

B. The Group has no cash and cash equivalent pledged to others.

### (2) Financial assets at fair value through profit or loss-current

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
<u>Financial assets held for trading</u>		
Open-end funds-Domestic	\$ 334,301	\$ 726,404
Open-end funds-Overseas	48,480	104,642
Listed (OTC) stocks	175,954	162,855
Corporate bonds	189,988	168,598
Government bonds	<u>168,729</u>	<u>16,298</u>
	917,452	1,178,797
Valuation adjustment	<u>71,017</u>	<u>8,798</u>
	<u>\$ 988,469</u>	<u>\$ 1,187,595</u>

A. The Group recognized net gain of \$87,596 and \$61,927 on financial assets held for trading for the years ended December 31, 2016 and 2015, respectively.

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

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

### (3) Available-for-sale financial assets

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
<u>Current items</u>		
Listed stocks	\$ 281,425	\$ 106,165
Valuation adjustment	54,397	( 564)
Accumulated impairment	<u>( 57,627)</u>	<u>( 57,627)</u>
	<u>\$ 278,195</u>	<u>\$ 47,974</u>
<u>Non-current items</u>		
Listed stocks	\$ -	\$ 167,593
Emerging and unlisted stocks	<u>306,292</u>	<u>194,785</u>
Subtotal	306,292	362,378
Valuation adjustment	( 17,329)	( 4,510)
Accumulated impairment	<u>( 22,654)</u>	<u>( 22,654)</u>
	<u>\$ 266,309</u>	<u>\$ 335,214</u>

A. The Group recognised \$42,141 and (\$92,895) in other comprehensive income for fair value change and reclassified \$46,481 and \$32,149 from equity to profit or loss for the years ended December 31, 2016 and 2015, respectively.

B. The Group has no available-for-sale financial assets pledged to others.

(4) Held-to-maturity financial assets

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

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

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

(5) Accounts receivable - net

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Accounts receivable- third parties	\$ 5,565,577	\$ 5,321,635
Less: Allowance for doubtful accounts	( 169,220)	( 117,002)
Accounts receivable- net	<u>\$ 5,396,357</u>	<u>\$ 5,204,633</u>

A. The Group's credit quality for accounts receivable is assessed in accordance with the customer's credit rating and the collection period for the calculation basis of impairment loss. The Group has an internal credit valuation policy for its customers and the Group's finance department routinely or randomly reevaluates whether the credit ratings are still appropriate and makes adjustments when necessary in order to ascertain the latest condition of the customers. The credit rating for customers is based on the scale of the industry operations, profit-generating conditions, and the credit rating given by financial institutions as references for assessment.

B. The ageing analysis was based on past due date. The Group did not hold any financial assets that were past due but not impaired for the year ended December 31, 2016.

C. Movement analysis of the allowance for bad debts of financial assets that were impaired is as follows:

	<u>2016</u>		
	<u>Individual provision</u>	<u>Group provision</u>	<u>Total</u>
At January 1	\$ -	\$ 117,002	\$ 117,002
Acquired from business combinations	-	45,255	45,255
Provision for impairment	-	14,246	14,246
Write-offs during the period	- ( 5,450)	( 5,450)	( 5,450)
Effects of foreign exchange	- ( 1,833)	( 1,833)	( 1,833)
At December 31	<u>\$ -</u>	<u>\$ 169,220</u>	<u>\$ 169,220</u>

	2015		
	<u>Individual provision</u>	<u>Group provision</u>	<u>Total</u>
At January 1	\$ 3,197	\$ 85,103	\$ 88,300
Provision for impairment	-	30,455	30,455
Write-offs during the period	( 7,317)	( 483)	( 7,800)
Net exchange differences	<u>4,120</u>	<u>1,927</u>	<u>6,047</u>
At December 31	<u>\$ -</u>	<u>\$ 117,002</u>	<u>\$ 117,002</u>

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

(6) Inventories

	December 31, 2016		
	<u>Cost</u>	<u>Allowance for valuation loss</u>	<u>Book value</u>
Raw materials and supplies	\$ 2,949,470	(\$ 88,590)	\$ 2,860,880
Work in process	1,026,514	( 18,155)	1,008,359
Finished goods and merchandise inventories	<u>5,929,140</u>	<u>( 247,120)</u>	<u>5,682,020</u>
	<u>\$ 9,905,124</u>	<u>(\$ 353,865)</u>	<u>\$ 9,551,259</u>

	December 31, 2015		
	<u>Cost</u>	<u>Allowance for valuation loss</u>	<u>Book value</u>
Raw materials and supplies	\$ 1,989,693	(\$ 76,011)	\$ 1,913,682
Work in process	1,435,297	( 1,236)	1,434,061
Finished goods and merchandise inventories	<u>5,261,267</u>	<u>( 181,804)</u>	<u>5,079,463</u>
	<u>\$ 8,686,257</u>	<u>(\$ 259,051)</u>	<u>\$ 8,427,206</u>

The cost of inventories recognised as expense for the period:

	Years ended December 31,	
	<u>2016</u>	<u>2015</u>
Cost of inventories sold	\$ 42,691,884	\$ 41,458,078
Cost of warranty	499,073	586,105
Loss on market decline of inventory	86,721	23,184
Others	<u>14</u>	<u>13</u>
	<u>\$ 43,277,692</u>	<u>\$ 42,067,380</u>

(7) Other current assets

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Other financial assets	\$ -	\$ 290,000
Other financial assets - time deposits	948,069	1,102,095
Pledged assets	6,764	7,767
Others	<u>241,045</u>	<u>185,675</u>
	<u>\$ 1,195,878</u>	<u>\$ 1,585,537</u>

A. Other financial assets are the Group's financial investments.

B. Information on restricted assets pledged as collateral to others is provided in Note 8.

(8) Investments accounted for using equity method

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
<u>Associates</u>		
Senyun Precise Optical Co., Ltd	\$ -	\$ 162,507
Qsan Technology Inc.	34,440	77,481
LCKT Yuan Chang Technology Co., Ltd. (Cayman)	<u>44,342</u>	<u>-</u>
	<u>\$ 78,782</u>	<u>\$ 239,988</u>
<u>Joint ventures</u>		
LCKT Yuan Cheng Techno CO., LTD.	<u>\$ 324</u>	<u>\$ -</u>

A. Abovementioned investments accounted for using equity method are based on investee companies' financial statements audited by other independent accountants.

B. The Group has no material associate or joint venture investment. The Group's share of the operating results of the aforementioned investments are summarized below:

(a) The Group's interests in all individually immaterial associates and the Group's share of the operating results are summarized below:

	<u>Years ended December 31,</u>	
	<u>2016</u>	<u>2015</u>
Comprehensive loss	(\$ <u>86,848</u> )	(\$ <u>64,275</u> )

(b) The Group's interests in all individually immaterial joint ventures and the Group's share of the operating results are summarized below:

	<u>Years ended December 31,</u>	
	<u>2016</u>	<u>2015</u>
Comprehensive loss	(\$ <u>126</u> )	<u>\$ -</u>

C. Chi-Ga Investments Corp. participated in the cash capital increase of Senyun Precise Optical Co., Ltd. on November 18, 2016 amounting to \$233,323. As a result, Chi-Ga obtained control over the company and the share of ownership increased to 68.53%. For details, please refer to Note 6(28).

(9) Property, plant and equipment

	<u>Land</u>	<u>Buildings</u>	<u>Machinery</u>	<u>Others</u>	<u>Total</u>
<u>At January 1, 2016</u>					
Cost	\$ 1,012,103	\$ 3,321,268	\$ 3,143,923	\$ 1,275,121	\$ 8,752,415
Accumulated depreciation	-	( 1,418,437)	( 2,292,420)	( 1,018,792)	( 4,729,649)
	<u>\$ 1,012,103</u>	<u>\$ 1,902,831</u>	<u>\$ 851,503</u>	<u>\$ 256,329</u>	<u>\$ 4,022,766</u>
<u>2016</u>					
Opening net book amount	\$ 1,012,103	\$ 1,902,831	\$ 851,503	\$ 256,329	\$ 4,022,766
Additions	-	8,709	146,241	129,791	284,741
Disposals	-	( 2,102)	( 36,150)	( 14,152)	( 52,404)
Reclassifications	( 56,789)	( 59,720)	12,607	( 14,014)	( 117,916)
Depreciation charge	-	( 105,251)	( 154,119)	( 97,949)	( 357,319)
Acquired from business combinations	-	-	198,651	52,430	251,081
Net exchange differences	( 1,384)	( 63,427)	( 51,348)	( 9,747)	( 125,906)
Closing net book amount	<u>\$ 953,930</u>	<u>\$ 1,681,040</u>	<u>\$ 967,385</u>	<u>\$ 302,688</u>	<u>\$ 3,905,043</u>
<u>At December 31, 2016</u>					
Cost	\$ 953,930	\$ 3,083,983	\$ 3,025,651	\$ 1,300,235	\$ 8,363,799
Accumulated depreciation	-	( 1,402,943)	( 2,058,266)	( 997,547)	( 4,458,756)
	<u>\$ 953,930</u>	<u>\$ 1,681,040</u>	<u>\$ 967,385</u>	<u>\$ 302,688</u>	<u>\$ 3,905,043</u>
	<u>Land</u>	<u>Buildings</u>	<u>Machinery</u>	<u>Others</u>	<u>Total</u>
<u>At January 1, 2015</u>					
Cost	\$ 991,418	\$ 3,318,301	\$ 3,250,972	\$ 1,221,873	\$ 8,782,564
Accumulated depreciation	-	( 1,341,682)	( 2,260,602)	( 948,760)	( 4,551,044)
	<u>\$ 991,418</u>	<u>\$ 1,976,619</u>	<u>\$ 990,370</u>	<u>\$ 273,113</u>	<u>\$ 4,231,520</u>
<u>2015</u>					
Opening net book amount	\$ 991,418	\$ 1,976,619	\$ 990,370	\$ 273,113	\$ 4,231,520
Additions	-	41,407	61,096	92,856	195,359
Disposals	-	( 2,719)	( 6,001)	( 18,211)	( 26,931)
Reclassifications	18,316	7,668	1,007	733	27,724
Depreciation charge	-	( 108,589)	( 177,899)	( 94,446)	( 380,934)
Net exchange differences	2,369	( 11,555)	( 17,070)	2,284	( 23,972)
Closing net book amount	<u>\$ 1,012,103</u>	<u>\$ 1,902,831</u>	<u>\$ 851,503</u>	<u>\$ 256,329</u>	<u>\$ 4,022,766</u>
<u>At December 31, 2015</u>					
Cost	\$ 1,012,103	\$ 3,321,268	\$ 3,143,923	\$ 1,275,121	\$ 8,752,415
Accumulated depreciation	-	( 1,418,437)	( 2,292,420)	( 1,018,792)	( 4,729,649)
	<u>\$ 1,012,103</u>	<u>\$ 1,902,831</u>	<u>\$ 851,503</u>	<u>\$ 256,329</u>	<u>\$ 4,022,766</u>

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

(10) Investment property

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
<u>At January 1, 2016</u>			
Cost	\$ 81,019	\$ 101,591	\$ 182,610
Accumulated depreciation	-	( 22,851)	( 22,851)
	<u>\$ 81,019</u>	<u>\$ 78,740</u>	<u>\$ 159,759</u>

2016

Opening net book amount	\$ 81,019	\$ 78,740	\$ 159,759
Reclassifications	56,789	61,127	117,916
Depreciation charge	-	( 4,678)	( 4,678)
Net exchange differences	-	( 2,890)	( 2,890)
Closing net book amount	<u>\$ 137,808</u>	<u>\$ 132,299</u>	<u>\$ 270,107</u>

At December 31, 2016

Cost	\$ 137,808	\$ 186,577	\$ 324,385
Accumulated depreciation	-	( 54,278)	( 54,278)
	<u>\$ 137,808</u>	<u>\$ 132,299</u>	<u>\$ 270,107</u>

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
<u>At January 1, 2015</u>			
Cost	\$ 99,335	\$ 112,765	\$ 212,100
Accumulated depreciation	-	( 20,381)	( 20,381)
	<u>\$ 99,335</u>	<u>\$ 92,384</u>	<u>\$ 191,719</u>

2015

Opening net book amount	\$ 99,335	\$ 92,384	\$ 191,719
Reclassifications	( 18,316)	( 9,408)	( 27,724)
Depreciation charge	-	( 3,602)	( 3,602)
Net exchange differences	-	( 634)	( 634)
Closing net book amount	<u>\$ 81,019</u>	<u>\$ 78,740</u>	<u>\$ 159,759</u>

At December 31, 2015

Cost	\$ 81,019	\$ 101,591	\$ 182,610
Accumulated depreciation	-	( 22,851)	( 22,851)
	<u>\$ 81,019</u>	<u>\$ 78,740</u>	<u>\$ 159,759</u>

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

	<u>Years ended December 31,</u>	
	<u>2016</u>	<u>2015</u>
Rental income from the lease of the investment property	\$ <u>17,907</u>	\$ <u>11,287</u>
Direct operating expenses arising from the investment property that generated rental income in the period	\$ <u>4,678</u>	\$ <u>3,602</u>

B. The fair value of the investment property held by the Group as at December 31, 2016 and 2015 was \$347,886 and \$197,179, respectively, which was valued with reference to the future rental income and the related discounted cash flows of the investment property. Key assumptions are as follows:

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Discount rate	1.845%~2.700%	1.985%~2.990%

(11) Other non-current assets

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Guarantee deposits paid	\$ 96,246	\$ 64,955
Pledged assets	41,657	41,618
Land-use right	46,176	51,954
Other	<u>163,255</u>	<u>164,859</u>
	<u>\$ 347,334</u>	<u>\$ 323,386</u>

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

(12) Short-term borrowings

	<u>December 31, 2016</u>	<u>Interest rate range</u>	<u>Collateral</u>
Unsecured borrowings	\$ 140,000	1.2%~2.00%	None
Loan for purchase of raw material	<u>1,120</u>	2.05%	None
	<u>\$ 141,120</u>		

	<u>December 31, 2015</u>	<u>Interest rate range</u>	<u>Collateral</u>
Unsecured borrowings	<u>\$ 70,000</u>	1.24%	None



(13) Other payables

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Salary and bonus payable	\$ 2,156,207	\$ 2,156,343
Employees' compensation and directors' and supervisors' remuneration payable	368,622	215,578
Royalties payable	142,136	210,841
Shipping and freight-in payable	116,264	107,951
Marketing fee payable	155,411	252,904
Others	<u>36,865</u>	<u>248,511</u>
	<u>\$ 2,975,505</u>	<u>\$ 3,192,128</u>

(14) Provisions

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

	<u>2016</u>	<u>2015</u>
At January 1	\$ 570,459	\$ 535,056
Additional provisions	499,073	586,105
Used during the period	<u>(508,299)</u>	<u>(550,702)</u>
At December 31	<u>\$ 561,233</u>	<u>\$ 570,459</u>

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

(15) Other current liabilities

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Advance sales receipts	\$ 349,027	\$ 448,695
Long-term borrowings, current portion	2,000	-
Other	<u>312,873</u>	<u>325,495</u>
	<u>\$ 663,900</u>	<u>\$ 774,190</u>

(16) Long-term borrowings

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>December 31, 2016</u>
Unsecured borrowings	Borrowing period is from October 30, 2015 to October 30, 2020; interest is repayable	1.92%	None	\$ 7,667
Less: current portion				<u>(2,000)</u>
				<u>\$ 5,667</u>

The Group has undrawn borrowing facilities of \$8,500.

(17) Pensions

A. The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of

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

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

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

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

	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liability</u>
Year ended December 31, 2016			
Balance at January 1	(\$ 715,011)	\$ 242,313	(\$ 472,698)
Current service cost	( 4,976)	-	( 4,976)
Interest (expense) income	( 10,683)	3,697	( 6,986)
Past service cost	<u>409</u>	<u>-</u>	<u>409</u>
	<u>( 730,261)</u>	<u>246,010</u>	<u>( 484,251)</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	( 2,035)	( 2,035)
Change in demographic assumptions	( 21,343)	-	( 21,343)
Change in financial assumptions	-	-	-
Experience adjustments	<u>( 9,369)</u>	<u>-</u>	<u>( 9,369)</u>
	<u>( 30,712)</u>	<u>( 2,035)</u>	<u>( 32,747)</u>
Pension fund contribution	-	7,149	7,149
Paid pension	<u>22,379</u>	<u>( 22,379)</u>	<u>-</u>
Balance at December 31	<u>(\$ 783,594)</u>	<u>\$ 228,745</u>	<u>(\$ 509,849)</u>

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2015			
Balance at January 1	(\$ 626,700)	\$ 243,579	(\$ 383,121)
Current service cost	( 6,111)	-	( 6,111)
Interest (expense) income	( 12,499)	4,975	( 7,524)
Past service cost	2,108	-	2,108
	<u>( 643,202)</u>	<u>248,554</u>	<u>( 394,648)</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	1,582	1,582
Change in demographic assumptions	( 5,532)	-	( 5,532)
Change in financial assumptions	( 49,161)	-	( 49,161)
Experience adjustments	<u>( 25,510)</u>	<u>-</u>	<u>( 25,510)</u>
	<u>( 80,203)</u>	<u>1,582</u>	<u>( 78,621)</u>
Pension fund contribution	-	571	571
Paid pension	<u>8,394</u>	<u>( 8,394)</u>	<u>-</u>
Balance at December 31	<u>(\$ 715,011)</u>	<u>\$ 242,313</u>	<u>(\$ 472,698)</u>

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

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

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

Assumptions regarding future mortality experience are set based on actuarial advice in

accordance with 2012 Taiwan Standard Ordinary Experience Mortality Table.

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

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

The sensitivity analysis above is based on other conditions that are unchanged but only one assumption is changed. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

- (e) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2017 amounts to \$13,896.
- (f) As of December 31, 2016, the weighted average duration of that retirement plan is 13 years. The analysis of timing of the future pension payment was as follows:

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

- B. Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The pension costs under the defined contribution pension plans of the Group for

the years ended December 31, 2016 and 2015 were \$88,389 and \$89,459, respectively.

The Company's mainland subsidiaries have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People's Republic of China (PRC) are based on certain percentage of employees' monthly salaries and wages. The contribution percentage for the years ended December 31, 2016 and 2015 was 12%~20% and 13%~21%, respectively. Other than the monthly contributions, the Group has no further obligations. For the years ended December 31, 2016 and 2015, the Company's mainland China subsidiaries have recognised pension cost of \$94,680 and \$83,017, respectively.

(18) Share-based payment

A. As of December 31, 2016, the Group's share-based payment arrangements were as follows:

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

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

	<u>Years ended December 31,</u>			
	<u>2016</u>		<u>2015</u>	
	<u>No. of options (in thousands)</u>	<u>Weighted-average exercise price (in dollars)</u>	<u>No. of options (in thousands)</u>	<u>Weighted-average exercise price (in dollars)</u>
Options outstanding at beginning of year	10,039	\$ 10.90	10,219	\$ 11.90
Options exercised	(55)	10.20	(180)	11.99
Options outstanding at end of year	<u>9,984</u>	10.20	<u>10,039</u>	10.90
Options exercisable at end of year	<u>9,984</u>		<u>10,039</u>	

C. The weighted-average stock price of stock options at exercise date of 2016 and 2015 was \$33.53~\$43.43 and \$26.04~\$39.33 (in dollars), respectively.

D. As of December 31, 2016 and 2015, the range of exercise price of stock options outstanding was \$10.20 and \$10.90, respectively, and the weighted-average remaining vesting period was 0.97 years, 1.97 years, respectively.

E. For the stock options granted by the Company with the compensation cost accounted for using the fair value method, their fair value on the grant date is estimated using the Black-Scholes option-pricing model. The weighted-average parameters used in the estimation of the fair value are as follows:

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

(19) Share capital

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

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

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

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

(20) Capital surplus

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

(21) Retained earnings

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior year's operating losses and then 10% of the remaining amount shall be set aside as legal reserve, unless accumulated legal reserve has reached an amount equal to the Company's paid-in capital. And then special reserve shall be set aside or reversed according to the laws or decrees or the regulations of competent authorities. Appropriation (5% ~ 80%) of the remainder plus prior year's accumulated retained earnings shall be proposed by the Board of Directors and resolved by the stockholders. The Company's dividend policy is as follows: not less than 87% of distributable amounts as dividends to stockholders, of which, not less than 5% shall be distributed in the form of cash. If the cash dividend is less than NT\$0.1 per share, such dividend shall be distributed in the form of shares.

B. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the balance of the reserve exceeds 25% of the Company's paid-in capital.

C. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

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

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

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

E. As of the date of the auditor's report, the appropriation of retained earnings for 2016 has not been resolved by the Board of Directors. Information on the appropriation of the Company's earnings as proposed by the Board of Directors and resolved by the stockholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

F. For the information relating to employees' compensation and directors' and supervisors' remuneration, please refer to Note 6(25).

(22) Other income

	Years ended December 31,	
	2016	2015
Interest income	\$ 103,047	\$ 140,570
Dividend income	28,014	38,374
Other income	1,318,928	1,198,726
	\$ 1,449,989	\$ 1,377,670

(23) Other gains and losses

	Years ended December 31,	
	2016	2015
Net currency exchange (losses) gains	(\$ 33,309)	\$ 53,353
Gains on disposal of investments	71,601	39,159
Net gains on financial assets at fair value through profit or loss	87,596	54,917
Losses on disposal of property, plant and equipment	( 36,239)	( 24,339)
Impairment loss-Goodwill	( 56,130)	-
Others	( 24,766)	( 15,126)
	<u>\$ 8,753</u>	<u>\$ 107,964</u>

(24) Expenses by nature

	Years ended December 31,	
	2016	2015
Cost of goods sold	\$ 42,446,300	\$ 41,206,716
Employee benefit expense	5,370,082	5,229,088
Depreciation and amortisation	538,871	576,352
Cost of warranty	499,073	586,105
Transportation expenses	366,707	375,106
Losses on doubtful debts	14,246	30,455
Other costs and expenses	<u>1,423,112</u>	<u>1,573,232</u>
Total	<u>\$ 50,658,391</u>	<u>\$ 49,577,054</u>

(25) Employee benefit expense

	Years ended December 31,	
	2016	2015
Wages and salaries	\$ 4,697,157	\$ 4,583,667
Labor and health insurance fees	270,617	291,705
Pension costs	194,622	184,003
Other personnel expenses	<u>207,686</u>	<u>169,713</u>
	<u>\$ 5,370,082</u>	<u>\$ 5,229,088</u>

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

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



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

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

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

(26) Income tax

A. Income tax expense

(a) Components of income tax expense:

	<u>Years ended December 31,</u>	
	<u>2016</u>	<u>2015</u>
Current tax		
Current tax on profits for the period	\$ 647,584	\$ 449,607
Tax on undistributed surplus earnings	9,015	46,726
Adjustments in respect of prior years	<u>27,126</u>	<u>241,326</u>
	<u>683,725</u>	<u>737,659</u>
Deferred tax		
Origination and reversal of temporary differences	( 47,372)	( 5,503)
Effect of the exchange rate	<u>41,618</u>	<u>16,803</u>
	( 5,754)	11,300
Income tax expense	<u>\$ 677,971</u>	<u>\$ 748,959</u>

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

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

B. Reconciliation between income tax expense and accounting profit

	<u>Years ended December 31,</u>	
	<u>2016</u>	<u>2015</u>
Tax calculated based on profit before tax and statutory tax rate	\$ 503,595	\$ 454,182
Expenses disallowed by tax regulation	49,709	20,204
Tax exempted income by tax regulation	( 11,473)	( 8,103)
Effect from tax credit of investment	-	( 52,827)
Tax on undistributed surplus earnings	9,015	46,726
Prior year income tax (over)underestimation	27,126	241,326
Changes in assessment of realization of deferred tax assets	46,495	32,194
Effect of tax from different applicable taxes within the Group	<u>53,504</u>	<u>15,257</u>
Income tax expense	<u>\$ 677,971</u>	<u>\$ 748,959</u>

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

	<u>Year ended December 31, 2016</u>				
	<u>January 1</u>	<u>Recognised in profit or loss</u>	<u>Recognised in other comprehensive income</u>	<u>Business combination</u>	<u>December 31</u>
<u>Deferred tax assets</u>					
Provision for warranty expense	\$ 75,625	(\$ 173)	\$ -	\$ -	\$ 75,452
Loss on inventory	29,349	882	-	1,975	32,206
Amount of allowance for bad debts that exceed the limit for tax purpose	2,999	4,521	-	7,345	14,865
Pension expense	36,676	750	-	-	37,426
Unrealized profit on intercompany sales	44,021	( 4,572)	-	-	39,449
Unrealized exchange gain	-	651	-	-	651
Impairment loss on non-financial assets	-	2,278	-	2,285	4,563
Gains on remeasurement of defined benefit obligations	9,249	-	5,567	-	14,816
Others	<u>80,774</u>	<u>35,610</u>	<u>-</u>	<u>10,392</u>	<u>126,776</u>
	<u>278,693</u>	<u>39,947</u>	<u>5,567</u>	<u>21,997</u>	<u>346,204</u>
<u>Deferred tax liabilities</u>					
Unrealized exchange gain	( 17,534)	7,206	-	-	( 10,328)
Others	<u>-</u>	<u>219</u>	<u>-</u>	<u>( 375)</u>	<u>( 156)</u>
	<u>( 17,534)</u>	<u>7,425</u>	<u>-</u>	<u>( 375)</u>	<u>( 10,484)</u>
	<u>\$ 261,159</u>	<u>\$ 47,372</u>	<u>\$ 5,567</u>	<u>\$ 21,622</u>	<u>\$ 335,720</u>

	Year ended December 31, 2015			
	January 1	Recognised in profit or loss	Recognised in other comprehensive	
			income	December 31
<u>Deferred tax assets</u>				
Provision for warranty expense	\$ 75,734	(\$ 109)	\$ -	\$ 75,625
Loss on inventory	29,589	( 240)	-	29,349
Amount of allowance for bad debts that exceed the limit for tax purpose	-	2,999	-	2,999
Pension expense	34,812	1,864	-	36,676
Unrealized profit on intercompany sales	63,731	( 19,710)	-	44,021
Gains on remeasurement of defined benefit obligations	-	-	9,249	9,249
Others	<u>62,951</u>	<u>17,823</u>	<u>-</u>	<u>80,774</u>
	<u>266,817</u>	<u>2,627</u>	<u>9,249</u>	<u>278,693</u>
<u>Deferred tax liabilities</u>				
Unrealized exchange gain	( 19,773)	2,239	-	( 17,534)
Gains (losses) on remeasurments of defined benefit obligations	( 4,116)	-	4,116	-
Others	<u>( 637)</u>	<u>637</u>	<u>-</u>	<u>-</u>
	<u>( 24,526)</u>	<u>2,876</u>	<u>4,116</u>	<u>( 17,534)</u>
	<u>\$ 242,291</u>	<u>\$ 5,503</u>	<u>\$ 13,365</u>	<u>\$ 261,159</u>

D. Expiration dates of unused taxable loss and amounts of unrecognised deferred tax assets are as follows:

December 31, 2016				
Year incurred	Amount filed/ assessed	Unused amount	Unrecognised deferred tax assets	Usable until year
2007	\$ 421,786	\$ 421,786	\$ 421,786	2017
2008	343,356	343,356	343,356	2018
2009	423,520	423,520	423,520	2019
2010	334,750	322,083	322,083	2020
2011	116,913	116,913	116,913	2021
2012	164,468	164,468	164,468	2022
2013	120,379	120,379	120,379	2023
2014	164,552	164,552	164,552	2024
2015	317,274	317,274	317,274	2025
2016 (Note)	<u>328,536</u>	<u>328,536</u>	<u>328,536</u>	2026
	<u>\$ 2,735,534</u>	<u>\$ 2,722,867</u>	<u>\$ 2,722,867</u>	

December 31, 2015

Year incurred	Amount filed/ assessed	Unused amount	Unrecognised deferred tax assets	Usable until year
2006	\$ 366,081	\$ 366,081	\$ 366,081	2016
2007	421,786	421,786	421,786	2017
2008	343,356	343,356	343,356	2018
2009	423,520	423,520	423,520	2019
2010	334,750	322,083	322,083	2020
2011	116,913	116,913	116,913	2021
2012	164,468	164,468	164,468	2022
2013	120,379	120,379	120,379	2023
2014	164,552	164,552	164,552	2024
2015 (Note)	<u>263,949</u>	<u>263,949</u>	<u>263,949</u>	2025
	<u>\$ 2,719,754</u>	<u>\$ 2,707,087</u>	<u>\$ 2,707,087</u>	

Note: These amounts were based on estimates.

E. The Company's income tax returns through 2014 have been assessed and approved by the Tax Authority.

The prior years' underestimation of income tax and interest expense of the Company's subsidiary in Mainland China has been adjusted for the related taxes in its books.

F. Unappropriated retained earnings

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

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

	Years ended December 31,	
	2016	2015
Imputation tax credit account balance	<u>\$ 1,207,828</u>	<u>\$ 1,051,653</u>

	Years ended December 31,	
	2016 (Estimated)	2015 (Actual)
Creditable tax ratio of the total distributed retained earnings	<u>19.11%</u>	<u>16.77%</u>

(27) Earnings per share

	<u>Year ended December 31, 2016</u>		
		Weighted average number of ordinary shares outstanding	Earnings per share
	<u>Amount after tax</u>	<u>(share in thousands)</u>	<u>(in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 2,292,864	629,074	<u>\$ 3.64</u>
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares			
– Employees’ compensation	-	7,424	
– Convertible bonds	-	<u>7,382</u>	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 2,292,864</u>	<u>643,880</u>	<u>\$ 3.56</u>

	<u>Year ended December 31, 2015</u>		
		Weighted average number of ordinary shares outstanding	Earnings per share
	<u>Amount after tax</u>	<u>(share in thousands)</u>	<u>(in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 1,920,065	629,019	<u>\$ 3.05</u>
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares			
– Employees’ bonus	-	4,231	
– Convertible bonds	-	<u>6,867</u>	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 1,920,065</u>	<u>640,117</u>	<u>\$ 3.00</u>

(28) Business combinations

- A. On November 18, 2016, the Group acquired 18.66% (original share of ownership is 49.87%) of the share capital of Senyun Precise Optical Co., Ltd for \$233,323 and obtained the control of Senyun Precise Optical Co., Ltd. The Company is engaged in the manufacturing and sale of optical precision mold and professional optical lens in Taiwan. As a result of the acquisition, the Group is expected to increase its presence in these markets. It also expects to reduce costs through economies of scale.
- B. The following table summarises the consideration paid for Senyun Precise Optical Co.,Ltd and the fair values of the assets acquired and liabilities assumed at the acquisition date, as well as the non-controlling interest’s proportionate share of the recognised amounts of

acquiree's identifiable net assets at the acquisition date:

	<u>November 18, 2016</u>
Purchase consideration- Cash paid	\$ 233,323
Fair value of equity interest in Senyun Precise Optical Co.,Ltd held before the business combination	135,273
The non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets	<u>149,615</u>
	<u>518,211</u>
Fair value of the identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	266,082
Notes and accounts receivable	107,047
Other receivables	165
Inventories	96,782
Prepayments	16,524
Deferred income tax assets	21,998
Other current assets	2,802
Property, plant and equipment	251,081
Intangible assets	26,570
Other non-current assets	7,747
Short-term borrowings	( 194,147)
Notes and accounts payable	( 19,619)
Other payables	( 51,458)
Other current liabilities	( 21,026)
Long-term borrowings	( 34,692)
Deferred tax liabilities	<u>( 375)</u>
Total identifiable net assets	<u>475,481</u>
Goodwill	<u>\$ 42,730</u>

C. The Group held 49.87% equity interest in Senyun Precise Optical Co., Ltd. before the business combination. The equity investment gain due to fair value remeasurement amounted \$22,831 and shown as 'gain on disposal of investment' as described in Note 6(23).

D. The operating revenue included in the consolidated statement of comprehensive income since November 18, 2016 contributed by Senyun Precise Optical Co.,Ltd was \$22,584. Senyun Precise Optical Co.,Ltd also contributed profit (loss) before income tax of (\$62,737) over the same period. Had Senyun Precise Optical Co.,Ltd been consolidated from January 1, 2016, the consolidated statement of comprehensive income would show operating revenue of \$52,573,917 and profit before income tax of \$2,864,625.

## 7. RELATED PARTY TRANSACTIONS

### (1) Significant related party transactions and balances

The related parties are included in the consolidated financial statements, and the related transactions are all eliminated.

(2) Key management compensation

	<u>Years ended December 31,</u>	
	<u>2016</u>	<u>2015</u>
Salaries and other short-term employee benefits	<u>\$ 280,496</u>	<u>\$ 286,093</u>

8. PLEDGED ASSETS

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

<u>Pledged asset</u>	<u>Book value</u>		<u>Purpose</u>
	<u>December 31, 2016</u>	<u>December 31, 2015</u>	
Pledged asset (accounted for as "Other current assets" and "Other non-current assets") - Pledged deposits	\$ 48,421	\$ 49,385	Guarantee for the customs duties and deposits

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

None.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue employee stock option or buyback and retire treasury stock.

(2) Financial instruments

A. Fair value information of financial instruments

Except for those listed in the table below, the carrying amounts of the Group's financial instruments not measured at fair value (including cash and cash equivalents, notes receivable, accounts receivable, other receivables, other financial assets, held-to-maturity financial assets, short-term borrowings, notes payable, accounts payable, other payables, long-term borrowings and deposits received) are approximate to their fair values. The fair value information of financial instruments measured at fair value is provided in Note 12(3).

B. Financial risk management policies

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

and financial performance.

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

C. Significant financial risks and degrees of financial risks

- (a) Market risk

Foreign exchange risk

- a. The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.
- b. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: RMB). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	<u>December 31, 2016</u>		
	Foreign currency amount <u>(In Thousands)</u>	Exchange rate	Book value <u>(NTD)</u>
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 365,724	32.279	\$ 11,805,205
<u>Non-monetary items</u>			
USD:NTD	15,093	32.279	\$ 487,187
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ 155,527	32.279	\$ 5,020,256



December 31, 2015			
	Foreign currency amount (In Thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 170,762	33.066	\$ 5,646,416
<u>Non-monetary items</u>			
USD:NTD	4,848	33.066	\$ 160,304
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ 128,754	33.066	\$ 4,257,380

- c. The total exchange gain (loss), including realised and unrealized arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2016 and 2015, amounted to loss of \$33,309 and gain of \$53,353, respectively.
- d. Analysis of foreign currency market risk arising from significant foreign exchange variation:

Year ended December 31, 2016			
Sensitivity analysis			
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 118,052	\$ -
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 50,203	\$ -

Year ended December 31, 2015			
Sensitivity analysis			
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 56,464	\$ -
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 42,574	\$ -

### Price risk

- a. The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated balance sheet either as available-for-sale or at fair value through profit or loss. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.
- b. The Group's investments in equity securities comprise foreign and domestic listed, unlisted stocks and beneficiary certificates. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, post-tax profit for the years ended December 31, 2016 and 2015 would have increased/decreased by \$6,534 and \$9,684, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have increased/decreased by \$5,445 and \$3,832, respectively, as a result of gains/losses on equity securities classified as available-for-sale.

### Interest rate risk

- a. The domestic bond fund investment by the Group was held mainly for trading purposes, the effective interest rate of this fund is affected by the market interest rate.
- b. The investment floating bonds of the Group were range accrual notes, the effective interest rate of these notes are affected by the market interest rate; accordingly, the Group's future cash flows would fluctuate with the market interest rate change.
- c. For fixed interest rate bond investments held by the Group classified as financial assets at fair value through profit or loss, changes in market interest rates would affect their fair values. At December 31, 2016 and 2015, if market interest rates had been 1% higher/lower with all other variables held constant, other comprehensive income for the years ended December 31, 2016 and 2015 would have been \$3,351 and \$2,192 lower/higher, respectively.
- d. At December 31, 2016 and 2015, if interest rates on borrowings had been 0.1% higher/lower with all other variables held constant, profit for the years ended December 31, 2016 and 2015 would have been \$140 and \$0 lower/higher, respectively, mainly as a result of higher interest expense on floating rate borrowings.

### (b) Credit risk

- a. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.

- b. The bond fund held by the Group was issued by well-known foreign banks and securities investment trust companies owned by or affiliated with domestic financial holding companies with good credit standing. Since the Group trades with several securities investment trust companies, credit risk is low.
- c. The Group has lower significant concentrations of credit risk, due to investment in corporate bonds or financial bonds. The maximum loss to the Group is the total amount of all book value.
- d. The Group has lower significant concentrations of credit risk. It has policies in place to ensure that wholesale sales of products are made to customers with an appropriate credit history. The Group had credit insurance coverage for a majority of its customers. Accordingly, credit risk is low. No credit limits were exceeded during the reporting periods, and management does not expect any significant losses from non-performance by these counterparties.
- e. Loan guarantees provided by the Group are in compliance with the Group's "Procedures for Provision of Endorsements and Guarantees" and are only provided to affiliated companies of which the Group owns directly or indirectly more than 50% ownership or a company which trades with the Group. As the Company is fully aware of the credit conditions of these related parties, it has not asked for collateral for the loan guarantees provided. In the event that these related parties fail to comply with loan agreements with banks, the maximum loss to the Group is the total amount of loan guarantees as listed above.
- f. The credit quality information of financial assets that are neither past due nor impaired is provided in the statement for each type of financial asset in Note 6.
- g. The individual analysis of financial assets that had been impaired is provided in the statement for each type of financial asset in Note 6.

(c) Liquidity risk

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

Non-derivative financial liabilities:

December 31, 2016	<u>Less than 1 year</u>	Between 1 and		<u>Total</u>
		<u>2 years</u>	<u>Over 2 years</u>	
Short-term borrowings	\$ 141,120	\$ -	\$ -	\$ 141,120
Notes payable	34,358	-	-	34,358
Accounts payable	7,884,351	-	-	7,884,351
Other payables	2,975,505	-	-	2,975,505
Long-term borrowings (including current portion)	-	-	7,667	7,667

Non-derivative financial liabilities:

December 31, 2015	<u>Less than 1 year</u>	Between 1 and		<u>Total</u>
		<u>2 years</u>	<u>Over 2 years</u>	
Short-term borrowings	\$ 70,000	\$ -	\$ -	\$ 70,000
Notes payable	37,139	-	-	37,139
Accounts payable	4,978,471	-	-	4,978,471
Other payables	3,192,128	-	-	3,192,128

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

(3) Fair value information

A. Details of the fair value of the Group's financial assets and financial liabilities not measured at fair value are provided in Note 12(2)A. Details of the fair value of the Group's investment property measured at cost are provided in Note 6(10).

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

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

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

Level 3: Unobservable inputs for the asset or liability. The fair value of the Group's investment in equity investment without active market is included in Level 3.

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

December 31, 2016	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ 653,352	\$ -	\$ -	\$ 653,352
Debt securities	335,117	-	-	335,117
Available-for-sale financial assets				
Equity securities	<u>278,195</u>	<u>-</u>	<u>266,309</u>	<u>544,504</u>
Total	<u>\$ 1,266,664</u>	<u>\$ -</u>	<u>\$ 266,309</u>	<u>\$ 1,532,973</u>

December 31, 2015	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ 968,371	\$ -	\$ -	\$ 968,371
Debt securities	219,224	-	-	219,224
Available-for-sale financial assets				
Equity securities	<u>173,057</u>	<u>-</u>	<u>210,131</u>	<u>383,188</u>
Total	<u>\$ 1,360,652</u>	<u>\$ -</u>	<u>\$ 210,131</u>	<u>\$ 1,570,783</u>

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

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

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

(b) Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the balance sheet date.

(c) When assessing non-standard and low-complexity financial instruments, for example, debt instruments without active market, interest rate swap contracts, foreign exchange swap contracts and options, the Group adopts valuation technique that is widely used by market

participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.

- (d) For high-complexity financial instruments, the fair value is measured by using self-developed valuation model based on the valuation method and technique widely used within the same industry. The valuation model is normally applied to derivative financial instruments, debt instruments with embedded derivatives or securitised instruments. Certain inputs used in the valuation model are not observable at market, and the Group must make reasonable estimates based on its assumptions.
- (e) The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Group's financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs, for example, model risk or liquidity risk and etc. In accordance with the Group's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the balance sheet date. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.
- (f) The Group takes into account adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the Group's credit quality.

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

F. The following chart is the movement of Level 3 for the years ended December 31, 2016 and 2015:

	<u>Years ended December 31,</u>	
	<u>2016</u>	<u>2015</u>
At January 1,	\$ 210,131	\$ 153,461
Acquired in the period	223,761	70,344
Sold in the period	( 118,573)	( 3,813)
Gains and losses recognised in other comprehensive income	( 40,610)	639
Capital deducted by returning cash	( 8,400)	( 10,500)
At December 31,	<u>\$ 266,309</u>	<u>\$ 210,131</u>

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

H. Financial segment is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently updating inputs used to the valuation model and making any other necessary adjustments to the fair value.

- I. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	<u>Fair value at December 31, 2016</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Relationship of inputs to fair value</u>
Venture capital shares Private equity fund investment	\$ 266,309	Net asset value	Not applicable	Not applicable

	<u>Fair value at December 31, 2015</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Relationship of inputs to fair value</u>
Venture capital shares Private equity fund investment	\$ 210,131	Net asset value	Not applicable	Not applicable

### 13. SUPPLEMENTARY DISCLOSURES

#### (1) Significant transactions information

- A. Loans to others: None.
- B. Provision of endorsements and guarantees to others: Please refer to table 1.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 2.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more: Please refer to table 3.
- H. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: Please refer to table 4.
- I. Trading in derivative instruments undertaken during the reporting periods: None.
- J. Significant inter-company transactions during the reporting periods: Please refer to table 5.

#### (2) Information on investees

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

#### (3) Information on investments in Mainland China

- A. Basic information: Please refer to table 7.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 8.

### 14. SEGMENT INFORMATION

#### (1) General information

The Group management has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions. The Group's operating segments are

segregated into the global brand business group and other business group based on the revenues from all sources.

Global brand business group: in-charge of the development and sale of main boards, interface cards, notebooks and computer peripherals.

Other business group: in-charge of the development and sale of network & communication products and cell phones.

The Group's company organization, basis of department segmentation and principles for measuring segment information for the period were not significantly changed.

(2) Measurement of segment information

The Board of Directors assesses the performance of the operating segments based on the operating income (loss).

(3) Information about segment profit or loss, assets and liabilities

The segment information provided to the Chief Operating Decision-Maker for the reportable segments is as follows:

Year ended December 31, 2016

	Global brand business group	Other business group	Total
Total segment revenue	\$ 47,025,609	\$ 5,321,780	\$ 52,347,389
Operating income (loss)	\$ 2,432,270	(\$ 743,272)	\$ 1,688,998
Depreciation and amortization	\$ 79,579	\$ 459,292	\$ 538,871
Total assets (Note)	\$ -	\$ -	\$ -
Total liabilities (Note)	\$ -	\$ -	\$ -

Year ended December 31, 2015

	Global brand business group	Other business group	Total
Total segment revenue	\$ 44,439,743	\$ 6,389,049	\$ 50,828,792
Operating income (loss)	\$ 2,152,651	(\$ 900,913)	\$ 1,251,738
Depreciation and amortization	\$ 67,450	\$ 508,902	\$ 576,352
Total assets (Note)	\$ -	\$ -	\$ -
Total liabilities (Note)	\$ -	\$ -	\$ -

Note: As the Group's assets and liabilities are not the measurement items used by the Chief Operating Decision-Maker in evaluating segments, the measurement amount of the assets and liabilities that shall be disclosed is zero.

(4) Reconciliation for segment income (loss)

The revenue from external parties and segment profit (loss) reported to the Chief Operating Decision-Maker are measured in a manner consistent with those in the statement of



comprehensive income. Therefore, such reconciliation is not required.

(5) Information on products and services

The revenue from external parties was derived primarily from the development and sale of main boards, peripheral cards, notebooks, computer peripherals, network & communication products and cell phones.

Detail of revenue balance is as follows:

<u>Items</u>	<u>Years ended December 31,</u>	
	<u>2016</u>	<u>2015</u>
Main boards	\$ 26,798,980	\$ 28,914,499
Peripheral cards	18,675,999	13,821,911
Server	4,874,820	5,502,606
Others	1,997,590	2,589,776
	<u>\$ 52,347,389</u>	<u>\$ 50,828,792</u>

(6) Geographical information

A. Revenue by geographic area:

	<u>Years ended December 31,</u>	
	<u>2016</u>	<u>2015</u>
China	\$ 15,783,580	\$ 17,245,365
Europe	12,063,750	10,954,415
Taiwan	2,472,628	2,252,568
Others	22,027,431	20,376,444
Total	<u>\$ 52,347,389</u>	<u>\$ 50,828,792</u>

B. Non-current assets:

	<u>Years ended December 31,</u>	
	<u>2016</u>	<u>2015</u>
Taiwan	\$ 2,708,683	\$ 2,826,720
China	1,441,546	1,770,130
Others	505,591	183,193
Total	<u>\$ 4,655,820</u>	<u>\$ 4,780,043</u>

(7) Major customer information

There was no customer accounting for more than 10% of the Group's operating revenue for the years ended December 31, 2016 and 2015.

GIGA-BYTE TECHNOLOGY CO.,LTD. AND SUBSIDIARIES

Provision of endorsements and guarantees to others

Year ended December 31, 2016

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

Number	Endorser/ guarantor	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, 2016	Outstanding endorsement/ guarantee amount at December 31, 2016	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	\$ 319,562	\$ 185,075	\$ 177,535	\$ 4,899	\$ -	0.78	\$ 6,843,152	Y	N	N	
1	Ningbo Zhongjia Technology Co., Ltd.	Ningbo Giga-Byte Technology Co., Ltd.	Associates	123,339	4,098	3,698	3,698	-	0.60	185,008	N	N	Y	
1	Ningbo Zhongjia Technology Co., Ltd.	Shenzhen Strongjet Supply Chain Co., Limited	Having business relationship	123,339	48,669	-	-	-	-	185,008	N	N	Y	
1	Ningbo Zhongjia Technology Co., Ltd.	Shenzhen Proto Supply Chain Management Co., Ltd.	Having business relationship	123,339	2,562	-	-	-	-	185,008	N	N	Y	
1	Chi-Ga Investments Corp.	Selita Precision Co., Ltd.	Subsidiary	150,000	30,000	30,000	30,000	30,000	1.65	546,382	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's 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. AND SUBSIDIARIES**

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

Year ended December 31, 2016

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, 2016				Footnote	
				Number of shares	Book value	Ownership (%)	Fair value		
Giga-Byte Technology Co., Ltd.	Beneficiary certificates-CTBC Hwa-Win Money Market Fund	None	Financial assets at fair value through profit or loss-current	6,445,827	\$ 70,000	-	\$ 70,359		
	Hua Nan Phoenix Money Market Fund	"	"	1,250,352	20,000	-	20,148		
	Manulife Asia Pacific Bond Fund	"	"	4,313,752	50,000	-	51,118		
	Prudential Fiancial Money Market Fund	"	"	3,193,032	50,000	-	50,007		
	JIN SUN Fiancial Money Market Fund	"	"	3,408,851	50,000	-	50,007		
	Beneficiary certificates-Morgan Stanley Opportunistic Mortgage Income Fund LP	"	"	-	14,818	-	15,243		
	Corporate bonds - WELLS FARGO & CO 2.1%	"	"	-	64,256	-	62,686		
	Government bond - US TREASURY NOTE 2.0%	"	"	-	128,059	-	124,985		
	Indonesia Government International Bond 4.125%	"	"	-	16,298	-	16,046		
						463,431		\$ 460,599	
				Gain on valuation of financial assets		( 2,832)			
						\$ 460,599			
		Mustardgiga Corp.	"	Available-for-sale financial assets-non-current	4,500	\$ 1,222	-	\$ -	
				Accumulated impairment		( 1,222)			
					\$ -				
Chi-Ga Investments Corp.	Walsin Technology Corporation	None	Financial assets at fair value through profit or loss-current	7,120,724	\$ 175,954	1.37%	\$ 251,718		
	Yuanta Wan Tai Money Market	"	"	5,390,918	79,483	-	80,921		
	Manulife Asia Pacific Bond Fund-A	"	"	1,331,876	14,818	-	15,783		
						270,255		\$ 348,422	
				Less on valuation of financial assets		78,167			
						\$ 348,422			
		Info-Tek Corp.	"	Available-for-sale financial assets-current	9,406,586	\$ 106,165	8.31%	\$ 135,455	
			Valuation adjustment		86,917				
			Accumulated impairment		( 57,627)				
					\$ 135,455				

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2016				Footnote
				Number of shares	Book value	Ownership (%)	Fair value	
Chi-Ga Investments Corp.	Hui Yang Venture Capital Co., Ltd.	None	Available-for-sale financial assets-non-current	210,000	\$ 2,100	7.69%	\$ 29,965	
	Heimavista etc.	Omitted	"	Omitted	11,520	0.11%~8.964%	6,006	
							13,620	\$ 35,971
				Valuation adjustment		26,025		
				Accumulated impairment		(3,674)		
Giga-Trend International Investment Group Ltd.	Mega International Commercial Bank Convertible corporate bonds E2	None	Financial assets at fair value through profit or loss-current	501,000	\$ 50,150	-	\$ 50,851	
			Gain on valuation of financial assets		701			
					\$ 50,851			
	Innodisk Corporation etc.	"	Available-for-sale financial assets-current	Omitted	\$ 175,260	-	\$ 142,740	
				Valuation adjustment		(32,520)		
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 296 thousand	
	ING BANK NV VRN 11 NOV 2023 REGS	"	"	10,000	USD 1,029 thousand	-	USD 1,012 thousand	
	MICROSOFT CORP 2% ECLEAR	"	"	10,000	USD 1,009 thousand	-	USD 951 thousand	
					USD 2,341 thousand		USD 2,259 thousand	
				Gain on valuation of financial assets		(USD 82 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 489 thousand	
	AIA GROUP LTD 3.2%	"	"	5,000	USD 502 thousand	-	USD 481 thousand	
	US TREASURY NOTE 2.0% 15 AUG 2025	"	"	7,800	USD 796 thousand		USD 755 thousand	
					USD 1,798 thousand		USD 1,725 thousand	
				Gain on valuation of financial assets		(USD 73 thousand)		
Ningbo Zhongjia Technology Co., Ltd.	Ningbo Minth Automotive Electronic Technology Co.,Ltd.	None	Available-for-sale financial assets-non-current		RMB 1,260 thousand		RMB 1,260 thousand	

GIGA-BYTE TECHNOLOGY CO.,LTD. AND SUBSIDIARIES

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, 2016

Table 3

Expressed in thousands of NTD  
(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Transaction		Percentage of total purchases (sales)	Credit term	Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote		
				Amount				Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)			
Giga-Byte Technology Co., Ltd.	Giga Advance (Labuan) Limited	An indirect wholly-owned subsidiary	(Sales)	\$	14,701,738	( 30% )	14 days after receipt of goods	The price was based on the contract price	Normal	\$	363,778	7%		
	G.B.T. Inc.	A wholly-owned subsidiary	"		7,945,626	( 16% )	90 days after receipt of goods	"	"		1,567,524	29%		
	G-Style Co., Ltd.	"	"		1,041,097	( 2% )	90 days after billing	"	"		384,268	7%		
	Giga-Byte Technology B.V.	"	"	"		268,136	( 1% )	60 days after billing	"	"		1,067	-	
	G.B.T. LBN Inc.	An indirect wholly-owned subsidiary	Processing cost		1,528,672	71%	30 days after billing	"	"	(		293,989)	4%	
	"	"	Purchases		424,016	1%	30 days after billing	"	"	(		153,590)	2%	
G.B.T. Inc.	Giga-Byte Technology Co., Ltd.	A wholly-owned subsidiary	Purchases	USD	251,468 thousand	100%	60 days after receipt of goods	The price was based on the contract price	Normal	(USD	76,219 thousand)	96%		
Giga Advance (Labuan) Limited	Giga-Byte Technology Co., Ltd.	An indirect wholly-owned subsidiary	Purchases	USD	463,723 thousand	100%	14 days after receipt of goods	The price was based on the contract price	Normal	(USD	11,270 thousand)	100%		
G-Style Co., Ltd.	Giga-Byte Technology Co., Ltd.	A wholly-owned subsidiary	Purchases		1,011,180	63%	90 days after billing	The price was based on the contract price	Normal		376,830	78%		
Giga-Byte Technology B.V.	Giga-Byte Technology Co., Ltd.	A wholly-owned subsidiary	Purchases	USD	8,330 thousand	100%	60 days after billing	The price was based on the contract price	Normal	(USD	162 thousand)	17%		
G.B.T. LBN Inc.	Ningbo Gigabyte Technology Co., Ltd.	Associates	Purchases	USD	22,554 thousand	45%	45 days after billing	The price was based on the contract price	Normal	(USD	4,982 thousand)	39%		
	Dongguan Gigabyte Electronics Co., Ltd.	"	"	USD	27,994 thousand	55%	"	"	"	(USD	7,609 thousand)	59%		
	Giga-Byte Technology Co., Ltd.	An indirect wholly-owned subsidiary	(Sales)	USD	60,365 thousand	( 100% )	30 days after billing	"	"	USD	13,616 thousand	100%		
Giga Advance (Labuan) Limited	Ningbo Zhongjia Technology Co., Ltd.	Associates	(Sales)	USD	466,041 thousand	( 100% )	14 days after receipt of goods	The price was based on the contract price	Normal	USD	42,403 thousand	100%		
Ningbo Zhongjia Technology Co., Ltd.	Giga Advance (Labuan) Limited	Associates	Purchases	RMB	3,092,180 thousand	100%	14 days after receipt of goods	The price was based on the contract price	Normal	(RMB	296,182 thousand)	97%		
	Ningbo BestYield Tech. Services Co.,Ltd.	"	"	RMB	49,061 thousand	2%	60 days after billing	"	"	(RMB	6,695 thousand)	2%		
Ningbo Gigabyte Technology Co., Ltd.	G.B.T. LBN Inc.	Associates	(Sales)	RMB	149,648 thousand	( 100% )	45 days after billing	The price was based on the contract price	Normal	RMB	34,800 thousand	100%		
Dongguan Gigabyte Electronics Co., Ltd.	G.B.T. LBN Inc.	Associates	(Sales)	RMB	185,742 thousand	( 100% )	45 days after billing	The price was based on the contract price	Normal	RMB	53,147 thousand	100%		

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. AND SUBSIDIARIES

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

Year ended December 31, 2016

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2016	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
Giga-Byte Technology Co., Ltd.	G.B.T. Inc.	A wholly-owned subsidiary	\$ 1,567,524	14.56	\$ -	-	\$ 1,567,524	\$ -
	Giga Advance (Labuan) Limited	A indirect wholly-owned subsidiary	363,778	39.13	-	-	363,778	-
	G-Style Co., Ltd.	A wholly-owned subsidiary	384,268	3.77	-	-	144,774	-
Ningbo Gigabyte Technology Co., Ltd.	G.B.T. LBN Inc.	Associates	RMB 34,800 thousand	8.58	-	-	RMB 33,767 thousand	-
Dongguan Gigabyte Electronics Co., Ltd.	G.B.T. LBN Inc.	Associates	RMB 53,147 thousand	8.79	-	-	RMB 41,433 thousand	-
Giga Advance (Labuan) Limited	Ningbo Zhongjia Technology Co., Ltd.	Associates	USD 42,403 thousand	24.55	-	-	USD 35,942 thousand	-
G.B.T. LBN Inc.	Giga-Byte Technology Co., Ltd.	A indirect wholly-owned subsidiary	USD 13,616 thousand	9.36	-	-	USD 10,687 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. AND SUBSIDIARIES

Significant inter-company transactions during the reporting periods

Year ended December 31, 2016

Table 5

Expressed in thousands of NTD

(Except as otherwise indicated)

Number	Company name	Counterparty	Relationship	General ledger account	Transaction		Percentage of consolidated total operating revenues or total assets
					Amount	Transaction terms	
0	Giga-Byte Technology Co., Ltd.	Giga-Byte Technology B.V.	Parent company to subsidiary	Sales	\$ 268,136	Note 1	1%
		G.B.T. Inc.	"	"	7,945,626	"	15%
		Giga Advance (Labuan) Limited	Parent company to second-tier subsidiary	"	14,701,738	Note 6	28%
		G.B.T. LBN Inc.	"	"	73,954	Note 3	-
		G-Style Co., Ltd.	Parent company to subsidiary	"	1,041,097	Note 4	2%
		G.B.T. LBN Inc.	Parent company to second-tier subsidiary	Processing expenses	1,528,672	Note 3	3%
		Giga-Byte Technology B.V.	Parent company to subsidiary	Service expense	114,756	"	-
		"	"	Service charge	112,363	"	-
		"	"	Warranty Cost	65,997	"	-
		G.B.T. LBN Inc.	Parent company to second-tier subsidiary	Purchases	424,016	"	1%
		"	"	Other expense	223,710	"	1%
		"	"	Accounts payable	447,579	"	1%
		G.B.T. Inc.	Parent company to subsidiary	Accounts receivable	1,567,524	Note 1	4%
		Giga Advance (Labuan) Limited	Parent company to second-tier subsidiary	"	363,778	Note 6	1%
G-Style Co., Ltd.	Parent company to subsidiary	"	384,268	Note 4	1%		
1	Giga-Byte Technology B.V.	G.B.T. Technology Trading GmbH,etc.	Subsidiary to subsidiary	Commission	138,203	Note 5	-
2	Giga Advance (Labuan) Limited	Ningbo Zhongjia Technology Co., Ltd.	Second-tier subsidiary to second-tier subsidiary	Sales	14,954,019	Note 6	29%
		Ningbo Zhongjia Technology Co., Ltd.	"	Accounts receivable	1,401,696	Note 1	4%
3	G.B.T. LBN Inc.	Ningbo Gigabyte Technology Co., Ltd.	"	Processing expense	681,831	Note 2	1%
		Dongguan Gigabyte Electronice Co.,Ltd.	"	"	905,557	"	2%
		Ningbo Gigabyte Technology Co., Ltd.	"	Accounts payable	172,341	"	-
		Dongguan Gigabyte Electronice Co.,Ltd.	"	"	267,182	"	1%
4	Ningbo Zhongjia Technology Co., Ltd.	Ningbo BestYield Tech. Services Co.,Ltd.	"	Sales	62,122	Note 1	-
		Ningbo BestYield Tech. Services Co.,Ltd.	"	Warranty cost	271,872	Note 3	1%

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.

GIGA-BYTE TECHNOLOGY CO.,LTD. AND SUBSIDIARIES

Information on investees

Year ended December 31, 2016

Table 6

Expressed in thousands of NTD  
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2016				Net profit (loss) of the investee for the year ended December 31, 2016	Investment income(loss) recognised by the Company for the year ended December 31, 2016	Footnote	
				Balance as at December 31, 2016	Balance as at December 31, 2015	Number of shares	Ownership (%)	Book value	31, 2016				31, 2016
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	\$ 4,948,827	(\$ 142,368)	(\$ 142,368)	The Company's subsidiary		
Giga-Byte Technology Co., Ltd.	Chi-Ga Investments Corp.	Taiwan	Holding company	1,775,000	1,775,000	177,500,000	100.00	1,842,482	( 1,252)	( 1,252)	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	442,594	( 126,090)	( 126,090)	The Company's subsidiary		
Giga-Byte Technology Co., Ltd.	Giga-Byte Communication Inc.	Taiwan	Manufacturing and selling of communications	345,782	345,782	34,578,228	99.12	4,041	( 26,386)	( 26,386)	The Company's subsidiary		
Giga-Byte Technology Co., Ltd.	Giga-Zone International Co., Ltd.	Taiwan	Selling of PC peripherals	194,965	54,965	14,000,000	100.00	( 10,103)	( 138,999)	( 138,999)	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	121,893	16,115	16,115	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	9,419	1,744	1,744	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	7,987	692	692	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	51,634	4,082	4,082	The Company's subsidiary		
Giga-Byte Technology Co., Ltd.	Gigabyte Technology Pty. Ltd.	AUS	Marketing of computer information products	9,346	9,346	400,000	100.00	14,956	1,565	1,565	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	6,767	908	908	The Company's subsidiary		
Giga-Byte Technology Co., Ltd.	Gigabyte Global Business Corporation	U.S.A.	ODM Business	322	322	1,000	100.00	323	-	-	The Company's subsidiary		
Giga-Byte Technology Co., Ltd.	Gigabyte Technology ESPANA S.L.U.	Spain	Marketing of computer information products	241	241	5,000	100.00	3,715	2,003	2,003	The Company's subsidiary		



Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2016					Footnote
				Balance as at December 31, 2016	Balance as at December 31, 2015	Number of shares	Ownership (%)	Book value	Net profit (loss) of the investee for the year ended December 31, 2016	Investment income(loss) recognised by the Company for the year ended December 31, 2016	
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	93,298	120,253	58,479	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	3,216	174	174	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	35,580	475	475	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	9,176	556	-	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	2,304	(30)	-	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	2,237,216	(95,282)	-	The Company's indirect subsidiary
Freedom International Group Ltd.	G.B.T. LBN Inc.	Malaysia	Sales of computer information products	-	-	-	100.00	(489,147)	(229,666)	-	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	98,561	120,253	-	The Company's subsidiary
Freedom International Group Ltd.	Gigabyte Trading Inc.	U.S.A.	ODM Business	1,623	1,623	50,000	100.00	1,917	(28)	-	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	2,817,313	118,618	-	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	14,749	(251)	-	The Company's indirect subsidiary
Freedom International Group Ltd.	LCKT Yuan Chan Technology Co., Ltd.(Cayman)	Cayman Islands	Holding company	47,550	-	1,500,000	30.00	44,342	(9,413)	-	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	175,000	17,500,000	100.00	198,151	259	-	The Company's indirect subsidiary
Chi-Ga Investments Corp.	Giga-Trend International Investment Group Ltd.	Taiwan	Holding company	600,000	600,000	65,268,000	100.00	619,358	22,831	-	The Company's indirect subsidiary
Chi-Ga Investments Corp.	Giga-Trend International Management Group Ltd.	Taiwan	Venture capital management and consulting company	5,483	9,320	600,000	60.00	17,192	8,780	-	The Company's indirect subsidiary
Chi-Ga Investments Corp.	Senyun Precise Optical Co.,Ltd	Taiwan	Manufacturing and selling of optical lens	398,923	207,000	39,892,298	68.53	301,880	(135,323)	-	Subsidiary's investee company accounted for under the equity method

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2016			Net profit (loss) of the investee for the year ended December 31, 2016	Investment income(loss) recognised by the Company for the year ended December 31, 2016	Footnote
				Balance as at December 31, 2016	Balance as at December 31, 2015	Number of shares	Ownership (%)	Book value			
Chi-Ga Investments Corp.	Gigazone Holdings Limited	British Virgin Islands	Holding company	173,928	173,928	34,500	100.00	18,363 ( 32,501)	-	The Company's indirect subsidiary	
Chi-Ga Investments Corp.	Qsan Technology, Inc.	Taiwan	Manufacturing of information storage and disposal equipment	54,108	48,600	3,250,800	17.40	27,303 ( 143,246)	-	Subsidiary's investee company accounted for under the equity method	
Chi-Ga Investments Corp.	LCKT Yuan Cheng Techno CO., LTD.	Taiwan	Wholesale of automobile and motorcycle parts and equipment	450	-	45,000	30.00	324 ( 420)	-	Subsidiary's investee company accounted for under the equity method	
Chi-Ga Investments Corp.	Selita Precision Co., Ltd.	Taiwan	Manufacturing, wholesale and retail of bicycle and parts	50,000	-	5,000,000	100.00	43,836 ( 6,164)	-	The Company's indirect subsidiary	
Chi-Ga Investments Corp.	Green Share Co., Ltd.	Taiwan	Wholesale of information software	9,424	-	816,000	51.00	8,698 ( 853)	-	The Company's indirect subsidiary	
Cloud Ride Ltd.	OGS Europe B.V.	Netherlands	Selling of communications	12,443	12,443	3,000	100.00	11,007 ( 414)	-	The Company's indirect subsidiary	
Giga-Trend International Investment Group Ltd.	Qsan Technology, Inc.	Taiwan	Manufacturing of information storage and disposal equipment	32,175	32,175	707,350	3.79	7,137 ( 143,246)	-	Subsidiary's investee company accounted for under the equity method	
Ningbo BestYield Tech. Services Co.,Ltd.	Cloud Ride Limited	British Virgin Islands	Selling of communications	100,577	100,577	3,300,000	100.00	45,982 ( 55,181)	-	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	28,290 4,149	-	The Company's indirect subsidiary	

GIGA-BYTE TECHNOLOGY CO.,LTD. AND SUBSIDIARIES

Information on investments in Mainland China

Year ended December 31, 2016

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, 2016	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2016		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2016	Net income of investee as of December 31, 2016	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2016	Book value of investments in Mainland China as of December 31, 2016	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2016	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Dongguan Gigabyte Electronics Co., Ltd.	Manufacturing of computer information products	\$ 1,180,937	Note 1	\$ 1,180,937	\$ -	-	\$ 1,180,937	(\$ 295,972)	100	(\$ 295,972)	\$ 1,330,994	-	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	120,105	100	120,105	2,726,759	-	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	9,497	100	9,497	771,580	-	The Company's indirect subsidiary
Ningbo BestYield Tech. Services Co.,Ltd.	Maintenance of computer information products	181,923	Note 1	165,515	-	-	165,515	( 56,329)	100	( 56,329)	123,914	-	The Company's indirect subsidiary
Ningbo Zhongjia Technology Co., Ltd.	Sales of computer information products	109,838	Note 3	-	-	-	-	18,180	100	18,180	616,694	-	The Company's indirect subsidiary
Gigazone International (Shenzhen)	Selling of PC peripherals	399,076	Note 3	203,761	-	-	203,761	( 62,210)	100	( 62,210)	35,092	-	The Company's indirect subsidiary
Shenzhen BestYield Tech. Services Co.,Ltd.	Maintenance of computer information products	15,841	Note 3	-	-	-	-	( 8,678)	100	( 8,678)	3,482	-	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	( 373)	100	( 373)	1,164	-	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	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
	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2016			
Giga-Byte Technology Co., Ltd.	\$ 4,386,517	\$ 4,402,053	\$ 13,781,366	
Chi-Ga Investments Corp.	203,761	203,761	1,104,889	
Senyun Precise Optical Co., Ltd.	\$ 1,609	\$ 1,609	\$ 264,289	

GIGA-BYTE TECHNOLOGY CO.,LTD. AND SUBSIDIARIES

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

Year ended December 31, 2016

Table 8

Expressed in thousands of NTD  
(Except as otherwise indicated)

Investee in Mainland China	Sale (purchase)		Property transaction		Accounts receivable (payable)		Provision of endorsements/guarantees or collaterals		Financing			Interest during the year ended December 31, 2016	Others	
	Amount	%	Amount	%	Balance at December 31, 2016	%	Balance at December 31, 2016	Purpose	Maximum balance during the year ended December 31, 2016	Balance at December 31, 2016	Interest rate			
Ningbo Gigabyte Technology Co., Ltd.	\$ 4,107	-	\$ -	-	\$ 390	-	\$ -	-	\$ -	\$ -	-	\$ -	-	Processing cost paid at \$657,407
Ningbo Zhongjia Technology Co., Dongguan Gigabyte Electronics Co., Ltd.	14,954,019	30	-	-	1,401,696	26	-	-	-	-	-	-	-	-
	7,726	-	-	-	543	-	-	-	-	-	-	-	-	Processing cost paid at \$871,265
Ningbo BestYield Tech. Services Co.,Ltd.	62,122	-	-	-	7,157	-	-	-	-	-	-	-	-	-