

new look in order to cultivate the market opportunities of different domains and expand the market size and broaden the clientele base. This move will contribute to bring in revenue and profit growth for the Company in the long run.

(2) ODM products

- (a) Respond to the needs of the market and the customers and increase the proportion of the production value of the whole system in existing Gigabyte IT product customers and market: while maintaining the proportion of orders from Tier One customers in OEM, the Company will gradually move to quasi system and complete system assembly work mode and globally deploy for logistics for satisfying the needs of the customers.
- (b) Sustain the high reliability and confidence of the customers on Gigabyte technologies, quality and service, and proactively transform into a role of other IT product orders: Currently, Gigabyte has strategic partners in Japan and Europe who relied heavily on Gigabyte motherboard, they extend their orders of motherboard to other IT products with Gigabyte.

(3) Notebook carrying own brand

- (a) Establish product sales channels carrying Gigabyte items: Based on the brand image of Gigabyte motherboard and graphic cards in Taiwan, Europe and Japan, further develop IT products channels and overseas sales and services platforms.
- (b) In addition to high-end notebook computer product line, the computer companies have been aggressively developing a diverse thin and light line of travel computers to meet customers' needs and create better market and growth opportunity for the company.

II. Market and Sales

(I) Market Analysis

1. The Main market of premium products and services:

To further expand company's performance, improve channel management and strengthen customers' satisfactions, we have engineers stationed in the 65 offices around the globe including Western Europe, Eastern Europe, China, Northeast Asia, Southeast Asia, Australia, India, Middle East, North America, South America and Australia in order to provide after-sales, product and consulting services.

Our product reach includes the following regions and countries :

Western Europe: UK, German, France, Spain, Portugal, Switzerland, Austria, Netherland, Belgium, Italy, Sweden, Finland and Norway.

Eastern Europe: Poland, Romania, Hungary, Russia, Czech Republic, Yugoslavia.

North America: US, Canada, Mexico, Brazil and other South American countries.

Asia: Taiwan, China, Japan, Korea, Southeast Asia, India and Middle East.

Others: Australia, New Zealand, Egypt and South Africa.

Sales volume and value over the last three years:

Unit: NT\$1,000

Region	Year	2006		2007		2008	
		Amount	%	Amount	%	Amount	%
Asia		15,106,731	35.01	20,235,286	41.06	18,630,467	40.68
Europe		13,925,849	32.27	14,408,408	29.23	15,310,367	33.43
North America		5,987,047	13.88	6,560,309	13.31	4,212,273	9.20
Other regions		1,896,037	4.39	2,376,211	4.82	2,302,581	5.03
Domestic sales		6,236,035	14.45	5,700,993	11.58	5,341,322	11.66
Total		43,151,699	100.00	49,281,207	100.00	45,797,010	100.00

2. Market share, the supply and demand in the market and growth:

- (1) The company gained approximately 13% of the global market in 2008.
- (2) The supply and demand of the market in the future:

a. The demand in the market:

It is forecasted that the world economy will maintain its recovering trend in the 2nd half of this year and 2010. The rising demand of the industry, the launch of Microsoft's new office system "Window7", the launch of new generation chipset by Intel and AMD have heated up the forecasted PC market.

In addition, Intel is also launching Atom and CULV, it is expected that it will also stimulate the buying desire of the notebook market.

b. The supply in the market:

According to the data shown by Institution for Information Industry, the market share and production volume of Gigabyte's motherboard is listed in the below table :

Unit: 1,000 pieces

Year	Global production volume of MB	Production of MB by Gigabyte	Market share
2008	147,037	19,045	13%
2007	153,442	19,140	12%
2006	148,845	15,390	10%

Though the production volume of global motherboard has decreased by 5% in 2008 as a result of the global financial crisis, our production volume has meet our target, at the same time, our market share has increased by 13%. It is expected that we will continue to expand market share as we hold on to our brand value and channel advantage.

(3) The growth of the market in the future:

The year of 2009 has taken us to mobile internet era, the rising demand of the digital platform that combine computer and digital has shown its recognition by the public. Being the major player on the platform, IT product is expected to bring vast market opportunities to respond to the rising demand. Gigabyte provide the best products to create the best possible profit and value.

3. Competitive advantage and Favorable and unfavorable factors for the development and measures to cope with problems

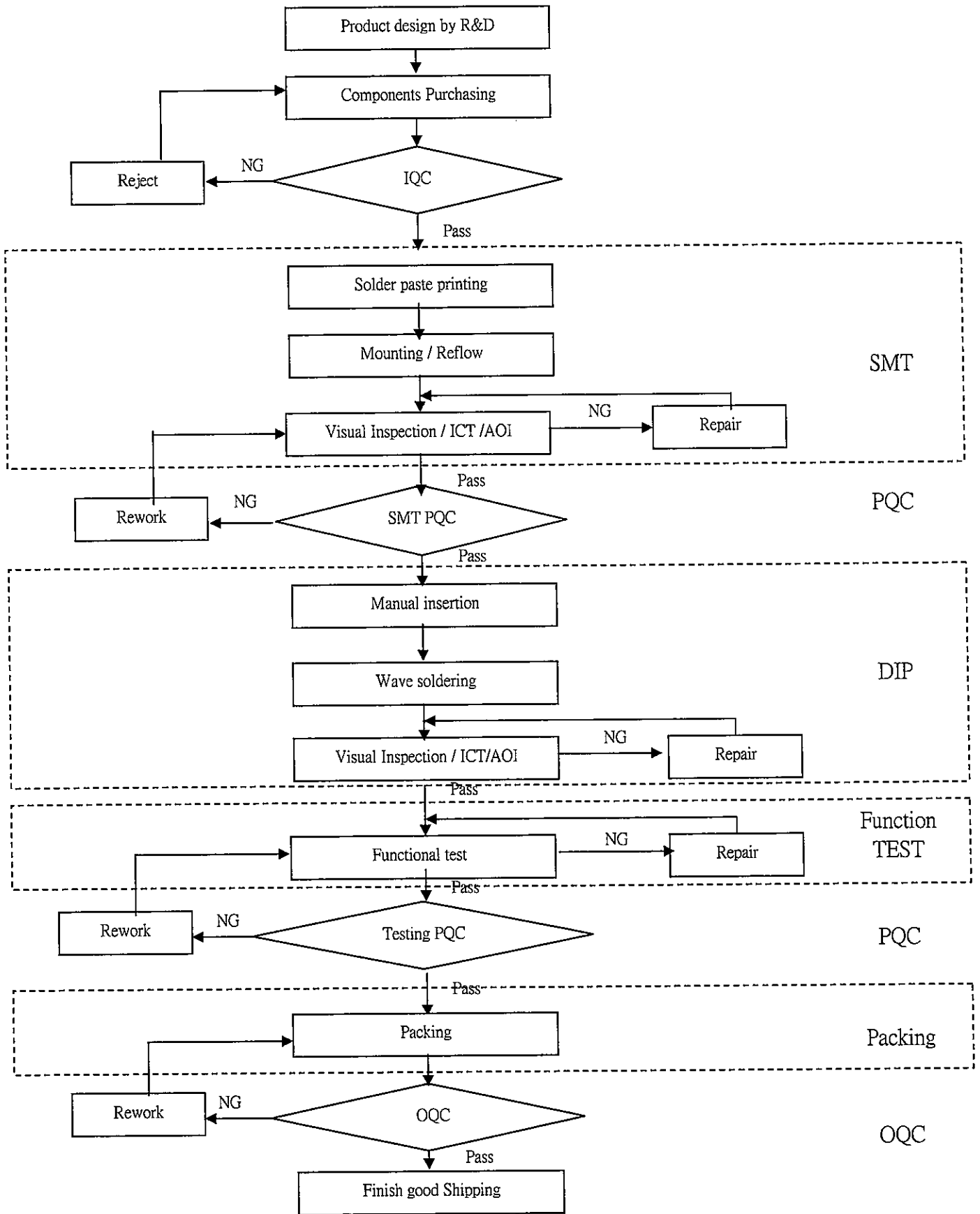
Factors factors	
Industrial Development and Prospects	<ul style="list-style-type: none"> ● Intel, AMD, n-Vidia are to launch new generation product in 2009 to provide brand new frameworks, new functions and more powerful performance. Such efforts are sure to stimulate buying desire and market activities. ● Microsoft is to launch the new operation system Windows7 in the second half, 2010 which is equipped with new application and function and will stimulate new demands for new purchases and replacement purchases. ● Intel is launching new generation products including Atom and CULV, it is expected to stimulate the buying desire of the notebook market.
Industrial integration and operation environment	<ul style="list-style-type: none"> ● As Taiwan has competitive design and R&D abilities, our IT industry competitiveness is ranked 2nd globally in 2008, while the production of PC's components and parts has exceeded half of the market share around the globe. In addition, the gathering effect of upper and downstream has enabled a thorough production scale and fine product quality along with the allocation of production and supply in cross straits has enabled us a non-achievable competitive advantage. ● The highly integration of the PC industry has enabled company to be in control of customers' production schedule and further enhance company's profitability and contribution of the industry development.

Unfavorable factors and measures to cope with problems	
Price competition which cause a decline in gross profit	<p>Measures to deal with the issue:</p> <ul style="list-style-type: none"> ● Insist in developing brand value strategy, use innovative product and service to highlight the differences and enhance product technology to prolong the distance with the competitors and increase profit. ● Utilize the cost advantage of China production and launch products with competitive advantage and increase the company's market share.
The revaluation of NTD against USD will affect the profit margin and cause exchange loss	<p>Measures to deal with the issue:</p> <ul style="list-style-type: none"> ● Enlarge the position for payment with USD for minimizing the risk of trimming the profit margin resulted from exchange loss. ● Vitalize the tactics for hedging in foreign exchange to control exchange loss.

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

1. The primary functions of premium products: motherboard and 3D graphic cards and quasi system, are primarily used as the "platform" for PC together with other components, and are indispensable key components of a PC. Server integrates the functions of e-mail, file management, firewall, and printer, providing simple and easy operation interface. This is a vital device indispensable for network installation.

2. Production Process:



(3) The supply of key materials:

Name of product	Name of key materials	Primary source of supply	
		Primary source of supply	Status
Mother board & Graphic card	Chipset & IC	INTEL OF USA	Stable
		n-VIDIA OF USA	Stable
		AMD	Stable
		Artlink Technology Co.,Ltd.	Stable
		AECO TECHNOLOGY CO.,LTD.	Stable
		Lenovo	Stable
	Other key components	HONG HAI PRECISION CO., LTD.	Stable
		GLOBAL BRANDS MANUFACTURE LTD.	Stable
		HONG KONG SATORI COMPANY LIMITED	Stable
		YUFO ELECTRONICS CO.,LTD.	Stable

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

Unit: NTD 1,000

2007			2008		
Name of supplier	Amount	Proportion to total purchase	Name of supplier	Amount	Proportion to total purchase
Intel	5,959,746	13.28%	INTEL	6,751,954	15.79%
n-VIDIA	4,689,401	10.46%	n-VIDIA	2,816,026	6.59%

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

Note : Gigabyte merged with its wholly-owned subsidiary-Gigabyte United Inc. on 1st October 2008. According to EITF95-141 of the R.O.C. Accounting Research and Development Foundation, the Company restated its financial statements as of and for the year ended 31st December 2007 under the assumption that the merger had taken place on 1st January 2007.

- List of buyers representing more than 10% of the total sales in any of the last two years:

Unit: NTD 1,000

Name of Customer	2007		2008	
	Sales amount	%	Sales amount	%
Giga-Byte Technology B.V.	\$10,155,096	21	\$ 13,017,825	28
Giga Advance (Labuan) Limited	3,008,372	6	6,040,020	13
	\$13,163,468	27	\$19,057,845	41

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

Unit: 1,000 pieces; NTD million

Product	2007			2008		
	Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
Motherboards	14,160	10,398	7,690	14,160	11,049	8,081
Others	6,696	7,150	13,917	6,912	5,834	11,042
Total	20,856	17,548	21,607	21,072	16,883	19,123

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

Unit: 1,000 pieces; NTD million

Product	2007				2008			
	Domestic sales		Export		Domestic sales		Export	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Motherboard	667	1,316	18,465	31,124	439	916	17,735	29,909
Others	-	5,008	-	11,833	-	5,123	-	9,849
Total	667	6,324	18,465	42,957	439	6,039	17,735	39,758

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III. Profiles on employees over the last two years until the date this report is printed:

March 4, 2009

Year	2007	2008	Current year to Mar. 4	
Number of employees	Line personnel	875	764	742
	Supporting personnel	1394	1891	1867
	Total	2269	2655	2609
Average age	32.47	33.27	34.31	
Average year of service	4.66	5.13	5.10	
Education (%)	Doctoral	0.18%	0.23%	0.23%
	Master	6.79%	8.36%	8.43%
	University	64.03%	67.76%	67.35%
	High school and below	29.00%	23.65%	23.99%

IV. Information on spending on environmental protection:

- (I) Amount of loss and penalty in the most recent year due to pollution: None.
 (II) Policies and protection spending:

The Company has retained the Recycling of IT Waste Products Foundation to collect and recycle its IT waste and pay the Environmental Protection Foundation monthly for the service. The WEEE and ROHS of EU in the recycling of IT products and the restricted use of hazardous substances have been legislated in August 2004 and became effective in July 2006. In response, the Company has already procured relevant equipment for improving the current production process and exercise control over the purchase of parts and components for compliance with environmental protection rules. For compliance with applicable legal rules and the satisfaction of customer needs, and for the effort in global environmental protection, the Company has taken positive measures in testing the introduction of lead-free