II. Market and Sales

(I) Market Analysis

1. Business Guideline and major production and sales policies:

In terms of the organizational structure planning in 2008, GIGABYTE will merge smaller scale business groups and will divide the Company into four business groups: PC System Business Group, Internet Business Group, Multimedia Product Center and Manufacturing Business Group. It is expected that these business groups will focus on their own operating development and the P&L system will be carried out through the merger and rightsizing of the organization. In respect to subsidiaries, GIGABYTE UNITED will continue to concentrate on the business in private brand motherboards and graphics cards in order to increase the market share and improve profitability; G-stylewill keep on developing the notebook computer business to expand the niche market, such as MID, UMPC and Basic Notebook; and Gigabyte communication Inc.will focus on the mobile phone business.

In 2008, personal computer products will see stable and mature development. Even though the development of emerging countries is still promising, the uncertainty of the global economy resulting from the US subprime mortgage crisis will be one of the key variables affecting the growth of global needs for computers this year.

The motherboard business will consistently increase the market share in the middle- and high-level market under the continuous hot sales of Intel Chipset P35. It is expected to further raise the sell-out volume and improve profitability. In terms of mobile phones and notebook computers, after the strength consolidates for a period of time, it is expected that the sell-out goal will be successfully achieved this year and profits will begin. In terms of internet and server products, the company will keep on expanding ODM orders and private brand product lines to improve profitability.

In summary, 2008 will be extremely challenging and full of a lot of uncertainty. However, we are confident that GIGABYTE's overall operation condition will remain better than last year because improved operation will enhance the overall strength.

(1) The Company will persist in research and development in greater depth and launch new products timely:

a. To fortify its cooperation with Intel, AMD and NVIDIA in the motherboard and display cards line, and launch new products in line of new chipsets ranging from flagship products, high-end to low-end needs of the customers. In terms of middle- and high-level product lines, products with more distinguishing features will be continually launched ahead of competitors in order to increase our market share and improve profitability.

b. For the system product line, the Company will launch niche items with higher added-value for upgrading brand reputation and creating higher revenue.

c. In the domain of channel products and servers, the Company will provide the best solutions most needed by the customers for better profits.

d. Digital home appliances: in the wake of the digital trend, the Company will move into the market of home appliances for satisfying the needs of the customers in brand new products. This move will help Gigabyte to expand its territory in the domain of consumer electronics.

(2) In marketing, the Company will integrate its marketing planning with Intel, AMD and NVIDIA for joint marketing and achieve a win-win situation. In addition, the Company will seek to increase the opportunity for the exposure of its products and more awards for the products for higher exposure rate and recommendations in the channels, and to enhance the post-sales satisfaction of customers after using the products. This will be the gravity of work in this year.

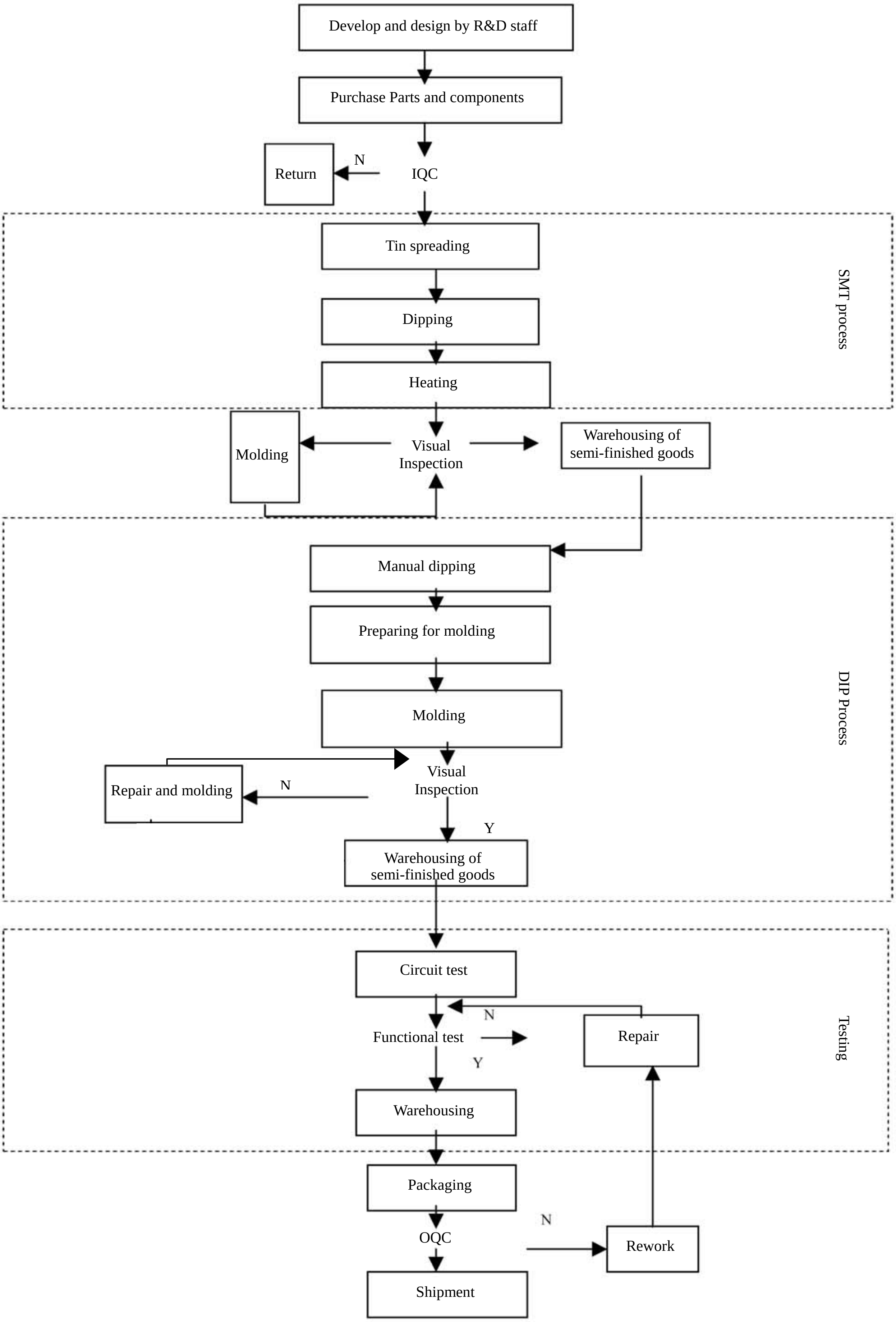
(3) In manufacturing, the Company will make the best of the advantage under a division of labor in the four regions of Greater China. In Taiwan, production will be on the side of high added-value products with high feasibility. In Mainland China, production will focus on standardized items in mass production and low price. This arrangement will help to maximize economic efficiency. The Company will seek continuous improvement in quality and efficiency for fortifying the brand reputation of Gigabyte and to withstand the growing pressure from fierce competition.

2. Projected sales volume and reference

   There will be a massive launch of chipsets of the new generation in 2008, followed by the active and forceful moves of Intel & AMD in the digital home market. In addition, Microsoft has launched its new generation OS, the Vista SPI in Q2. We are therefore optimistic that the demand for new machines and replacement will be significant from the second half of 2007. In 2007, the quantity of sales in motherboards is projected at 20 million pieces while display cards are projected at 4.5 million pieces. For channel products and servers, projection of growth is 30% or higher.

(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 proxy printer, providing simple and easy operation interface. This is a vital device indispensable for network installation.
2. Production Process:


Develop and design by R&D staff
Purchase Parts and components
Return
N
IQC
Tin spreading
Dipping
Heating
SMT process
Molding
Visual Inspection
Warehousing of semi-finished goods
Manual dipping
Preparing for molding
Molding
Repair and molding
N
Visual Inspection
Y
Warehousing of semi-finished goods
DIP Process
Circuit test
N
Functional test
Repair
Y
Warehousing
Testing
Packaging
N
OQC
Rework
Shipment

(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
		NVIDIA OF USA	Stable
		LENOVO	Stable
		VIA	Stable
		WORLD PEACE INDUSTRIAL CO., LTD.	Stable
		SILICON INTEGRATED SYSTEMS	Stable
	Other key components	HONG HAI PRECISION CO., LTD.	Stable
		GLOBAL BRANDS MANUFACTURE LTD.	Stable
		ALLTEK TECHNOLOGY CORP.	Stable
		DELTA ELECTRONICS,INC.	Stable

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

1. List of suppliers representing more than 10% of the total purchase of materials in any of the last two years:

Unit: NTD 1,000

2006			2007		
Name of supplier	Amount	Proportion to total purchase	Name of supplier	Amount	Proportion to total purchase
Intel	5,777,581	17.73%	INTEL	4,355,945	16.74%
nVIDIA	3,642,382	11.18%	nVIDIA	3,707,033	14.25%

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.

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

	2006		2007	
Name of Customer	Sales amount	%	Sales amount	%
Giga-Byte Technology B.V.	$ 5,192,854	12	$ 593,281	2
Giga-Byte United Inc.	676,095	2	9,583,007	38
	$ 5,868,949	14	$10,176,288	40

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

Unit: 1,000 pieces; NTD million

Product \ Production volume and value	2006			2007		
	Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
Motherboards	15,000	14,215	21,819	14,160	10,398	7,690
Others	9,024	7,798	11,992	6,696	7,150	13,917
Total	24,024	22,013	33,811	20,856	17,548	21,607

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

Unit: 1,000 pieces; NTD million

Product \ Sales value and volume	2006				2007			
	Domestic sales		Export		Domestic sales		Export	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Motherboard	641	1,046	14,124	26,274	48	127	4,092	6,934
Others	-	1,888	-	13,944	-	4,471	-	13,846
Total	641	2,934	14,124	40,218	48	4,598	4,092	20,780