Lite-On Technology Corporation

Financial Statements for the
Years Ended December 31, 2018 and 2017 and
Independent Auditors' Report

Deloitte.

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INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Lite-On Technology Corporation

Opinion

We have audited the accompanying financial statements of Lite-On Technology Corporation (the Company), which comprise the balance sheets as of December 31, 2018 and 2017, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 financial statements for the year ended December 31, 2018. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

For the year ended December 31, 2018, the key audit matters to the Company's financial statements were as follows:

Allowance for Impairment Loss for Trade Receivables

The recoverable amount from the allowance for impairment loss is determined by management's evaluation of the credit risk of overdue receivables, and it is affected by management's assumption of a client's credit quality. In our audit, we focused on clients with significant trade receivable balances and overdue balances, and we evaluated the reasonableness of management's estimation of the allowance for impairment loss.

Refer to Note 4 to the Company's financial statements for the summary of the significant accounting policies on trade receivables and impairment loss for trade receivables. Refer to Note 12 to the Company's financial statements for the carrying amount of trade receivables and allowance for impairment loss for trade receivables. Our key audit procedures performed in respect of the above area included the following:

We assessed both the trade receivables aging report classified by client credit rating and the reasonableness of the percent of impairment loss allowance; this assessment included the implementation of computer audit sampling procedures to test the correctness of trade receivable aging reports. We confirmed the recoverability of outstanding trade receivables by testing the after period-end collection of receivables.

Allowance for Inventory Valuation Loss

The value of inventory is affected by the volatility of market demand and ever-changing technology which could make inventory outdated and obsolete. The allocation of inventory cost elements and estimations of the net realizable value of inventory require management's subjective judgment. In our audit, we focused on whether the value of inventory was evaluated according to IAS 2, which is based on the lower of cost or net realizable value method. We also assessed the reasonableness of management's estimation of the allowance for inventory valuation loss.

Refer to Note 4 to the Company's financial statements for the summary of the significant accounting policies on inventory valuation. Refer to Note 13 to the Company's financial statements for the carrying amount of inventory. Our key audit procedures performed in respect of the above area included the following:

1. We assessed both the inventory aging reports classified by business segments and the reasonableness of the percent of allowance for inventory valuation loss; this assessment included the implementation of computer audit sampling procedures to test the correctness of the inventory aging reports.

2. We obtained information of the year-end allowance for inventory valuation loss and inventory aging reports, compared the current and prior years' allowances and analyzed any differences. We drew samples from the year-end inventory and compared the most recent price of goods sold to the carrying amount to that ensure the inventory had been valued by the lower of cost or net realizable value method.

Impairment Loss for Property, Plant and Equipment, Intangible Assets (Including Goodwill) and Investments Accounted for Using the Equity Method

Management should assess, on the date of the balance sheets, any indication of impairment to property, plant and equipment, intangible assets and investments accounted for using the equity method. If there is any indication of impairment, management should estimate the recoverable amount of these assets. The estimation would assume that management incorporates diversification or sustainability into business operation. If it is impossible to do so, management should estimate the recoverable amount of the cash generating units to which these assets belong. Due to the complexity of this impairment estimation, in our audit, we focused on whether the estimation was made in accordance with IAS 36 to ensure that all assets' carrying amounts did not exceed their respective recoverable amounts.

Refer to Note 4 to the Company's financial statements for a summary of the significant accounting policies on impairment loss. Refer to Notes 15, 16 and 17 to the Company's financial statements for disclosures of property, plant and equipment, intangible assets (including goodwill) and investments accounted for using the equity method. Our key audit procedures performed in respect of the above area included the following:

1. Through internal control testing, we understood the methods of asset impairment valuation made by management and the associated control policy's design and implementation.

2. We obtained the asset impairment valuation table of each cash generating unit from management. We consulted our firm experts on the reasonableness of management's impairment assessments and assumptions, including its cash generating unit classifications, cash flow predictions, discount rates, etc.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 the auditing standards generally accepted in the Republic of China 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 financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the 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 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 financial statements for the year ended December 31, 2018 and are therefore the key audit matters. We describe these matters in our auditors' 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.

The engagement partners on the audit resulting in this independent auditors' report are Meng-Chieh Chiu and Cheng-Tsai Tsai.

Meng-Chieh Chiu Cheng-Tsai Tsai

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 26, 2019

Notice to Readers

The accompanying financial statements are intended only to present the financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent 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. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and financial statements shall prevail.

LITE-ON TECHNOLOGY CORPORATION

BALANCE SHEETS
DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018		2017	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	$ 7,082,108	5	$ 7,536,265	6
Financial assets at fair value through profit or loss ("FVTPL") (Note 7)	2,857	-	-	-
Financial assets at amortized cost (Note 9)	4,680	-	-	-
Contracts assets	629,585	-	-	-
Notes receivable, net (Note 12)	1,203	-	1,436	-
Trade receivables, net (Note 12)	27,686,332	19	27,927,833	20
Trade receivables from related parties (Note 28)	11,098,911	7	11,950,083	9
Other receivables	932,490	1	469,072	-
Other receivables from related parties (Note 28)	413,982	-	255,156	-
Inventories, net (Note 13)	9,644,127	7	7,783,026	6
Prepayments	643,755	-	571,383	-
Total current assets	58,140,030	39	56,494,254	41
NON-CURRENT ASSETS				
Financial assets at FVTPL (Note 7)	56,333	-	-	-
Financial assets at fair value through other comprehensive income ("FVTOCI") (Note 8)	213,473	-	-	-
Available-for-sale financial assets (Note 14)	-	-	225,698	-
Financial assets at amortized cost (Note 9)	304,010	-	-	-
Debt instruments with no active market (Note 11)	-	-	303,997	-
Investments accounted for using the equity method (Note 15)	73,960,509	50	64,705,045	47
Property, plant and equipment, net (Note 16)	7,640,678	5	6,654,089	5
Intangible assets, net (Note 17)	5,496,986	4	5,995,675	4
Deferred tax assets (Note 24)	3,595,595	2	2,632,621	2
Refundable deposits	99,697	-	106,050	-
Prepaid investments	-	-	1,624,770	1
Other non-current assets	6,470	-	6,470	-
Total non-current assets	91,373,751	61	82,254,415	59
TOTAL	$ 149,513,781	100	$ 138,748,669	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 18)	$ 17,264,395	11	$ 17,291,220	12
Financial liabilities at FVTPL (Note 7)	3,997	-	43,447	-
Notes payable	2,571	-	630	-
Trade payables	6,599,857	4	6,641,532	5
Trade payables to related parties (Note 28)	35,361,931	24	28,659,451	21
Other payables	12,838,742	9	10,420,554	7
Other payables to related parties (Note 28)	93,444	-	121,456	-
Current tax liabilities	2,936,430	2	1,706,487	1
Provisions (Note 19)	851,041	1	715,037	1
Advance receipts	744,113	-	1,301,833	1
Total current liabilities	76,696,521	51	66,901,647	48
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Note 24)	1,399,170	1	1,131,711	1
Net defined benefit liabilities (Note 20)	78,236	-	126,851	-
Guarantee deposits	15,979	-	16,018	-
Credit balance of investments accounted for using the equity method (Note 15)	119	-	60,964	-
Total non-current liabilities	1,493,504	1	1,335,544	1
Total liabilities	78,190,025	52	68,237,191	49
EQUITY				
Share capital				
Ordinary shares	23,508,670	16	23,508,670	17
Capital surplus				
Additional paid-in capital from share issuance in excess of par value	3,471,812	3	9,372,488	7
Bond conversions	7,462,138	5	7,462,138	6
Treasury share transactions	477,697	-	400,329	-
Difference between consideration and carrying amounts adjusted arising from changes in percentage of ownership of subsidiaries	47,209	-	49,019	-
Changes in capital surplus from investments in associates accounted for using the equity method	271,367	-	276,782	-
Mergers	10,015,194	7	10,015,194	7
Total capital surplus	21,745,417	15	27,575,950	20
Retained earnings				
Legal reserve	12,049,900	8	11,786,967	9
Special reserve	2,705,954	2	1,338,878	1
Unappropriated earnings	15,789,147	10	10,093,753	7
Total retained earnings	30,545,001	20	23,219,598	17
Other equity				
Exchange differences on translating foreign operations	(2,779,863)	(2)	(2,528,893)	(2)
Unrealized loss of financial assets at FVTOCI	(449,461)	-	-	-
Unrealized loss on available-for-sale financial assets	-	-	(18,497)	-
Gain on financial instruments in cash flow hedging securities	2,714	-	3,372	-
Total other equity	(3,226,610)	(2)	(2,544,018)	(2)
Treasury shares	(1,248,722)	(1)	(1,248,722)	(1)
Total equity	71,323,756	48	70,511,478	51
TOTAL	$ 149,513,781	100	$ 138,748,669	100

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

LITE-ON TECHNOLOGY CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	%	Amount	%
OPERATING REVENUE				
Sales (Notes 22 and 28)	$ 140,583,612	103	$ 143,873,976	103
Less: Sales returns	864,980	1	808,758	-
Sales allowance	2,549,242	2	3,822,614	3
Total operating revenue	137,169,390	100	139,242,604	100
COST OF GOODS SOLD (Notes 13, 23 and 28)	124,808,157	91	124,507,607	89
GROSS PROFIT	12,361,233	9	14,734,997	11
UNREALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES AND ASSOCIATES	113,044	-	-	-
REALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES AND ASSOCIATES	-	-	143,082	-
GROSS PROFIT, NET	12,248,189	9	14,878,079	11
OPERATING EXPENSES (Notes 23 and 28)				
Selling and marketing expenses	3,002,405	2	2,815,608	2
General and administrative expenses	4,655,078	3	4,790,239	3
Research and development expenses	3,748,991	3	3,841,727	3
Expected credit loss (Note 27)	5,847	-	-	-
Total operating expenses	11,412,321	8	11,447,574	8
OPERATING INCOME	835,868	1	3,430,505	3
NON-OPERATING INCOME AND EXPENSES				
Share of profit of subsidiaries and associates	10,463,878	7	2,119,142	1
Interest income	67,046	-	83,785	-
Dividend income	6,599	-	6,968	-
Other income (Note 28)	1,386,003	1	820,996	1
Net gain on disposal of property, plant and equipment	28,258	-	28,385	-
Net gain on disposal of investments	86,603	-	151,047	-
Net gain (loss) on foreign currency exchange	(525,188)	-	491,036	-
Net gain (loss) on financial assets at FVTPL	175,715	-	(94,466)	-
Finance costs	(450,762)	-	(386,589)	-
Other expenses	(50,472)	-	(44,615)	-
Impairment loss (Notes 14, 15 and 16)	(3,394,351)	(3)	(5,186,588)	(4)
Total non-operating income and expenses	7,793,329	5	(2,010,899)	(2)

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LITE-ON TECHNOLOGY CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	%	Amount	%
PROFIT BEFORE INCOME TAX	$ 8,629,197	6	$ 1,419,606	1
INCOME TAX BENEFIT (EXPENSE) (Note 24)	(672,359)	-	1,209,728	1
NET PROFIT FOR THE YEAR	7,956,838	6	2,629,334	2
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 20, 21 and 24)				
Items not reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	3,050	-	(38,263)	-
Unrealized loss on investments in equity instruments designated as at FVTOCI	(78,200)	-	-	-
Share of other comprehensive loss of subsidiaries and associates accounted for using the equity method	(28,426)	-	(9,586)	-
Income tax benefit relating to items not reclassified subsequently to profit or loss	5,032	-	6,505	-
	(98,544)	-	(41,344)	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	(372,739)	-	(1,571,489)	(1)
Unrealized gain on available-for-sale financial assets	-	-	156,525	-
Share of other comprehensive loss of subsidiaries and associates accounted for using the equity method	(47,500)	-	(83,495)	-
Income tax benefit relating to items that may be reclassified subsequently to profit or loss	164,533	-	276,713	-
	(255,706)	-	(1,221,746)	(1)
Other comprehensive loss for the year, net of income tax	(354,250)	-	(1,263,090)	(1)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	$ 7,602,588	6	$ 1,366,244	1

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LITE-ON TECHNOLOGY CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	**%**	**Amount**	**%**
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 25)				
From continuing operations				
Basic	$3.42		$1.13	
Diluted	$3.38		$1.13	

The accompanying notes are an integral part of the financial statements. (Concluded)

LITE-ON TECHNOLOGY CORPORATION

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	Issue of Share Capital (Note 21)		Capital Surplus (Note 21)							Retained Earnings (Note 21)				Other Equity (Note 21)						
	Shares (In Thousands)	Amount	Additional Paid-in Capital from Share Issuance in Excess of Par Value	Bond Conversions	Treasury Share Transactions	Difference Between Consideration and Carrying Amounts Adjusted Arising from Changes in Percentage of Ownership of Subsidiaries	Changes in Capital Surplus from Investments in Associates Accounted for Using the Equity Method	Mergers	Total	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Financial Assets Designated as FVTOCI	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Cash Flow Hedges	Total	Treasury Shares (Note 21)	Total Equity
BALANCE AT JANUARY 1, 2017	2,350,867	$ 23,508,670	$ 9,372,488	$ 7,462,138	$ 328,800	$ 45,612	$ 273,487	$ 10,015,194	$ 27,497,719	$ 10,845,332	$ 398,602	$ 16,252,206	$ 27,496,140	$ (1,195,684)	$ -	$ (126,588)	$ -	$ (1,322,272)	$ (1,248,722)	$ 75,931,535
Appropriation of 2016 earnings																				
Legal reserve	-	-	-	-	-	-	-	-	-	941,635	-	(941,635)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	-	-	-	-	-	-	-	940,276	(940,276)	-	-	-	-	-	-	-	-
Cash dividends - 29.2%	-	-	-	-	-	-	-	-	-	-	-	(6,864,532)	(6,864,532)	-	-	-	-	-	-	(6,864,532)
Changes in percentage of ownership interest in subsidiaries	-	-	-	-	-	3,407	-	-	3,407	-	-	-	-	-	-	-	-	-	-	3,407
Changes in capital surplus from investments in associates accounted for using the equity method	-	-	-	-	-	-	3,295	-	3,295	-	-	-	-	-	-	-	-	-	-	3,295
Changes in capital surplus from cash dividends of the Company paid to subsidiaries	-	-	-	-	71,529	-	-	-	71,529	-	-	-	-	-	-	-	-	-	-	71,529
Net profit for the year ended December 31, 2017	-	-	-	-	-	-	-	-	-	-	-	2,629,334	2,629,334	-	-	-	-	-	-	2,629,334
Other comprehensive income (loss) for the year ended December 31, 2017, net of income tax	-	-	-	-	-	-	-	-	-	-	-	(41,344)	(41,344)	(1,333,209)	-	108,091	3,372	(1,221,746)	-	(1,263,090)
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	-	-	-	-	-	-	-	2,587,990	2,587,990	(1,333,209)	-	108,091	3,372	(1,221,746)	-	1,366,244
BALANCE AT DECEMBER 31, 2017	2,350,867	23,508,670	9,372,488	7,462,138	400,329	49,019	276,782	10,015,194	27,575,950	11,786,967	1,338,878	10,093,753	23,219,598	(2,528,893)	-	(18,497)	3,372	(2,544,018)	(1,248,722)	70,511,478
Effect of retrospective application (Note 3)	-	-	-	-	-	-	-	-	-	-	-	279,769	279,769	-	(298,266)	18,497	-	(279,769)	-	-
BALANCE AT JANUARY 1, 2018 AS RESTATED	2,350,867	23,508,670	9,372,488	7,462,138	400,329	49,019	276,782	10,015,194	27,575,950	11,786,967	1,338,878	10,373,522	23,499,367	(2,528,893)	(298,266)	-	3,372	(2,823,787)	(1,248,722)	70,511,478
Appropriation of 2017 earnings																				
Legal reserve	-	-	-	-	-	-	-	-	-	262,933	-	(262,933)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	-	-	-	-	-	-	-	1,367,076	(1,367,076)	-	-	-	-	-	-	-	-
Cash dividends - 4.1%	-	-	-	-	-	-	-	-	-	-	-	(963,855)	(963,855)	-	-	-	-	-	-	(963,855)
Distribution of cash dividends from capital surplus	-	-	(5,900,676)	-	-	-	-	-	(5,900,676)	-	-	-	-	-	-	-	-	-	-	(5,900,676)
Changes in percentage of ownership interests in subsidiaries	-	-	-	-	-	(1,810)	-	-	(1,810)	-	-	39,722	39,722	-	(39,722)	-	-	(39,722)	-	(1,810)
Changes in capital surplus from investments in associates accounted for using the equity method	-	-	-	-	-	-	(5,415)	-	(5,415)	-	-	-	-	-	-	-	-	-	-	(5,415)
Changes in capital surplus from cash dividends of the Company paid to subsidiaries	-	-	-	-	77,368	-	-	-	77,368	-	-	-	-	-	-	-	-	-	-	77,368
Disposal of investments in equity instruments designated as FVTOCI	-	-	-	-	-	-	-	-	-	-	-	3,460	3,460	-	(3,460)	-	-	(3,460)	-	-
Disposal of investments accounted for using the equity method	-	-	-	-	-	-	-	-	-	-	-	-	-	4,078	-	-	-	4,078	-	4,078
Net profit for the year ended December 31, 2018	-	-	-	-	-	-	-	-	-	-	-	7,956,838	7,956,838	-	-	-	-	-	-	7,956,838
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	-	-	-	-	-	-	-	-	9,469	9,469	(255,048)	(108,013)	-	(658)	(363,719)	-	(354,250)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	-	-	-	-	-	-	7,966,307	7,966,307	(255,048)	(108,013)	-	(658)	(363,719)	-	7,602,588
BALANCE AT DECEMBER 31, 2018	2,350,867	$ 23,508,670	$ 3,471,812	$ 7,462,138	$ 477,697	$ 47,209	$ 271,367	$ 10,015,194	$ 21,745,417	$ 12,049,900	$ 2,705,954	$ 15,789,147	$ 30,545,001	$ (2,779,863)	$ (449,461)	$ -	$ 2,714	$ (3,226,610)	$ (1,248,722)	$ 71,323,756

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

LITE-ON TECHNOLOGY CORPORATION

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 8,629,197	$ 1,419,606
Adjustments for:		
Depreciation expenses	598,560	662,204
Amortization expenses	280,321	385,326
Expected credit loss recognized on trade receivables	5,847	-
Impairment loss reversed on trade receivables	-	(12,190)
Net loss (gain) on fair value change of financial assets designated as at FVTPL	(175,715)	94,466
Finance costs	450,762	386,589
Interest income	(67,046)	(83,785)
Dividend income	(6,599)	(6,968)
Share of profit of subsidiaries and associates	(10,463,878)	(2,119,142)
Net gain on disposal of property, plant and equipment	(28,258)	(28,385)
Net gain on disposal of available-for-sale financial assets	-	(49,598)
Net gain on disposal of investments accounted for using the equity method	(86,603)	(101,449)
Impairment loss recognized on financial assets	-	10,662
Impairment loss recognized on non-financial assets	3,439,561	4,822,143
Unrealized gain on the transactions with subsidiaries and associates	113,044	-
Realized gain on the transactions with subsidiaries and associates	-	(143,082)
Unrealized net loss (gain) on foreign currency exchange	278,612	(208,823)
Recognition of provisions	406,941	144,788
Changes in operating assets and liabilities		
Financial instruments held for trading	-	62,935
Contract assets	(629,585)	-
Notes receivable	233	(192)
Trade receivables	235,654	(255,314)
Trade receivables from related parties	851,172	2,721,891
Other receivables	(473,608)	(163,349)
Other receivables from related parties	(158,826)	134,691
Inventories	(1,906,311)	1,568,443
Prepayments	(72,372)	(28,248)
Notes payable	1,941	628
Trade payables	(41,675)	(1,366,169)
Trade payables to related parties	6,702,480	(3,728,529)
Other payables	2,223,433	(174,543)
Other payables to related parties	(28,012)	(78,424)
Provisions	(270,937)	(286,927)
Advance receipts	(557,720)	6,517
Net defined benefit liabilities	(45,565)	25,330
Cash generated from operations	9,205,048	3,611,102
Interest received	67,652	93,142
Dividends received	6,599	6,968

(Continued)

LITE-ON TECHNOLOGY CORPORATION

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018	2017
Interest paid	$ (437,433)	$ (378,097)
Income tax paid	(219,506)	(862,359)
Net cash generated from operating activities	8,622,360	2,470,756
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at FVTOCI	(18,713)	-
Acquisition of financial assets at amortized costs	(4,693)	-
Acquisition of available-for-sale financial assets	-	(15,110)
Proceeds from sale of available-for-sale financial assets	-	298,632
Proceeds from sale of debt investments with no active market	-	6,360
Acquisition of investments accounted for using the equity method	(1,350,950)	(7,286,445)
Proceeds from disposal of investments accounted for using the equity method	8,439	195,899
Increase in prepaid investments	-	(1,624,770)
Proceeds from capital reduction of investments accounted for using the equity method	-	35,261
Acquisition of property, plant and equipment	(1,485,369)	(656,183)
Proceeds from disposal of property, plant and equipment	103,268	33,510
Decrease in refundable deposits	6,353	11,793
Acquisition of intangible assets	(130,933)	(192,711)
Proceeds from disposal of intangible assets	378,438	-
Increase in other non-current assets	-	(71)
Decrease in other non-current assets	8	-
Dividends received from subsidiaries and associates	309,030	18,153,782
Net cash generated from (used in) investing activities	(2,185,122)	8,959,947
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	-	7,164,540
Repayments of short-term borrowings	(26,825)	-
Repayments of long-term borrowings	-	(12,000,000)
Refund of guarantee deposits received	(39)	(3,643)
Cash dividends	(6,864,531)	(6,864,532)
Net cash used in financing activities	(6,891,395)	(11,703,635)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(454,157)	(272,932)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	7,536,265	7,809,197
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 7,082,108	$ 7,536,265

The accompanying notes are an integral part of the financial statements. (Concluded)

1. GENERAL INFORMATION

Lite-On Technology Corporation (the "Company") was established in March 1989. The Company's shares are listed on the Taiwan Stock Exchange. The Company manufactures and markets (1) computer software, hardware, peripherals and components; (2) monitors, multifunction and all-in-one printers, cameras and Internet systems and image-processing equipment; (3) information storage and process equipment, electronic components and office equipment; (4) electronic coils, transformers, power suppliers and electronic hardware parts; (5) light-emitting diode (LED) products; (6) electronic car products; and (7) optical lens modules and optoelectronic components.

The Company merged with Lite-On Electronics, Inc., Silitek Corp. and GVC Corp., with the Company as the surviving entity. The merger took effect on November 4, 2002, and the Company thus assumed all rights and obligations of the three merged companies on that date.

The Company merged with its subsidiary, Lite-On Enclosure Inc., with the Company as the surviving entity. The merger took effect on April 1, 2004, and the Company thus assumed all rights and obligations of its former subsidiary on that date.

The Company separately merged with Li Shin International Enterprise Corp., Lite-On Clean Energy Technology Corp., Lite-On Automotive Corp., Leotek Electronics Corp., Lite-On IT Corporation and LarView Technologies Corp., with the Company as the surviving entity. The mergers separately and respectively took effect on March 22, 2014, April 15, 2014, June 1, 2014, June 29, 2014, June 30, 2014 and September 1, 2014, with the Company as the surviving entity of all the mergers, and the Company thus assumed all rights and obligations of the six merged companies on those respective dates.

The financial statements of the Company are presented in the Company's functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Company's board of directors and authorized for issue on February 26, 2019.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) endorsed and issued into effect by the FSC

Except for the following, whenever applied, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC would not have any material impact on the Company's accounting policies:

1) IFRS 9 "Financial Instruments" and related amendments

IFRS 9 supersedes IAS 39 "Financial Instruments: Recognition and Measurement", with consequential amendments to IFRS 7 "Financial Instruments: Disclosures" and other standards. IFRS 9 sets out the requirements for classification, measurement, and impairment of financial assets and hedge accounting. Refer to Note 4 for information relating to the relevant accounting policies.

The requirements for classification, measurement, and impairment of financial assets have been applied retrospectively from January 1, 2018. IFRS 9 is not applicable to items that have already been derecognized on December 31, 2017.

Classification, measurement, and impairment of financial assets

On the basis of the facts and circumstances that exist as of January 1, 2017, the Company has performed an assessment of the classification of recognized financial assets and has elected not to restate prior reporting periods.

The following table shows the original measurement categories and carrying amount under IAS 39 and the new measurement categories and carrying amount under IFRS 9 for each class of the Company's financial assets and financial liabilities as of January 1, 2018.

Financial Asset	Measurement Category		Carrying Amount		Note
	IAS 39	IFRS 9	IAS 39	IFRS 9	
Cash and cash equivalents	Loans and receivables	Amortized cost	$ 7,536,265	$ 7,536,265	a)
Equity securities	Available-for-sale	Mandatorily classified as at FVTPL	20,271	20,271	b)
	Available-for-sale	Equity instruments classified as at FVTOCI	190,317	190,317	b)
Mutual funds	Available-for-sale	Mandatorily classified as at FVTPL	15,110	15,110	c)
Debt instruments	Debt investment instruments with no active market	Amortized cost	303,997	303,997	e)
Notes receivable, trade receivables, trade receivables from related parties, other receivables and other receivables from related parties	Loans and receivables	Amortized cost	40,603,580	40,603,580	a)

Financial Asset	IAS 39 Carrying Amount as of January 1, 2018	Reclassifications	IFRS 9 Carrying Amount as of January 1, 2018	Retained Earnings Effect on January 1, 2018	Other Equity Effect on January 1, 2018	Note
FVTPL	$ -	$ -	$ -	$ -	$ -	
Add: Reclassification from available-for-sale (IAS 39)	-	35,381	35,381	(25)	25	b) and c)
	-	35,381	35,381	(25)	25	
FVTOCI						
Add: Reclassification from available-for-sale (IAS 39)	-	190,317	190,317	18,194	(18,194)	b)
Investments accounted for using the equity method	64,705,045	-	64,705,045	261,600	(261,600)	d)
Amortized cost						
Add: Reclassification from loans and receivables (IAS 39)	-	48,443,842	48,443,842	-	-	a) and e)
	$ 64,705,045	$ 48,669,540	$ 113,374,585	$ 279,769	$ (279,769)	

a) Cash and cash equivalents, notes receivable, trade receivables, trade receivables from related parties, other receivables and other receivables from related parties that were previously classified as loans and receivables under IAS 39 were classified as measured at amortized cost with an assessment of expected credit losses under IFRS 9.

b) The Company elected to classify all of its investments in equity securities previously classified as available-for-sale under IAS 39 as at FVTPL or FVTOCI under IFRS 9. As a result, there were adjustments to decrease the beginning balance of retained earnings by $25 thousand and increase that of other equity by $25 thousand.

   The Company recognized under IAS 39 impairment loss on certain investments in equity securities previously classified as available-for-sale, and the loss was accumulated in retained earnings. Since those investments were designated as at FVTOCI under IFRS 9 and no impairment assessment is required, an adjustment was made that resulted in a decrease of $18,194 thousand in other equity and an increase of $18,194 thousand in retained earnings on January 1, 2018.

c) Mutual funds previously classified as available-for-sale under IAS 39 were classified mandatorily as at FVTPL under IFRS 9, because the contractual cash flows are not solely payments of principal and interest on the principal outstanding and they are not equity instruments.

d) With the retrospective adoption of IFRS 9 by investments in subsidiaries and associates accounted for using the equity method, the Company chose not to restate comparative periods for such investments. On January 1, 2018, the subsidiaries accounted for previously recognized equity securities under IAS 39 as available-for-sale financial assets upon its adoption of IFRS 9. The corresponding adjustments of the investments to at FVTOCI, according to the shareholding ratio, resulted in the increase in retained earnings by $187,220 thousand and the decrease in other equity by $187,220 thousand. The associates accounted for previously recognized equity securities under IAS 39 as available-for-sale financial assets upon its adoption of IFRS 9. The corresponding adjustments of the investments to at FVTPL, according to the shareholding ratio, resulted in the increase in retained earnings by $74,380 thousand and the decrease in other equity by $74,380.

e) Debt investments previously classified as debt instruments with no active market and measured at amortized cost under IAS 39 were reclassified as measured at amortized cost with an assessment of expected credit losses under IFRS 9, because on January 1, 2018, the contractual cash flows were solely payments of principal and interest on the principal outstanding and these investments were held within a business model whose objective is to collect contractual cash flows.

2) IFRS 15 "Revenue from Contracts with Customers" and related amendments

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers and supersedes IAS 18 "Revenue", IAS 11 "Construction Contracts" and related interpretations. Refer to Note 4 for information relating to the relevant accounting policies.

The revenue recognition process under IFRS 15 is as follows:

a) Identify the contract(s);

b) Identify the separate performance obligations in the contract;

c) Determine the transaction price;

d) Allocate the transaction price to the separate performance obligations; and

e) Recognize revenue when the Company entity satisfies a performance obligation.

The Company applies IFRS 15 retrospectively to on-going contracts with the cumulative effect recognized at the date of initial application. The Company does not restate the comparative information for the prior period.

The expected cumulative effect of retrospective applications on assets, liabilities and equity, as of January 1, 2018, is as follows:

Financial Asset	January 1, 2018 Carrying Amount (IAS 18)	Reclassification	January 1, 2018 Carrying Amount (IFRS 15)	January 1, 2018 Retained Earnings Effect	January 1, 2018 Other Equity Effect	Remark
Trade receivable from related parties	$ 11,950,083	$ -	$ 11,950,083	$ -	$ -	
Trade receivable from non-related parties	27,927,833	(1,437,188)	26,490,645	-	-	
Contract assets - current	-	1,437,188	1,437,188	-	-	*
	$ 39,877,916	$ -	$ 39,877,916	$ -	$ -	

Remark:

* Before the adoption of IFRS 15, the Company recognized revenue once the transfer of risks and rewards of products was complete; upon adoption, any rights to consideration in exchange for goods or services are recognized as contract assets.

3) IFRIC 22 "Foreign Currency Transactions and Advance Consideration"

IAS 21 stipulated that a foreign currency transaction shall be recorded on initial recognition in the functional currency by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction. IFRIC 22 further explains that the date of the transaction is the date on which an entity recognizes a non-monetary asset or non-monetary liability from payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the entity shall determine the date of the transaction for each payment or receipt of advance consideration.

The Company will apply IFRIC 22 prospectively on and after January 1, 2018.

b. Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs endorsed by the FSC for application starting from 2019

New, Amended And Revised Standards And Interpretations (the "New IFRSs")	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 "Prepayment Features with Negative Compensation"	January 1, 2019 (Note 2)
IFRS 16 "Leases"	January 1, 2019
Amendments to IAS 19 "Plan amendments, Curtailments, and Settlements"	January 1, 2019 (Note 3)
Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures"	January 1, 2019
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The FSC permits the election for early adoption of the amendments starting from January 1, 2018.

Note 3: The Company shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

1) IFRS 16 "Leases"

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17, IFRIC 4 and related interpretations. Upon initial application of IFRS 16, the Company will elect to apply IFRS 16 only to contracts entered into (or changed) on or after January 1, 2019 in order to determine whether those contracts are, or contain, a lease. Contracts identified as containing a lease under IAS 17 and IFRIC 4 will not be reassessed and will be accounted for in accordance with the transitional provisions under IFRS 16.

The Company as lessee

Upon initial application of IFRS 16, the Company will recognize right-of-use assets, or investment properties if the right-of-use assets meet the definition of investment properties and lease liabilities for all leases on the balance sheets, except for short-term leases and leases for which the underlying asset is of low value. The lease payments associated with those leases will be recognized as an expense on a straight-line basis.

On the statements of comprehensive income, the Company will present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the statements of cash flows, cash payments for the principal portion of lease liabilities will be classified within financing activities; cash payments for the interest portion will be classified within operating activities. Before the adoption of IFRS 16, payments under operating lease contracts including property interest qualified as investment properties are recognized as expenses on a straight-line basis. Prepaid lease payments for land use rights of land located in China and Vietnam are recognized as prepayments for leases. Cash flows for operating leases are classified within operating activities on the statements of cash flows. Contracts classified as finance lease are recognized as lease asset and finance lease payable on the balance sheets.

Lease liabilities were recognized on January 1, 2019 for leases previously classified as operating leases under IAS 17. Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. Right-of-use assets are measured at an amount equal to the lease liabilities at the commencement date. The Company applies IAS 36 to all right-of-use assets.

The Company expects to apply the following practical expedients:

a) The Company will apply a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.

b) The Company will account for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.

For leases currently classified as finance lease under IAS 17, the carrying amount of right-of-use assets and lease liabilities on January 1, 2019 will be determined by that of the lease asset and finance lease payable on December 31, 2018.

The Company as lessor

Except for sublease transactions, the Company will not make any adjustments for leases in which it is a lessor and will account for those leases with the application of IFRS 16 starting from January 1, 2019.

Anticipated impact on assets, liabilities and equity

	Carrying Amount as of December 31, 2018	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2019
Right-of-use assets – non-current	$ -	$ 169,692	$ 169,692
Total effect on assets	$ -	$ 169,692	$ 169,692
Finance lease payables - non-current	$ -	$ 169,692	$ 169,692
Total effect on liabilities	$ -	$ 169,692	$ 169,692

2) Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"

The amendments stipulate that, if a plan amendment, curtailment or settlement occurs, the current service cost and the net interest for the remainder of the annual reporting period are determined using the actuarial assumptions used for the remeasurement of the net defined benefit liabilities (assets). In addition, the amendments clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. The amendment shall be applied prospectively.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of other standards and interpretations will have on the Company's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020 (Note 2)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020 (Note 3)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The Company shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note 3: The Company shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

1) Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"

   The amendments stipulate that, when the Company sells or contributes assets that constitute a business (as defined in IFRS 3) to an associate or joint venture, the gain or loss resulting from the transaction is recognized in full. Also, when the Company loses control of a subsidiary that contains a business but retains significant influence or joint control, the gain or loss resulting from the transaction is recognized in full.

   Conversely, if the Company sells or contributes assets that do not constitute a business to an associate or joint venture or the Company loses control of a subsidiary that does not contain a business but retains significant influence or joint control over an associate or a joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the Company's interest as an unrelated investor in the associate or joint venture, i.e. the Company's share of the gain or loss is eliminated. Also, if the assets or the ex-subsidiary were not considered a "business", as defined under IFRS 3, the gain or loss resulting from the transaction is recognized only to the extent of the Company's interest as an unrelated investor in the associate or joint venture, i.e. the Company's share of the gain or loss is eliminated.

2) Amendments to IFRS 3 "Definition of a Business"

   The amendments clarify that, to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process applied to the input that together significantly contribute to the ability to create outputs. The amendments narrow the definitions of outputs by focusing on goods and services provided to customers, and the reference to an ability to reduce costs is removed. Moreover, the amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. In addition, the amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets are "business".

Except for the above impact, as of the date the financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of other standards and interpretations will have on the Company's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

b. Basis of preparation

The financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair values and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

3) Level 3 inputs are unobservable inputs for the asset or liability.

When preparing the Company's financial statements, the Company used the equity method to account for investments in subsidiaries and associates. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the Company's financial statements to be the same with the amounts attributable to the owner of the Company in its consolidated financial statements, adjustments arising from the differences in accounting treatment between company only basis and consolidated basis were made to investments accounted for by the equity method, share of profit or loss of subsidiaries and associates, share of other comprehensive income of subsidiaries, associates and related equity items, as appropriate, in the parent company only financial statements.

c. Classification of current and non-current assets and liabilities

Current assets include:

1) Assets held primarily for the purpose of trading;

2) Assets expected to be realized within 12 months after the reporting period; and

3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

2) Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the financial statements are authorized for issue; and

3) Liabilities for which the Company does not have an unconditional right to defer settlement for at least 12 months after the reporting period. 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.

Assets and liabilities that are not classified as current are classified as non-current.

d. Business combinations

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized in profit or loss as incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

When a business combination is achieved in stages, the Company's previously held equity interest in an acquiree is remeasured to fair value at the acquisition date, and the resulting gain or loss is recognized in profit or loss or other comprehensive income. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are recognized on the same basis as would be required if those interests were directly disposed of by the Company.

Business combinations involving entities under common control are not accounted for by the acquisition method but are accounted for at the carrying amounts of the entities. Prior period comparative information in the consolidated financial statements is restated as if a business combination involving entities under common control had already occurred in that period.

e. Foreign currencies

In preparing the Company's financial statements, transactions in currencies other than the Company's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income. Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purposes of presenting financial statements, the assets and liabilities of the Company's foreign operations (including of the subsidiaries and associates, in other countries or currencies used different with the Company) are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognized in other comprehensive income.

On the disposal of a foreign operation (i.e. a disposal of the Company's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation are reclassified to profit or loss.

In relation to a partial disposal of a foreign subsidiary that does not result in the Company losing control over the subsidiary, the proportionate share of accumulated exchange differences is included in the calculation of equity transactions but is not recognized in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets and liabilities acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognized in other comprehensive income.

f. Inventories

Inventories consist of raw materials, work in process, finished goods, merchandise, and inventory in transit. Inventories are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at weighted-average cost.

g. Investments accounted for using the equity method

Investments in subsidiaries and associates are accounted for using the equity method.

1) Investments in subsidiaries

Subsidiaries are the entities controlled by the Company.

Under the equity method, the investment is initially recognized at cost and the carrying amount is increased or decreased to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary after the date of acquisition. Besides, the Company also recognizes the Company's share of the change in other equity of the subsidiary.

Changes in the Company's ownership interests in subsidiaries that do not result in the Company's loss of control over the subsidiaries are accounted for as equity transactions. Any difference between the carrying amounts of the investment and the fair value of the consideration paid or received is recognized directly in equity.

When the Company's share of losses of a subsidiary equals or exceeds its interest in that subsidiary, the Company continues recognizing its share of further losses.

The acquisition cost in excess of the acquisition-date fair value of the identifiable net assets acquired is recognized as goodwill. Goodwill is not amortized. The acquisition-date fair value of the net identifiable assets acquired in excess of the acquisition cost is recognized immediately in profit or loss.

The Company assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount, as assessed based on the entire financial statements of the invested company. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Company recognizes reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

When the Company loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Company had directly disposed of the related assets or liabilities.

Profits and losses from downstream transactions are eliminated in full. Profits and losses from upstream and sidestream transactions are recognized in the Company's financial statements only to the extent of interests in the subsidiary that are not related to the Company.

2) Investments in associates

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

Under the equity method, an investment in an associate is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the associate. Besides, the Company also recognizes the Company's share of the change in equity of the associate.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of an associate recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When the Company's share of losses of an associate equals or exceeds its interest in that associate, the Company discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Company has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is deducted from investment and the carrying amount of investment is net of impairment loss. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

When the Company transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Company's financial statements only to the extent of interests in the associate that are not related to the Company.

h. Property, plant and equipment

Property, plant and equipment are stated at cost less recognized accumulated depreciation and accumulated impairment loss.

Properties in the course of construction for production, supply or administrative purposes are carried at cost less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such properties are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for their intended use.

Depreciation on property, plant and equipment (including assets held under finance leases) is recognized using the straight-line method. Each significant part is depreciated separately. If the lease term is shorter than the asset's useful life, then such an asset is depreciated over the lease term. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

i. Goodwill

Goodwill arising from the acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Company's cash-generating units or groups of cash-generating units (referred to as cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then pro rata to the other assets of the unit based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. The impairment loss recognized for goodwill is not reversed in subsequent periods.

If goodwill has been allocated to a cash-generating unit and the entity disposes of an operation within that unit, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal.

j. Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

2) Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date. Subsequent to initial recognition, they are measured on the same basis as intangible assets that are acquired separately.

3) Derecognition of intangible assets

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset are recognized in profit or loss.

k. Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered any impairment loss. If any such indication exists, the recoverable amount of such assets is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is any indication that the asset may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value-in-use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. Reversals of an impairment loss are recognized in profit or loss.

l. Financial instruments

Financial assets and financial liabilities are recognized in Balance Sheets when a company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

a) Measurement category

2018

Financial assets, held by the Company, are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost and equity instruments at FVTOCI.

i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such a financial asset is mandatorily classified or designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. Refer to Note 27 for the determination of fair value of the financial assets.

ii. Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost – consisting of cash and cash equivalents, trade receivables at amortized cost, trade receivables (including from related parties), contract assets and other receivables (including from related parties) – are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Cash equivalents include time deposits that are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

iii. Investments in equity instruments at FVTOCI

On initial recognition, the Company may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Company’s right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

2017

Financial assets are classified into the following categories: Financial assets at FVTPL, available-for-sale financial assets, and loans and receivables.

i. Financial assets at FVTPL

Financial assets at FVTPL are derivatives that do not meet the criteria for hedge accounting and are measured at fair value with any gains or losses arising from remeasurement recognized in profit or loss. Refer to Note 27 for the determination of fair value of the financial assets.

ii. Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at FVTPL.

Available-for-sale financial assets are measured at fair value. Changes in the carrying amount of available-for-sale monetary financial assets relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of or is determined to be impaired.

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established.

iii. Loans and receivables

Except for financial assets at FVTPL, loans and receivables (primarily including cash and cash equivalent, note receivables, debt instruments with no active market, trade receivables, and other receivables) are measured at amortized cost using the effective interest method, less any impairment, except for short-term receivables when the effect of discounting is immaterial.

Cash equivalents include time deposits that are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

b) Impairment of financial assets and contract assets

2018

The Company recognizes a loss allowance for expected credit losses (ECL) on financial assets at amortized cost (including cash and cash equivalents, trade receivables at amortized cost, trade receivables (including from related parties)), contract assets, other receivables (including from related parties) and investments in debt instruments that are measured at FVTOCI.

For trade receivables and contract assets, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs. For all other financial instruments, the Company recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Company recognizes an impairment loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

2017

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For financial assets carried at amortized cost, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. The Company assesses the collectability of receivables by performing the account aging analysis and examining current trends in the credit quality of its customers.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is 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.

For financial assets measured at amortized cost, 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 was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period. In respect of available-for-sale equity securities, impairment loss previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss except for uncollectible trade receivables that are written off against the allowance account.

c) Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

2) Financial liabilities and equity instruments

Debt and equity instruments issued by a company entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Except financial liabilities at FVTPL, financial liabilities are measured at amortized cost using the effective interest method. Financial liabilities at FVTPL are stated at fair value, with any gain or loss arising on remeasurement recognized in profit or loss.

3) Derivative financial instruments

The Company enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risks, including currency swaps.

Derivatives are initially recognized at fair value at the date on which the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument; in which event, the timing of the recognition in profit or loss depends on the nature of the hedging relationship. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

m. Provisions

Provisions are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Provisions for the expected cost of warranty obligations are recognized at the date of sale of the relevant products, at the best estimate of the expenditure required to settle the Company's obligation by the management of the Company.

n. Revenue recognition

2018

The Company identifies contracts with the customers, allocates the transaction price to the performance obligations, and recognizes revenue when performance obligations are satisfied.

1) Sale of goods

The sale of goods is recognized as revenue when the goods are delivered to the customer's specific location because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers, and bears the risks of obsolescence. Trade receivables or contract assets are recognized concurrently.

The Company does not recognize revenue on materials delivered to subcontractors because this delivery does not involve a transfer of control.

2) Rendering of services

Service income is recognized when services are provided.

3) Rental revenue

The operation of leasing business was in accordance with IAS 17 Leases. The possible situations related to lease (such as the terms and conditions of leasing, the probabilities of future lease receivables and the burden of future costs) would be treated as operating lease.

4) Dividend and interest income

Dividend income from investments is recognized when the shareholder's right to receive payment has been established provided that it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

2017

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Sales returns are recognized at the time of sale provided the seller can reliably estimate future returns and recognizes a liability for returns based on previous experience and other relevant factors.

1) Sale of goods

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

a) The Company has transferred to the buyer the significant risks and rewards of ownership of the goods;

b) The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

c) The amount of revenue can be measured reliably;

d) It is probable that the economic benefits associated with the transaction will flow to the Company; and

e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

The Company does not recognize sales revenue on materials delivered to subcontractors because this delivery does not involve a transfer of risks and rewards of materials ownership.

2) Rendering of services

Service income is recognized when services are provided.

3) Royalties

Royalty revenue is recognized on an accrual basis in accordance with the substance of the relevant agreement provided that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Royalties determined on a time basis are recognized on a straight-line basis over the period of the agreement. Royalty arrangements that are based on production, sales and other measures are recognized by reference to the underlying arrangement.

4) Rental revenue

The operation of leasing business was in accordance with IAS 17 Leases. The possible situations related to lease (such as the terms and conditions of leasing, the probabilities of future lease receivables and the burden of future costs) would be treated as operating lease.

5) Dividend and interest income

Dividend income from investments is recognized when the shareholder's right to receive payment has been established provided that it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

o. Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

1) The Company as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

2) The Company as lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

p. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost) and net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expense in the period they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities (assets) represents the actual deficit (surplus) in the Company's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

3) Termination benefits

A liability for a termination benefit is recognized at the earlier of when the Company can no longer withdraw the offer of the termination benefit and when the Company recognizes any related restructuring costs.

q. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

According to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain the earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, research and development expenditures, and personnel training expenditures to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies (Note 4), management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

a. Business model assessment for financial assets - 2018

The Company determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgment about all relevant evidence including how the performance of the assets is evaluated, the risks that affect the performance of the assets and how these are managed, and how the managers of the assets are compensated. The Company monitors financial assets measured at amortized cost or at FVTOCI, and when assets are derecognized prior to their maturity, the Company understands the reasons for their disposal and whether the reasons are consistent with the objective of the business for which the assets were held. Monitoring is part of the Company's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and, if it is not appropriate, whether there has been a change in the business model such that a prospective change to the classification of those assets is proper.

b. Estimated impairment of financial assets - 2018

The provision for impairment of trade receivables and investments in debt instruments are based on assumptions about risk of default and expected loss rates. The Company uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Company's historical experience, existing market conditions as well as forward looking estimates as of the end of each reporting period. Refer to Note 12 for details of the key assumptions and inputs used.

c. Estimated impairment of trade receivables - 2017

When there is objective evidence of impairment loss for trade receivables, the Company takes into consideration the estimation of future cash flows of such receivables. 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 (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate.

d. Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value-in-use of the cash-generating units to which goodwill has been allocated. The value-in-use calculation requires management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value.

e. Impairment of property, plant and equipment

The impairment of equipment in relation to the production of handsets was based on the recoverable amount of those assets, which is the higher of fair value less costs to sell or value-in-use of those assets. Any changes in the market price or future cash flows will affect the recoverable amount of those assets and may lead to the recognition or reversal of additional impairment losses.

f. Write-down of inventories

The net realizable value of inventories is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The estimation of net realizable value is based on current market conditions and historical experience with product sales of a similar nature. Changes in market conditions may have a material impact on the estimation of the net realizable value.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2018	**2017**
Cash on hand	$ 516	$ 534
Checking accounts	1,644	1,821
Demand deposits	5,079,948	4,533,910
Time deposits	2,000,000	3,000,000
	$ 7,082,108	$ 7,536,265

7. FINANCIAL INSTRUMENTS AT FVTPL

	December 31	
	2018	**2017**
Financial assets at FVTPL - current		
Financial assets mandatorily classified as at FVTPL		
Derivative financial assets (not under hedge accounting)		
Currency swap contracts	$ 2,857	$ -

(Continued)

	December 31	
	2018	2017
Financial assets at FVTPL - non-current		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Mutual funds	$ 44,840	$ -
Domestic quoted shares	11,493	-
	$ 56,333	$ -
Financial liabilities at FVTPL - current		
Financial liabilities held for trading		
Derivative financial assets (not under hedge accounting)		
Currency swap contracts	$ -	$ 43,447
Financial liabilities mandatorily classified as at FVTPL		
Derivative financial assets (not under hedge accounting)		
Currency swap contracts	3,997	-
	$ 3,997	$ 43,447

(Concluded)

At the end of the reporting period, outstanding currency swap contracts not under hedge accounting were as follows:

	Currency	Maturity Date	Notional Amount (In Thousands)
December 31, 2018			
Currency swaps	USD/NTD	January 29, 2019-May 06, 2019	USD120,000/NTD3,652,320
December 31, 2017			
Currency swaps	USD/NTD	January 10, 2019-November 06, 2018	USD130,000/NTD3,856,015

The Company entered into derivative contracts in 2018 and 2017 to manage exposures due to fluctuations of foreign exchange rates. The derivative contracts entered into by the Company did not meet the criteria for hedge accounting. Thus, the derivative contracts are classified as financial assets or financial liabilities at fair value through profit or loss. The financial risk management objectives of the Company were to minimize risks due to changes in fair value or cash flows.

8. FINANCIAL ASSETS AT FVOCI

Investments in Equity Instruments at FVTOCI

	December 31, 2018
Non-current	
Domestic investments	
Listed shares	$ 169,907
Unlisted shares	33,690
	203,597
Foreign investments	
Unlisted shares	9,009
Listed shares	867
	9,876
	$ 213,473

The above investments are held for medium to long-term strategic purposes and expected to generate return in the long term. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as it believes that recognizing short-term fluctuations in these investments' fair value in profit or loss would be inconsistent with the Company's investment strategy. The investments in equity instruments were classified as available-for-sale under IAS 39. Refer to Notes 3 and 14 for the reclassification and 2017 comparative information.

9. FINANCIAL ASSETS AT AMORTIZED COSTS

	December 31, 2018
Pledged deposits	$ 308,690
Current	$ 4,680
Non-current	304,010
	$ 308,690

a. Pledged deposits are classified as debt investments with no active market under IAS 39. Refer to Notes 3 and 11 for the reclassification and 2017 comparative information.

b. Refer to Note 10 for credit risk management and impairment evaluation for investments in financial assets at amortized cost.

c. Refer to Note 29 for information of investments in financial assets at amortized cost pledged as security.

10. CREDIT RISK MANAGEMENT FOR INVESTMENTS IN DEBT INSTRUMENTS

Investments in debt instruments were classified as at amortized cost.

	December 31, 2018
At amortized cost	
Gross carrying amount	$ 308,690
Less: Allowance for impairment loss	-
Net carrying amount	$ 308,690

In order to minimize credit risk, the Company has designated its credit management committee to evaluate the exposure of default risk. The credit rating information may be obtained from independent rating agencies, where available, and if not available, the credit management committee uses other publicly available financial information to evaluate the debtors.

11. DEBT INSTRUMENTS WITH NO ACTIVE MARKET

	December 31, 2017
Pledged time deposits	$ 303,997
Current	$ -
Non-current	303,997
	$ 303,997

Refer to Note 29 for information on assets pledged as collateral or for security.

12. NOTES AND TRADE RECEIVABLES, NET

	December 31	
	2018	2017
Notes receivable		
Notes receivable - operating	$ 1,203	$ 1,436
Trade receivables		
At amortized cost		
Gross carrying amount	$ 27,752,671	$ 28,005,996
Allowance for impairment loss	(66,339)	(60,492)
Unrealized interest revenue	-	(17,671)
	$ 27,686,332	$ 27,927,833

a. Notes receivable

The aging of notes receivable was as follows:

	December 31	
	2018	2017
Not past due	$ 1,203	$ 1,436

The above aging schedule was based on the number of days past the due date.

b. Trade receivables

For the year ended December 31, 2018

The average credit period on the sales of goods was approximately 90 days, and no interest was charged on trade receivables. In order to minimize credit risk, the management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue receivables. In addition, the Company reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Company's credit risk was significantly reduced.

The Company applies the simplified approach to estimate expected credit losses prescribed by IFRS 9, which permits the use of a lifetime expected losses allowance for all trade receivables. The expected credit losses on trade receivables are estimated using an allowance matrix, which takes into consideration the historical credit loss experience with the respective debtor, the current financial position of the debtor, and the current and future economic conditions of the industry as well as the overall economy. Upon consideration, there was no material difference across various client classes. Thus, the Company estimated the expected credit losses solely using the number of days that a trade receivable was past due.

The Company writes off a trade receivable when there is information indicating that the debtor is experiencing severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or when the trade receivables are more than 2 years past due, whichever occurs earlier. For trade receivables that have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivables which are due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of trade receivables based on the Company's allowance matrix.

	Not Past Due	Less Than and Including 60 Days	61 to 210 Days	211 to 240 Days	More Than 240 Days	Total
Expected credit loss rate	0%	0.1%-5%	40%-70%	50%-100%	100%	
Gross carrying amount	$ 27,647,902	$ 212,121	$ 13,122	$ 85	$ 59,411	$ 27,752,671
Loss allowance	-	(392)	(6,422)	(84)	(59,441)	(66,339)
Net carrying amount	$ 27,467,902	$ 211,729	$ 6,700	$ 1	$ -	$ 27,686,332

The movements of the loss allowance of trade receivables were as follows:

	For the Year Ended December 31, 2018
Balance at January 1 (IAS 18 and IFRS 15)	$ 60,492
Expected credit loss	5,847
Balance at December 31	$ 66,339

For the year ended December 31, 2017

The Company applied the same credit policy in 2018 and 2017. The Company recognized an allowance for impairment loss of 100% against all receivables over 240 days past due because historical experience is that receivables that are past due beyond 240 days are not recoverable. Allowance for impairment loss was recognized against trade receivables between 1 and 240 days based on the estimated irrecoverable amounts determined in reference to past default experience with the counterparties and an analysis of their respective current financial positions.

The aging of receivables were as follows:

	December 31, 2017
Not past due	$ 27,592,527
Past due	
1-60 days	345,780
61-210 days	12,852
211-240 days	93
Over 240 days	54,744
	413,469
	$ 28,005,996

The above aging schedule was based on the number of days past the due date.

Movements in the allowance for impairment loss recognized on notes receivable and trade receivables were as follows:

	For the Year Ended December 31, 2017
Balance at January 1	$ 72,682
Reversals of previously recognized uncollectibles	(12,190)
Balance at December 31	$ 60,492

As of December 31, 2017, trade receivables from sales on installments by the Company were as follows:

	December 31, 2017
Trade receivables	$ 648,100
Unrealized interests revenue	(17,671)
	$ 630,429

13. INVENTORIES, NET

	December 31	
	2018	2017
Merchandise	$ 6,053,700	$ 5,891,832
Raw materials	1,671,441	854,012
Finished good	1,389,096	529,264
Work in progress	529,890	507,918
	$ 9,644,127	$ 7,783,026

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2018 and 2017 was $124,808,157 thousand and $124,507,607 thousand, respectively.

The cost of inventories recognized as cost of goods sold for the year ended December 31, 2018 included an increase in cost of goods sold amounting to $45,210 thousand, due to inventory write-downs to their net realizable value. The cost of inventories recognized as cost of goods sold for the year ended December 31, 2017 included a decrease in cost of goods sold amounting to $353,783 thousand, due to an increase in net realizable value. The increase was due to the Company writing off part of its inventories that had been impaired.

14. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31, 2017
Non-current	
Domestic investments	
Listed shares	$ 196,120
Unlisted shares	4,620
	200,740
Foreign investments	
Mutual funds	15,110
Unlisted shares	9,009
Listed shares	839
	24,958
	$ 225,698

Refer to Note 27 for the information related to the determination of the fair values on available-for-sale financial assets.

There was objective evidence that the fair values of some financial assets were below their carrying costs and will permanently decline. As a result, the Company recognized impairment loss of $10,662 thousand in the statement of comprehensive income for the year ended December 31, 2017.

15. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2018	2017
Investments in subsidiaries	$ 70,105,674	$ 62,144,465
Investments in associates	3,854,835	2,560,580
	$ 73,960,509	$ 64,705,045

a. Investments in subsidiaries

	December 31			
	2018		2017	
	%	Book Value	%	Book Value
Lite-On International Holding Co., Ltd.	100.00	$ 18,000,208	100.00	$ 17,379,624
LITE-ON ELECTRONICS H.K. LIMITED	100.00	16,089,012	100.00	14,218,135
LITE-ON SINGAPORE PTE. LTD.	100.00	12,106,016	100.00	3,212,400
HIGH YIELD GROUP CO., LTD.	100.00	5,896,949	100.00	5,588,529
LITE-ON MOBILE PTE. LTD.	100.00	3,785,919	100.00	9,001,757
LITE-ON TECHNOLOGY USA, INC.	100.00	2,507,215	100.00	2,302,123
Lite-On Automotive International (Cayman) Co., Ltd.	100.00	2,386,776	100.00	2,253,101
Lite-On Electronics (Thailand) Co., Ltd.	100.00	1,776,480	100.00	1,564,682
Lite-On Capital Corporation	100.00	1,453,527	100.00	1,603,803
Silitech Technology Corporation	33.87	1,274,728	33.87	1,287,758
EAGLE ROCK INVESTMENT LTD.	100.00	1,253,972	100.00	1,134,938
KBW-LITEON Jordan Private Shareholding Limited	99.77	1,210,895	98.83	325,571
Lite-On Technology (Europe) B.V.	54.00	425,694	54.00	438,634
LITE-ON VIETNAM CO., LTD.	100.00	353,641	100.00	331,292
Lite-On Japan Ltd.	49.49	342,959	49.49	349,889
Philips & Lite-On Digital Solutions Corporation	49.00	300,513	49.00	302,064
Lite-On Overseas Trading Co., Ltd.	100.00	235,695	100.00	273,986
SKYLA CORPORATION	64.94	199,533	100.00	500
LTC GROUP LTD.	100.00	187,653	100.00	163,059
LITE-ON POWER ELECTRONIC INDIA PRIVATE LIMITED	99.00	96,022	99.00	171,585
LITE-ON ELECTRONICS (EUROPE) LIMITED	100.00	59,784	100.00	55,875
LITE-ON AUTOMOTIVE ELECTRONICS MEXICO, S.A. DE C.V.	99.00	53,776	99.00	85,195
Lite-On Integrated Service Inc.	100.00	48,323	100.00	47,153

(Continued)

	December 31			
	2018		2017	
	%	Book Value	%	Book Value
LET (HK) LIMITED	100.00	$ 40,046	100.00	$ 30,889
Lite-On Information Technology B.V.	100.00	16,243	100.00	16,898
LI SHIN INTERNATIONAL ENTERPRISE CORPORATION	100.00	4,095	100.00	(60,964)
Lite-On Automotive Electronics (Europe) B.V.	-	-	100.00	5,025
KBW-LEOTEK Jordan Private Shareholding Limited	49.00	(119)	-	-
		70,105,555		62,083,501
Add: Credit balance on the carrying value of investments accounted for using the equity method		119		60,964
		$ 70,105,674		$ 62,144,465

(Concluded)

The Company's subsidiary under the equity method, LITE-ON MOBILE PTE. LTD., restructured its business units, and modified its operational strategy and resource allocation during the third quarter for the year ended December 31, 2017, due to increased competition in the market of mobile phone mold. The prices of mobile phone mold and related products dropped, and the market demand decelerated. As a result, the recoverable amount of its cash-generating units was less than the carrying amount. The Company recognized the impairment loss of $3,385,324 thousand and $5,170,200 thousand in the statements of comprehensive income during the second quarter of 2018 and the third quarter of 2017, respectively. Refer to Note 20 of the Company's consolidated financial statements for the year ended December 31, 2018 for the value-in-use calculations and further explanation.

b. Investments in associates

	December 31	
	2018	2017
Associates that are not individually material	$ 3,854,835	$ 2,560,580

Aggregate information of associates that are not individually material

	For the Year Ended December 31	
	2018	2017
The Company's share of:		
Net profit for the year	$ 146,775	$ 99,751
Other comprehensive loss	(27,834)	(59,101)
Total comprehensive income (loss) for the year	$ 118,941	$ 40,650

16. PROPERTY, PLANT AND EQUIPMENT, NET

	For the Year Ended December 31, 2018								
	Freehold Land	Buildings	Machinery Equipment	Tooling Equipment	Transportation Equipment	Office Equipment	Equipment Held under Finance Leases	Other Equipment	Total
Cost									
January 1, 2018	$ 2,226,499	$ 4,812,575	$ 4,028,907	$ 695,015	$ 3,851	$ 776,853	$ 6,380	$ 786,060	$ 13,335,870
Additions	-	4,370	291,109	88,308	-	42,071	-	1,304,268	1,730,126
Disposals	-	(42,970)	(285,598)	(61,173)	-	(18,350)	(865)	(16,197)	(425,153)
Reclassification	-	-	25,445	9,329	-	534	(5,515)	(43,468)	(13,675)
December 31, 2018	$ 2,226,499	$ 4,773,975	$ 4,059,863	$ 731,479	$ 3,851	$ 801,108	$ -	$ 2,030,663	$ 14,627,168
Accumulated depreciation									
January 1, 2018	$ -	$ 1,933,514	$ 3,193,378	$ 631,862	$ 3,408	$ 588,613	$ 6,380	$ 304,671	$ 6,661,826
Additions	-	101,906	330,227	22,330	60	100,428	-	43,609	598,560
Disposals	-	(42,970)	(208,542)	(59,145)	-	(18,198)	(865)	(15,799)	(345,519)
Reclassification	-	-	12,629	48,323	-	72	(5,515)	-	55,509
December 31, 2018	$ -	$ 1,992,450	$ 3,327,692	$ 643,370	$ 3,468	$ 670,915	$ -	$ 332,481	$ 6,970,376
Accumulated impairment									
January 1, 2018	$ -	$ 5,210	$ 4,328	$ 8,844	$ -	$ 355	$ -	$ 1,218	$ 19,955
Additions	-	-	9,027	-	-	-	-	-	9,027
Disposals	-	-	(9,027)	-	-	-	-	-	(9,027)
Reclassification	-	-	(3,828)	-	-	(4)	-	(9)	(3,841)
December 31, 2018	$ -	$ 5,210	$ 500	$ 8,844	$ -	$ 351	$ -	$ 1,209	$ 16,114
December 31, 2018, net	$ 2,226,499	$ 2,776,315	$ 731,671	$ 79,265	$ 113	$ 129,842	$ -	$ 1,696,973	$ 7,640,678

	For the Year Ended December 31, 2017								
	Freehold Land	Buildings	Machinery Equipment	Tooling Equipment	Transportation Equipment	Office Equipment	Equipment Held under Finance Leases	Other Equipment	Total
Cost									
January 1, 2017	$ 2,226,499	$ 4,889,924	$ 3,712,527	$ 652,457	$ 3,896	$ 671,067	$ 6,380	$ 419,142	$ 12,581,892
Additions	-	1,852	135,371	26,257	-	154,139	-	626,570	944,189
Disposals	-	(86,144)	(86,917)	(98,718)	(315)	(63,135)	-	(58,080)	(393,309)
Reclassification	-	6,943	267,926	115,019	-	14,782	-	(201,572)	203,098
December 31, 2017	$ 2,226,499	$ 4,812,575	$ 4,028,907	$ 695,015	$ 3,581	$ 776,853	$ 6,380	$ 786,060	$ 13,335,870
Accumulated depreciation									
January 1, 2017	$ -	$ 1,905,678	$ 2,846,053	$ 551,822	$ 3,633	$ 529,394	$ 6,380	$ 306,975	$ 6,149,935
Additions	-	107,805	350,470	53,139	90	110,541	-	40,159	662,204
Disposals	-	(86,144)	(81,942)	(98,718)	(315)	(63,120)	-	(57,942)	(388,181)
Reclassification	-	6,175	78,797	125,619	-	11,798	-	15,479	237,868
December 31, 2017	$ -	$ 1,933,514	$ 3,193,378	$ 631,862	$ 3,408	$ 588,613	$ 6,380	$ 304,671	$ 6,661,826
Accumulated impairment									
January 1, 2017	$ -	$ 5,210	$ -	$ 751	$ -	$ -	$ -	$ -	$ 5,961
Additions	-	-	4,254	-	-	254	-	1,218	5,726
Disposals	-	-	-	-	-	(3)	-	-	(3)
Reclassification	-	-	74	8,093	-	104	-	-	8,271
December 31, 2017	$ -	$ 5,210	$ 4,328	$ 8,844	$ -	$ 355	$ -	$ 1,218	$ 19,955
December 31, 2017, net	$ 2,226,499	$ 2,873,851	$ 831,201	$ 54,309	$ 173	$ 187,885	$ -	$ 480,171	$ 6,654,089

The above items of property, plant and equipment were depreciated on a straight-line basis at the following rates per annum:

Buildings	5-60 years
Machinery equipment	2-10 years
Tooling equipment	2-10 years
Transportation equipment	3-10 years
Office equipment	2-10 years
Equipment held under finance leases	3-5 years
Other equipment	2-10 years

Due to the decline in sales of some of the Company's products in the markets, the expected future cash flows generated by some equipment used in the production decreased. Therefore, the recoverable amount was lower than the carrying amount. Consequently, the Company recognized impairment losses of NT$9,027 thousand and NT$5,726 thousand for the years ended December 31, 2018 and 2017, respectively. The impairment losses were recognized in the statements of comprehensive income.

17. INTANGIBLE ASSETS, NET

	For the Year Ended December 31, 2018				
	Goodwill	Patents	Software	Client Relationships	Total
Cost					
January 1, 2018	$ 6,030,652	$ 3,421,562	$ 1,450,837	$ 163,819	$ 11,066,870
Additions	-	-	140,596	-	140,596
Disposals	(368,462)	-	(54,415)	-	(422,877)
Reclassification	-	-	19,552	-	19,552
December 31, 2018	$ 5,662,190	$ 3,421,562	$ 1,556,570	$ 163,819	$ 10,804,141
Accumulated amortization					
January 1, 2018	$ 77,234	$ 3,306,910	$ 1,187,022	$ 163,819	$ 4,734,985
Additions	-	113,760	166,561	-	280,321
Disposals	-	-	(44,439)	-	(44,439)
Reclassification	-	-	78	-	78
December 31, 2018	$ 77,234	$ 3,420,670	$ 1,309,222	$ 163,819	$ 4,970,945
Accumulated impairment					
January 1, 2018	$ 336,210	$ -	$ -	$ -	$ 336,210
December 31, 2018	$ 336,210	$ -	$ -	$ -	$ 336,210
December 31, 2018, net	$ 5,248,746	$ 892	$ 247,348	$ -	$ 5,496,986

	For the Year Ended December 31, 2017				
	Goodwill	Patents	Software	Client Relationships	Total
Cost					
January 1, 2017	$ 6,030,652	$ 3,408,877	$ 1,257,989	$ 163,819	$ 10,861,337
Additions	-	1,150	191,561	-	192,711
Disposals	-	-	(13,416)	-	(13,416)
Reclassification	-	11,535	14,703	-	26,238
December 31, 2017	$ 6,030,652	$ 3,421,562	$ 1,450,837	$ 163,819	$ 11,066,870
Accumulated amortization					
January 1, 2017	$ 77,234	$ 3,067,622	$ 1,038,562	$ 163,819	$ 4,347,237
Additions	-	227,753	157,573	-	385,326
Disposals	-	-	(13,416)	-	(13,416)
Reclassification	-	11,535	4,303	-	15,838
December 31, 2017	$ 77,234	$ 3,306,910	$ 1,187,022	$ 163,819	$ 4,734,985
Accumulated impairment					
January 1, 2017	$ 336,210	$ -	$ -	$ -	$ 336,210
December 31, 2017	$ 336,210	$ -	$ -	$ -	$ 336,210
December 31, 2017, net	$ 5,617,208	$ 114,652	$ 263,815	$ -	$ 5,995,675

The above items of other intangible assets were amortized on a straight-line basis at the following rates per annum:

Patents	6 years
Software	1-14 years
Client relationships	4 years

a. The Company has sold the major operations and assets of its portable mobile phones image business group during the six months ended June 30, 2018. As a result, the Company shall exclude the goodwill of that business group of $368,462 thousand as a reduction of operating concession and premium earnings. Refer to Note 36 of the consolidated financial statements for the year ended December 31, 2018.

b. Goodwill is allocated to the Company's recoverable amount of cash-generating units. The recoverable amount of all cash-generating units has been determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by the management covering the future five-year period.

c. Management determined gross margin based on past performance and future profits. The growth rate used is consistent with the forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risks relating to the relevant cash-generating units.

18. BORROWINGS

Short-term Borrowings

	December 31	
	2018	**2017**
Unsecured borrowings		
Line of credit borrowings	$ 17,264,395	$ 17,291,220

The range of interest rate on bank loans was 2.91%-3.45% and 1.69%-2.38% per annum as of December 31, 2018 and 2017, respectively.

19. PROVISIONS

	December 31	
	2018	**2017**
Current		
Warranties	$ 851,041	$ 715,037

Movements in the provisions were as follows:

	For the Year Ended December 31	
	2018	2017
Balance at January 1	$ 715,037	$ 857,176
Recognition of provisions	406,941	144,788
Usage	(270,937)	(286,927)
Balance at December 31	$ 851,041	$ 715,037

Based on sales contracts, the provision for warranty claims represents the present value of management's best estimate of the future outflow of economic benefits that will be required under the Company's obligations for warranties. The estimate takes the historical warranty trends into consideration and may vary as a result of the entry of new materials, modifying manufacturing processes or other events affecting product quality.

20. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Company adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

b. Defined benefit plans

The defined benefit plan adopted by the Company in accordance with the Labor Standards Law is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Company contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Company has no right to influence the investment policy and strategy.

The amounts included in the balance sheets in respect of the Company's defined benefit plans were as follows:

	December 31	
	2018	2017
Present value of defined benefit obligation	$ 1,113,237	$ 1,159,791
Fair value of plan assets	(1,035,001)	(1,032,940)
Net defined benefit liabilities	$ 78,236	$ 126,851

Movements in net defined benefit liabilities (assets) were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2017	$ 1,166,870	$ (1,065,349)	$ 101,521
Current service cost	4,898	-	4,898
Net interest expense (income)	14,332	(13,187)	1,145
Recognized in profit or loss	19,230	(13,187)	6,043
Remeasurement			
Return on plan assets	-	2,930	2,930
Actuarial loss - changes in financial assumptions	26,801	-	26,801
Actuarial loss - experience adjustments	8,532	-	8,532
Recognized in other comprehensive loss	35,333	2,930	38,263
Contributions from the employer	-	(18,976)	(18,976)
Benefits paid	(61,642)	61,642	-
Balance at December 31, 2017	$ 1,159,791	$ (1,032,940)	$ 126,851
Balance at January 1, 2018	$ 1,159,791	$ (1,032,940)	$ 126,851
Current service cost	3,836	-	3,836
Net interest expense (income)	11,393	(10,219)	1,174
Recognized in profit or loss	15,229	(10,219)	5,010
Remeasurement			
Return on plan assets	-	(31,785)	(31,785)
Actuarial loss - changes in financial assumptions	4,871	-	4,871
Actuarial loss - experience adjustments	23,864	-	23,864
Recognized in other comprehensive (gain) loss	28,735	(31,785)	(3,050)
Contributions from the employer	-	(18,335)	(18,335)
Benefits paid	(58,278)	58,278	-
Effects of Disposals	(32,240)	-	-
Balance at December 31, 2018	$ 1,113,237	$ (1,035,001)	$ 78,236

Through the defined benefit plans under the Labor Standards Law, the Company is exposed to the following risks:

1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

2) Interest rate risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, it will be partially offset by an increase in the return on the plan's debt investments.

3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2018	2017
Discount rate	0.95%	1.00%
Expected rate of salary increase	3.00%	3.00%

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	December 31	
	2018	2017
Discount rate		
0.25% increase	$ (24,037)	$ (26,801)
0.25% decrease	$ 24,848	$ 27,744
Expected rate of salary increase		
0.25% increase	$ 23,732	$ 26,563
0.25% decrease	$ (23,095)	$ (25,815)

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2018	2017
The expected contributions to the plan for the next year	$ 18,000	$ 18,852
The average duration of the defined benefit obligation	8.83 years	9.46 years

21. EQUITY

a. Share capital

1) Ordinary shares

	December 31	
	2018	2017
Number of shares authorized (in thousands)	3,500,000	3,500,000
Amount of shares authorized	$ 35,000,000	$ 35,000,000
Number of shares issued and fully paid (in thousands)	2,350,867	2,350,867
Amount of shares issued	$ 23,508,670	$ 23,508,670

Fully paid ordinary shares, which have a par value of $10, carry one vote per share and carry a right to dividends.

Of the Company's authorized shares, 100,000 thousand shares had been reserved for the issuance of employee share options.

2) Issued global depositary receipts

On September 25, 1996, the Company issued 4,900 thousand units of global depositary receipts (GDRs) on the London Stock Exchange. These GDRs represented 49,000 thousand ordinary shares of the Company.

On April 3, 1995, GVC Corp. issued 5,000 thousand units of GDRs on the London Stock Exchange. These GDRs represented 25,000 thousand ordinary shares of GVC Corp., which later issued more shares. As of November 4, 2002, the outstanding GDRs were 7,627 thousand units, or 38,136 thousand ordinary shares of GVC Corp. For merger purposes, these GDRs were exchanged for the Company's 1,478 thousand marketable equity securities, which represented the Company's 14,781 thousand ordinary shares.

As of December 31, 2018 and 2017, the outstanding marketable equity securities were both 5,221 thousand units, representing 52,209 thousand ordinary shares. The rights and obligation of security holders are the same as those of ordinary shareholders, except for voting rights. As of December 31, 2018 and 2017, the unredeemed GDRs amounted to 815 thousand units and 894 thousand units.

b. Capital surplus

The premium from shares issued in excess of par (including share premium from issuance of ordinary shares, conversion of bonds, and mergers) may be used to offset a deficit. When the Company has no deficit, the capital surplus may be distributed as cash dividends or transferred to capital. The transfer to capital is restricted to a certain percentage of the Company's capital surplus and limited to one-per-year.

The capital surplus arising from – changes of shares in equities of subsidiaries, changes in equities of associates accounted for using the equity method and treasury share transactions resulting from dividends that are derived from subsidiaries holding the Company's shares – may only be used to offset deficits.

c. Retained earnings and dividend policy

Under the dividend policy as set forth in the amended Articles, if there is net profit after tax upon the final settlement of account of each fiscal year, the Company shall first to offset any previous accumulated losses (including unappropriated earnings adjustment if any) and set aside a legal reserve at 10% of the net profits, unless the accumulated legal reserve is equal to the total capital of the Company; then set aside special reserve in accordance with relevant laws or regulations or as requested by the authorities in charge. The remaining net profit, plus the beginning unappropriated earnings (including adjustment of unappropriated earnings if any), shall be distributed into dividends to shareholders according to the distribution plan proposed by the Board of Directors and submitted to the shareholders' meeting for approval. For the policies on distribution of employees' compensation and remuneration of directors before and after amendment, refer to Note 23 (b) on employee benefits expense.

The Company's dividend policy is designed to meet present and future development projects and takes into consideration the investment environment, funding requirements, international or domestic competitive conditions while simultaneously meeting shareholders' interests. When there is no cumulative loss, the Company shall set aside share dividends at no less than 70% of the net profit. The way to distribute dividends could be through either cash or shares, and cash dividends shall not be less than 90% of the total dividends.

After the Company considers financial, business, and operational factors, if there are no retained earnings to be appropriated or if the earnings to be appropriated are significantly lower than the prior year's actual appropriation of the earnings, then part of or all of the Company's paid-in capital can be appropriated according to the law or the competent authority.

Appropriation of earnings to legal reserve shall be made until the legal reserve equals the Company's paid-in capital. Legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

Under Rule No. 1010012865, Rule No. 1010047490 and Rule No. 1030006415 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", the Company should appropriate or reverse a special reserve. Any special reserve appropriated may be reversed to the extent that the net debit balance reverses and thereafter distributed.

The appropriations of earnings for 2017 and 2016 having been approved in the shareholders' meetings on June 22, 2018 and June 22, 2017, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT$)	
	2017	2016	2017	2016
Legal reserve	$ 262,933	$ 941,635		
Special reserve	1,367,076	940,276		
Cash dividends	963,855	6,864,532	$ 0.41	$ 2.92

On June 22, 2018, the shareholders proposed to distribute $2.51 cash dividends per share from $5,900,676 thousand in capital surplus.

The appropriation of earnings for 2018 were proposed by the Company's board of directors on February 26, 2019. The appropriation and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT$)
	2018	2018
Legal reserve	$ 795,684	
Special reserve	682,814	
Cash dividends	6,864,532	$ 2.92

The appropriation of earnings for 2018 are subject to resolution in the shareholders' meeting to be held on June 21, 2019.

d. Other equity items

Movements in other equity items were as follows:

	For the Year Ended December 31, 2018				
	Foreign Currency Translation Reserve	Unrealized Gain (Loss) from Available for sale Financial Assets	Unrealized Loss from Financial Assets at FVTOCI	Cash Flow Hedges	Total
Balance at January 1	$ (2,528,893)	$ (18,497)	$ -	$ 3,372	$ (2,544,018)
Adjustments on initial application of IFRS 9	-	18,497	(298,266)	-	(279,769)
Balance at January 1 per IFRS 9	(2,528,893)	-	(298,266)	3,372	(2,823,787)
Exchange differences arising on translating the financial statements of foreign operations	(372,739)	-	-	-	(372,739)

(Continued)

	For the Year Ended December 31, 2018				
	Foreign Currency Translation Reserve	Unrealized Gain (Loss) from Available for sale Financial Assets	Unrealized Loss from Financial Assets at FVTOCI	Cash Flow Hedges	Total
Change in fair value of equity investments as at FVTOCI	$ -	$ -	$ (78,200)	$ -	$ (78,200)
Share of other comprehensive income (loss) of associates and subsidiaries	(46,842)	-	(29,813)	(658)	(77,313)
Changes in percentage of ownership in interest in subsidiaries	-	-	(39,722)	-	(39,722)
Disposal of investments accounted for using the equity method	4,078	-	-	-	4,078
Cumulative unrealized gain of equity instruments at FVTOCI transferred to retained earnings due to disposals	-	-	(3,460)	-	(3,460)
Income tax benefit	164,533	-	-	-	164,533
Balance at December 31	$ (2,779,863)	$ -	$ (449,461)	$ 2,714	$ (3,226,610)

(Concluded)

	For the Year Ended December 31, 2017			
	Foreign Currency Translation Reserve	Unrealized Gain (Loss) from Available-for-sale Financial Assets	Cash Flow Hedges	Total
Balance at January 1	$ (1,195,684)	$ (126,588)	$ -	$ (1,322,272)
Exchange differences arising on translating the financial statements of foreign operations	(1,567,333)	-	-	(1,567,333)
Gain arising on changes in the fair value of available-for-sale financial assets	-	206,123	-	206,123
Share of other comprehensive income (loss) of subsidiaries and associates	(38,433)	(48,434)	3,372	(83,495)
Reclassification to income from disposal of available-for-sale financial assets	-	(49,598)	-	(49,598)
Gain reclassified to profit or loss based on decreased proportions on disposal of associates	(4,156)	-	-	(4,156)
Income tax benefit	276,713	-	-	276,713
Balance at December 31	$ (2,528,893)	$ (18,497)	$ 3,372	$ (2,544,018)

The exchange differences arising on translation of foreign operation's net assets from its functional currency to the Company's presentation currency are recognized directly in other comprehensive income and also accumulated in the foreign currency translation reserve.

Unrealized gain/loss on available-for-sale financial assets represents the cumulative gains or losses arising from the fair value measurement on available-for-sale financial assets that are recognized in other comprehensive income. When those available-for-sale financial assets have been disposed of or are determined to be impaired subsequently, the related cumulative gains or losses in other comprehensive income are reclassified to profit or loss.

The cash flow hedges reserve represents the cumulative effective portion of gains or losses arising on changes in fair value of the hedging instruments entered into as cash flow hedges. The cumulative gain or loss arising on changes in fair value of the hedging instruments that are recognized and accumulated in cash flow hedges reserve will be reclassified to profit or loss only when the hedge transaction affects profit or loss.

e. Treasury shares

Unit: In Thousands of Shares

Purpose of Buyback	Number of Shares at January 1	Increase During the Year	Decrease During the Year	Number of Shares at December 31
For the year ended December 31, 2018				
Shares held by its subsidiaries	26,841	-	-	26,841
For the year ended December 31, 2017				
Shares held by its subsidiaries	26,841	-	-	26,841

The Company's shares held by its subsidiaries at the end of the reporting periods were as follows:

Name of Subsidiary	Number of Shares Held (In Thousands)	Carrying Amount	Market Price
December 31, 2018			
Lite-On Capital Corporation	15,116	$ 718,857	$ 613,704
LTC INTERNATIONAL LTD.	7,004	297,469	284,068
YET FOUNDATE LIMITED	2,271	126,881	91,989
LITE-ON ELECTRONICS COMPANY LIMITED	2,450	105,515	99,253
		$ 1,248,722	$ 1,089,014
December 31, 2017			
Lite-On Capital Corporation	15,116	$ 718,857	$ 613,704
LTC INTERNATIONAL LTD.	7,004	297,469	284,157
YET FOUNDATE LIMITED	2,271	126,881	92,053
LITE-ON ELECTRONICS COMPANY LIMITED	2,450	105,515	99,322
		$ 1,248,722	$ 1,089,236

Under the Securities and Exchange Act, the Company shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as rights to dividends and to vote. The subsidiaries holding treasury shares, however, retain shareholders' rights, except the rights to participate in any share issuance for cash and to vote.

22. REVENUE

	For the Year Ended December 31	
	2018	2017
Customer contract revenue		
Revenue from the sale of goods	$ 135,463,584	$ 137,508,919
Royalty income	810,568	781,995
Revenue from management services	827,948	865,408
Rental income from property	67,290	86,282
	$ 137,169,390	$ 139,242,604

23. ADDITIONAL INFORMATION ON EXPENSES

Net income included the following items:

	For the Year Ended December 31	
	2018	2017
a. Depreciation and amortization		
Property, plant and equipment	$ 598,560	$ 662,204
Intangible assets	280,321	385,326
	$ 878,881	$ 1,047,530
An analysis of depreciation by function		
Recognized in operating costs	$ 182,304	$ 186,897
Recognized in operating expenses	416,256	475,307
	$ 598,560	$ 662,204
An analysis of amortization by function		
Recognized in operating costs	$ 3,909	$ 3,284
Recognized in operating expenses	276,412	382,042
	$ 280,321	$ 385,326
b. Employee benefit expenses		
Post-employment benefits		
Defined contribution plans	$ 220,051	$ 239,525
Defined benefit plans (Note 20)	5,010	6,043
	225,061	245,568
Termination benefits	65,254	22,298
Other employee benefits	6,616,951	6,728,687
	$ 6,907,266	$ 6,996,553
Employee benefit expenses summarized by function		
Recognized in operating costs	$ 806,438	$ 815,439
Recognized in operating expenses	6,100,828	6,181,114
	$ 6,907,266	$ 6,996,553

The Company distributed employees' compensation and remuneration of directors at the rates no less than 1% and no higher than 1.5%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. The employees' compensation and remuneration of directors for the years ended December 31, 2018 and 2017 have been approved by the Company's board of directors on February 26, 2019 and February 27, 2018, respectively. The details were as follows:

	For the Year Ended December 31			
	2018		2017	
	Cash	Share	Cash	Share
Employees' compensation	$ 1,125,893	$ -	$ 372,051	$ -
Remuneration of directors	67,633	-	27,284	-

If there is a change in the proposed amounts after the financial statements were authorized for issue, the differences are recorded as a change in accounting estimate and adjusted in the following year.

There was no difference between the actual amounts of the employees' compensation and the remuneration of directors paid and the amounts recognized in the Company's financial statements for the year ended December 31, 2017.

Information on the 2019 and 2018 employees' compensation and remuneration of directors resolved by the Company's board of directors is available on the Market Observation Post System website of the Taiwan Stock Exchange.

24. INCOME TAX

a. Income tax recognized in profit or loss

The major components of tax benefit (expense) were as follows:

	For the Year Ended December 31	
	2018	2017
Current income tax benefit (expense)		
In respect of the current year	$ (1,305,309)	$ (656,346)
Adjustments for prior year	107,000	(126,674)
	(1,198,309)	(783,020)
Deferred tax		
Effect of change in tax rate	(170,970)	-
The origination and reversal of temporary differences	696,920	1,992,748
	525,950	1,992,748
Income tax benefit (expense) recognized in profit or loss	$ (672,359)	$ 1,209,728

In order to lower operating costs, during the third quarter for the year ended December 31, 2017, the Company adjusted its policy approved by each overseas subsidiary's board of directors whereby a part of each of such subsidiary's earnings shall be reinvested instead of remitted back. Therefore, any recorded deferred tax liability for the year is reversed.

A reconciliation of income before income tax and income tax benefit (expense) recognized in profit or loss was as follows:

	For the Year Ended December 31	
	2018	**2017**
Income before tax	$ 8,629,197	$ 1,419,606
Income tax expense at the statutory rate	$ (1,725,839)	$ (241,333)
Tax effect of adjusting items:		
Deductible (nondeductible) items in determining taxable income	420,530	(353,652)
Additional income tax on unappropriated earnings	-	(61,361)
The origination and reversal of temporary differences	525,950	1,992,748
Adjustments for prior year	107,000	(126,674)
Income tax benefit (expense) recognized in profit or loss	$ (672,359)	$ 1,209,728

The applicable tax rate used above is the corporate tax rate of 17% payable by the Company in the year of 2017. In February 2018, the Income Tax Act was amended. Starting from 2018, the corporate income tax rate was adjusted from 17% to 20%. The rate of the corporate surtax applicable to 2018 unappropriated earnings was decreased from 10% to 5%.

As the status of the 2018 appropriations of earnings to be resolved in the shareholder's meeting is uncertain, the potential income tax consequences of the 2017 unappropriated earnings, which are subject to a 5% tax rate, cannot be reliably determinable.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2018	**2017**
Deferred tax		
Effect of change in tax rate		
Non-related to remeasurement of defined benefit plans	$ 88,254	$ -
Related to remeasurement of defined benefit plans	5,642	-
In respect of the current year:		
Translation of foreign operations	76,279	276,713
Remeasurement on defined benefit plans	(610)	6,505
	$ 169,565	$ 283,218

c. Deferred tax assets and liabilities

The analysis of deferred tax assets was as follows:

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income (Loss)	Closing Balance
For the year ended December 31, 2018				
Temporary differences				
Investment accounted for using the equity method	$ 1,610,060	$ 195,787	$ 164,533	$ 1,970,380
Impairment loss on assets	660,201	444,223	-	1,104,424
Accrued warranty expense	121,556	48,652	-	170,208
Unrealized loss on inventories	113,170	29,014	-	142,184
Unrealized loss and expense	45,440	89,625	-	135,065
Net defined benefit liability	62,367	5,364	5,032	72,763
Unrealized sales profit	12,441	(12,441)	-	-
Others	7,386	(6,815)	-	571
	$ 2,632,621	$ 793,409	$ 169,565	$ 3,595,595
For the year ended December 31, 2017				
Temporary differences				
Investment accounted for using the equity method	$ 1,109,952	$ 223,395	$ 276,713	$ 1,610,060
Impairment loss on assets	328,940	331,261	-	660,201
Accrued warranty expense	145,720	(24,164)	-	121,556
Unrealized loss on inventories	173,313	(60,143)	-	113,170
Net defined benefit liability	55,862	-	6,505	62,367
Unrealized loss and expense	126,621	(81,181)	-	45,440
Unrealized sales profit	41,687	(29,246)	-	12,441
Others	537	6,849	-	7,386
	$ 1,982,632	$ 366,771	$ 283,218	$ 2,632,621

The analysis of deferred tax liabilities was as follows:

	Opening Balance	Recognized in (Profit) Loss	Recognized in Other Comprehensive (Income) Loss	Closing Balance
For the year ended December 31, 2018				
Temporary differences				
Investment accounted for using the equity method	$ 418,761	$ 163,898	$ -	$ 582,659
Unrealized amortization of goodwill	353,808	62,437	-	416,245
Land value increment tax	230,216	40,627	-	270,843
Unrealized exchange gains, net	128,926	(32,970)	-	95,956
Unrealized sales loss	-	33,467	-	33,467
	$ 1,131,711	$ 267,459	$ -	$ 1,399,170
For the year ended December 31, 2017				
Temporary differences				
Investment accounted for using the equity method	$ 2,080,090	$ (1,661,329)	$ -	$ 418,761
Unrealized amortization of goodwill	353,808	-	-	353,808
Land value increment tax	230,216	-	-	230,216
Unrealized exchange gains, net	93,574	35,352	-	128,926
	$ 2,757,688	$ (1,625,977)	$ -	$ 1,131,711

d. Income tax assessments

The Company's tax returns for all years through 2015 have been assessed by the tax authorities.

25. EARNINGS PER SHARE

Unit: NT$ Per Share

	For the Year Ended December 31	
	2018	**2017**
Basic earnings per share	$ 3.42	$ 1.13
Diluted earnings per share	$ 3.38	$ 1.13

The earnings and weighted average number of ordinary shares outstanding in the computation of earnings per share were as follows:

Net Profit for the Year

	For the Year Ended December 31	
	2018	**2017**
Earnings used in the computation of basic earnings per share	$ 7,956,838	$ 2,629,334
Effect of potentially dilutive ordinary shares:		
Employees' compensation	-	-
Earnings used in the computation of diluted earnings per share	$ 7,956,838	$ 2,629,334

Weighted Average Number of Ordinary Shares Outstanding:

	For the Year Ended December 31	
	2018	**2017**
Weighted average number of ordinary shares outstanding in computation of basic earnings per share	2,324,026	2,324,026
Effect of potentially dilutive ordinary shares:		
Employees' compensation	27,731	9,164
Weighted average number of ordinary shares outstanding in computation of diluted earnings per share	2,351,757	2,333,190

If the Company settles the compensation paid to employees in cash or shares, the Company presumed the entire amount of the compensation will be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

26. CAPITAL MANAGEMENT

The Company manages its capital to ensure that entities in the Company will be able to continue as going concerns while maximizing the return to shareholders through the optimization of the debt and equity balance.

The Company's capital management system aims to ensure that the necessary financial resources and operating plan are enough to meet the next 12 months' requirements for working capital, capital expenditures, research and development expenses, debt repayment, dividend expenses and other need.

27. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments that are not measured at fair value

For certain financial instruments - including contract asset, notes receivable, trade receivables including related parties, other receivables including related parties, financial assets at amortized cost, short-term borrowings, notes payable, trade payables including related parties, and other payables including related parties - the Company's management considers the carrying amounts of these financial instruments recognized in the financial statements as approximating their fair values. For long-term loans (including their current portion) with floating rates, the carrying amounts of long-term loans are used as basis to estimate their fair value.

b. Fair value of financial instruments that are measured at fair value on a recurring basis

1) Fair value hierarchy

December 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Mutual funds	$ -	$ 44,840	$ -	$ 44,840
Securities listed in ROC – equity securities	11,493	-	-	11,493
Derivative instruments	-	2,857	-	2,857
	$ 11,493	$ 47,697	$ -	$ 59,190
Financial assets at FVTOCI				
Securities listed in ROC - equity securities	$ 169,907	$ -	$ -	$ 169,907
Unlisted securities - ROC - equity securities	-	-	33,690	33,690
Unlisted securities - other countries - equity securities	-	-	9,009	9,009
Securities listed in other countries - equity securities	867	-	-	867
	$ 170,774	$ -	$ 42,699	$ 213,473
Financial liabilities at FVTPL				
Derivative instruments	$ -	$ 3,997	$ -	$ 3,997

December 31, 2017

	Level 1	Level 2	Level 3	Total
Financial liabilities at FVTPL				
Derivative instruments	$ -	$ 43,447	$ -	$ 43,447
Available-for-sale financial assets				
Securities listed in ROC - equity securities	$ 196,120	$ -	$ -	$ 196,120
Securities listed in other countries - equity securities	839	-	-	839
Unlisted securities - ROC - equity securities	-	-	4,620	4,620
Unlisted securities - other countries - equity securities	-	-	9,009	9,009
Mutual Funds	-	15,110	-	15,110
	$ 196,959	$ 15,110	$ 13,629	$ 225,698

There were no transfers between Levels 1 and 2 during 2018 and 2017.

2) Reconciliation of Level 3 fair value measurements of financial instruments

	Investments on Equity Instruments Unlisted Quotes
For the year ended December 31, 2018	
Financial assets	
Balance at January 1, 2018	$ 13,629
Additions	29,070
Balance at December 31, 2018	$ 42,699
For the year ended December 31, 2017	
Financial assets	
Balance at January 1, 2017	$ 24,783
Total gains or losses	
In profit or loss (Note 14)	(10,662)
Disposals	(492)
Balance at December 31, 2017	$ 13,629

3) Valuation techniques and inputs applied for the purpose of measuring Level 2 fair value measurement

Financial Instruments	Valuation Techniques and Inputs
Financial assets at FVTPL - Currency swaps	Estimation of fair value of a currency swaps is based on its principal and exchange rate on mutual agreement and the suitable discount rate that reflects the credit risk of various counterparties at the end of the reporting period.
Mutual funds	Using the observable and average price in the similar markets or the price of the same kind of tools provided by the mutual fund management company.

4) Valuation techniques and inputs applied for Level 3 fair value measurement

The fair values of unlisted equity securities in the ROC and other countries were determined using the income approach. In this approach, the discounted cash flow method was used to capture the present value of the expected economic benefits from these investments. According to the discounted cash flow analysis and observable financial market average prices or by using similar kinds of estimation tools, the discount rate and the parameters used can be referenced from Reuters news agency, Bloomberg agency or other financial institutions for instruments with essentially the same conditions and characteristics as the interest rate swaps offering financial products whose features include the same remaining contract terms, fixed interest rates, payment of principal, payment of currency, etc. All the information can be obtained by the Company.

c. Categories of financial instruments

	December 31	
	2018	2017
Financial assets		
FVTPL		
Financial assets mandatorily classified as at FVTPL	$ 59,190	$ -
Loans and receivables (1)	-	48,443,842
Available-for-sale financial assets (2)	-	225,698
Financial assets at amortized costs (3)	48,153,301	-
Equity investments at FVTOCI	213,473	-
Financial liabilities		
FVTPL		
Derivative instruments	-	43,447
Financial liabilities mandatorily classified as at FVTPL	3,997	-
Amortized cost		
Short-term borrowings	17,264,395	17,291,220
Payables (4)	54,896,545	45,843,623

1) The balances included loans and receivables measured at amortized cost, which comprise cash and cash equivalents, debt instruments with no active market, notes receivable, trade receivables, trade receivables from related parties, other receivables and other receivables from related parties.

2) The balances of the financial assets included available for sale financial assets, evaluated at cost.

3) The balances included financial assets measured at amortized cost, which comprise cash and cash equivalents, financial assets at amortized cost, contract assets, notes receivable, trade receivables, trade receivables from related parties, other receivables and other receivables from related parties.

4) The balances included financial liabilities measured at amortized cost, which comprise notes payable, trade payables, trade payables to related parties, other payables and other payables to related parties.

d. Financial risk management objectives and policies

The Company's major financial instruments included equity investments, trade receivable, trade payables and borrowings. The Company's Corporate Treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Company sought to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives was governed by the Company's policies approved by the board of directors, which provided written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits was reviewed by the internal auditors on a continuous basis. The Company did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

1) Market risk

The Company's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below).

There had been no change to the Company's exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency risk

The Company had foreign currency sales and purchases, which exposed the Company to foreign currency risk. Exchange rate exposures were managed through currency swap contracts.

For information on the carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities and of the derivatives exposing to foreign currency risk at the end of the reporting period are set out in Note 31.

Sensitivity analysis

The Company was mainly affected by the U.S. dollar.

The following table details the Company's sensitivity to a 5% increase and decrease in the New Taiwan dollars (the functional currency) against the U.S. dollars. The sensitivity analysis included only outstanding foreign currency denominated monetary items. A positive number below indicates an increase in pre-tax profit and other equity associated with the New Taiwan dollars strengthen 5% against the U.S. dollars. For a 5% weakening of the New Taiwan dollars against the U.S. dollars, there would be an equal and opposite impact on pre-tax profit and other equity and the balances below would be negative.

	USD Impact	
	For the Year Ended December 31	
	2018	2017
Profit or loss	$ (937,070)	$ (641,478)

b) Interest rate risk

The Company was exposed to interest rate risk because entities in the Company borrowed funds at both fixed and floating interest rates. The risk is managed by the Company by maintaining an appropriate mix of fixed and floating rate borrowings.

The carrying amount of the Company's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	December 31	
	2018	2017
Fair value interest rate risk		
Financial assets (i)	$ 2,004,680	$ 1,803,997
Financial liabilities (ii)	17,264,395	17,291,220
Cash flow interest rate risk		
Financial assets (iii)	5,383,958	6,033,910

i. The balances include time deposits, financial assets at amortized cost with fixed interest rates and debt investments with no active market.

ii. The balances include financial liabilities exposed to fair value risk from interest rate fluctuations.

iii. The balances include demand deposits, financial assets at amortized cost with floating interest rates.

Sensitivity analysis

The sensitivity analysis below was determined based on the Company's exposure to interest rates for both derivative and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of the liabilities outstanding at the end of the reporting period was outstanding for the whole period.

If interest rates had been 25 basis points higher and all other variables were held constant, the Company's pre-tax profit years ended December 31, 2018 and 2017 would increase by $13,460 thousand and $15,085 thousand, respectively.

c) Other price risk

The Company was exposed to equity price risk through its investments in listed equity securities. Equity investments are held for strategic rather than trading purposes. The Company does not actively trade these investments.

Sensitivity analysis

The sensitivity analysis below was determined based on the exposure to equity price risks at the end of the reporting period.

If the fair value of financial assets at FVTPL and FVTOCI increased by 10%, profit or loss before income tax and other comprehensive income would increase by $1,149 thousand and $17,077 thousand for the years ended December 31, 2018, respectively. If the fair value of available-for-sale financial assets increased by 10%, the pre-tax other comprehensive income would increase by $19,696 thousand.

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company is exposed to credit risk from trade receivables, deposits and other financial instruments. Credit risks on business-related exposures are managed separately from that on financial-related exposures.

a) Business related credit risk

To maintain the quality of receivables, the Company has established operating procedures to manage credit risk.

For individual customers, risk factors considered include the customer's financial position, the customer's credit rating agency rating, the Company's internal credit rating, and transaction history as well as current economic conditions that may affect the customer's ability to pay. The Company also has the right to use some credit protection enhancement tools, such as requiring advance payments, to reduce the credit risks involving certain customers.

b) Financial related credit risk

Bank deposits and other financial instruments are credit risk sources required by the Company's department of finance department to be measured and monitored. However, since the Company's counterparties are all reputable financial institutions and government agencies, there is no significant financial credit risk.

c) The movements of allowance for expected credit loss, by the simplified method, are as follows:

	Notes Receivable	Trade Receivables	Contract Asset	Total
Beginning balance (IAS 18)	$ -	$ 60,492	$ -	$ 60,492
Effects of IFRS 15 adoption	-	-	-	-
Balance as restated (IFRS 15)	-	60,492	-	60,492
Expected credit loss	-	5,847	-	5,847
Ending balance	$ -	$ 66,339	$ -	$ 66,339

3) Liquidity risk

The Company's objective of liquidity risk management department is to maintain operating cash and cash equivalents in order to ensure that the Company has sufficient financial flexibility.

The table below summarizes the maturity profile of the Company's non-derivative financial liabilities based on contractual undiscounted payments.

December 31, 2018

	Weighted Average Effective Interest Rate (%)	On Demand or Less than 1 Year	1-3 Years	3 Years to 5 Years	5+ Years
Non-derivative financial liabilities					
Non-interest bearing		$ 54,896,545	$ 15,979	$ -	$ -
Fixed interest rate liabilities	2.91%-3.45%	17,264,395	-	-	-
		$ 72,160,940	$ 15,979	$ -	$ -

December 31, 2017

	Weighted Average Effective Interest Rate (%)	On Demand or Less than 1 Year	1-3 Years	3 Years to 5 Years	5+ Years
Non-derivative financial liabilities					
Non-interest bearing	-	$ 45,843,623	$ 16,018	$ -	$ -
Fixed interest rate liabilities	1.69%-2.38%	17,291,220	-	-	-
		$ 63,134,843	$ 16,018	$ -	$ -

The table below summarizes the maturity profile of the Company's derivative financial instruments based on contractual undiscounted payments.

December 31, 2018

	On Demand or Less than 1 Year	1-3 Years	3 Years to 5 Years	5+ Years
Currency swaps				
Inflows	$ 3,699,690	$ -	$ -	$ -
Outflows	(3,652,320)	-	-	-
	$ 47,370	$ -	$ -	$ -

December 31, 2017

	On Demand or Less than 1 Year	1-3 Years	3 Years to 5 Years	5+ Years
Currency swaps				
Inflows	$ 3,916,200	$ -	$ -	$ -
Outflows	(3,856,015)	-	-	-
	$ 60,185	$ -	$ -	$ -

28. TRANSACTIONS WITH RELATED PARTIES

Transactions with related parties are summarized below:

a. Related parties and relationships

Related Parties	Relationships with the Company
Lite-On Japan Ltd.	Subsidiary
Lite-On Japan (H.K.) Limited	Sub-subsidiary
LITE-ON SINGAPORE PTE. LTD.	Subsidiary
Lite-On Overseas Trading Co., Ltd.	Subsidiary
WUXI CHINA BRIDGE EXPRESS TRADING CO., LTD.	Third-tier subsidiary
Lite-On Integrated Service Inc.	Subsidiary
Lite-On Capital Corporation	Subsidiary
Philips & Lite-On Digital Solutions Corporation	Subsidiary
Philips & Lite-On Digital Solutions (Shanghai) Co., Ltd.	Sub-subsidiary
Philips & Lite-On Digital Solutions USA, Inc.	Sub-subsidiary
PLDS Germany GmbH	Sub-subsidiary
PLDS Netherlands B.V.	Sub-subsidiary
Silitech Technology Corporation	Subsidiary
Silitech Technology Corporation Limited	Four-tier subsidiary
LITE-ON MOBILE PTE. LTD.	Subsidiary
LITE-ON TRADING USA, INC.	Sub-subsidiary
LITE-ON, INC.	Sub-subsidiary

(Continued)

Related Parties	Relationships with the Company
LITE-ON TECHNOLOGY SERVICE, INC.	Sub-subsidiary
LITE-ON TECHNOLOGY (CHANGZHOU) CO., LTD.	Four-tier subsidiary
Lite-On Sales & Distribution Inc.	Sub-subsidiary
I-SOLUTIONS LIMITED	Third-tier subsidiary
LITE-ON POWER TECHNOLOGY (DONGGUAN) CO., LTD.	Four-tier subsidiary
LITE-ON NETWORK COMMUNICATION (DONGGUAN) LIMITED	Sub-subsidiary
LI SHIN INTERNATIONAL ENTERPRISE CORPORATION	Subsidiary
LITE-ON ELECTRONICS (DONGGUAN) CO., LTD.	Sub-subsidiary
LITE-ON CHINA HOLDING CO., LTD.	Sub-subsidiary
LITE-ON TECHNOLOGY (SHANGHAI) CO., LTD.	Sub-subsidiary
LITE-ON ELECTRONICS (EUROPE) LIMITED	Subsidiary
LITE-ON MEDICAL DEVICE (CHANGZHOU) LTD.	Four-tier subsidiary
LEOTEK ELECTRONICS USA LLC	Sub-subsidiary
KBW-LITEON Jordan Private Shareholding Limited	Subsidiary
Skyla Corporation	Subsidiary
Lite-On (Guangzhou) Automotive Electronics Limited	Third-tier subsidiary
LITE-ON TECHNOLOGY (SHANGHAI) CO., LTD.	Sub-subsidiary
LITE-ON AUTOMOTIVE (WUXI) CO., LTD.	Third-tier subsidiary
Philips & Lite-On Digital Solutions Corporation Singapore Branch	Sub-subsidiary
GUANGZHOU LITE-ON MOBILE ELECTRONIC COMPONENTS CO., LTD.	Subsidiary (non-related party since October 2018)
Lite-On Semiconductor Corp.	Associate
Lite-Space Technology Company Limited	Associate
Silport Travel Corp.	Related party in substance
Diodes Incorporated	Related party in substance
Lite-On Culture Foundation	Related party in substance
Silport Technology Corp.	Related party in substance

(Concluded)

b. Sales of goods

Related Parties Categories	For the Year Ended December 31 2018	2017
Subsidiaries		
Philips & Lite-On Digital Solutions Corporation	$ 14,742,645	$ 19,712,094
LITE-ON TRADING USA, INC.	5,197,154	4,986,038
LITE-ON SINGAPORE PTE. LTD.	3,846,273	3,369,737
Others	3,076,530	2,985,892
	26,862,602	31,053,761
Associates		
Others	9,763	60
Related party in substance		
Others	497	964
	$ 26,872,862	$ 31,054,785

c. Purchases of goods

Related Parties Categories	For the Year Ended December 31 2018	2017
Subsidiaries		
Lite-On Overseas Trading Co., Ltd.	$ 80,575,490	$ 81,486,302
LITE-ON SINGAPORE PTE. LTD.	22,425,492	22,399,977
Others	2,020,278	5,071,137
	105,021,260	108,957,416
Related party in substance		
Others	131,947	131,571
	$ 105,153,207	$ 109,088,987

The sales prices and payment terms to related parties were not significantly different from those of sales to third parties. For other related party transactions, price and terms were determined in accordance with mutual agreements.

d. Receivables from related parties

Related Parties Categories	December 31 2018	2017
Trade receivables		
Subsidiaries		
Philips & Lite-On Digital Solutions Corporation	$ 3,797,699	$ 5,343,874
Lite-On Overseas Trading Co., Ltd.	3,233,971	2,922,898
LITE-ON TRADING USA, INC.	2,046,981	1,984,088
Others	2,017,334	1,693,879
	11,095,985	11,944,739
Associates		
Others	2,885	5,344
Related party in substance		
Others	41	-
	$ 11,098,911	$ 11,950,083
Other receivables		
Subsidiaries		
LITE-ON SINGAPORE PTE. LTD.	$ 86,352	$ 79,239
Lite-On Overseas Trading Co., Ltd.	86,112	71,352
Lite-On (Guangzhou) Automotive Electronics Limited	41,572	-
Others	199,100	103,414
	413,136	254,005
Associates		
Others	846	875
Related party in substance		
Others	-	276
	$ 413,982	$ 255,156

The outstanding trade receivables from related parties are unsecured. For the years ended December 31, 2018 and 2017, no impairment loss was recognized for trade receivables from related parties.

e. Payables to related parties

Related Parties Categories	December 31 2018	December 31 2017
Trade payables		
Subsidiaries		
Lite-On Overseas Trading Co., Ltd.	$ 26,481,119	$ 22,184,657
LITE-ON SINGAPORE PTE. LTD.	8,041,771	5,194,655
Others	778,563	1,223,652
	35,301,453	28,602,964
Related party in substance		
Others	60,478	56,487
	$ 35,361,931	$ 28,659,451
Other payables		
Subsidiaries		
LITE-ON SINGAPORE PTE. LTD.	$ 18,355	$ 36,490
LITE-ON TECHNOLOGY SERVICE USA, INC.	12,853	21,145
Lite-On Integrated Service Inc.	14,688	15,046
Others	38,874	38,349
	84,770	111,030
Related party in substance		
Others	8,179	10,426
Associates		
Others	495	-
	$ 93,444	$ 121,456

The outstanding trade payables to related parties are unsecured.

f. Acquisition of property, plant and equipment

Related Parties Categories	Purchase Price For the Year Ended December 31 2018	Purchase Price For the Year Ended December 31 2017
Subsidiaries	$ 2,984	$ 911

g. Disposal of property, plant and equipment

Related Parties Categories	For the Year Ended December 31 2018 Proceeds of Disposal	2018 Gain on Disposal	2017 Proceeds of Disposal	2017 Gain on Disposal
Subsidiaries	$ 3,839	$ 1,108	$ -	$ -

h. Operating expenses

Related Parties Categories	For the Year Ended December 31 2018	2017
Subsidiaries		
LITE-ON, INC.	$ 110,169	$ 110,980
Lite-On Integrated Service Inc.	80,996	83,615
LITE-ON TECHNOLOGY SERVICE USA, INC.	44,291	55,188
Others	79,003	89,169
	314,459	338,952
Associates		
Others	24,020	3,744
Related party in substance		
Silport Travel Corp.	81,075	82,392
Others	380	218
	81,455	82,610
	$ 419,934	$ 425,306

i. Other revenue

Related Parties Categories	For the Year Ended December 31 2018	2017
Subsidiaries		
Skyla Corporation	$ 22,170	$ -
Lite-On (Guangzhou) Automotive Electronics Limited	10,429	16,019
LEOTEK ELECTRONICS USA LLC	7,965	-
Philips & Lite-On Digital Solutions Corporation	7,174	14,254
LITE-ON AUTOMOTIVE (WUXI) CO., LTD.	4,029	6,576
LITE-ON MOBILE PTE. LTD.	-	10,205
Others	18,671	7,966
	70,438	55,020
Associates		
Others	4,353	4,109
Related party in substance		
Others	88	39
	$ 74,879	$ 59,168

j. Compensation of key management personnel

	For the Year Ended December 31 2018	2017
Short-term employee benefits	$ 550,670	$ 518,387
Post-employment benefits	19,103	24,763
	$ 569,773	$ 543,150

The remuneration of directors and key executives was determined by the remuneration committee having regard to the performance of individuals and market trends.

29. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

	December 31	
	2018	2017
Pledged time deposits (classified as financial assets at amortized costs)	$ 308,690	$ -
Pledged time deposits (classified as debt instruments with no active markets)	-	303,997
	$ 308,690	$ 303,997

Pledged assets included the refundable deposits that had been provided for government projects.

30. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

a. From the three months ended June 30, 2010 to the three months ended June 30, 2014, petitioner Carlos Fogelman filed a motion for authorization to institute class action antitrust proceedings with the Superior Court of Quebec in the district of Montreal; the Fanshawe College of Applied Arts and Technology filed a statement of claim in the Ontario court; Neil Godfrey filed a statement of claim with the Superior Court of British Columbia; Donald Woligroski filed a statement of claim in the Manitoba court; and Cindy Retallick filed a statement of claim in the Saskatchewan court. All plaintiffs filed an antitrust group lawsuit against the Parent Company and its subsidiaries - Philips & Lite-On Digital Solutions Corporation, Philips & Lite-On Digital Solutions USA, Inc. and other companies with related businesses. The Company assigned lawyers as its representative in these lawsuits. Although the outcome of the proceedings have not been determined, the Parent Company accrued a reasonable amount in case of losses on these lawsuits and will continue to recognize the losses quarterly on the basis of a reasonable estimation of the lawsuits until their settlements.

b. The Company and its subsidiary LITE-ON SINGAPORE PTE. LTD. sued Darfon Electronics Co., Ltd. and Darfon Electronics Co., Ltd. (USA) in the San Francisco federal court for infringement of keyboard patents, respectively, in June 2018. In the same court, Dafang Electronics Co., Ltd. countersued the Parent Company and its subsidiaries LITE-ON, INC., LITE-ON SINGAPORE PTE. LTD. and LITE-ON ELECTRONICS (DONGGUAN) CO., LTD. for infringement of keyboard patents. The lawsuits are in the early stages, and the current assessment has no significant impact on the Company's operations and finances.

c. Darfon electronics Co., Ltd. sued the Company and its subsidiary, LITE-ON COMPUTER (CHANGZHOU) CO., LTD., in the intermediate people's court at Suzhou, Jiangsu, People's Republic of China for infringement of keyboard patents in December 2018. In the same court, LITE-ON ELECTRONICS (GUANGZHOU) LIMITED sued Darfon electronics Co., Ltd. and its subsidiaries for infringement of keyboard patents. The lawsuits are still at the early stages, and based on the current assessment, these lawsuits may not have significant impact on the Company's operations and finances.

31. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than the Company's functional currency and the exchange rates between the foreign currencies and its functional currency were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

December 31, 2018

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 1,339,988	30.6650 (USD:NTD)	$ 41,090,734
EUR	1,078	35.1268 (EUR:NTD)	37,862
CNY	4,435	4.4836 (CNY:NTD)	19,884
CZK	17,892	1.3596 (CZK:NTD)	24,325
JPY	82,184	0.2778 (JPY:NTD)	22,831
			$ 41,195,636
Non-monetary items			
Investments accounted for using the equity method			
USD	1,526,756	30.6650 (USD:NTD)	$ 46,817,965
HKD	4,119,495	3.9153 (HKD:NTD)	16,129,058
THB	1,872,344	0.9488 (THB:NTD)	1,776,480
JOD	28,014	43.2206 (JOD:NTD)	1,210,895
			$ 65,934,399
Financial liabilities			
Monetary items			
USD	1,951,154	30.6650 (USD:NTD)	$ 59,832,126
CZK	15,977	1.3596 (CZK:NTD)	21,722
JPY	64,286	0.2778 (JPY:NTD)	17,859
EUR	315	35.1268 (EUR:NTD)	11,056
HKD	3,467	3.9153 (HKD:NTD)	13,573
			$ 59,896,336

December 31, 2017

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 1,339,756	29.7100 (USD:NTD)	$ 39,804,155
EUR	3,787	35.5064 (EUR:NTD)	134,449
HKD	5,462	3.8014 (HKD:NTD)	20,762
CZK	17,848	1.3883 (CZK:NTD)	24,779
JPY	33,029	0.2638 (JPY:NTD)	8,713
			$ 39,992,858
Non-monetary items			
Investments accounted for using the equity method			
USD	1,460,737	29.7100 (USD:NTD)	$ 43,398,493
HKD	3,748,362	3.8014 (HKD:NTD)	14,249,024
EUR	12,971	35.5064 (EUR:NTD)	460,557
JPY	1,326,343	0.2638 (JPY:NTD)	349,889
			$ 58,457,963
Financial liabilities			
Monetary items			
USD	1,771,582	29.7100 (USD:NTD)	$ 52,633,714
JPY	46,140	0.2638 (JPY:NTD)	12,172
EUR	173	35.5064 (EUR:NTD)	6,160
HKD	5,450	3.8014 (HKD:NTD)	20,717
			$ 52,672,763
Non-monetary items			
Investments accounted for using the equity method			
USD	2,052	29.7100 (USD:NTD)	$ 60,964

For the years ended December 31, 2018 and 2017, the net foreign exchange gains (losses) were $(525,188) thousand and $491,036 thousand, respectively. It is impractical to disclose net foreign exchange gains or losses by each significant foreign currency due to the extensive variety of the foreign currency transactions.

32. SEPARATELY DISCLOSED ITEMS

a. Information on significant transactions and information on investees:

1) Financing provided: None.

2) Endorsements/guarantees provided: See Table 1 below.

3) Marketable securities held (excluding investment in subsidiaries, associates and joint ventures): See Table 2 below.

4) Marketable securities acquired and disposed at costs or prices at least NT$300 million or 20% of the paid-in capital: See Table 3 below.

5) Acquisition of individual real estate at costs of at least NT$300 million or 20% of the paid-in capital: None.

6) Disposal of individual real estate at prices of at least NT$300 million or 20% of the paid-in capital: None.

7) Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital: See Table 4 below.

8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: See Table 5 below.

9) Trading in derivative instruments: Refer to Note 7 and Note 27 to the financial statements.

10) Information on investees: See Table 6 below.

b. Information on investments in mainland China:

1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. See Table 7 below.

2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: See Table 4 and Table 5 below.

LITE-ON TECHNOLOGY CORPORATION

ENDORSEMENT/GUARANTEE PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2018
(Amounts in Thousands of New Taiwan Dollars)

No.	Endorsement/ Guarantee Provider	Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party (Note 2)	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity Per Latest Financial Statements (%)	Maximum Endorsement/ Guarantee Amount Allowable (Note 2)	Guarantee Provided by Parent Company	Guarantee Provided by A Subsidiary	Guarantee Provided to Subsidiaries in Mainland China	Note
		Name	Nature of Relationship (Note 1)											
0	Lite-On Technology	Lite-On Technology (Europe) B.V.	b	$ 7,132,376	$ 68,728	$ 66,741	$ 66,741	$ -	0.09	$ 28,529,502	Yes	No	No	

Note 1: Relationship between the Company and endorsee/guarantee are as follows:

a. Business relationship.

b. A subsidiary in which the Company holds directly over 50% of equity interest.

c. An investee in which the Company and its subsidiaries hold over 50% of equity interest.

Note 2: a. The aggregate amount of guarantees/endorsements by Lite-On Technology Corporation should not exceed 40% of its net worth, and the amount of guarantees/endorsements for any single entity should not exceed 10% of its net worth.

b. Limits on endorsement/guarantee amount provided to each guaranteed party and maximum endorsement/guarantee amount allowable were calculated on the basis of the net worth of the endorsement/guarantee provider, as shown in its most recent audited financial statements.

LITE-ON TECHNOLOGY CORPORATION

MARKETABLE SECURITIES HELD
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2018				Note
				Shares/Units (In Thousands)	Carrying Value	Percentage of Ownership (%)	Fair Value	
Lite-On Technology Corporation	Ordinary shares							
	EPISTAR Corporation	-	Financial asset at FVTPL	449	$ 11,493	0.04	$ 11,493	
	Wistron Corporation	-	Financial asset at FVTOCI	5,437	103,848	0.19	103,848	
	Logah Technology Corp.	-	Financial asset at FVTOCI	7,905	65,376	12.54	65,376	
	Com2B Corp.	-	Financial asset at FVTOCI	5,000	9,009	11.11	9,009	
	Avamax Corp.	-	Financial asset at FVTPL	559	-	6.99	-	Note
	Aetas Technology, Inc.	Member of the board of directors	Financial asset at FVTPL	4,026	-	8.07	-	Note
	AuriaSolar Co., Ltd.	-	Financial asset at FVTPL	41,400	-	19.71	-	Note
	Z-Com, Inc.	-	Financial asset at FVTOCI	63	683	0.09	683	
	Fong Han Electronics Co., Ltd.	-	Financial asset at FVTPL	1,167	-	6.67	-	Note
	Xepex Electronics Co., Ltd.	-	Financial asset at FVTPL	-	-	-	-	Note
	North America Micro-Electronic & Software, Incorporated	-	Financial asset at FVTOCI	5	-	2.67	-	Note
	Action Media Technologies, Inc.	-	Financial asset at FVTPL	38	-	-	-	Note
	Oplink Communications, Inc.	-	Financial asset at FVTOCI	1	867	0.01	867	
	Taiwan Changxing Technology Co., Ltd.	-	Financial asset at FVTOCI	462	4,620	15.40	4,620	
	InSynerger Technology Co., Ltd	-	Financial asset at FVTOCI	1,710	29,070	19.29	29,070	
	Prefered shares							
	Arkologic Holdings Limited	-	Financial asset at FVTPL	11,111	-	7.66	-	Note
	PI-CORAL	-	Financial asset at FVTPL	1,139	-	10.65	-	Note
	Fund							
	Arm IoT Fund, L.P.	-	Financial asset at FVTPL	-	44,840	-	44,840	
	Convertible bond							
	Xepex Electronics Co., Ltd.	-	Financial asset at FVTPL	150	-	-	-	Note

Note: The carrying value of the financial instruments were all assessed for impairment.

LITE-ON TECHNOLOGY CORPORATION

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2018
(Amounts in Thousands of New Taiwan Dollars or in Thousands of Foreign Currencies)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counterparty	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares/Units (In Thousands)	Amount	Shares/Units (In Thousands)	Amount	Shares/Units (In Thousands)	Amount	Carrying Amount	Gain (Loss) on Disposal	Shares/Units (In Thousands)	Amount
Lite-On Technology Corporation	The shares of KBW-LITEON Jordan Private Shareholding Limited	Investments accounted for using the equity method	KBW-LITEON Jordan Private Shareholding Limited	100%-owned subsidiary	4,297	$ 325,571	17,500	$ 885,324 (Note 1)	-	$ -	$ -	$ -	21,797	$ 1,210,895
	The shares of Lite-On International Holding Co., Ltd.	Investments accounted for using the equity method	Lite-On International Holding Co., Ltd.	100%-owned subsidiary	335,825	17,379,624	21,800	725,264 (Note 2)	-	-	104,680 (Note 2)	-	357,625	18,000,208

Note 1: The acquisition amount consists of prepaid investment of $269,820 thousand, capital injection of $485,574 thousand, share of profit of subsidiary accounted for using the equity method of $119,341 thousand and effects on changes in equity of $10,589 thousand.

Note 2: The acquisition amount consists of capital injection of $650,346 thousand and effects on changes in equity of $74,918 thousand; the disposal carrying amount refers to the share of loss of subsidiary accounted for using the equity method.

LITE-ON TECHNOLOGY CORPORATION

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2018
(Amounts in Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts (Payable) or Receivable		Note
			Purchase/ Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
Lite-On Technology Corporation	Philips & Lite-On Digital Solutions Corporation	Subsidiary	Sale	$ (14,742,645)	(10.75)	About 90 days	Cost-plus pricing	No significant difference	$ 3,797,699	9.79	
	LITE-ON TECHNOLOGY (CHANGZHOU) CO., LTD.	Fourth-tier subsidiary	Sale	(1,206,074)	(0.88)	About 90 days	Cost-plus pricing	No significant difference	460,697	1.19	
	WUXI CHINA BRIDGE EXPRESS TRADING CO., LTD.	Third-tier subsidiary	Sale	(466,169)	(0.34)	About 90 days	Cost-plus pricing	No significant difference	73,845	0.19	
	LITE-ON SINGAPORE PTE. LTD.	Subsidiary	Sale	(3,846,273)	(2.80)	About 90 days	Cost-plus pricing	No significant difference	906,503	2.34	
	Lite-On Japan Ltd.	Subsidiary	Sale	(685,488)	(0.50)	About 90 days	Cost-plus pricing	No significant difference	159,394	0.41	
	LITE-ON TRADING USA, INC.	Sub-subsidiary	Sale	(5,197,154)	(3.79)	About 90 days	Cost-plus pricing	No significant difference	2,046,981	5.28	
	Lite-On Sales & Distribution Inc.	Sub-subsidiary	Sale	(496,999)	(0.36)	About 90 days	Cost-plus pricing	No significant difference	223,843	0.58	
	LITE-ON CHINA HOLDING CO., LTD.	Sub-subsidiary	Sale	(186,948)	(0.14)	About 90 days	Cost-plus pricing	No significant difference	186,249	0.48	
	LITE-ON TECHNOLOGY (CHANGZHOU) CO., LTD.	Fourth-tier subsidiary	Purchase	1,852,264	1.48	About 90 days	Cost-plus pricing	No significant difference	(668,427)	(1.59)	
	LITE-ON SINGAPORE PTE. LTD.	Subsidiary	Purchase	22,425,492	17.97	About 90 days	Cost-plus pricing	No significant difference	(8,041,771)	(19.16)	
	LITE-ON, INC.	Sub-subsidiary	Purchase	110,121	0.09	About 90 days	Cost-plus pricing	No significant difference	-	-	
	Lite-On Overseas Trading Co., Ltd.	Subsidiary	Purchase	80,575,490	64.56	About 90 days	Cost-plus pricing	No significant difference	(26,481,119)	(63.10)	
	LITE-ON AUTOMOTIVE (WUXI) CO., LTD.	Third-tier subsidiary	Purchase	119,748	0.10	About 90 days	Cost-plus pricing	No significant difference	(38,104)	(0.09)	
	Diodes Incorporated	Related party in substance	Purchase	131,947	0.11	About 90 days	Cost-plus pricing	No significant difference	(60,478)	(0.14)	

LITE-ON TECHNOLOGY CORPORATION

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2018
(Amounts in Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Ending Balance of Notes Receivable - Related Parties	Ending Balance of Trade Receivables - Related Parties	Ending Balance of Other Receivables - Related Parties	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
							Amount	Action Taken		
Lite-On Technology Corporation	Philips & Lite-On Digital Solutions Corporation	Subsidiary	$ -	$ 3,797,699	$ 2,997	3.23	$ -	-	$ 2,161,668	$ -
	LITE-ON TECHNOLOGY (CHANGZHOU) CO., LTD.	Fourth-tier subsidiary	-	460,697	144	2.97	-	-	-	-
	LITE-ON SINGAPORE PTE. LTD.	Subsidiary	-	906,503	86,352	5.53	-	-	58,064	-
	Lite-On Japan Ltd.	Subsidiary	-	159,394	26,273	4.53	-	-	24,360	-
	LITE-ON TRADING USA, INC.	Sub-subsidiary	-	2,046,981	10,384	2.58	-	-	456,286	-
	Lite-On Sales & Distribution Inc.	Sub-subsidiary	-	223,843	101	1.74	-	-	32,189	-
	Lite-On Overseas Trading Co., Ltd.	Subsidiary	-	3,233,971	86,112	-	-	-	1,826,629	-
	Lite-On China Holding Co., Ltd.	Sub-subsidiary	-	186,249	-	0.97	-	-	-	-

LITE-ON TECHNOLOGY CORPORATION

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
FOR THE YEAR ENDED DECEMBER 31, 2018
(Amounts in Thousands of New Taiwan Dollars or Thousands of Foreign Currencies)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2018			Net Income (Losses) of the Investee	Share of Profits/Losses of Investee	Note
				December 31, 2018	December 31, 2017	Shares (In Thousands)	Percentage of Ownership (%)	Carrying Value			
Lite-On Technology Corporation	Silitech Technology Corporation	New Taipei City, Taiwan	Manufacture and sale of modules and plastic products	$ 324,685	$ 324,685	60,757	33.87	$ 1,274,728	$ (33,816)	$ (11,453)	Subsidiary
	Lite-On Integrated Service Inc.	Taipei City, Taiwan	Information outsourcing and system integrate	25,886	25,886	3,400	100.00	48,323	6,079	6,079	Subsidiary
	Dragonjet Corporation	New Taipei City, Taiwan	Manufacture and sale of computer peripherals, printers, digital cameras, modules and plastic products	1,069,080	1,069,080	26,727	29.62	921,780	(158,196)	(47,093)	Associate (Note 1)
	Lite-On Capital Corporation	Taipei City, Taiwan	Investment activities	4,096,367	4,096,367	209,545	100.00	1,453,527	63,571	19,433	Subsidiary
	LITE-ON ELECTRONICS H.K. LIMITED	Hong Kong	Sale of LED optical products	7,339,481	7,339,481	17,865	100.00	16,089,012	HK$ 517,220	2,113,651	Subsidiary
	Lite-On Electronics (Thailand) Co., Ltd.	Thailand	Manufacture and sale of LED optical products	529,106	529,106	5,030	100.00	1,776,480	THB 156,975	146,897	Subsidiary
	Lite-On Japan Ltd.	Japan	Sale of LED optical products and power supplies	248,305	248,305	6,162	49.49	342,959	JPY (17,352)	(2,450)	Subsidiary
	Lite-On International Holding Co., Ltd.	British Virgin Islands	Investment activities	US$ 357,625	US$ 335,825	357,625	100.00	18,000,208	US$ 7,012	(104,680)	Subsidiary
	LTC GROUP LTD.	British Virgin Islands	Investment activities	$ 1,098,752	$ 1,098,752	32,916	100.00	187,653	US$ 631	(992)	Subsidiary
	LITE-ON TECHNOLOGY USA, INC.	USA	Investment activities	US$ 55,172	US$ 55,172	470	100.00	2,507,215	US$ 3,802	97,919	Subsidiary
	LITE-ON ELECTRONICS (EUROPE) LIMITED	United Kingdom	Manufacture and sale of power supplies	$ 44,559	$ 44,559	300	100.00	59,784	GBP 144	5,800	Subsidiary
	Lite-On Technology (Europe) B.V.	Netherlands	Market research and after-sales service	2,543,184	2,543,184	331	54.00	425,694	EUR 87	1,656	Subsidiary
	Lite-On Overseas Trading Co., Ltd.	British Virgin Islands	Merchandising business	168,947	168,947	5,143	100.00	235,695	US$ (1,536)	(46,680)	Subsidiary
	LITE-ON SINGAPORE PTE. LTD.	Singapore	Manufacture and supply computer peripheral products	US$ 63,788	US$ 63,788	51,777	100.00	12,106,016	US$ 303,121	8,853,757	Subsidiary
	Lite-On Semiconductor Corp.	New Taipei City, Taiwan	Manufacture of image sensor and rectifier	$ 773,618	$ 773,618	57,204	18.32	1,466,975	$ 871,904	158,698	Associate (Note 1)
	LITE-ON VIETNAM CO., LTD.	Vietnam	Electronic contract manufacturing	US$ 12,000	US$ 12,000	-	100.00	353,641	US$ 382	11,527	Subsidiary
	LI SHIN INTERNATIONAL ENTERPRISE CORPORATION	British Virgin Islands	Manufacture and sale of computer and appliance components	$ 56,929	$ 56,929	1,748	100.00	4,095	US$ 2,186	66,463	Subsidiary
	EAGLE ROCK INVESTMENT LTD.	British Virgin Islands	Import and export business and investment activities	341	341	10	100.00	1,253,972	US$ 4,660	142,277	Subsidiary
	Canfield Ltd.	Apia, Samoa	Import and export business and investment activities	7,142	7,142	200	33.33	3,884	US$ (83)	(858)	Associate
	LITE-ON MOBILE PTE. LTD.	Singapore	Manufacture and sale of mobile phone modules and design for assembly line	EUR 457,014	EUR 457,014	427,531	100.00	3,785,919	US$ (48,732)	(1,642,575)	Subsidiary
	LET (HK) LIMITED	Hong Kong	Sale of optical disc drives	$ 251,322	$ 251,322	62,060	100.00	40,046	HK$ 2,102	8,219	Subsidiary
	HIGH YIELD GROUP CO., LTD.	British Virgin Islands	Holding company	2,271,806	2,271,806	68,138	100.00	5,896,949	US$ 5,368	432,110	Subsidiary
	Lite-On Information Technology B.V.	Netherlands	Market research and customer service	1,163,591	1,163,591	11,018	100.00	16,243	EUR (14)	(480)	Subsidiary
	Philips & Lite-On Digital Solutions Corporation	Taiwan	Sale of optical disc drives	267,113	267,113	17,150	49.00	300,513	$ 62,572	30,660	Subsidiary
	Lite-Space Technology Company Limited	Hong Kong	Sale of computer components	165,498	149,968	5,600	46.67	95,942	US$ 545	6,755	Associate
	LITE-ON AUTOMOTIVE ELECTRONICS MEXICO, S.A. DE C.V.	Mexico	Production, manufacture, sale, import and export of photovoltaic device, key electronic components, telecommunications equipment, information technology equipment, semiconductor applications, general lighting, automotive electronics, renewable energy products and systems and maintenance of automotive industry	US$ 4,950	US$ 4,950	146	99.00	53,776	MXN (22,896)	(36,185)	Subsidiary
	Lite-On Automotive Electronics (Europe) B.V.	Netherlands	Sale of automotive parts and other electronic products	EUR -	EUR 90	-	-	-	EUR 4	160	Subsidiary (Note 2)
	Lite-On Automotive International (Cayman) Co., Ltd.	Cayman	Investment activities	US$ 100,626	US$ 100,626	11,967	100.00	2,386,776	US$ 6,351	180,993	Subsidiary
	KBW-LEOTEK Jordan Private Shareholding Ltd.	Jordan	Investment	US$ 69	US$ 69	49	49.00	(119)	JOD (51)	(4,545)	Subsidiary (Note 3)

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2018			Net Income (Losses) of the Investee	Share of Profits/Losses of Investee	Note
				December 31, 2018	December 31, 2017	Shares (In Thousands)	Percentage of Ownership (%)	Carrying Value			
	KBW-LITEON Jordan Private Shareholding Limited	Jordan	Production and manufacture of energy-saving lights and project construction and maintenance	US$ 30,786	US$ 6,069	21,797	99.77	$ 1,210,895	JOD 2,848	$ 119,341	Subsidiary
	LITE-ON POWER ELECTRONIC INDIA PRIVATE LIMITED	India	Manufacture and sale of phone chargers and power supplies	INR 403,920	INR 403,920	40,392	99.00	96,022	INR (147,011)	(64,563)	Subsidiary
	SKYLA CORPORATION	Taiwan	Manufacture and sale of medical equipment	$ 200,000	$ 500	20,000	64.94	199,533	$ (973)	(5,236)	Subsidiary

Note 1: Information on net income (loss) of the investee has not been approved by its board of directors; hence it is shown as an estimated amount. Refer to the financial statements published on the Market Observation Post System for the final amount of net income (loss).

Note 2: Sold in July 2018.

Note 3: Credit balance of investment accounted for using the equity method has been reclassified to other liabilities.

(Concluded)

LITE-ON TECHNOLOGY CORPORATION

INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2018
(Amounts in Thousands of New Taiwan Dollars or Thousands of Foreign Currencies)

Investor Company	Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital (Note 2)	Method of Investment (Note 1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2018	Investment of Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2018	Net Income (Losses) of the Investee Company (Note 2)	Percentage of Ownership	Share of Profits/Losses (Note 2)	Carrying Amount as of December 31, 2018 (Note 2)	Accumulated Inward Remittance of Earnings as of December 31, 2018	Note
						Outflow	Inflow							
Lite-On Technology Corporation	LITE-ON COMPUTER TECHNOLOGY (DONGGUAN) CO., LTD.	Manufacture and sale of display device	$ 502,906 (US$ 16,400)	a	$ 873,002 (US$ 28,469)	$ -	$ -	$ 873,002 (US$ 28,469)	$ (11,561) (CNY -2,535)	100.00	$ (11,561) (CNY -2,535)	$ 389,243 (HK$ 99,416)	$ -	
	DONGGUAN G-PRO COMPUTER CO., LTD.	Manufacture and sale of system products	- -	a	534,338 (US$ 17,425)	-	-	- -	- -	-	- -	- -	-	Note 3
	LITE-ON ELECTRONICS (TIANJIN) CO., LTD.	ODM services	2,039,223 (US$ 66,500)	a	2,039,161 (US$ 66,498)	-	-	2,039,161 (US$ 66,498)	230,411 (CNY 50,522)	100.00	230,411 (CNY 50,522)	3,143,927 (HK$ 802,985)	-	
	LITE-ON ELECTRONICS (DONGGUAN) CO., LTD.	Manufacture of electronic components	1,085,541 (US$ 35,400)	a	1,085,541 (US$ 35,400)	-	-	1,085,541 (US$ 35,400)	464,383 (CNY 101,825)	100.00	464,383 (CNY 101,825)	2,723,835 (HK$ 695,690)	-	
	SILITEK ELEC. (DONGGUAN) CO., LTD.	Manufacture and sale of keyboards	147,192 (US$ 4,800)	a	147,192 (US$ 4,800)	-	-	147,192 (US$ 4,800)	792,591 (CNY 173,791)	100.00	792,591 (CNY 173,791)	3,159,353 (HK$ 806,925)	-	
	LITE-ON ELECTRONICS (GUANGZHOU) LIMITED	Manufacture and sale of printers and scanners	1,122,339 (US$ 36,600)	a	1,122,339 (US$ 36,600)	-	-	1,122,339 (US$ 36,600)	(729,673) (CNY -159,995)	100.00	(729,673) (CNY -159,995)	8,676,649 (HK$ 2,216,088)	-	Note 4
	CHINA BRIDGE (CHINA) CO., LTD.	Investment, sales agent	919,950 (US$ 30,000)	a	912,130 (US$ 29,745)	-	-	912,130 (US$ 29,745)	13,796 (CNY 3,025)	100.00	13,796 (CNY 3,025)	1,286,677 (HK$ 328,628)	-	
	LITE-ON NETWORK COMMUNICATION (DONGGUAN) LIMITED	Manufacture and sale of IT products	1,362,017 (US$ 44,416)	a	434,523 (US$ 14,170)	-	-	1,321,508 (US$ 43,095)	455,841 (CNY 99,952)	100.00	455,841 (CNY 99,952)	3,771,890 (HK$ 963,372)	-	Note 3
	LITEON COMMUNICATION (GUANGZHOU) COMPANY LIMITED	Manufacture and sale of mobile terminal equipment	753,132 (US$ 24,560)	a	753,132 (US$ 24,560)	-	-	753,132 (US$ 24,560)	-	100.00	-	-	-	Note 4
	DONGGUAN G-TECH COMPUTER CO., LTD.	Manufacture and sale of computer case	- -	a	352,648 (US$ 11,500)	-	-	- -	- -	-	- -	- -	-	Note 3
	LITE-ON TECHNOLOGY (GUANGZHOU) LIMITED	Manufacture and sale of computer case	1,018,078 (US$ 33,200)	a	1,018,078 (US$ 33,200)	-	-	1,018,078 (US$ 33,200)	-	100.00	-	-	-	Note 4
	COMMIT Incorporated	Manufacture and sale of application software and multimedia product design	983,917 (US$ 32,086)	a	18,399 (US$ 600)	-	-	18,399 (US$ 600)	-	1.87	-	-	-	
	LITEON ELECTRONICS AND WIRELESS (GUANGZHOU) LIMITED	Manufacture and sale of mobile terminal equipment	484,814 (US$ 15,810)	a	484,814 (US$ 15,810)	-	-	484,814 (US$ 15,810)	-	100.00	-	-	-	Note 4
	LITE-ON (GUANGZHOU) INFORTECH CO., LTD.	Information outsourcing	38,945 (US$ 1,270)	a	71,879 (US$ 2,344)	-	-	71,879 (US$ 2,344)	12,700 (CNY 2,800)	100.00	12,700 (CNY 2,800)	185,072 (HK$ 47,269)	-	
	LITE-ON (GUANGZHOU) PRECISION TOOLING LTD.	Manufacture and sale of modules	558,103 (US$ 18,200)	a	374,113 (US$ 12,200)	-	-	374,113 (US$ 12,200)	-	100.00	-	-	-	Note 4
	LITE-ON DIGITAL ELECTRONICS (DONGGUAN) CO., LTD.	Manufacture and sale of computer peripheral products	91,995 (US$ 3,000)	a	91,995 (US$ 3,000)	-	-	91,995 (US$ 3,000)	4,497 (CNY 986)	100.00	4,497 (CNY 986)	88,498 (HK$ 22,603)	-	
	LITEON LI SHIN TECHNOLOGY (GANZHOU) LTD.	Manufacture and sale of electronic components	367,980 (US$ 12,000)	a	408,948 (US$ 13,336)	-	-	408,948 (US$ 13,336)	68,076 (CNY 14,927)	100.00	68,076 (CNY 14,927)	460,447 (HK$ 117,602)	-	
	LITE-ON TECHNOLOGY (XIANNING) CO., LTD.	Manufacture and sale of electronic components	193,323 (US$ 6,500)	a	199,323 (US$ 6,500)	-	-	199,323 (US$ 6,500)	55,192 (CNY 12,102)	100.00	55,192 (CNY 12,102)	305,515 (US$ 9,963)	-	
	LITE-ON TECHNOLOGY (JIANGSU) CO., LTD.	Investment activities, consulting services and acting as a sales agent	5,090,390 (US$ 166,000)	a	4,630,415 (US$ 151,000)	459,975 (US$ 15,000)	-	5,090,390 (US$ 166,000)	497,411 (CNY 109,067)	100.00	497,411 (CNY 109,067)	8,269,728 (HK$ 2,112,157)	-	
	LITE-ON TECHNOLOGY (GZ) INVESTMENT COMPANY LIMITED	Investment activities	2,453,200 (US$ 80,000)	a	2,453,200 (US$ 80,000)	-	-	2,453,200 (US$ 80,000)	811,034 (CNY 177,835)	100.00	811,034 (CNY 177,835)	514,995 (HK$ 131,534)	-	
	Lite-On Technology (Yingtan) Ltd.	Manufacture and sale of electronic components	337,315 (US$ 11,000)	a	337,315 (US$ 11,000)	-	-	337,315 (US$ 11,000)	22,151 (CNY 4,857)	100.00	22,151 (CNY 4,857)	301,437 (US$ 9,830)	-	
	LITE-ON POWER TECHNOLOGY (DONGGUAN) CO., LTD.	Development, manufacture and sale of electronic components, power supplies and provision technology consulting services	489,781 (US$ 15,972)	a	489,781 (US$ 15,972)	-	-	489,781 (US$ 15,972)	182,629 (CNY 40,045)	100.00	182,629 (CNY 40,045)	887,963 (HK$ 226,793)	-	
	CHANGZHOU LEOTEK NEW ENERGY TRADE LIMITED	Wholesale, import and export and installation of street lights, signal lights, scenery lights and new-type electronic components	30,665 (US$ 1,000)	a	30,665 (US$ 1,000)	-	-	30,665 (US$ 1,000)	(17,444) (CNY -3,825)	100.00	(17,444) (CNY -3,825)	2,748 (CNY 613)	-	
	LITEON OPTO TECHNOLOGY (GUANGZHOU) LTD.	Manufacture and sale of optical disc drives	1,318,595 (US$ 43,000)	a	1,318,595 (US$ 43,000)	-	-	1,318,595 (US$ 43,000)	(136,768) (CNY -29,989)	100.00	(136,768) (CNY -29,989)	1,976,359 (US$ 64,450)	-	
	LiteON Auto Electric Technology (Guangzhou) Ltd.	Manufacture and sale of optical disc drives	61,330 (US$ 2,000)	a	61,330 (US$ 2,000)	-	-	61,330 (US$ 2,000)	(15,757) (CNY -3,455)	100.00	(15,757) (CNY -3,455)	132,687 (US$ 4,327)	-	

(Continued)

Investor Company	Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital (Note 2)	Method of Investment (Note 1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2018	Investment of Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2018	Net Income (Losses) of the Investee Company (Note 2)	Percentage of Ownership	Share of Profits/Losses (Note 2)	Carrying Amount as of December 31, 2018 (Note 2)	Accumulated Inward Remittance of Earnings as of December 31, 2018	Note
						Outflow	Inflow							
	LITEON-IT OPTO TECH (BH) CO., LTD.	Manufacture and sale of optical disc drives	$ 1,686,575 (US$ 55,000)	a	$ 1,686,575 (US$ 55,000)	$ -	$ -	$ 1,686,575 (US$ 55,000)	$ 316,223 (CNY 69,338)	100.00	$ 316,223 (CNY 69,338)	$ 4,113,158 (US$ 134,132)	$ -	
	Lite-On (Guangzhou) Automotive Electronics Limited	Manufacture, sale and processing of electronic products	190,123 (US$ 6,200)	a	180,004 (US$ 5,870)	-	-	180,004 (US$ 5,870)	234,237 (CNY 51,361)	100.00	234,237 (CNY 51,361)	1,774,735 (HK$ 453,282)	-	
	LITE-ON AUTOMOTIVE (WUXI) CO., LTD	Manufacture, sale and processing of electronic products	153,325 (US$ 5,000)	a	153,325 (US$ 5,000)	-	-	153,325 (US$ 5,000)	44,639 (CNY -9,788)	100.00	44,639 (CNY -9,788)	594,307 (HK$ 151,791)	-	
	HUIZHOU LI SHIN ELECTRONIC CO., LTD.	Manufacture of computer peripheral products	377,425 (US$ 12,308)	a	195,551 (US$ 6,377)	-	-	195,551 (US$ 6,377)	141,178 (CNY 30.956)	100.00	141,178 (CNY 30.956)	1,171,219 (US$ 38,194)	-	
	HUIZHOU FU TAI ELECTRONIC CO., LTD.	Manufacture of computer peripheral products	29,714 (US$ 969)	a	1,993 (US$ 65)	-	-	1,993 (US$ 65)	1,532 (CNY 336)	100.00	1,532 (CNY 336)	62,649 (US$ 2,043)	-	
	LITE-ON TECHNOLOGY (SHANGHAI) CO., LTD.	Manufacture and sale of energy saving equipment	2,177,215 (US$ 71,000)	a	2,177,215 (US$ 71,000)	-	-	2,177,215 (US$ 71,000)	102,326 (CNY 22,437)	100.00	102,326 (CNY 22,437)	2,714,496 (US$ 88,521)	-	
	SUZHOU LITE-ON STORAGE CO., LTD.	Research, development, manufacture, sale of SSD and smart storage device (including high-speed with more than 100TB storage capacity) provide after-sales service and technical support; import and export, as a principal or an agent, assorted products and technologies.	3,066,500 (US$ 100,000)	b	1,379,925 (US$ 45,000)	-	-	1,379,925 (US$ 45,000)	65,050 (CNY 14,651)	45.00	29,273 (CNY 6,593)	1366,254	-	
	BEIJING LITE-ON MOBILE ELECTRONIC AND TELECOMMUNICATION COMPONENTS CO., LTD.	Manufacture and sale of mobile phone modules and design for assembly line	490,640 (US$ 16,000)	a	1,605,742 (US$ 52,364)	-	-	1,605,742 (US$ 52,364)	(65,892) (CNY -14,448)	100.00	(65,892) (CNY -14,448)	544,334 (US$ 17,751)	-	
	GUANGZHOU LITE-ON MOBILE ENGINEERING PLASTICS CO., LTD.	Manufacture and sale of mobile phone modules and design for assembly line	600,114 (US$ 19,570)	a	2,779,077 (US$ 90,627)	-	-	2,779,077 (US$ 90,627)	50,960 (CNY 11,174)	100.00	50,960 (CNY 11,174)	1,834,012 (US$ 59,808)	-	
	GUANGZHOU LITE-ON MOBILE ELECTRONIC COMPONENTS CO., LTD.	Manufacture and sale of mobile phone modules and design for assembly line	-	a	3,537,269 (US$ 115,352)	-	-	3,537,269 (US$ 115,352)	(232,372) (CNY -50,952)	-	(232,372) (CNY -50,952)	-	-	Note 5
	Shenzhen Lite-On Mobile Precision Molds Co., Ltd.	Manufacture and sale of mobile phone modules and design for assembly line	-	a	400,209 (US$ 13,051)	-	-	400,209 (US$ 13,051)	(172,226) (CNY -37,764)	-	(172,226) (CNY -37,764)	-	-	Note 5
	ZHUHAI LITE-ON MOBILE TECHNOLOGY COMPANY LTD.	Manufacture and sale of mobile phone modules and design for assembly line	-	a	476,197 (US$ 15,529)	-	-	476,197 (US$ 15,529)	(239,691) (CNY -52,557)	-	(239,691) (CNY -52,557)	-	-	Note 5
	LITE-ON YOUNG FAST (HUIZHOU) CO., LTD.	Modules of touch panels	-	a	199,323 (US$ 6,500)	-	-	199,323 (US$ 6,500)	16,085 (CNY 3,527)	-	16,085 (CNY 3,527)	-	-	Note 6
	LITE-ON GREEN TECHNOLOGIES (NANJING) CORPORATION	Solar energy engineering	22,999 (US$ 750)	a	22,999 (US$ 750)	-	-	22,999 (US$ 750)	(2,043) (CNY -448)	100.00	(2,043) (CNY -448)	(10,115) (CNY -2,256)	-	
	Changzhou Binhu Thin Film Solar Greenhouse Co., Ltd.	Manufacture and sale of solar energy engineering	448,360 (CNY 100,000)	a	91,903 (CNY 2,997)	-	-	91,903 (CNY 2,997)	- -	19.90	- -	4,293 (US$ 140)	-	
	Epricrystal (Changzhou) Co., Ltd.	Manufacture, design and sale of light-emitting diode products	4,814,405 (US$ 157,000)	a	827,955 (US$ 27,000)	-	-	827,955 (US$ 27,000)	57,188 (CNY 12,539)	19.74	11,287 (CNY 2,475)	916,753 (CNY 204,468)	-	
	DONGGUAN LITE-ON COMPUTER CO., LTD.	Manufacture and sale of computer hosts and components	61,330 (US$ 2,000)	a	61,330 (US$ 2,000)	-	-	61,330 (US$ 2,000)	3,612 (CNY 792)	100.00	3,612 (CNY 792)	100,832 (CNY 22,489)	-	
	DongGuan Huaqiang Information Technology Co., Ltd.	Manufacture and sale of laser head and digital player machine core	89,672 (US$ 2,000)	a	38,086 (US$ 1,242)	15,332 (US$ 500)	-	53,418 (US$ 1,742)	18,080 (CNY 3,964)	46.67	8,437 (CNY 1,850)	1,793 (CNY 400)	-	

Accumulated Investment in Mainland China as of December 31, 2018	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
$ 36,532,840 (US$ 1,191,353)	$ 39,281,865 (US$ 1,281,000)	Note 7

Note 1: The way of investment in Mainland China is as follows:

a. Indirect investment in mainland China through holding companies.

b. Direct investment in mainland China through the parent Company.

Note 2: The amount was recognized based on the audited financial statements.

Note 3: LITE-ON NETWORK COMMUNICATION (DONGGUAN) LIMITED merged with DONGGUAN G-PRO COMPUTER CO., LTD. and DONGGUAN G-TECH COMPUTER CO., LTD; LITE-ON NETWORK COMMUNICATION (DONGGUAN) LIMITED was the surviving entity. The merger has been registered with the Ministry of Economic Affairs on February 13, 2019 (Registered No. 10800011600).

(Continued)

Note 4: LITE-ON ELECTRONICS (GUANGZHOU) LIMITED merged with LITE-ON TECHNOLOGY (GUANGZHOU) LIMITED, LITE-ON (GUANGZHOU) PRECISION TOOLING LTD., LITEON COMMUNICATION (GUANGZHOU) COMPANY LIMITED, and LITEON ELECTRONICS AND WIRELESS (GUANGZHOU) LIMITED with LITE-ON ELECTRONICS (GUANGZHOU) LIMITED as the surviving entity. As the merger was still under-way, the change in the amount of investment in mainland China has not yet registered with the Ministry of Economic Affairs.

Note 5: It was sold in October 2018 and has been registered with the Ministry of Economic Affairs (No. 10700355970).

Note 6: Dissolved upon liquidation in November 2018.

Note 7: Under Order No. 10720403170 issued by the Ministry of Economic Affairs, R.O.C. on February 5, 2018, the Company acquired a certification of operation headquarters, which was - approved by the Industrial Development Bureau and is valid from January 31, 2018 to January 30, 2021 - in the ROC. Thus, the Company has no limitation on the investment amount in mainland China.

(Concluded)

LITE-ON TECHNOLOGY CORPORATION

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LITE-ON TECHNOLOGY CORPORATION

STATEMENT OF CASH AND CASH EQUIVALENTS
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Item	Period	Interest Rate (%)	Amount
Cash on hand			$ 516
Checking accounts			1,644
Demand deposits (Notes 1 and 2)			5,079,948
Time deposits	2018.11.07-2019.02.11	0.1-0.6	2,000,000
			$ 7,082,108

Note 1: The amount includes AUD33 thousand, CAD177 thousand, CNY4,435 thousand, CZK17,892 thousand, EUR818 thousand, GBP140 thousand, HK$2,631 thousand, JPY82,111 thousand, PLN10 thousand, SGD102 thousand, SEK101 thousand, US$96,567 thousand and NT$1,995,003 thousand, respectively.

Note 2: The presentation currency was translated from the measurement currency using the following exchange rates:

AUD1 = NT$21.6311, CAD1 = NT$22.5412, CNY1 = NT$4.4836, CZK1 = NT$1.3596, EUR1 = NT$35.1268, GBP1 = NT$38.8158, HK$1 = NT$3.9153, JPY1 = NT$0.2778, PLN1 = NT$8.1780, SGD1 = NT$22.4488, SEK1 = NT$3.4142 and US$1 = NT$30.6650.

LITE-ON TECHNOLOGY CORPORATION

STATEMENT OF TRADE RECEIVABLES, NET
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Client Name	Amount
Lenovo Information Products and its subsidiaries	$ 4,248,520
Hon Hai Precision Industry Co., Ltd. and its subsidiaries	3,523,269
Dell Inc. and its subsidiaries	2,177,787
Lexmark International Inc. and its subsidiaries	2,019,622
Compal Electronics, Inc. and its subsidiaries	1,964,996
Ubiquiti Networks, Inc. and its subsidiaries	1,805,418
Quanta Computer Inc. and its subsidiaries	1,544,116
Others (Note)	10,468,943
Subtotal	27,752,671
Less: Allowance for doubtful accounts	66,339
	$ 27,686,332

Note: The amount of individual client included in others does not exceed 5% of the account balance.

LITE-ON TECHNOLOGY CORPORATION

STATEMENT OF INVENTORIES, NET
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Item	Amount	
	Cost	Net Realizable Value
Merchandise	$ 6,053,700	$ 7,518,119
Raw materials	1,671,441	1,671,441
Finished goods	1,389,096	1,528,959
Work-in-progress	529,890	574,064
	$ 9,644,127	$ 11,292,583

LITE-ON TECHNOLOGY CORPORATION

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investees	Balance, January 1, 2018		Additions in Investment		Decrease in Investment		Share of Profit or Loss of Subsidiaries and Associates	Change in Equities and Other Comprehensive Income of Subsidiaries and Associates	Adjustments from Unrealized and Realized Gain on Transactions with Subsidiaries and Associates (Note 2)	Reclassification (Note 3)	Balance, December 31, 2018			Market Value or Net Assets Value	Collateral or Pledge
	Share	Amount	Share	Amount	Share (Note 1)	Amount (Note 1)					Share	Ownership Interest (%)	Amount		
Listed Securities															
Lite-On Semiconductor Corp.	57,203,784	$ 1,406,656	-	$ -	-	$ 91,355	$ 158,698	$ (7,024)	$ -	$ -	57,203,784	18.32	$ 1,466,975	$ 1,538,782	-
Silitech Technology Corporation	60,757,310	1,287,758	-	-	-	-	(11,453)	(1,577)	-	-	60,757,310	33.87	1,274,728	753,391	-
Lite-On Japan Ltd.	6,161,700	349,889	-	-	-	4,214	(2,450)	12,218	(12,484)	-	6,161,700	49.49	342,959	287,569	-
Logah Technology Corp.	16,164,410	95,242	-	-	16,164,410	99,320	-	4,078	-	-	-		-	-	-
		3,139,545		-		194,889	144,795	7,695	(12,484)	-			3,084,662	2,579,742	
Unlisted Securities															
Lite-On International Holding Co., Ltd.	335,825,483	17,379,624	21,800,000	650,346	-	-	(104,680)	46,436	28,482	-	357,625,483	100.00	18,000,208	17,971,726	-
LITE-ON ELECTRONICS H.K. LIMITED	17,865,367	14,218,135	-	-	-	-	2,113,651	(241,056)	(1,718)	-	17,865,367	100.00	16,089,012	16,090,730	-
LITE-ON SINGAPORE PTE. LTD.	51,776,500	3,212,400	-	-	-	-	8,853,757	120,624	(80,765)	-	51,776,500	100.00	12,106,016	12,186,781	-
HIGH YIELD GROUP CO., LTD.	68,138,000	5,588,529	-	-	-	-	432,110	(123,690)	-	-	68,138,000	100.00	5,896,949	5,896,949	-
LITE-ON MOBILE PTE. LTD.	451,031,538	9,001,757	-	-	23,500,800	3,385,324	(1,642,575)	(187,939)	-	-	427,530,738	100.00	3,785,919	3,785,919	-
LITE-ON TECHNOLOGY USA, INC.	470,239	2,302,123	-	-	-	-	97,919	116,340	(9,167)	-	470,239	100.00	2,507,215	2,516,382	-
Lite-On Automotive International (Cayman) Co., Ltd.	11,967,300	2,253,101	-	-	-	-	180,993	(47,318)	-	-	11,967,300	100.00	2,386,776	2,386,776	-
Lite-On Electronics (Thailand) Co., Ltd.	5,029,844	1,564,682	-	-	-	-	146,897	64,901	-	-	5,029,844	100.00	1,776,480	1,776,480	-
Lite-On Capital Corporation	209,545,089	1,603,803	-	-	-	182,702	19,433	12,993	-	-	209,545,089	100.00	1,453,527	1,453,527	-
SUZHOU LITE-ON STORAGE CO., LTD.	-	-	-	-	-	-	29,273	(17,969)	-	1,354,950	-	45.00	1,366,254	1,366,254	-
EAGLE ROCK INVESTMENT LTD.	10,000	1,134,938	-	-	-	-	142,277	(23,243)	-	-	10,000	100.00	1,253,972	1,253,972	-
KBW-LITEON Jordan Private Shareholding Limited	4,297,000	325,571	17,499,720	485,574	-	-	119,341	18,885	(8,296)	269,820	21,796,720	99.97	1,210,895	1,219,191	-
DragonJet Corporation	26,727,000	974,975	-	-	-	-	(47,093)	(6,102)	-	-	26,727,000	29.62	921,780	418,352	-
Lite-On Technology (Europe) B.V.	330,896	438,634	-	-	-	-	1,656	(14,596)	-	-	330,896	54.00	425,694	425,694	-
LITE-ON VIETNAM CO., LTD.	-	331,292	-	-	-	-	11,527	10,822	-	-	-	100.00	353,641	353,641	-
Philips & Lite-On Digital Solutions Corporation	17,150,000	302,064	-	-	-	25,850	30,660	(6,361)	-	-	17,150,000	49.00	300,513	300,513	-
Lite-On Overseas Trading Co., Ltd.	5,142,962	273,986	-	-	-	-	(46,680)	8,389	-	-	5,142,962	100.00	235,695	235,695	-
SKYLA Corporation	50,000	500	19,950,000	199,500	-	-	(5,236)	4,769	-	-	20,000,000	64.94	199,533	199,533	-
LTC GROUP LTD.	32,915,855	163,059	-	-	-	-	(992)	25,586	-	-	32,915,855	100.00	187,653	187,653	-
LITE-ON POWER ELECTRONIC INDIA PRIVATE LIMITED	40,392,000	171,585	-	-	-	-	(64,563)	(11,000)	-	-	40,392,000	99.00	96,022	96,022	-
Lite-Space Technology Company Limited	5,100,000	74,632	500,000	15,530	-	-	6,755	(975)	-	-	5,600,000	46.67	95,942	95,942	-
LITE-ON ELECTRONICS (EUROPE) LIMITED	300,000	55,875	-	-	-	-	5,800	(1,891)	-	-	300,000	100.00	59,784	59,784	-
LITE-ON AUTOMOTIVE ELECTRONICS MEXICO, S.A. DE C.V.	146,087	85,195	-	-	-	-	(36,185)	4,766	-	-	146,087	99.00	53,776	53,776	-
Lite-On Integrated Service Inc.	3,400,000	47,153	-	-	-	4,909	6,079	-	-	-	3,400,000	100.00	48,323	48,323	-
LET (HK) LIMITED	62,059,600	30,889	-	-	-	-	8,219	938	-	-	62,059,600	100.00	40,046	40,046	-
Lite-On Information Technology B.V.	11,018,000	16,898	-	-	-	-	(480)	(175)	-	-	11,018,000	100.00	16,243	16,243	-
Li Shin International Enterprise Corp.	1,748,461	-	-	-	-	-	66,463	(1,404)	-	(60,964)	1,748,461	100.00	4,095	4,095	-
Canfield Ltd.	200,000	4,584	-	-	-	-	(858)	158	-	-	200,000	33.33	3,884	3,884	-
Lite-On Automotive Electronics (Europe) B.V.	1,981	5,025	-	-	1,981	14,129	160	7,492	1,452	-	-	-	-	(1,452)	-
KBW-LEOTEK Jordan Private Shareholding Ltd.	49,000	4,491	-	-	-	-	(4,545)	(65)	-	119	49,000	49.00	-	-	-
		61,565,500		1,350,950		3,612,914	10,319,083	(240,685)	(70,012)	1,563,925			70,875,847	70,442,431	
		$ 64,705,045		$ 1,350,950		$ 3,807,803	$ 10,463,878	$ (232,990)	$ (82,496)	$ 1,563,925			$ 73,960,509	$ 73,022,173	

Note 1: The amount includes impairment loss, capital reduction to offset accumulated deficits, return of share capital, cash dividends and disposal of investments.

Note 2: The adjustments include unrealized loss on transactions with subsidiaries and associates of $113,044 thousand and realized gain on disposal of property, plant and equipment of $30,548 thousand.

Note 3: The amount includes prepaid investment of $1,624,770 thousand in the beginning of the year, a decrease in the beginning credit balance of investments accounted for using the equity method (non-current liabilities) of $60,964 thousand, and an increase in the ending credit balance of investments accounted for using the equity method (non-current liabilities) of $119 thousand.

LITE-ON TECHNOLOGY CORPORATION

STATEMENT OF SHORT-TERM BORROWINGS
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars or Thousands of Foreign Currencies)

Name	Contract Period	Interest Rates (%)	Balance, End of Year	Loan Commitment
Citibank	2018.12.13-2019.01.11	2.99	$ 1,533,250	US$ 50,000
Citibank	2018.11.13-2019.01.15	2.92	2,453,200	US$ 80,000
Citibank	2018.12.14-2019.02.15	3.13	613,300	US$ 20,000
HSBC Bank	2018.11.13-2019.01.14	2.91	1,287,930	US$ 42,000
HSBC Bank	2018.11.14-2019.01.14	2.91	858,620	US$ 28,000
HSBC Bank	2018.12.14-2019.01.14	3.08	367,980	US$ 12,000
HSBC Bank	2018.12.14-2019.02.14	3.20	766,625	US$ 25,000
Land Bank of Taiwan	2018.12.14-2019.01.11	3.31	1,533,250	US$ 50,000
Hua Nan Bank	2018.12.14-2019.01.11	3.39	1,471,920	US$ 48,000
Credit Agricole	2018.12.14-2019.01.31	3.20	2,299,875	US$ 75,000
Bank SinoPac	2018.12.28-2019.02.27	3.45	2,913,175	US$ 95,000
Bank SinoPac	2018.12.28-2019.02.27	3.45	1,165,270	US$ 38,000
			$ 17,264,395	

LITE-ON TECHNOLOGY CORPORATION

STATEMENT OF TRADE PAYABLES
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Vendor Name	Amount
TOSHIBA MEMORY CORPORATION	$ 1,897,072
ChongQing SILITAN Tech. Co., Ltd.	524,089
EDOM TECHNOLOGY CO., LTD.	335,066
GuangDong Ellington Electronic	291,447
Luxshare Precision Limited	236,253
WORLD PEACE INDUSTRIAL CO., LTD.	153,052
KAI CHI COMPANY LIMITED	144,551
Others (Note)	3,018,327
	$ 6,599,857

Note: The amount of individual vendor in others does not exceed 2% of the account balance.

LITE-ON TECHNOLOGY CORPORATION

STATEMENT OF OTHER PAYABLES
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Item	Amount
Accrued salaries and bonuses	$ 3,765,072
Royalties payable	2,893,303
Accrued discounts and allowances	1,882,203
Accrued compensation	1,207,271
Purchase of equipment	693,311
Others (Note)	2,397,582
	$ 12,838,742

Note: The amount of each item in others does not exceed 5% of the account balance.

LITE-ON TECHNOLOGY CORPORATION

STATEMENT OF OPERATING REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Item	Quantity (In Thousand Units)	Amount
Power adaptor	148,301	$ 32,800,470
Storage device	140,311	32,424,595
Computer accessories and peripherals	85,284	16,637,587
Network and communication product	241,586	16,056,118
Image and video solution	15,981	12,871,388
System solution	10,032	10,555,333
Computer case	56,849	9,339,032
Others (Note)	197,301	9,899,089
		140,583,612
Less: Sales returns		864,980
Sales discounts and allowance		2,549,242
		$ 137,169,390

Note: The amount of each item in others does not exceed 5% of the account balance.

LITE-ON TECHNOLOGY CORPORATION

STATEMENT OF COST OF GOODS SOLD
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Item	Amount
Cost of goods sold	
Raw materials, beginning of year	$ 854,012
Additions: Raw material purchased	19,887,652
Deductions: Raw materials, end of year	1,671,441
Raw materials sold	4,882
Loss of disposal of raw materials	9,546
Others	7,560
Raw materials used	19,048,235
Direct labor	223,848
Manufacturing expense	1,138,026
Manufacturing cost	20,410,109
Additions: Work in progress, beginning of year	507,918
Deductions: Work in progress, end of year	529,890
Loss of disposal of work in progress	49
Others	1,412
Cost of finished goods	20,386,676
Additions: Finished goods, beginning of year	529,264
Deductions: Finished goods, end of year	1,389,096
Loss of disposal of finished goods	119
Others	2,696
Cost of goods sold, finished goods	19,524,029
Merchandise, beginning of year	5,891,832
Additions: Merchandise purchased	105,627,158
Deductions: Merchandise, end of year	6,053,700
Loss of disposal of merchandise	92,075
Transferred to manufacturing or operating expense	195,758
Cost of goods sold, merchandise	105,177,457
Additions: Raw materials sold	4,882
Loss of disposal, total	101,789
Cost of goods sold, total	$ 124,808,157

LITE-ON TECHNOLOGY CORPORATION

STATEMENT OF OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Item	Selling And Marketing Expense	General And Administrative Expenses	Research And Development Expenses	Expected Credit Loss	Total
Payroll and related expense (including director's remuneration)	$ 633,740	$ 2,685,271	$ 2,132,776	$ -	$ 5,451,787
Depreciation and amortization expense	5,562	406,190	280,916	-	692,668
Professional service fee	70,548	382,876	99,139	-	552,563
Licensing fee	589,594	181,771	18,962	-	790,327
Import and export fee	432,108	5	82	-	432,195
Travel expense	100,141	70,742	133,702	-	304,585
Insurance expense	50,063	106,731	180,100	-	336,894
Research expense	551	14	286,342	-	286,907
Pension expense	35,368	31,633	125,127	-	192,128
Repair and maintenance expense	4,231	201,534	28,281	-	234,046
Advertising expense	148,387	16,997	26,213	-	191,597
Rental expense	6,521	255,431	22,349	-	284,301
Storage fee	178,449	-	1,528	-	179,977
Product warranty expense	370,182	325	-	-	370,507
Registration fee	29,865	89	8,852	-	38,806
Commission	92,038	2,157	2,919	-	97,114
Expected Credit Loss	-	-	-	5,847	5,847
Others (Note)	255,057	313,312	401,703	-	970,072
	$ 3,002,405	$ 4,655,078	$ 3,748,991	$ 5,847	$ 11,412,321

Note: The amount of each item in others does not exceed 2% of the account balance.

LITE-ON TECHNOLOGY CORPORATION

STATEMENT OF LABOR, DEPRECIATION AND AMORTIZATION BY FUNCTION
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018			2017		
	Classified as Cost of Goods Sold	Classified as Operating Expenses	Total	Classified as Cost of Goods Sold	Classified as Operating Expense	Total
Depreciation expense	$ 182,304	$ 416,256	$ 598,560	$ 186,897	$ 475,307	$ 662,204
Amortization expense	$ 3,909	$ 276,412	$ 280,321	$ 3,284	$ 382,042	$ 385,326
Labor cost (Note)						
Salary and bonus	$ 689,811	$ 5,380,929	$ 6,070,740	$ 698,762	$ 5,499,535	$ 6,198,297
Labor and health insurance	55,780	336,894	392,674	56,397	334,481	390,878
Pension	32,933	192,128	225,061	33,408	212,160	245,568
Director's remuneration	-	70,858	70,858	-	30,764	30,764
Others	27,914	120,019	147,933	26,872	104,174	131,046
	$ 806,438	$ 6,100,828	$ 6,907,266	$ 815,439	$ 6,181,114	$ 6,996,553

Note: As of December 31, 2018 and 2017, the Company had 4,714 and 4,817 employees, respectively. The Company had 8 board of directors, who are classified not as employees, for the periods ended 2018 and 2017.